



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATIONS, INFORMATION
TECHNOLOGY AND THE ARTS LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

WEDNESDAY, 25 MAY 2005

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SENATE

**ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY
AND THE ARTS LEGISLATION COMMITTEE**

Wednesday, 25 May 2005

Members: Senator Eggleston (*Chair*), Senator Lundy (*Deputy Chair*), Senators Bartlett, Conroy, Santoro and Tchen

Senators in attendance: Senators Carr, Eggleston, Fierravanti-Wells, Lundy, Marshall, Moore and Tchen

Committee met at 9.07 am

**COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS
PORTFOLIO**

Consideration resumed from 24 May.

In Attendance

Senator Kemp, Minister for the Arts and Sport

Department of Communications, Information Technology and the Arts

Executive

Ms Helen Williams AO, Secretary

Ms Fay Holthuyzen, Deputy Secretary, Communications

Dr Rod Badger, Deputy Secretary, Information Economy

Ms Lynn Bean, Acting Deputy Secretary, Arts and Sport

Corporate and Business

Mr Frank Nicholas, Chief Operating Officer, Corporate and Business Division

Mr Mike Hutchings, General Manager, Information Technology and Facilities Branch

Mr Tim Cornforth, Manager, Regional Network Management Unit

Finance and Budgets

Ms Jennifer Gale, Chief Financial Officer

Telecommunications

Mr Chris Cheah, Chief General Manager, Telecommunications

Mr Simon Bryant, General Manager, Telecommunications Competition and Consumer Branch

Mr Brenton Thomas, General Manager, Enterprise and Infrastructure Branch

Ms Carolyn McNally, General Manager, Regional Communications Policy Branch

Dr Greg Terrill, General Manager, International Branch

Mr Tom Dale, General Manager, Strategic Policy Branch

Broadcasting

Mr James Cameron, Chief General Manager, Broadcasting

Mr Gordon Neil, General Manager, Licensed Broadcasting

Mr Rohan Buettel, General Manager, Public Broadcasting
Dr Simon Pelling, General Manager, Digital Broadcasting and Spectrum Management
Mr Tom Dale, General Manager, Strategic Policy

Information and Communications Technology (ICT)

Dr Beverly Hart, Chief General Manager, Information and Communications Technology Division
Mr Philip Allnutt, General Manager, Information and Communications Technology Industry Branch
Mr Simon Cordina, General Manager, Creators' Rights and Access Branch
Ms Andrea Grosvenor, Acting General Manager, Regional Communication Initiatives Branch

Information Economy

Mr Keith Besgrove, Chief General Manager, Information Economy Division
Mr James Shaw, General Manager, Strategy Branch
Mr Andrew Maurer, Manager, Online Policy Section
Mr Lindsay Barton, Acting General Manager, Access Branch

Arts and Sport Division

Mr Colin Lyons, Acting Chief General Manager, Arts and Sport Division
Mr Mark Taylor, General Manager, Arts, Regional and Governance
Mr Peter Young, General Manager, Film and Digital Content
Mr Paul McInnes, Acting General Manager, Collections
Mr Kevin Isaacs, General Manager, Sport
Ms Sally Bassar, General Manager, Indigenous Arts and Training
Mr Les Turner, General Manager, Indigenous Culture and Arts Support
Ms Kate Cowie, General Manager, Old Parliament House
Mr Andrew Sayers, Director, National Portrait Gallery

Agencies**Telstra**

Mr Bill Scales AO, Group Managing Director, Regulatory, Corporate and Human Relations
Mr Geoff Nicholson, Director, Business and Finance Services
Mr Don Pinel, Regional Managing Director, Telstra Country Wide, Queensland
Mr Denis Mullane, General Manager, Integrated Network Planning
Ms Kate McKenzie, Managing Director, Regulatory
Ms Chloe Munro, Managing Director, Human Resources
Mr Greg Adcock, Head of Business and Commercial Operations
Ms Jenny Young, Head, Consumer Segment

Australia Post

Mr Michael McCloskey, Corporate Secretary
Mr Peter Meehan, Chief Financial Officer
Mr Terry Sinclair, Group Manager, National Logistics
Mr Rod McDonald, Group Manager, Human Resources

Mr Stephen Walter, Group Manager, Corporate Public Affairs

Mr Glenn O'Bryan, Acting Group Manager, Retail

Australian Communications Authority (ACA)

Dr Bob Horton, Acting Chairman

Mr Allan Horsley, Acting Deputy Chairman

Mr Geoff Luther, Acting Member

Ms Maureen Cahill, Executive Manager, Communications Operations and Service Group

Mr John Grant, Acting Senior Executive Manager, Radiocommunications

Mr Mark Loney, Executive Manager, Corporate Management

Mr John Neil, Executive Manager, Telecommunications Analysis

Mr John Haydon, Executive Manager, Consumer

Mr Darren Hooper, Chief Financial Officer

Ms Anita Tapper, Acting Chief Financial Officer

Australian Broadcasting Corporation (ABC)

Mr Russell Balding, Managing Director

Mr Murray Green, Acting Director, Strategy and Communications

Mr David Pendleton, Chief Operating Officer

Mr Colin Knowles, Director, Technology and Distribution

Ms Sue Howard, Director, ABC Radio

Special Broadcasting Service Corporation (SBS)

Mr Nigel Milan, Managing Director

Ms Julie Eisenberg, Head of Policy

Mr Jon Torpy, Chief Financial Officer

Mr Will Berryman, Chief Technology Officer

Mr Shaun Brown, Head of Television

Mr Quang Luu, Head of Radio

Australian Broadcasting Authority (ABA)

Mr Giles Tanner, General Manager; Acting Member

Mr Fred Gengaroli, Director, Planning

Ms Jonquil Ritter, General Counsel

Ms Andree Wright, Director, Industry Performance and Review

Mr Richard Fraser, Senior Project Officer

Ms Sharon Trotter, Acting Manager, Content Assessment

Ms Andrea Malone, Manager, Industry Review

Arts and Sport

Australia Council

Ms Jennifer Bott, Chief Executive Officer

Ms Karilyn Brown, Executive Director, Audience and Market Development

Dr Catherine Brown-Watt, Director, Major Performing Arts Board

Ms Megan Coombs, Executive Director, Finance and Services

National Library of Australia (NLA)

Ms Jan Fullerton, Director-General

Mr Gerry Linehan, Assistant Director-General, Corporate Services

National Gallery of Australia (NGA)

Mr Ron Radford, Director

Mr Alan Froud, Deputy Director

National Museum of Australia (NMA)

Mr Craddock Morton, Director

Ms Suzy Watson, General Manager, Operations

Ms Louise Douglas, General Manager, Public Programs and Audience Development

Dr Mike Pickering, Repatriation Program Director; Acting General Manager

Mr Jeff Smart, Chief Finance Officer

Australian National Maritime Museum

Ms Mary-Louise Williams, Director

Mr Quentin Howarth, Assistant Director

National Archives of Australia (NAA)

Mr Ross Gibbs, Director-General

Mr James Barr, Deputy Director-General

Ms Jenny Anderson, Assistant Director-General, Corporate

Australian Film Finance Corporation (FFC)

Mr Brian Rosen, Chief Executive Officer

Australian Film Television Radio School (AFTRS)

Mr Malcolm Long, Chief Executive Officer

Film Australia (FAL)

Ms Daryl Karp, Chief Executive Officer

Australian Film Commission (AFC)

Mr Kim Dalton, Chief Executive Officer

Australian Sports Commission (ASC)

Mr Mark Peters, Chief Executive Officer

Mr Brent Espeland, General Manager, Sport Performance and Development

Ms Lois Fordham, General Manager, Business Operations

Professor Peter Fricker, Director, Australian Sports Commission

Australian Sports Drug Agency (ASDA)

Mr Kim Terrell, Acting Chief Executive

Ms Anne Gripper, Acting General Manager, Operations

Ms Catherine Rule, Acting General Manager, Strategy and Support

CHAIR—We continue the examination of the Communications, Information Technology and the Arts portfolio estimates. I welcome Senator Rod Kemp, the Minister for the Arts and Sport, to the table today, and the officers from the Arts portfolio, in particular Jennifer Bott, who we are always pleased to see. If we might proceed to questions.

Senator Kemp—Before we start, Mr Chair, if I could just make a couple of observations?

CHAIR—Of course, Senator.

Senator Kemp—Briefly, senators will know that the Arts and Sport budget was very well received. Not surprisingly; there were very substantial increases in and new money. We are delighted with the reception that the Arts budget and the Sport budget received. I wish to raise a couple of housekeeping matters. These committees are about efficiency and making sure that everyone is accountable. I think the committees have to be accountable themselves. Significant numbers of public servants are involved in these committees. I do not want to repeat the last performance, where we had public servants waiting a whole day and then not called. Some of them, I think, had even flown down from Sydney. What I would like to do, with the cooperation of the committee, is see what we think we can do this morning, so that the public servants that are not needed for the next four hours can do some other work. Then I would like to think that, when we come to lunchtime, we could work out which of the public servants are needed until dinner and then after dinner. Obviously, I understand that senators will be conservative. They will not know exactly how things will go. But I think some of these bodies will not be needed until after lunch.

CHAIR—We might seek guidance from Senators Carr and Lundy on this as to their plan for the morning

Senator CARR—Chair, I think you will find that we are a very conscientious, diligent and thorough. We will do our jobs as senators of the Commonwealth Parliament of Australia.

CHAIR—I know you will do that, Senator.

Senator Kemp—That is taken as read. We actually assume that.

CHAIR—We were just wondering which agencies you would like to have this morning.

Senator Kemp—We are trying to do some housekeeping.

Senator CARR—Normally, you would have a chat to us about this prior to proceedings starting. You might even have a private meeting to discuss these things.

CHAIR—We could do that. The minister has just raised it.

Senator CARR—I know the minister has raised it, but I am just saying that it is an unorthodox way in which to proceed with the matter. We will go through the program as quickly as we can. I do not intend to spend the entire day on the Arts portfolio.

CHAIR—Let us see how we proceed.

Senator Kemp—By lunchtime, are we really going to be going as far as the National Archives, the National Gallery, the National Library and the Museum? I assume we are not.

CHAIR—One never knows. Often we get through the Arts agencies fairly quickly.

Senator CARR—I have got some serious issues that I want to ask the officers about very early in the piece. You will soon get a sense of how it is going.

Senator Kemp—Senator, I do not want to start off on an aggressive basis; as people know, I am a listening senator. I like to work with people. That is my style.

CHAIR—Smooth edges, charming.

Senator Kemp—I want to make sure that the committee gets well serviced. But I just think, frankly, the way this committee has been run—no reflection on you, Mr Chair.

Senator CARR—That does sound like one. That does sound like a reflection on you.

Senator Kemp—The Chair is absolutely outstanding.

CHAIR—We did finish early last night, I have to tell you.

Senator CARR—Ten minutes—a waste of time.

Senator Kemp—But I do think we need to get a bit of an idea about how this is going to go.

CHAIR—We have invited Senator Carr to give you an indication.

Senator Kemp—If public servants are waiting around all day, being forced to wait hour after hour, with no help from the Labor Party, I will be making these points.

CHAIR—Let us proceed until morning tea and then we will review our progress. Senator Carr?

[9.11 am]

Australia Council

Senator CARR—Thank you very much, Chair. Could I ask the Australia Council officials whether they have had a chance to review the *Hansard* since the last hearing? When you come to the Senate estimates, do you examine the *Hansard* after it is published?

Ms Bott—Yes.

Senator CARR—Is there anything on the record that you would like to correct?

Ms Bott—I do not believe so. What are you referring to?

Senator CARR—It is a convention in this place, if matters are raised that could be subject to misinterpretation, to take the opportunity to correct the record at the first available opportunity. I would like to pursue with you a question of whether or not I have misunderstood something.

Senator Kemp—All right. Ask the question.

Senator CARR—In February I asked questions about the many major organisations that were in financial difficulty. On page 65 of the *Hansard* record there is a question that went to a question of a contemporary timetable about the financial health of major performing arts companies. Specifically, I asked a question about the Sydney Dance Company. I asked for a contemporary report. On my reading of that estimates, it went to the issue of what information the Australia Council had available at that time. That was a discussion that took place on 15 February. What I sought from you was whether or not you had any unpublished reports that would give us a better picture of what the financial situation of the Sydney Dance Company was. What I discovered is that the Sydney Dance Company had a report from Mr Ian McRae. I understand that was dated 29 January. Would that be correct? Was a report available on 29 January?

Dr Brown-Watt—The report was not available to us on 29 January. It was in its final stages and in discussion with the company's board before it was delivered to us.

Senator CARR—When did you see the report?

Dr Brown-Watt—It would have been mid-February.

Senator CARR—Mid-February?

Dr Brown-Watt—Yes.

Senator CARR—Before the 16th or after the 16th?

Dr Brown-Watt—I would have to say I would have to check.

Senator CARR—The report states:

After reviewing the company's activities, it is my view that the SDC—
I presume that stands for the Sydney Dance Company—
is not sustainable under the current funding arrangements.

Is that what the report stated?

Dr Brown-Watt—Yes.

Senator CARR—Did it also state:

I am grateful for the thorough advice of Lee Williamson and Cathy Brown-Watt.
That is you, is it not?

Dr Brown-Watt—That is.

Senator CARR—Your advice to me at the last hearings that the financial position of the company was sound is not accurate, is it?

Dr Brown-Watt—The advice I gave you at the last meeting was on the basis of audited accounts for 2003, and I made the point that we did not have the 2004 accounts. We have received them only very recently.

Senator CARR—That is the point. You have received them very recently. But did you receive this report, the McRae report, dated 29 January, prior to your appearance here at the Senate estimates?

Dr Brown-Watt—I do not believe we did.

Senator CARR—Were you consulted about that report?

Dr Brown-Watt—I was consulted particularly about the funding model. There is a section in the report that refers to the funding model for the company. We had detailed discussions about that. Mr McRae worked with the company in relation to the financial details of their operations, because we do not hold that information. That is held by the company.

Senator CARR—Was that report commissioned by the Major Performing Arts Board?

Dr Brown-Watt—We provided a grant to the Sydney Dance Company to commission that report.

Senator CARR—You paid for it?

Dr Brown-Watt—Yes, we did.

Senator CARR—When did the review commence?

Dr Brown-Watt—I think in late 2004.

Senator CARR—Late 2004; when precisely?

Dr Brown-Watt—I do not have that information in front of me.

Senator CARR—When was the grant paid?

Dr Brown-Watt—I believe at the end of the process, in February.

Senator CARR—When was it authorised? When was it agreed to pay the grant?

Dr Brown-Watt—I cannot remember whether it was at our November board meeting or slightly before that.

Senator CARR—That is when the report was commissioned?

Dr Brown-Watt—That is when we agreed, the board agreed, that it would support the Sydney Dance Company to undertake that consultancy.

Senator CARR—The Sydney Dance Company spoke to you in August and September last year about the unsustainability of their funding model, did they not?

Dr Brown-Watt—No, they did not speak to us about that. They did flag with us that they had had a box office difficulty with their first season, but their second season was yet to occur.

Senator CARR—You discounted their concerns in August and September, did you not?

Dr Brown-Watt—No, the company agreed with us that we should wait to see what occurred with their second season.

Senator CARR—At what point did you know that the funding model was unsustainable?

Dr Brown-Watt—I do not believe that we would necessarily state at the moment that the funding model is unsustainable.

Senator CARR—So you do not agree with the statement made on 29 January in the report that the SDC is not sustainable under the current funding arrangements?

Dr Brown-Watt—That is a matter that we are still discussing with the company.

Senator CARR—But you disputed that then?

Dr Brown-Watt—Sorry?

Senator CARR—When you received the report, you disputed that, did you?

Senator CARR—We have had discussions about it and we are continuing to work with the company to work through its difficulties. We are also looking at the funding models issues across the whole of the sector.

Senator CARR—If I recall rightly, at our last discussion there was actually a board meeting which used the same term, ‘unsustainability of the funding models’. Was that not the case?

Dr Brown-Watt—I do not believe so.

Ms Bott—I think, Senator, what you are referring to is the Council’s future planning process, which talked about the long-term issues of funding organisations.

Senator CARR—What date was that?

Ms Bott—The Australia Council meeting that made that statement was in December 2004.

Senator CARR—In December you were prepared to use that language. A report produced and signed off on 29 January, Dr Brown-Watt, I put to you, would be known to you, given that you are acknowledged in the preamble for your thoughtful advice.

Dr Brown-Watt—I repeat, Senator, that that was around the details of the funding model. People who have not worked with it need to discuss how it actually was calculated and works.

Senator CARR—I further put to you that, when asked a direct question about contemporary advice that you had and a contemporary time line, you misled me?

Dr Brown-Watt—I do not believe so. I was giving you advice on the 2003 audited accounts, which was what we had as public domain information. I made the point that on the 2003 audited accounts they would have been okay.

Senator CARR—Yes, but the question went to a contemporary report which, I say to you, was dated 29 January?

Dr Brown-Watt—The question was in a sequence of questions you asked around the 2003 audited accounts. You asked specific questions about the results of companies in that domain, and I answered those questions on the basis of those public domain accounts.

Senator CARR—I asked:

Senator Carr—What organisations within the arts community would regard the present arrangements, in your experience, as being sustainable, then?

Ms Bott—Are you referring to the major performing arts companies?

Senator Carr—Yes.

Ms Bott —That depends—and I am not playing games—on the timeline you are looking at.

Senator Carr—A contemporary timeline will do nicely, like now.

You have a report on 29 January that clearly uses the terms I have referred to you, and it appears that you were not prepared to acknowledge that?

Dr Brown-Watt—I repeat: I did not have that report at the time, and we are still working with the company. The company is still financially sustainable. Its 2004 audit has been signed off with them as a going concern going forward.

Senator CARR—Could you check for me the date on which you received the report?

Dr Brown-Watt—I will certainly do that.

Senator CARR—Thank you very much. Perhaps we can see how we are going with these major companies. I understand the budget has made some alterations. Could you help me with the Ballet? Is there a surplus on the Ballet's accounts at the moment, the Australian Ballet?

Dr Brown-Watt—Are you referring to the Australian Ballet?

Senator CARR—Yes.

Dr Brown-Watt—On their consolidated accounts, yes.

Senator CARR—Is that through endowment activities or from its annual operating budget?

Dr Brown-Watt—Sorry, you said?

Senator CARR—Is it endowment activities that result in that surplus or is it from their operating budget?

Dr Brown-Watt—It is a combination of them both. Some companies separate their private sector income generation into an endowment and some do not. The best comparison across the companies is to take the consolidated result.

Senator CARR—Would you agree with these comments of Richard Evans that were published in the *Australian Financial review* on 6th May:

The operating result is near as dammit break-even.

Dr Brown-Watt—Yes.

Senator CARR—You would agree with that?

Dr Brown-Watt—Yes.

Senator CARR—He also states:

Anyone who runs an arts company knows that the box office can go sour for any number of reasons that are not only to do with the show but external factors.

Would you agree with that observation?

Dr Brown-Watt—Yes.

Senator CARR—In talking about the financial results, I am wondering whether we could disaggregate the extent to which the surplus of the Australian Ballet would be able to be seen in terms of its endowments, its philanthropic support and the other revenue streams. How would you distinguish those two streams of income?

Dr Brown-Watt—I do not have the details of the Australian Ballet's accounts in front of me at the moment. But across the companies as a whole the box office contribution to their income has remained at around 45 per cent to 47 per cent of their income. Private sector income, including sponsorship and philanthropy, has remained around 11 per cent to 12 per cent, and then there are other elements of earned income, such as hiring out of space, et cetera, that is around four per cent. That has remained constant over the last four years, with grant income sitting at around 39 per cent to 40 per cent.

Senator CARR—If we look at the accounts signed off on 31 March this year, those are the latest figures, are they not, for the major companies?

Dr Brown-Watt—Some of the companies do not yet have their audited accounts signed off for this year. It varies when they are signed off.

Senator CARR—Which ones have not had their accounts signed off?

Dr Brown-Watt—At least four of the orchestras have yet to have their accounts signed off.

Senator CARR—Which ones would they be?

Dr Brown-Watt—My recollection, and I will amend this if I find other data, is that it includes the Adelaide Symphony Orchestra, the Melbourne Symphony Orchestra, the Western Australian Symphony Orchestra and Orchestra Victoria.

Senator CARR—Of the others, which ones are showing a deficit, the other major companies?

Dr Brown-Watt—The Sydney Dance Company did make a deficit in 2004. That is the only non-orchestra company that made a deficit in 2004.

Senator CARR—That is the only organisation funded by the major companies board that is showing a deficit?

Dr Brown-Watt—That we have audited accounts for. I do not believe there is any other outstanding, other than the orchestra, as I said.

Senator CARR—How many of the orchestras do you understand to be in deficit?

Dr Brown-Watt—I am working, I repeat, off unaudited at this point, but for 2004 I believe that the Adelaide Symphony Orchestra will make a deficit, the Queensland Orchestra and the Australian Opera and Ballet Orchestra.

Senator CARR—Do you know what the size of those deficits is at the moment?

Dr Brown-Watt—Not particularly high for any of them. Sorry, the Australian Opera and Ballet Orchestra is around a million dollars. The Adelaide Symphony Orchestra, to my recollection, is around 50. I repeat that it is on unaudited.

Senator CARR—I did not quite catch that? What is it for Adelaide?

Dr Brown-Watt—Adelaide, I believe is around 50. I repeat that that is unaudited.

Senator CARR—Yes, and the others?

Dr Brown-Watt—Queensland, I believe, has made a very small deficit. I do not have a number in my head at the moment.

Senator CARR—So the Australian Ballet's surplus was \$960,000 or just under a million dollars, was it?

Dr Brown-Watt—I believe so. Again, I do not have their annual report with me.

Senator CARR—They had an original deficit of \$135,000, is that right, in the first cut of their accounts? Was it the endowment returns and similar revenue that transformed that into a surplus of just under a million dollars?

Dr Brown-Watt—I do not have those precise figures, Senator. But, yes, I believe what you are referring to as their operating outcome was a small deficit around \$100,000, but I do not have the exact figures here. But I repeat that, if you look at most companies, they do not separate their private endowment moneys into a separate entity. If you want to make a comparison with other MPAB companies, it is appropriate to take the consolidated result.

Senator CARR—How many of the major companies are showing a surplus? Can you list those for me? Of the ones funded by the major companies board?

Dr Brown-Watt—I am saying I believe there are three orchestras that are not, and Sydney Dance Company that is not; I believe the rest of them are.

Senator CARR—Can you tell me by how much? What is the size of the surplus for each of those companies?

Dr Brown-Watt—Again, I do not have that detail at this point.

Senator CARR—Because the accounts are not audited?

Dr Brown-Watt—The accounts are audited. I do not have the by company detailed accounts with me.

Senator CARR—Here today?

Dr Brown-Watt—Here today. I can provide it to you.

Senator CARR—Thank you very much.

Dr Brown-Watt—The total surplus across the entire 29 companies in 2004 is \$13 million.

Senator CARR—I went through this at the last round, and you indicated to me that you did not have the detail with you then. Is there any chance we can get the detail today? Is it so difficult to get this information?

Dr Brown-Watt—Yes, that is possible.

Senator CARR—If I could, please. We had this discussion about the sustainability of the arts organisations, major company organisations. We agreed that at the December board meeting it was commented that the current models were not sustainable. It would seem to me that a number of these companies are pretty close to the edge. How does the efficiency dividend that is being applied currently work for the major companies in terms of their budget stream from Commonwealth sourced funding?

Dr Brown-Watt—To this point it has worked in the same way as it works for everyone else. The government applies indexation at its government rate and then reduces that by the one per cent efficiency dividend, but one has to now know that that is being compensated for going forward, and that is a terrific outcome.

Senator CARR—It is compensated in full, is it?

Dr Brown-Watt—The full one per cent reduction, yes. The companies are extremely delighted about that outcome.

Senator CARR—Yes. Of course, that is only part of the difficulty, though, is it not? A far more fundamental issue is indexation? I take it that fundamental problem has not changed with the new budgetary settings? Is that the case?

Dr Brown-Watt—I am sorry?

Senator CARR—The indexation of grants?

Dr Brown-Watt—Yes?

Senator CARR—Has that changed in the current budget settings?

Dr Brown-Watt—For the year 2005 budget, no, but from 2006 on the companies have received what they have referred to—what most people refer to—as partial indexation, which is, as I said, indexation at the government rate then discounted by the efficiency dividend. That is an issue which has been brought to the attention of the government in terms of the strain that that puts on the arts sector by both the Australia Council and the component Major Performing Arts Board in relation to the companies' funding models. The government has responded in this most recent budget by providing compensation for the major companies for

the impact of that efficiency dividend. So going forward it will not be discounted in that way. As I said, this is a terrific outcome and the companies are very grateful for that.

Senator CARR—What is the difference between full indexation and the amount of money that is being provided?

Dr Brown-Watt—I am not sure that I am understanding the question you are asking?

Senator CARR—From my experience in other fields, in other cultural organisations, for instance, the universities, I know there are quite explicit models established within the department for the funding of universities to take into account indexation. There is a constant argument as to what the rate should be, but there is quite explicitly a model for the establishment of compensation for price rises within government funding programs. What is the formula that is applied for the major arts companies?

Ms Coombs—In terms of indexation for the entire Australia Council appropriation, of which the Major Performing Arts Board is clearly a part, we receive an index called WCI6. In the 2005-06 budget, that was 2.3 per cent. So when you adjust for the efficiency dividend, the partial indexation rate was 1.3 per cent for the 2005-06 budget year.

Senator CARR—A range of WCI models is used in other portfolios. The fact that you referred to WCI6 makes the obvious point that there are at least five others. Why that particular one in this portfolio? Why WCI6 and not any of the other price inflators? Do you know?

Ms Bott—We do not know. I imagine it is a question for one of the departmental officials.

Ms Bean—I think the secretary has just gone to find our CFO.

Senator CARR—Is there any proposal for a review of the indexation model, while we are waiting to find out why it is this particular one? Are there any proposals for a review of the schedule? Is that a matter for government?

Senator Kemp—No-one has put any proposals to me, Senator. I am interested to hear the discussion on the indexation issue, because you will recall that I have been at many of these occasions and estimates in which indexation and the efficiency dividend has come up. I looked very closely at the Labor Party arts policy in the last election expecting to see that this would be effectively addressed and, of course, there was a deathly silence in the arts policy. Now, we can talk for the next three years about this. You are quite entitled to do that. But in the end I guess we have all got to put up or shut up. I have to say, despite Senator Lundy's relentless questioning on this issue over many estimates, the Labor arts policy was deathly silent on the indexation issue.

Ms H. Williams—Could I invite the chief financial officer, Jennifer Gale, to explain WCI6?

Ms Gale—The parameters are set between 1 to 6 by DOFA. Each agency fits between 1 to 6. The mix is made up of how many salaries you have versus how many administrative costs, versus how many suppliers. Based on that, DOFA actually tells you on the scale which one you will have. So an agency does not get a choice to pick it; DOFA will tell you where you sit in the mix, and that is the parameter you use.

Senator CARR—Why WCI6 for this organisation?

Ms Gale—That is really a question for DOFA.

Senator CARR—So it is an arbitrary decision?

Ms Gale—No, I do not believe it is arbitrary. I believe it is based on the mix of an organisation's, say, for example, salary over administrative expenses.

Senator CARR—If I look at the schools model, I see the indexation rates up towards eight per cent. You are looking at an effective indexation rate of 1.3 per cent.

Ms Gale—I do not think that is correct. I think they are talking about after the efficiency dividend being removed.

Senator CARR—That is an effective—

Ms Gale—That really is a question for DOFA. It is not a question for us.

Senator CARR—What representations has the Australia Council made on the issue of indexation?

Ms Bott—We have made significant representations to the minister and to government about the efficiency dividend being removed from our grant monies, not from our own administration but from our grant monies.

Senator CARR—What response have you had?

Ms Bott—The response we have had is the one that came through in the last budget, which was that on half of our budget, which is the Major Performing Arts Board budget, we have received compensation for the efficiency dividend. In addition to that, the Australia Council is also not subject to the additional 0.25 per cent efficiency dividend that is applied elsewhere for the next two years. We are exempt from that as well.

Senator CARR—What happens after the two years? Are there any arrangements?

Ms Bott—No. We will make representations to have that exemption continued.

Senator CARR—The other half of your budget that does not apply to the major performing companies?

Ms Bott—It has had a one per cent efficiency dividend applied to it.

Senator CARR—Yes, and what are its indexation arrangements?

Ms Bott—It is the same as Ms Coombs described.

Senator CARR—There is no change?

Ms Bott—No change.

Senator CARR—Have there been representations on that matter?

Ms Bott—Yes. As I said, we have made representations on all of our grant monies in our budget not for our administration. We have made representations to have the efficiency dividend removed from that remainder area of our budget, yes.

Ms H Williams—Senator Carr, you mentioned what happens after the next two years. Of course, that will be considered in the light of the next triennium for the Australia Council.

Senator CARR—Yes. I referred to a statement by Richard Evans that for the company to have a strong financial base it had to take into account the bad years. He made the point that, as a matter of course, major performing companies have bad years. I am interested to know, in terms of your funding models, to what extent do you think the arrangements do take into account the fact that all the performing arts companies do have bad years from year to year?

Dr Brown-Watt—For the major companies, we have encouraged them through the recommendations of the major performing arts inquiry to build reserves to a level approaching 20 per cent of their cost base. In the years that we have been working subsequent to the inquiry, in the four years subsequent to that, the level of net assets of the companies has risen extremely significantly. I think my last calculation was that 15 of the 29 companies now have reserves which represent more than 15 per cent of their total cost base. That is the buffer for difficult years.

Senator CARR—I take it you are working with the performing arts companies to achieve that outcome?

Dr Brown-Watt—We are indeed.

Senator CARR—Are you able to provide the committee with forward estimates for each of the companies over the next three years as to what their analysis is?

Dr Brown-Watt—Sorry, could you repeat that?

Senator CARR—Have you forward estimates for each of the companies for the next three years as to their financial health?

Dr Brown-Watt—We have a forward business plan for each of the companies.

Senator CARR—Can we have a look at that?

Senator Kemp—Senator, I think we might have to check whether there are matters that would be considered as being commercial-in-confidence in that vein.

Dr Brown-Watt—Indeed, I would have thought that they are. The audited accounts are published.

Senator Kemp—I think the companies themselves would have to be consulted. Frankly, you are entitled to be briefed by the companies. In fact, I would urge you to be briefed by them. But whether we would want to put the business plans out, I think, is a different matter.

Senator CARR—That is fair enough. Can you have a look at that. I would be interested to know about the Australia Council's assessment of the sector as a whole as to its financial health. Do you have any analysis on that?

Ms Bott—Can I just clarify, Senator, that when you are referring to the performing arts companies, Dr Brown-Watt's answers relate to the 29 companies funded by the Major Performing Arts Board. There are of course other performing arts companies in the small to medium sector that also have a profile in these matters.

Senator CARR—I am interested in those companies that are actually funded or receive financial assistance from the council.

Ms Bott—Yes, all of the companies that receive assistance from the council.

Senator CARR—That is right. Obviously, if you wish to break them into two categories, those funded by the major companies board and those others, that would be helpful. But I am interested to know what your analysis is of the sector as a whole and the possible market conditions that are likely to face those companies. Do you have an analysis of that type?

Ms Bott—We do in different areas. Firstly, in terms of the major companies, there actually is a funding model per se, which is the one that Dr Brown-Watt has been referring to. That model, which was developed in 1999, has been reviewed once. That report is going to the Cultural Ministers Council this year. The next review of the model will actually take place during 2005-06. The effectiveness of the model and the taking into account of the financial state of those companies will be undertaken in a formal way by the Cultural Minister's Council this year. In terms of the small to medium sector, at the last Senate estimates you asked me if we had any reports on the state of health of those companies, and we did provide those, the Roberts report into theatre, the Fisher report into the dance companies, et cetera.

We do have quite a detailed analysis of those two sectors, which certainly shows considerable strains in that small to medium sector. There is not a funding model per se that applies to that group. But apart from anything else, that is a group of companies that has had the efficiency dividend applied to it and often no increases in grants over a significant period of time. They are feeling financial pressures, yes.

Senator CARR—Do you do any regular surveys of the major companies sector?

Ms Bott—To date we have tended to do sector-by-sector reports like the ones I mentioned and we provided to you. In the future, however, one of the advantages of our new structure is the establishment of this Key Organisations section. One of the expectations of that unit is that they will be surveying the financial health of those companies, amongst other issues.

Senator CARR—I will put some questions on notice that might assist us in getting clarification on these matters. We will take it up at the next round. If I might come back to the Sydney Dance Company, it would be fair to say that the dance company did advise the council for some months about their precarious financial position, would it not?

Dr Brown-Watt—They had advised us that they had a box office failure in their first season. As I said, we then monitored with them the second season, and they had reserves, which mitigated against some of the impact of that. We then agreed with them that it would be appropriate for them to undertake a consultancy to look at issues that they may have going forward. We supported them, as we have with a number of other companies.

Senator CARR—What was the consultancy?

Dr Brown-Watt—That was as you have referred to.

Senator CARR—Mr McRae's report?

Dr Brown-Watt—Yes.

Senator CARR—A report that you are now disputing?

Dr Brown-Watt—I am simply saying that the precise conclusion that they are not viable is not—

Senator CARR—Sorry, I did not say that. I said it was not sustainable under the current funding arrangements. Those were the words that I used. I did not use the words ‘not viable’.

Dr Brown-Watt—I am sorry, ‘unsustainable’. We are working with the company to work through that issue. As I say, they have recently received an audit result that indicates that they are a going concern.

Senator CARR—When was the second season of performances by the Sydney Dance Company?

Dr Brown-Watt—My recollection is September/October.

Senator CARR—When was it evident that it was not doing particularly well with the ticket sales?

Dr Brown-Watt—About midway through that season. They do not have a subscriber base. Hence it takes some time into the season to judge how it is progressing.

Senator CARR—Does the Sydney Dance Company have a three-year business plan?

Dr Brown-Watt—Yes, it does.

Senator CARR—How did that compare with your analysis?

Dr Brown-Watt—The most recent three-year business plan we have from them preceded this box office failure.

Senator CARR—So you were not able to assess its business plan; is that what you are saying to me?

Dr Brown-Watt—The business plan was assessed prior to the season last year. The company did not have reason to believe that it would have the level of box office failure that it did. It had not had a history of that for some years. It was assessed in the light of performance over the previous four or five years. The company had put forward a business model that was sustainable. They had a box office failure. As you have yourself just said, that is possible.

Senator CARR—Yes, I am happy to concede that. But I am just interested to know to what extent you are able to assess the business plans that are presented by the companies against your own expertise in terms of their performance?

Dr Brown-Watt—I repeat that they had had a quite strong performance. They had made surpluses for some years. They were projecting that that would continue. One can only go on the facts that are available. They were not changing their practices in any significant way. They did not anticipate a major problem, and we did not in assessing it.

Senator CARR—Is that the situation with other companies? Is that the same pattern? Do other companies provide you with a three-year business plan?

Dr Brown-Watt—Yes, all companies provide us with a three-year business plan. It is required under their agreement.

Senator CARR—And you can check those business plans against your own assessments?

Dr Brown-Watt—We check them as they do. The business plan includes for these companies an analysis of their performance over the previous three to five years and a projection forward. Yes, we look at that carefully with them.

Senator CARR—You are able to act in a timely manner to correct any major fluctuations away from the business plans?

Dr Brown-Watt—If we have a concern that a company is projecting increased levels of income and we do not see strategies in place for that to happen, we would have discussions with the company about it, yes.

Senator CARR—Dr Brown-Watt, did I hear you right that you have actually helped out other companies as well?

Dr Brown-Watt—We have worked with other companies, yes.

Senator CARR—Have you provided assistance to other companies in a similar manner to that provided to the Sydney Dance Company?

Dr Brown-Watt—Yes.

Senator CARR—When?

Dr Brown-Watt—We worked with Arts WA to assist the Western Australian Symphony Orchestra, my recollection is, either in 2000 or 2001. We similarly worked with Arts Queensland and the Queensland Orchestra in, my recollection is, 2002. But it might be 2003. I would not be absolutely certain of that. We supported a consultancy with Playbox in 2004.

Senator CARR—What was the last one, 2004?

Dr Brown-Watt—That was with Playbox, which has now been retitled Malthouse Theatre.

Senator CARR—How much was that assistance?

Dr Brown-Watt—I would have to go back and check on the actual amounts that we paid for any of these.

Senator CARR—Are there any others?

Dr Brown-Watt—Yes, we worked with State Opera of South Australia through 2003 and 2004 in relation to their Ring Cycle project.

Senator CARR—Do you recall how much assistance that involved?

Dr Brown-Watt—In most cases, there has been an initial consultancy and then some additional work with the company. I can provide you, but I do not have it with me, the exact amount of each of these consultancies.

Senator CARR—Was there any other assistance that you had to provide?

Dr Brown-Watt—‘Assistance’ is more general than consultancies.

Senator CARR—I would call them ‘bailouts’.

Dr Brown-Watt—We have not provided cash-flowing. We have not provided bailouts for any—

Senator CARR—How much did you provide the Sydney Dance Company? What assistance did you provide to the Sydney Dance Company apart from the consultancy?

Dr Brown-Watt—What we are doing is working with them by bringing forward grant payments to cash-flow them.

Senator CARR—How much are these grant payments that you are bringing forward?

Dr Brown-Watt—Sydney Dance Company's total grant from the Australia Council is around \$1.4 million. We have brought forward the payments through this year, but we have not yet had to bring forward any of the 2006 grants. The company is still trading on its 2005 grants.

Senator CARR—So how much grant monies have you brought forward?

Dr Brown-Watt—The agreement we have with them is that we will bring forward grants to a maximum of \$1.2 million. We have not yet needed to bring forward that level of grant.

Senator CARR—How much have you brought forward?

Dr Brown-Watt—I would have to check on that, because it has been in response to cash flow needs that the company is providing us with.

Senator CARR—You do not have that with you?

Dr Brown-Watt—My recollection is around \$300,000 to \$400,000.

Senator CARR—Thank you. Were there any other companies that had their grant monies brought forward or that had financial assistance measures taken?

Dr Brown-Watt—Yes, the companies that I gave you.

Senator CARR—So all of those. And you are providing me with the detail on each of those. Are there any others this year?

Dr Brown-Watt—Opera Australia.

Senator CARR—How much did Opera Australia receive?

Dr Brown-Watt—We have not yet but we will be bringing forward some grant payments to Opera Australia in the second part of this year.

Senator CARR—Do you know how much that will be?

Dr Brown-Watt—It will be 80 per cent of their grant.

Senator CARR—How much is 80 per cent of their grant?

Dr Brown-Watt—We would normally pay 30 per cent of it in December. We will be paying 80 per cent of it in July/August.

Senator CARR—How much will that be?

Dr Brown-Watt—The total grant, I believe, is around \$10 million. It will be 80 per cent of that.

Senator CARR—\$8 million?

Dr Brown-Watt—Yes.

Senator CARR—What happens when you bring a grant forward at the time when the grant would otherwise have been paid? Is there any supplementation or is there no money provided?

Dr Brown-Watt—No money is provided generally.

Senator CARR—So they get paid early but they do not get any extra?

Dr Brown-Watt—Correct.

Senator CARR—If they are having their grant brought forward, at the end of the year what will happen? Will that be sufficient to tide them over? Will that be sufficient to ease their liquidity problem or will that—

Dr Brown-Watt—Companies have particular periods of the year when they have liquidity problems in relation to cash that comes in for them from subscription and sponsors, et cetera. So it is just moving that process.

Senator CARR—Would it be fair to say it is moving the problem rather than solving the problem?

Dr Brown-Watt—That process is usually done in conjunction with other discussions and other measures that the company may be taking to make changes to the way it is doing its business.

Senator CARR—Let us look at the Opera. If you are going to bring their grant forward by 80 per cent, that is a substantial amount of money.

Dr Brown-Watt—It is.

Senator CARR—Implying to me that there is a substantial problem.

Dr Brown-Watt—There is not a problem in the sense that they are in financial difficulty. There are issues which are still being resolved by the three funding agencies, Arts Victoria, New South Wales and the Australia Council, in relation to Opera Australia's pattern of activity. We are providing that additional funding to sustain existing levels of activity while that issue is resolved.

Senator CARR—Does that mean to improve their financial position, their liquidity—

Dr Brown-Watt—It is partially also to deal with the fact that the Australian Opera and Ballet Orchestra, which is a subsidiary company of OA, as I indicated earlier, has incurred substantial deficits. That is an issue that is being addressed through a further examination following the review of orchestras, but the outcome of that will not be known until later this year. By bringing forward grant monies we are facilitating cash flow prior to the resolution of that issue.

Senator CARR—Will there have to be redundancies to meet the cash flow problem? What is their major expense?

Dr Brown-Watt—No.

Senator CARR—What structural changes will be required to overcome this liquidity problem on a longer term basis.

Dr Brown-Watt—For the Opera?

Senator CARR—Yes

Dr Brown-Watt—As I said, it is primarily an issue surrounding the Australian Opera and Ballet Orchestra, and the Melbourne season. I would anticipate that the additional

investigation/examination that is being done of Pit Services in Sydney and Melbourne following the orchestra's review will address those issues.

Senator CARR—Are there any other companies, apart from the Opera, this year that have had to have financial measures by way of assistance?

Dr Brown-Watt—Not this year, no.

Senator CARR—There were no others in any of the last three years that we have not mentioned?

Dr Brown-Watt—Not that I am aware of. I will provide you with any additional information if I find that to have been the case over the last four years.

Senator CARR—Thank you very much. I appreciate that. I think you said you discovered that there was a problem with the dance company in September—is that right?

Dr Brown-Watt—They advised us that they had had an issue, and September was critical because that was their second season. They have two main seasons for generating box office and their second season was in September, so that was a critical time for them.

Senator CARR—But you felt you did not have to act until the second season had been a demonstrable failure.

Dr Brown-Watt—They were not in a situation where they were facing unsolvable financial issues. We were monitoring it with them.

Senator CARR—I thought you were saying before that you did not act because the second season had not been concluded. I am interested to know at point within the second season you appreciated that it was a failure.

Dr Brown-Watt—It was a relatively short season. They advised us, I think within a week of the end of the season, that they did not expect to make their box office for that season.

Senator CARR—And the early warnings only occurred to you at that time. Is that right?

Dr Brown-Watt—They had had successful years for a number of years previously. They had had one box office failure. The second box office failure was, as I recall, unprecedented. They have had single box office failures. If you go back to the time preceding the Major Performing Arts Board, I believe they had a single box office failure in something like 1997, but I am not aware of the company having had two box office failures in one year.

Senator CARR—The dance company received a \$600,000 advance on its grant. That is right, is it? The advance on the grant for the Sydney Dance Company was \$600,000?

Dr Brown-Watt—I am sorry; this is complicated to explain. When we pay the grant moneys to companies standardly, an initial payment of 30 per cent of the grant moneys for a given year—say, 2005—are paid in December. So, if you like, that part of the grant is in advance. The remainder of the grant is paid following acquittal, which occurs around April or May. So, at any given time, for most of the companies there is a degree of funding that is in advance. We do not pay monthly in arrears. Therefore, if one is working out how much grant money has been brought forward in the context of what would normally have been provided, I do not believe it has exceeded \$300,000 for the Sydney Dance Company to this point in time.

Senator CARR—Can I get a figure on it? Is it \$600,000 or not?

Dr Brown-Watt—I will provide the schedule to you against the normal schedule of payments. Then you can see what the difference is between what they would have been paid and what they have been paid.

Senator CARR—I am troubled about why you cannot give me a figure now.

Dr Brown-Watt—I do not have the list of payments that has been made to them with me, but I can get it from my staff quite quickly and I can provide it to you.

Senator CARR—I have here an extract from their business plans released in 2001 and 2003 which identified that there were two unsuccessful Sydney box office seasons in a row. It was put to me that that in itself would have put the dance company into an unsustainable deficit position. The executive summary of the 2001 business plan states: ‘The company achieves reasonable increases in sponsorship donations, commercial and box office fee and revenue streams. It will not cover the forecast increases in core costs, primarily staff and artist costs. Financial security can only be achieved by commercially exploiting ... over the next three years.’ Further on risk management it states that the Sydney Dance Company does not have reserves for successive failures. A further risk assessment in 2003 states that ‘ultimately, the company’s objective is to raise \$1 million from reserve over the next three years to buffer against two successive unsuccessful seasons’. I am just wondering how those statements in their previous business plans fit with your advice to the committee that you did not have forewarning until September last year.

Dr Brown-Watt—What the company was identifying is what all companies are required to identify in their business plans, which is the major risks that the company faces. They have recognised, and we agree, that two successive box office failures was the major risk for that company. That is why all companies identify what their risk is. They are required under good governance practices to work to develop a risk management plan. Part of that risk management plan was, as they have said there, to build reserves to a level that would allow them to sustain two box office failures, but I repeat that it is my understanding that the company has never had two successive box office failures—certainly not in the last 10 years or more. So it is a risk but it is not something that is occurring.

Senator CARR—Mr McRae is a member of the Australia Council’s governing board, isn’t he?

Dr Brown-Watt—Yes, he is chairman of the Theatre Board of the Australia Council.

Senator CARR—And the chair of the board itself nominated him to undertake the report that was given to the dance company on 29 January; is that correct?

Dr Brown-Watt—If you are referring to Mel Ward—

Senator CARR—Yes, that is right—the McCrae report. Is that right? It was done at very senior levels of the board.

Dr Brown-Watt—Yes.

Senator CARR—He is well connected. His CV makes very good reading. I am just wondering why it is that his report was not given more consideration. It does seem to reaffirm the company’s own analysis that over the past five years box office successes covered a

widening gap between the overhead costs of running the company and income from the government sponsors and commercial activities. Wouldn't that be true?

Dr Brown-Watt—I think all of the major companies have succeeded in building box office and private sector income very successfully over the last four years.

Senator CARR—Would it be fair to say that Mr Ward made a number of comments concerning the Sydney Dance Company's performance and capacity to trade out of its financial difficulties? Is that the case? Has Mr Ward said that? He is the chair of the Major Performing Arts Board.

Dr Brown-Watt—Would you repeat what he said?

Senator CARR—For instance, on your web page, on 15 March this year Mr Ward is quoted as saying, 'The council believes that the Sydney Dance Company has the capacity to trade out of its present financial difficulties.' Is that true or not? Did that appear on your web site?

Dr Brown-Watt—We are certainly working with them and we do believe we can help them to trade out of their—

Senator CARR—When was the matter of the Sydney Dance Company formally discussed by the council? What dates?

Dr Brown-Watt—It is being discussed by the Major Performing Arts Board, which has responsibility for the funding arrangements for the Sydney Dance Company, not by the council.

Senator CARR—Has it ever been discussed by the council?

Ms Bott—Yes, it was discussed at the April meeting in Hobart.

Senator CARR—Did the council resolve to assist the Sydney Dance Company or did it take the view that it could trade out of its difficulties?

Ms Bott—The council did not take a formal view. The council received a report from Mel Ward, Chair of the Major Performing Arts Board, as it would normally do, on key issues that that board had dealt with. There was then some commentary from other council members around the table about the issue. But we would expect to receive a further report, as we would normally do, on all of the companies, particularly in this case on the Sydney Dance Company, at the June council meeting here in Canberra.

Senator CARR—What advice did you give the council on these matters?

Ms Bott—I did not give the council any direct advice. We operate on a system of asking our boards, through their directors and chairs, to manage these matters. I expect in a management sense, just as the council would expect in a governance sense, that the boards would raise matters of importance at the council level. The council is aware that the Major Performing Arts Board is working with the Sydney Dance Company to achieve a positive outcome. That is why the Australia Council issued a press release recently in which I am quoted as saying that we support the company and anticipate working constructively with them, through the Major Performing Arts Board, to find a solution to their current financial challenges. This is not an unusual situation in the sense that there are certainly companies that

have run deficits that they have been able to turn into surpluses in other years. The Australian Chamber Orchestra is a very good example of that, and there have been others. The Major Performing Arts Board operates on a governance to governance system—in other words, the board of a major performing arts company presents its business plan to the Major Performing Arts Board. Yes, there are clearly difficulties now, and that is what the discussions over the next couple of months regarding Sydney Dance Company's business plan will focus on.

Senator CARR—Mr McRae's report appears to be in sharp contrast with the proposition you are now putting to this committee that Sydney Dance Company can trade out of its problems. In fact, it is also in sharp contrast with the advice that Sydney Dance Company has given the council for the last six months. Isn't that true?

Dr Brown-Watt—The Sydney Dance Company have signed a letter of offer which the Major Performing Arts Board has given to them in relation to undergoing a managed change process to address their financial difficulties. Taking account of that, the Major Performing Arts Board has agreed to cashflow the company through 2005-06 and 2006-07 while this process occurs so that they can reach a financial outcome. I believe the company also is working to that end.

Senator CARR—The assistance you are offering them is effectively to bring their grants forward.

Dr Brown-Watt—It is to ensure that they can meet their debts when they fall due.

Senator CARR—That means you are shuffling money from one part of the year to another part of the year. The problem is that at the end of that process there must be no money.

Dr Brown-Watt—No. They are undergoing a managed change process with agreements on building themselves towards a surplus outcome.

Senator CARR—What, then, do we make of the McRae report? He is a distinguished senior member of your body—you have commissioned him. How much did you pay for the consultancy?

Dr Brown-Watt—I think it was \$25,000.

Senator CARR—You paid him \$25,000 to produce a report?

Dr Brown-Watt—I will check that figure.

Senator CARR—I appreciate your checking the figure. I am making the point that you paid him \$25,000 to produce a report; it is a report, from my reading of it, that is highly critical and that is supportive of the Sydney Dance Company's analysis; and you tell me that you are now going to talk to people about his report. Does that mean you have actually pigeonholed it?

Dr Brown-Watt—No. There has been discussion by our board of the report. There is a lot of analysis in the report which is extremely useful. There has been discussion between our board and the Sydney Dance Company's board. The report itself identifies a number of areas where the company could make changes to its business that would not put at risk its creativity et cetera. Those are all being considered jointly by the Major Performing Arts Board and Sydney Dance Company's board.

Senator CARR—The impression I am left with—and I am sure you will be able to correct me about my impression—is this. For six months the Sydney Dance Company tells you there is a serious problem. Your own analysis tells you there is a serious problem insofar as there has been a failure at the box office. You commission a \$25,000 report from a respected member of your inner circle. He tells you there is a serious problem. And you say in response, ‘We’ll get a big mirror out and have a good look into this.’ But there is actually no action taken to address the fundamental recommendations that Mr McRae makes. Is that not true?

Dr Brown-Watt—We took immediate action to meet the board and to offer them a financial arrangement which allowed the company to be stable so that we could then continue to work with them to work through, as I said, many of the things which the McRae report identifies as ways in which you could actually deal with the financial pressures on the company.

Senator CARR—Let us look at some of Mr McRae’s recommendations. Let us establish what you think of them. In this way, you can perhaps convince me that my analysis, my impression, is misplaced. What have you done about the proposition—his recommendation—that the government should adopt a new funding model for the Sydney Dance Company, including an increase to its base costs and revision of its earned income ratio?

Dr Brown-Watt—As Ms Bott has indicated, there is, in 2005-06, a total review of the funding models of all of the companies. To do a review of one company in isolation is quite difficult because of the technicalities of how the components of the model are developed. That will be happening within months.

Senator CARR—But it will be all of the sector, not this company.

Dr Brown-Watt—It will be all of them, but Sydney Dance Company will be looked at closely within that process.

Senator CARR—But it will only be looked at in the context of the sector, not in terms of its specifics?

Dr Brown-Watt—It is the 29 companies, and every individual company, in exactly the same way as the original funding models for every single company were developed by the major performing arts inquiry. That process will be gone through again.

Senator CARR—Do you agree that there needs to be an increase in its base costs and revisions to its earned income ratios?

Dr Brown-Watt—For all of the companies, including Sydney Dance Company, the base costs have risen. For all of the companies, including Sydney Dance Company, the earned income has increased. What we are dealing with in Sydney Dance Company, as we have discussed at length, is the risk—the particular risk management problem—of a failure at box office in two seasons. Unlike a lot of other companies, where there may be 14 productions that they do and you can amortise your risk over those, with Sydney Dance Company there are only two. That is a different risk profile, and we need to work through ways of managing that with the company.

Senator CARR—I am still at a loss to understand whether or not you agree with the report. Perhaps you could help me by telling me whether you agree that it is true that the

Sydney Dance Company says that its funding model is—to them—wrong and needs to be fixed?

Dr Brown-Watt—They certainly do believe that it is wrong, and we will be looking at that, as I have just said, in the context of a total review of the funding models.

Senator CARR—The problem is not whether or not they can get additional commercial activity, but whether or not their core funding model is appropriate.

Dr Brown-Watt—That is what I am saying.

Senator CARR—Do you agree that their core funding model is appropriate?

Dr Brown-Watt—I am not in a position to say whether it is right or it is wrong. We are about to review all of those. I absolutely agree that the company believes it is not. The report is valuable in indicating to us where it thinks there could be problems with that model.

Senator CARR—Let us look at another one. Do you agree with the proposition advanced by Ian McRae that Sydney Dance Company has to change from being an international company to being a specialist company?

Dr Brown-Watt—Again, it is a matter around the funding model how they are categorised. The company, when the original funding model was developed, indicated that it saw its pattern of activities to be something that fitted the categorisation of international. In the discussions that I have had with the company, it still believes that it wishes to do a very significant amount of international work, and that question of categorisation is fundamentally one for the company. If they wish to change from one to the other, there is process whereby they can come to us and request to do that. But again that will be something that we will be looking at with them in that total review process.

Senator CARR—Do you agree that the indexation of arts organisations needs to move to another formula?

Dr Brown-Watt—We have discussed the fact that the companies have expressed—and we had expressed in our first review of the funding model—an indication of the strain that partial indexation was putting on the companies. That has now been addressed.

Senator CARR—It has not been addressed. What you have is a change for the next two years for some of the companies.

Dr Brown-Watt—No, I am sorry. Partial indexation has been addressed going forward from 2006 in terms of compensation for the efficiency dividend being applied.

Senator CARR—But the model has not changed. It is still WCI6. There has been no discussion on the particular model. As I have said to you, within DOFA there are at least—

Dr Brown-Watt—I see. I understand what you are getting at.

Senator CARR—I am aware of probably 12 models. There is a very large number of indexation models. I can tell you now that in the education department, for instance, which deals with cultural organisations, there is a range of indexation rates from about eight per cent down to 1.3 per cent.

Dr Brown-Watt—I understand what you are saying. I am sorry, I thought you were referring to what the companies had said about indexation, and what the companies had been

raising was the issue of partial indexation. It was the issue of the efficiency dividend. I take your point that there is a range of other indexation measures that could be used, but that is not something that has been raised by the companies.

Senator CARR—Have you raised the matter with government?

Dr Brown-Watt—No, we have not.

Senator Kemp—I cannot recall it being raised with me. I would have to check, but I cannot recall it. The indexation issue, when I have discussed it with companies, has revolved around the issue that Dr Brown-Watt has addressed—the issue of the efficiency dividend and the partial indexation. I do not know if the Labor Party has a position that the index should be changed. I am not aware that it has. Obviously if people make proposals governments look at those proposals, but no proposal has been put to me.

Senator CARR—Another recommendation is that a one-off grant be provided for the Sydney Dance Company to eliminate the current deficit. Is that a matter that there is agreement within the council on?

Dr Brown-Watt—It is not a matter that we can address from our funding.

Senator CARR—Have you gone to government on that matter?

Dr Brown-Watt—There have been discussions between the company and government, and we have had discussions around that.

Senator CARR—Minister, are you aware of the McRae report?

Senator Kemp—Yes. I have actually had a chance to have a chat with Ian McRae about the McRae report and I have had a chat with the Sydney Dance Company about the McRae report. I do not claim to be an expert on it, and please correct me if I am wrong, but one of the issues raised in the McRae report was that it required particular involvement by the New South Wales government and the Ministry for the Arts. I was interested to hear what happened with that. Apparently there were discussions between the Sydney Dance Company and the New South Wales Ministry for the Arts. My understanding is that they were not prepared to countenance the proposals in the McRae report. I may be wrong on that, but I took from that that it was very hard to give effect to the McRae report. We would consider it further if there was going to be no assistance from the New South Wales government.

Senator CARR—So you blame New South Wales.

Senator Kemp—No; I am not actually in the blame game.

Senator CARR—Sounds like it.

Senator Kemp—No—actually, you sound like it. What we are trying to do is to help a very important company, a company which I think has made a great contribution to the cultural life in this country. The Australia Council has worked very closely with that company in a very positive way. I am aware that the Australia Council made a press statement last week on this issue, which I would like to have incorporated in *Hansard* because I think it deals with some of the issues that Senator Carr has raised. All of us, as Dr Brown-Watt has indicated, are hopeful that the Sydney Dance Company can work through its current problems, and the Australia Council is confident that it can. I do not want anyone to think that we have not been

concerned about the Sydney Dance Company. Of course we have, and equally I know Senator Coonan has and equally I know that the Australia Council has. My understanding is that the Australia Council has worked very positively with the Sydney Dance Company.

CHAIR—We will table the document. That is the agreement of the committee.

Senator Kemp—We will table it, and then I will seek to have it incorporated.

Senator CARR—Surely you have more to say than that.

Senator Kemp—I have actually said quite a bit, but if you want me to keep talking, I am happy to keep talking.

Senator CARR—Since you have had this discussion with Mr McRae and you wish to buy into this, can I ask you: what action is the Commonwealth government taking in regard to Mr McRae's request, and did he put this to you? Did he tell you that under the current financial model the Sydney Dance Company is clearly not sustainable into the future?

Senator Kemp—What has been put, and what has been told to you two or three times by Dr Brown-Watt, is that the Australia Council has worked with the Sydney Dance Company. The Australia Council has taken a number of steps to stabilise the position with the Sydney Dance Company and the Australia Council now believes that, as a result of the action that has been taken, the Sydney Dance Company can trade out of its difficulties. That is the advice that I received from the Australia Council. I think that is good news advice. I do not know why you are persisting with this issue.

As far as the McRae report is concerned—and I am very happy if there are officers at the table who know more about this than me—the McRae report proposed a significantly different funding model. It proposed that the Labor government in New South Wales become more actively involved. I understand—and I may be totally wrong—that the New South Wales government would not countenance that. That is where I think the McRae report suddenly ran into fairly substantial difficulties. But the important thing is: what is the current position of the Sydney Dance Company? Is there a prospect that it can trade out of its current difficulties? The answer, I am advised, is yes. Does the Sydney Dance Company have to reduce its ensemble as a result of the steps which have been put in place? The advice that I have received is that it does not. So, the steps that people would want to have taken—my understanding is—have been taken. I am at a loss to understand why you persist with this line of questioning.

Senator CARR—Because it goes to the very heart of the unsustainability of the present funding models—

Senator Kemp—That is the view you are putting. The Australia Council believes that they are to trade out of their current difficulties.

Senator CARR—This is where we have some difficulty as well, Minister, because you clearly have not read the report. Have you read the report?

Senator Kemp—No, I have not read the McRae report but I have been briefed on the McRae report. I happen to think that Mr Ian McRae makes a very important contribution. The fact is that the McRae report made proposals which were unacceptable to the New South Wales Labor government. As a result of that, we had to look at what else could be done. If the

advice I get is that the council of the Sydney Dance Company feels, as a result of the discussions we have had with them, that they are able to trade out of their current difficulties without any reductions in the ensemble, then it seems to me that is a good news story.

Senator CARR—If you have not actually read the report you will not know, presumably, that Mr McRae told the council that the Sydney Dance Company is not sustainable under its current funding arrangements. On page 4 of the report it says:

The company is currently avoiding insolvency by virtue of undertakings of support through 2005 from the funding authorities.

That is presumably the bringing forward of its grant. That is what is avoiding insolvency.

Senator Kemp—I do not know what more anyone at this table—

Senator CARR—As minister, you do not think that is a serious matter?

Senator Kemp—Do not try this Perry Mason stuff on me, Senator; I have been in and around it a little while so when I talk you will listen, if you do not mind. The advice that we have received is that the Australia Council is confident that the Sydney Dance Company are able to trade out of their difficulties with the additional assistance provided by the Australia Council. That is good news for the fans of the Sydney Dance Company; it is good news for the employees of the Sydney Dance Company. That is the advice that I am receiving. If the situation has changed, I am sure I will get alternative advice. The situation is being very carefully monitored. The Australia Council has acted in a responsible fashion in this matter. The bottom line is that at this stage it is essentially a good news story.

Senator CARR—Unfortunately, Minister, since you have not read the report you will not know that what the report actually said was:

In 2004 the combination of a 3% increase in overhead expenditure and 135,000 reduction in non-production income has pushed the level of net overhead expenditure to the point where it is no longer possible to cover it from normal production income, let alone an unsuccessful box office result.

I would have thought your office would have had access to this report.

Senator Kemp—The body that actually administers this is the Australia Council. You and Senator Lundy before you are always very worried if I appear to be interfering in organisations—we have had this debate before. I rely on the advice that I receive from the Australia Council. Are you telling me, Senator, that the Labor Party position is that you do not believe the advice that has been given to me by the Australia Council is correct? You can have that opinion. The Australia Council can listen to your opinion. The Australia Council have been very carefully through the McRae report and the bottom line is that they are telling me that they are confident the Sydney Dance Company can trade out of its difficulties. That is what they are telling me.

Senator CARR—I would have thought that a competent minister would have been more familiar with the content of this report, particularly given that he had the opportunity to discuss it directly with the author. That is what troubles me, Minister. To what extent are you relying on advice which would appear not to be based on the documents, which the council itself has commissioned and paid \$25,000 to gather?

Senator Kemp—Senator, you might have doubts about the Australia Council. You might want me to intrude into the Australia Council and tell them to do this and to do that. That would be a different position for the Labor Party; that would be a new position for the Labor Party which is generally concerned to maintain the independence of the Australia Council. We have been looking closely at what has been happening here. We have had discussions with the Sydney Dance Company and all of us are very keen to make sure that the company survives as an ongoing organisation and continues to flourish. The advice that I have received from the Australia Council tells me that will happen. It tells me the Sydney Dance Company will be able to trade out of its difficulties. That is what it tells me.

Senator CARR—It tells you that and it also tells you that only 10 per cent of the funding for the Sydney Dance Company comes from the New South Wales government and that they refuse to change their percentage share of that funding because they say that would be a cost shift from the Commonwealth to New South Wales. Did they tell you that there were many funding options being proposed by McRae, and not just the proposition that New South Wales pay more of the bill?

Senator Kemp—I am not proposing to reveal my detailed discussions with people, but let me just say that the New South Wales government had an option to pay more of the bill and that, frankly, it was not interested. Apparently you support the position that the federal government should always be putting in more money but you do not accept the view that the New South Wales government might have a role. To be quite frank, I do not regard it as surprising that you might adopt that position.

Dr Brown-Watt—If I could just comment on that. You raised before the recommendation of the McRae report that the company be classified as a specialist company rather than an international company. That would entail a change in the balance of funding. There are specific ratios of funding that go with each of the categories. As an international company, Sydney Dance Company receives 90 per cent of its funding from the Commonwealth and 10 per cent from New South Wales. Were it to be reclassified as a specialist company, the ratio would be fifty-fifty. So there would be an increase in funding from New South Wales. But that is not just a matter of leaving the company as it is and asking for more money from New South Wales; that goes with the change in category.

Could I also comment on the Major Performing Arts Board, the company and the McRae report. Meetings are being scheduled with the company now that the letter of offer has been signed. The company has done some work that it wishes to discuss with us in relation to its forward budgeting et cetera. We would expect that those meetings would involve board members of the Major Performing Arts Board, management board members, management of Sydney Dance Company and Ian McRae to discuss elements of his report. That will be happening in the near future.

Senator CARR—If additional funding is not provided, will the company have to reduce its number of performances?

Dr Brown-Watt—One of things that the McRae report talks about is the possibility of changing the pattern of the company's performances so that, if it did not do a second Sydney season, it may be possible to do additional regional performances. The McRae report shows that when the company does regional performances it either breaks even or makes marginal

surpluses but that on a marginal basis it is not necessarily achieving that in some of its other venues, such as those in Queensland or Victoria. So one of the options that the company could choose to look at—and it is the company's choice—is whether it changes the pattern of those performances rather than decreases the total number of performances.

Senator CARR—Are you considering any reduction in the size of the company?

Dr Brown-Watt—No. Again, that is a matter that we need to work through with the company.

Senator CARR—So there will not be any reduction in the size of the company?

Dr Brown-Watt—We do not believe so. We are certainly not advising it. We do not believe it will be necessary.

Senator CARR—What actions will be taken to improve the company's balance sheet?

Dr Brown-Watt—We do not see this as a one-year exercise. I think it will turn around over a period. As Ms Bott mentioned, the Australian Chamber Orchestra changed from having a very large deficit balance sheet to a positive balance sheet over a four-year period. That is why we are looking at providing cash flow assistance to the company over a period, not short-term, while it works through this. But the actions that it takes need to be actions that its board and management determine in consultation with us and with Ian McRae, whose analysis provides a lot of very valuable information for the company. The company has certainly expressed to us its gratitude for the depth of information and analysis that the McRae report provides, because it has not had that insight into its business.

Senator CARR—I will ask you a broader question about the way in which you have monitored financial health, and I will come back to the questions that I was asking before. Does the research unit within the council undertake analysis of the financial health of performing arts companies?

Dr Brown-Watt—The Major Performing Arts Board—MPAB—undertakes its own analysis of the financial health of the company as we publish annually an update on the original major performing arts inquiry report, which was called *Securing the future*. There is an annual update of that which is published on our web site and provides analysis of the current financial position and comparisons over previous years. It also provides analysis of the artistic output of the companies and the access activities of the companies.

Ms Bott—On the non-major performing arts companies we do have a certain amount of analysis of our own. We also have the particular research reports that I mentioned before. We would also expect that our new key organisations unit would enable us to have better, more in-depth material on the state of those companies.

Senator CARR—So do you have a concept such as the operating margin? Are you familiar with that concept?

Ms Bott—Yes.

Senator CARR—Do you do an analysis of the operating margins for each of the major companies?

Dr Brown-Watt—We do not publish that. We have the data that would let us do that.

Senator CARR—Why don't you publish that?

Dr Brown-Watt—I said we are updating the major performing arts inquiry report. What we are doing is updating the key tables within that report. That was not one of the key things that we looked at.

Senator CARR—What do you regard as an appropriate operating margin?

Dr Brown-Watt—It varies, depending on the percentage of government grant that companies have.

Senator CARR—So you do not have a formula that gives you a guide? My experience is mainly in the education area where these sorts of matters are assessed. The department there publishes operating margins. It publishes a ratio and says that operating margins provide a useful indication of the financial health and flexibility of publicly funded organisations as they show the surplus level of funds available for future capital investment and other expenditure decisions. Would that be useful for these companies?

Dr Brown-Watt—We provide information on the overall result and the percentage of total costs that that represents. As I said, given the risk factors for these particular companies which are very exposed to the ticket-buying public for their income, we have recommendations in relation to the level of reserves that they should build up to buffer against that. We have a requirement within their grant document that they do budget for a surplus and that they monitor that carefully. We then provide information as to the percentage of surplus.

Senator CARR—What is the operating margin for the Sydney Theatre Company?

Dr Brown-Watt—What are you defining as operating margin?

Senator CARR—Well, what is their surplus?

Dr Brown-Watt—Their surplus in this current year is close to a million dollars with a turnover of around \$17 million.

Senator CARR—And Opera Australia's?

Dr Brown-Watt—Opera Australia's, as Opera Australia without the Australian Opera and Ballet Orchestra, is slightly over a million dollars with a turnover of around \$24 million.

Proceedings suspended from 10.45 am to 11.02 am

Senator CARR—Given that we have quoted the McRae report at length, I would like to table it. If I could table the McRae report, we could clarify what it says.

Senator Kemp—I am all for openness and transparency, as everyone knows, but I want to check there is not another issue that I should be aware of.

Senator CARR—Is there any objection you have to tabling this report?

Senator Kemp—I have spoken to the Australia Council. They are comfortable with the report being tabled, but of course there will be a response from the Major Performing Arts Board to that. So that may help to further enlighten people.

Senator CARR—I am delighted to hear it. I think it is very important that we have a full and accurate public debate on these matters.

Senator Kemp—I have always believed this. I do make a point, Chair, that we had a lot of these debates earlier, not so much in the context of the Sydney Dance Company but on the indexation issue and the efficiency dividend issue. There was a great deal of attention given by the Labor Party before the last election to these issues. As you have pointed out to me, Chair, the Labor Party policy document was strangely silent on a matter which seemed to be of such importance to the Labor Party between elections. If Kim Carr is a breath of fresh air in the—

Senator CARR—I am glad you see it that way. I am delighted that you see my contribution—

Senator Kemp—Someone referred to you as Kim Carr the eighth. I said, ‘Why the eighth?’ They said, ‘Because he’s the eighth shadow arts minister.’ Anyway, ultimately the Labor Party will strike it lucky and you may be it, Senator.

Senator CARR—And win an election. We will be very lucky!

Senator Kemp—You may it be it, Senator.

Senator CARR—In the meantime you have me in all my glory and I am sure you will appreciate it. You will come to understand the great value—

CHAIR—You are a man of hidden depths, Senator Carr.

Senator Kemp—Unlike many of Senator Carr’s colleagues, I do appreciate Senator Carr.

Senator CARR—You do indeed.

Senator Kemp—He may be this breath of fresh air.

Senator CARR—We Victorians ought to stick together, but today we are dealing with the Sydney Dance Company.

Senator Kemp—I think you should get your own colleagues to stick together before you get me to join you.

Senator CARR—We will talk about some other matters with regard to Victoria shortly, which I am sure you will appreciate.

Senator Kemp—Let’s get into those, shall we?

Dr Brown-Watt—Senator Carr, I want to correct something that I said earlier. The consultancy fee paid to Mr McRae was \$15,000 plus expenses.

Senator CARR—What were the expenses?

Dr Brown-Watt—I believe he had to travel from Melbourne to Sydney on several occasions.

Senator CARR—What was the amount of money spent on the consultancy, including expenses?

Ms Bott—We will check that figure straightaway. In light of the tabling of the McRae report, I would like to clarify a couple of matters. As CEO of the council, my understanding is that a definitive position has not been reached by the Major Performing Arts Board on the Sydney Dance Company or the McRae report. The meetings that Dr Brown-Watt referred to, which have been scheduled for a couple of weeks from now, will include the relevant Major

Performing Arts Board members and staff, Ian McRae and the relevant Sydney Dance Company staff and board members. They will look at the path ahead, which could be any number of things. It will clearly be about a realistic forward-going business plan for Sydney Dance Company. It will take into account the review of the funding model and it may involve a loan arrangement. There are a number of possibilities, all of which are yet to be determined.

Senator CARR—I am pleased that we have that clarification. The estimates process is obviously helpful in drawing out these matters. I have no doubt that we will have an opportunity in the future to discuss the progress that will have been made at these meetings. Is there any chance that these meetings could be brought forward, given that they are not for several weeks?

Dr Brown-Watt—No. The Sydney Dance Company's board is arranging the meetings, and the key people they need to have there travel internationally on business frequently. We managed yesterday to resolve a date for the first of those meetings—having gone through several dates, I might say.

Senator Kemp—In view of the fact that Senator Carr has tabled the McRae report, I was wondering whether the federal Labor Party supports the recommendations in the report.

Senator CARR—When we win the next election you will have the chance to pursue that matter.

Senator Kemp—Yes or no?

Senator CARR—You will have plenty of chances to talk to me about that.

Senator Kemp—I noticed that, having gone through the flurry of tabling the McRae report, the Labor Party has not indicated whether it is prepared to accept the recommendations in the report.

Senator CARR—I think there is a great deal to recommend the report.

Senator KEMP—I am fascinated by that. I just wanted to record in *Hansard* and for any journalist that after an hour and a half on the McRae report we cannot get a definitive view from the Labor Party on whether it supports the recommendations or not.

Senator LUNDY—Senator Kemp seems to forget that he is the minister—part of the executive—and therefore the one that makes the decisions about the policy issues.

Senator Kemp—That has always been your problem, Senator Lundy. It has always been the Labor Party's problem that it can never fix a position on anything. The shadow minister is here. I am rather hoping that the eighth shadow minister—or is it the seventh? I am never quite sure—will actually be able to fix a position.

Senator CARR—We were discussing before the break the financial information that the Australia Council has provided. I am wondering whether it is possible to establish the measure of the operating margin for our major performing companies. Do have a figure for the sector as a whole?

Dr Brown-Watt—The total sector surplus for 2004 was \$13 million.

Senator CARR—But what is the operating margin, which is defined as the ability for an institution to contain expenses within the constraints of available funding and other revenue? Do have a margin for that?

Dr Brown-Watt—Can you repeat that. There was a noise in the background.

Senator CARR—Within the higher education sector it is around 4.3 per cent. The ratio is defined as the ‘ability of an institution to contain expenses within the constraints of available funding and other revenue’.

Dr Brown-Watt—That comes down to whether it has a capacity to make a surplus.

Senator CARR—Yes, so what is the current ratio for the sector?

Dr Brown-Watt—\$13 million divided by \$283 million.

Senator CARR—But you do not produce those sorts of models?

Dr Brown-Watt—We put out the results that tell you what the surplus is. We put out the turnover. That is the ratio, the analysis of that. We provide that by company in the update reports that we do each year.

Senator CARR—What is the ratio? Have you got that calculated?

Dr Brown-Watt—It is slightly under five per cent.

Senator CARR—In regard to the current ratio, the liquidity ratio—

Dr Brown-Watt—The total net assets for the sector are \$29 million. That is twice the coverage of the surplus for the year.

Senator CARR—In other fields a ratio of less than one per cent flags a potential liquidity risk. How many of our major performing arts companies would have a ratio of less than one per cent?

Dr Brown-Watt—I would say on the numbers that I now have on annual operating results, probably nine in 2004 would be around one per cent or less. I will need to confirm that.

Senator CARR—How many companies are there in total?

Dr Brown-Watt—There are 29.

Senator CARR—Nine out of 29.

Dr Brown-Watt—In that one year, yes.

Senator CARR—That does not concern you?

Dr Brown-Watt—Of course it does and that is why we work with them. But I have said in the past that, given the exigencies of box office, companies do move up and down we also tend to look at a three-year period not just a single year to make a judgment on that issue.

Senator CARR—How adequately do you regard the financial—

Dr Brown-Watt—The orchestras have been addressed in the orchestra review and they represent four of those nine.

Senator CARR—Is there a publication that I could go to which would give me an indication of the operating results and the ratios for this sector? Can you produce that?

Dr Brown-Watt—No, certainly not on 2004 as yet. As I said, we do not have—

Senator CARR—Did you do it in 2003?

Dr Brown-Watt—Yes, we can do it on 2003.

Senator CARR—I am asking the question: did you do it in 2003?

Dr Brown-Watt—We publish the annual results of every company and their turnover, which defines the ratio you are talking about, annually.

Senator CARR—But you have to extrapolate that. The reason I am asking this question is that there has been considerable debate—and Ms Bott made the point herself at the December meeting of the council—concerning the financial sustainability of the sector. We are being told that nine out of the 29 companies have a ratio of less than one per cent. That is, under standard accounting principles for public sector administration they are running a potential liquidity risk.

Dr Brown-Watt—No, I am not saying they are running a liquidity risk—

Senator CARR—That is what the definition is.

Dr Brown-Watt—If the definition of ‘liquidity risk’ is around the surplus as a percentage of the total cost of the company, that takes no account of the reserves that the company has.

Senator CARR—That is the point I am making to you, that the standard definition of the current ratio, because it is a liquidity ratio—certainly in other sectors that I have worked in public administration—suggests to me that a one per cent flag is a potential equity risk. You are saying that it does not apply in the arts sector?

Dr Brown-Watt—No. I am saying that if a company’s surplus represents one per cent of its total costs but it has reserves that represent double its total costs it does not have a liquidity risk.

Senator CARR—Okay. What I am wondering is: is it not time now for there to be consolidated statistical information provided which would allow us to make some judgments as to the financial health of the sector?

Dr Brown-Watt—That is done on an annual basis. We publish the annual result of the company.

Senator CARR—Per company?

Dr Brown-Watt—Per company—the turnover of the company and its net asset position.

Senator CARR—Does that publication go to the revenue and the costs of operations of individual companies?

Dr Brown-Watt—I do not believe we do that by individual company.

Senator CARR—What about staffing numbers per company?

Dr Brown-Watt—No, it does not include that.

Senator CARR—What about gross expenditures and trends in expense growth per company?

Dr Brown-Watt—No, it does not do that per company. It does some of these things across the total.

Senator CARR—What about operating margins?

Dr Brown-Watt—I have just said that, if you are talking about operating margins, the elements that you wish in there are there.

Senator CARR—Yes, but you have to deduce from that information to gather that information; it is not published as such?

Dr Brown-Watt—It is publishing what the major performing arts inquiry and the ministers at Cultural Ministers Council agreed were the key indicators that showed strain in either financial access or artistic areas, and it is monitoring those. The particular indicators that you are using are not ones that were in that report. If you wish that to be done, it can be done.

Senator CARR—I am asking these questions because in my experience these are key indicators for the health of the sector. I know that each individual company produces a report, but there is no analysis on a sector-wide basis—nor is there an analysis even on an individual company basis—that goes to these fundamental questions which will be able to tell us whether or not the financial health of the sector is a matter of concern.

Dr Brown-Watt—All I am saying is that ministers agreed on measures for the financial health of these companies coming out of that report. We are reporting against those measures. I can provide you with other reports if you wish.

Senator CARR—Thank you. Did you advise the ministers that those were adequate measures of the financial health of the system?

Dr Brown-Watt—I was not the person; it was a report—

Senator CARR—I am not asking you personally. Please do not misunderstand me; I am not having a go at you personally. I want to know what the council is doing and what advice the council provided as to the adequacies of those indicators. Did the council provide advice to the ministers about the adequacies of those measures of the financial health of the sector?

Dr Brown-Watt—The major performing arts inquiry was an inquiry commissioned by the government. It produced a report, which went to Cultural Ministers Council, and its recommendations and the indicators that it used were accepted by Cultural Ministers Council. I repeat: we report against those.

Senator CARR—Obviously, I have got concerns about the adequacies of the financial data that is provided. The Nugent inquiry recommended that a review be undertaken on a regular basis. I understand the first review was concluded some time ago. Is that right?

Dr Brown-Watt—Correct.

Senator CARR—Who undertook the review?

Dr Brown-Watt—The Major Performing Arts Board, working with the states and in consultation with the companies and ECITA.

Senator CARR—And who commissioned it?

Dr Brown-Watt—It is part of the implementation responsibilities. It is a recommendation of the major performing arts inquiry and those recommendations were all accepted by the Cultural Ministers Council.

Senator CARR—So it is automatic?

Dr Brown-Watt—It is automatic.

Senator CARR—What was the review cost?

Dr Brown-Watt—It was carried out by the staff of the Major Performing Arts Board, in consultation with the parties I have just mentioned.

Senator CARR—So we do not have a cost?

Dr Brown-Watt—There were no additional—

Senator CARR—So the review was done for free?

Dr Brown-Watt—It was done by the staff of the Major Performing Arts Board in consultation with everyone else.

Senator CARR—So you do not have separate costing for it.

Dr Brown-Watt—No.

Senator CARR—Who was it circulated to? I take it that it was completed?

Dr Brown-Watt—Yes.

Senator CARR—Who got a copy of the review?

Dr Brown-Watt—It has yet to be agreed by Cultural Ministers Council, but it has gone to the Standing Committee of Cultural Ministers Council. So all of the states and territories have received a copy. The implementation review committee forwards the major performing arts inquiry, which includes the chair of AMPAG as the company's representative.

Senator CARR—So the state ministers have got a copy.

Dr Brown-Watt—Correct.

Senator CARR—The department has got a copy?

Dr Brown-Watt—Correct.

Senator CARR—What was the role of the department in the review? Was the department involved in the review?

Ms Bean—The department was, yes. We did not do the numbers, but we have certainly discussed the document with the council.

Senator CARR—How long has the department had a copy of the council report, the review report?

Ms Bean—Several months. It was late last year, or towards the end of last year.

Senator CARR—And there have been no changes to the report from its draft form?

Ms Bean—Obviously there was an iterative process in developing it. You do not write perfect text first go.

Senator CARR—So there were some editorial changes, were there?

Ms Bean—Yes.

Senator CARR—That's all?

Ms Bean—As far as I know, yes.

Senator CARR—When is the ministerial council meeting where this document, presumably, will be published?

Ms Bean—It is 5 August.

Senator CARR—Will it be published prior to that date?

Ms Bean—I would think that is unlikely. Publication would be something that ministers would think about and decide on, normally, at the meeting.

Senator CARR—Right. We will talk about that at the next round.

Dr Brown-Watt—Senator Carr, you asked for the total amount paid to Ian McRae. It was \$18,672.

Senator CARR—Thanks very much. It seems a lot of money to be spent not to have this report taken seriously.

Dr Brown-Watt—The report is being taken extremely seriously.

Senator Kemp—But as I said, we will be interested to get a definitive Labor Party position on this report because there are proposals which would involve—

Senator CARR—You will be surprised to hear that we are the opposition, Minister.

Senator Kemp—Yes, but I do not know whether you can continue to have this luxury and pretend that there is a Labor Party position, and then when we come to an election we find that the policy document is just thin. Nothing happens. There is all this yabber, yabber, yabber, and nothing happens. That happened before. I hope that you are a breath of fresh air, and that we will see a more positive outcome.

Senator CARR—I thank you for your kind remarks and your encouragement. We will see how we run on that one.

Senator Kemp—I guess I am just that sort of bloke.

Senator CARR—Can I ask you about your great victory, Minister? I want to give you an opportunity here to tell us yet again—

Senator Kemp—Which victory was that, Senator?

Senator CARR—The great victory you had with the orchestras. It was stunning.

Senator Kemp—It was very good news for orchestras. I doubt whether you would find an orchestra in the country which would complain about the outcome of the Strong review. I think there were some significant issues in orchestras, including their long-term sustainability. Some of the major performing arts companies—if not the majority of them—which were having difficulty, were orchestras. This will provide a very significant injection of funds into orchestras, subject to appropriate contributions from state governments. Those negotiations

are continuing but my impression is that state governments are generally pretty positive about it.

Senator CARR—You actually had to overturn the review. The major recommendations of the review were overturned so it is hardly a result of the review itself.

Senator Kemp—It is not a matter of the recommendations being overturned. There was some additional money. As far as the Commonwealth was concerned, the proposals that Mr Strong and his team put forward in the initial review would have involved a commitment of the Commonwealth government in the order of \$20 million over four years. With the additional enhancements that is now in the order of some \$25-plus million over four years. The Strong report always proposed an additional injection into orchestras.

Senator CARR—What progress is being made with state governments on this?

Senator Kemp—I would prefer to speak in general terms because I do not think it is appropriate for us to negotiate in public, but my impression is that the state governments are generally pretty positive about the report. Each of them will have particular issues they want us to deal with.

Senator CARR—Is it true that there are major differences with any of the state governments?

Senator Kemp—We do not have their final positions. I do not want to prejudge what will come out but I think that the general view, and the view of my officers, is that the negotiations are proceeding pretty well at the moment.

Senator CARR—Is it true that you are insisting that the Queensland government continue to contribute 28 per cent of the orchestra's budget?

Senator Kemp—Absolutely. You will understand that the ratio that the Queensland government fixed on the contribution to orchestras was determined by the Nugent inquiry—I say this subject to any correction from my officers—and a number of arrangements were made with state governments across the major performing arts companies in each of the states. My understanding is that the Queensland government did not query, at the time, that it got its fair share of the additional Nugent money. They were comfortable with that. The Queensland government fixed the ratio and that is the ratio which remains. We are not intending to unpick the Nugent settlement.

Senator CARR—Let me get this straight. You claim that because they got a higher rate of federal funding for other organisations, they have to pay more for orchestras.

Senator Kemp—No, I am saying that that was the agreement they made. That was the agreement that the Queensland government made and signed off at the time. We are not proposing to change that. I was not following this closely at the time but my understanding is that the Queensland government felt that it was a very satisfactory deal, considering all the arrangements which were made under Nugent.

Senator CARR—So it is not a review of orchestras; it is a view of cultural organisations. Is that the logic you are putting to me?

Senator Kemp—I have to say that you will have to up your game a bit. I said that the ratio that was fixed in relation to the Queensland orchestras was settled at the time of the Nugent

report. It was a decision that was made in conjunction with the Queensland government and because of the other arrangements that were made, the Queensland government felt that they had received an appropriate deal under Nugent. That is why they signed the agreement. It was apparently decided at the time that there would be a ratio of 28 to 72—or whatever it is—and that is the ratio which remains.

Senator CARR—What if you do not get agreement with the states? Equally, the Queensland government is taking a strong view on this matter, and I understand New South Wales is taking a strong view on this matter. You say they are not final, but the impression I got is that they are pretty final. What happens in circumstances where you do not reach agreement?

Senator Kemp—The agreement is this, and this is where we need your help; this is where we need the Labor shadow minister's help with the Labor governments. We have put our money on the table and we will expect the Labor governments to pay their share.

Senator CARR—That is the point. If you do not reach agreement with the individual states, does the Commonwealth withdraw it?

Senator Kemp—I think we will. Our money has always been conditional on Labor governments paying their share.

Senator CARR—So it is conditional.

Senator Kemp—We have said that. In every statement that I have made I have had to say that this is subject to an appropriate share of additional costs being paid.

Senator CARR—Maybe I was hasty to say that it has been a success. There is no agreement. These are conditional. These are conditional arrangements, and the conditions have not been met. So you are not going to pay?

Senator Kemp—I am assuming that the Labor governments will do the right thing. Don't you?

Senator CARR—I just want to be clear about this. You are saying it is conditional. The conditions have not been met, so the money is not going to be paid.

Senator Kemp—I have said to you that the negotiations are continuing. I notice that even with New South Wales, an area which you raised, there was a press report this morning which said that negotiations were continuing. This is the greatest deal for orchestras. Orchestras are very happy with this. They are very happy with the response of the federal government. The only sticking point—if we can take what Senator Carr says; I am absolutely confident that we will reach a settlement—appears to be Labor governments. This is a fantastic opportunity for a shadow Labor minister to make sure that his colleagues come to the party. We will be looking anxiously for any positive comment from you that will encourage those Labor governments if you feel they are going to be difficult. We have had views put to us by some governments, but my understanding is that the negotiations are continuing, and I am very hopeful that we will have a positive outcome. That is my view.

Senator CARR—Can I confirm that the efficiency dividend in reality has not been scrapped: you have just provided some compensation?

Senator Kemp—It means the same thing.

Senator CARR—Is that right?

Senator Kemp—It means the same thing.

Senator CARR—Just explain.

Senator Kemp—In terms of the bottom line—and again the members of the Australia Council can correct me if I am wrong—it is the same thing.

Senator CARR—It is remarkable how often you have to look along that table. Can I ask you this then. Given that it makes no difference, can you explain to me why this double bookkeeping was decided upon?

Senator Kemp—There is a policy to impose the efficiency dividend largely across government, and that remains. But we have provided some additional money, which I think is very good news to orchestras.

Senator CARR—Explain to me why you give it on one hand and take it on the other.

Senator Kemp—The government has decided that this is the best way to go. I am perfectly comfortable with the position.

Senator CARR—Explain to me the rationale behind it.

Senator Kemp—I am perfectly comfortable with the position. I was keen to make sure—

Senator CARR—I can see that you are comfortable.

Senator Kemp—Senator, do not try to butt in when I am talking, please. I thought that was an exceedingly good outcome. In fact, it was an outcome which I think greatly pleased the orchestras, and it was an outcome which I suspect the Labor Party supports. The Labor Party actually—

Senator CARR—So I can ask you this—

Senator Kemp—Hold on; I am going to finish here. After two years of tedious questions in the Senate estimates about the efficiency dividend, the Labor Party in its election policy decided to do nothing in its arts policy about it. It decided to do absolutely nothing about it. In this budget we have been delighted that we have been able to find some additional compensation, which I think, as far as the orchestras are concerned, they are perfectly happy with.

Senator CARR—This is where you get another example of brilliant success. If you are so comfortable with it and so happy with it, can you explain to me why the decision was made?

Senator Kemp—That was the decision because there is a decision by government as a matter of principle that the efficiency dividend is applied across the board. There are very few exceptions to that. That is my understanding, and that still occurs.

Senator CARR—Why wasn't the same rationale applied to art galleries, museums and libraries?

Senator Kemp—We have been able to assist in some areas, and that is what we have done. I cannot say that we can do it in all areas, but we are streets ahead of the Labor Party policy, which was not to remove the efficiency dividend from anybody. I would have thought that you would have given me a pat on the back. I genuinely would have thought that.

Senator CARR—I would like to but I cannot get an explanation from you. I am having trouble understanding why you have made the decision.

Senator Kemp—I have given you the explanation.

Senator CARR—Then you will not mind repeating it. What is it?

Senator Kemp—The principle is that the efficiency dividend is applied largely across the board in governments, and that remains. If I remember correctly, that was accepted by the Labor Party too. After all the issues that Senator Lundy has raised about the efficiency dividend for two long and tedious years in Senate estimates, we rushed to the Labor Party arts policy to see whether Senator Lundy had been able to convince her colleagues to remove the efficiency dividend. We discovered that the policy was dead silent on this issue. So we accepted that the Labor Party believes in the efficiency dividend. With the assistance of my colleagues and the Treasurer, and the support of the Minister for Finance, I have been able to provide in some areas additional money for various arts bodies. I think that is a big win.

Senator CARR—Wasn't it because of political pressure that the orchestra got some assistance but the galleries, museums and libraries missed out?

Senator Kemp—If it was political pressure it did not work on the Labor Party, because the Labor Party provided no compensation.

Senator CARR—This lasts for four years. What happens after that?

Senator Kemp—We will see whether you are here and whether I am here.

Senator CARR—Are you leaving us? Are you contemplating it?

Senator Kemp—No. But I know that you are in trouble in Victoria, and I know that in this game you have to work hard. So we will see whether you are here in four years or whether I am here.

Senator CARR—It sounds like a resignation is coming.

Senator Kemp—I will refine that further—

Senator LUNDY—Resigning in the middle of a term, Minister!

Senator Kemp—My chances of being here in four years are greater—

Senator CARR—I think we have a casual vacancy in Victoria. We will get another brawl in the Victorian Liberal Party. This is your chance to get back, Senator Tchen.

Senator LUNDY—Senator Tchen is getting all excited. He thinks he has a future.

Senator Kemp—Let me put it this way: my chances of being here are greater than your chances of being here, Senator Carr.

Senator LUNDY—I do not think so.

Senator Kemp—I think I probably have more support from my colleagues than you have from yours. But we will not get into that; delving in there is not the concern of this committee.

Senator CARR—Is a further review of the pit orchestras anticipated?

Senator Kemp—Yes, a further review is pending.

Senator CARR—When will that be?

Senator Kemp—I will be making an announcement on that in due course.

Senator CARR—When will that be? In a year, two years? Before your retirement? After your resignation speech?

Senator Kemp—It may be done after your retirement—and that could be soon unless you can control those Victorian troops of yours. We are keen to get this matter resolved quickly and I am hopeful that I will be making an announcement on that in the near future.

Senator CARR—Do you have the terms of reference yet?

Senator Kemp—No. When I make an announcement, I will indicate what will be inquired into.

Senator CARR—By when would you expect such a review to be concluded?

Senator Kemp—We would want it to be concluded fairly quickly because decisions will have to be made about future funding.

Senator CARR—So within the next financial budget cycle?

Senator KEMP—Absolutely.

Senator CARR—By November?

Senator Kemp—That would certainly help, but I will not get stuck on a time. If there are budgetary considerations, they have to be considered in next year's budget. Obviously the budget round starts in November. You are correct on that.

Senator CARR—Will it be an internal review or will it be conducted externally?

Senator Kemp—I have not determined that. That is a matter I will turn my mind to.

Senator CARR—Will the Australia Council be involved?

Senator Kemp—We always involve the Australia Council. We always discuss things with the Australia Council.

Senator CARR—Will you send them a copy of the report or will they be—

Senator Kemp—We will consult. If the Australia Council were allowed to respond to your question, I think they would indicate that I have already had discussions with them.

Senator CARR—Has the Australia Council expressed a view that there is an oversupply of orchestras in south-eastern Australia?

Ms Bott—I am not aware of any such view about the orchestras ever having been expressed.

Senator CARR—Was it the case that, at the time of the Nugent review and even during the Strong inquiry, the Australia Council recommended against additional support for a second Victorian orchestra?

Dr Brown-Watt—In the major performing arts inquiry there was a proposal put forward to develop a community of musicians which would have seen the two orchestras operate effectively as one. There are models internationally to do that.

Senator CARR—So it was your view that there should be an amalgamation?

Dr Brown-Watt—At that time, yes, but that was rejected. We administer grants to both of the orchestras.

Senator CARR—And you are not coming back for a second dip into that? So there no proposals in the Australia Council to reduce the Victorian orchestras?

Dr Brown-Watt—No.

Senator CARR—Minister, will the terms of reference open the possibility that the review might recommend higher salaries?

Senator Kemp—We will see. I think there is an issue. Orchestra Victoria are very concerned about their level of salaries. I am aware of that issue, so it is one that it is possible the new inquiry may make some comments on.

Senator CARR—Will it have the capacity?

Senator Kemp—I am aware of the issues. I am aware as they have been raised with me, and I think that Orchestra Victoria would note that I am a very sympathetic observer of Orchestra Victoria. I have not determined what those terms of reference will be but I am aware of the issue.

Senator CARR—So the option of additional funding will not be closed off in that review?

Senator Kemp—Let me just say that it is a matter that I am aware of.

Senator CARR—Will the New South Wales and Victorian governments be involved in the review?

Senator Kemp—At the end of the day they have got to make a determination. I will be briefing the cultural ministers council on what we propose to do in this area. I will listen to any views that they may put forward to me. Frankly, as I have found, it seems to me that most ministers on that council work fairly constructively—unlike Senate estimates.

Senator CARR—Minister, can you indicate to me why the two matters in the Strong review with regard to superannuation—that is, recommendations 4 and 11—were not proceeded with?

Senator Kemp—As for the matter in relation to superannuation, when a company is no longer part of the public sector, there is a strong view the government has that it is not appropriate for the people to be members of a Commonwealth superannuation scheme. That matter is one which I understand has been followed in the past and will be followed on this occasion. In fact, I understand a number of orchestras are not members of a Commonwealth superannuation scheme. I think the members of Orchestra Victoria are not members of the superannuation scheme, nor are members of the pit orchestra in New South Wales, so those are two orchestras out of the eight which are not actually members of the CSS or PSS at the moment.

Senator CARR—But you did say in your press release that existing members of the Australian government superannuation schemes will not lose their accrued amounts.

Senator Kemp—They can retain their entitlements. All entitlements up to the close-off date can be retained, but future membership of the scheme is not envisaged.

Senator CARR—So no current members will lose benefits or be financially worse off as a result of the new superannuation arrangements?

Senator Kemp—The new superannuation arrangements will have to be determined with the orchestras. My understanding is that the schemes at the moment—the PSS and CSS—are fully funded for those orchestras whose members are members of those schemes. But the decision has also been made so that those schemes are being closed anyway. So any future members of the orchestras—even if they remain under their current structure—post 1 July would not be members of the public sector schemes.

Senator CARR—Can you assure me that current members will not be worse off financially?

Senator Kemp—The current members cannot be. We are injecting \$25 million from the Commonwealth into orchestras and the states are also injecting. I am delighted that clearly the Labor Party in Tasmania are coming to the party strongly and equally the South Australian Labor government are coming to the party. You would have to say on that basis the sustainability of orchestras is greatly improved. That must be of benefit to their members.

Senator CARR—I take it you have commissioned an actuarial study on this?

Senator Kemp—I signed off letters today to each of the orchestras indicating that there will be help that can be available regarding superannuation and we will wait to hear from the orchestras.

Senator CARR—But no actuarial studies have been commissioned by the government?

Senator Kemp—I have not commissioned studies but the fact of the matter is that we know that superannuation is important to people. We want to make sure that people are comfortable with the new arrangements and we are happy to work with the orchestras.

Senator CARR—How do you know that no-one is going to be worse off?

Senator Kemp—Because we are putting so much more money into orchestras you would have to say that, overall, orchestras being put on a more sustainable basis, a viable basis, must be of benefit to members.

Senator CARR—Are there any special measures being taken to ensure that people are not worse off?

Senator Kemp—There will be negotiations carried out. I am sure, in those negotiations, people will put their views forward. As I said, we are very happy to work with members. The fact is that under the pre-Strong arrangements a number of the orchestras were in very serious trouble. This was a major threat obviously to the employment of their members.

Senator CARR—Could I ask the department: have the department undertaken any studies as to whether or not current members would be worse off under the changed arrangements?

Ms Bean—The superannuation arrangements are essentially for the orchestras to determine as they will be independent companies. We of course will work with them, as will the Australia Council. But that has not been finalised at this stage.

Senator CARR—Has the Australia Council undertaken any studies as to whether or not there will be negative effects on members of current schemes?

Dr Brown-Watt—No.

Senator CARR—So the department and the government have not commissioned any studies. The Australia Council has not undertaken any studies.

Dr Brown-Watt—We understand the matter is being discussed through DCITA at this point. The orchestras are talking with DCITA.

Senator CARR—DCITA is studying it.

Ms Bean—No, we have not done a study.

Dr Brown-Watt—I said the orchestras are talking with DCITA, I understand.

Senator CARR—Is that right, Ms Bean? Can you help me on this matter? What is the nature of the discussion that you are having with the orchestras?

Ms Bean—There are a range of implementation issues scheduled to be discussed with the orchestras. Clearly, superannuation will have to be one of the issues that is on the agenda, but ultimately the question of superannuation arrangements applying to the orchestras either individually or collectively will be a matter for the boards and management of those companies.

Senator CARR—The reason I raise this is that when the changes were made from the ABC it would seem that, in retrospect, no-one had considered the implications for workers compensation. Workers compensation premiums went up dramatically and this is one of the major sources of pressure on the orchestra budgets at the moment. Is that true? Is that observation accurate?

Ms Bean—I am sorry, I was not involved in the corporatisation process. I do not know.

Senator CARR—Perhaps someone can tell me who was involved. Was anyone here involved? We have no-one here who has any corporate memory. You are looking shocked, Minister, as if this is not correct. There is nobody at the table who can tell me about the consequences of the shift from the ABC—

Senator Kemp—There is no-one here.

Ms Bean—I do understand what—

Senator Kemp—We understand the points but you are asking a very specific question. If people cannot provide answers, we will see what we can do to assist you.

Senator CARR—I noticed that in the Strong review there was a very strong reference to the question of workers compensation premiums. It was not anticipated that the premiums would rise as far as they did. I am concerned that, if there are changes being proposed, we do not have a repeat performance and that no scoping work is being undertaken before such changes are implemented. I am concerned that people are not adversely affected and that preparation is put in place to protect individual members of the orchestra. What action has the department or the Australia Council taken to ensure that people will not be worse off in terms of their superannuation as a result of the changes the government has announced?

Dr Brown-Watt—I can tell you what the orchestras have advised me in relation to the workers compensation issue. I was not around at the time that it occurred but, because it impacts on their costs, and therefore we are aware of it, the advice is that whilst they were

part of the ABC they were in a broader pool of workers in setting the workers compensation rate. When they moved from that—and it was done solely on the basis of the orchestras who have, I think the words were, a ‘more active lifestyle’ and therefore more risk—that increased the workers compensation cost. That is what the orchestras have advised us.

Senator CARR—In terms of these other changes, will the ABC be able to continue to provide promotional material on TV and radio for the orchestras free of charge, or will there be some transfer payments required?

Ms Bean—We anticipate that there will be arrangements between the ABC and each orchestra.

Senator CARR—And will there be a financial consideration involved with that?

Ms Bean—I do not think so. They are talking about having a service level agreement.

Senator CARR—And will there be financial implications for the orchestras in that service agreement?

Ms Bean—You mean will they have to pay to be on the ABC or something?

Senator CARR—Yes.

Ms Bean—That is certainly not anticipated. The ABC is keen, in my understanding—

Senator CARR—Can you check that for me, please—whether or not the service agreement will involve any transfer payments?

Ms Bean—Yes. As far as I know it does not, but certainly we will check it.

Senator CARR—I understand that many guest artists have in the past accepted lower fees with the understanding that the national exposure that comes through the ABC would compensate for lower fees. Have there been any discussions or proposals that would see any changes or revisions in broadcasting arrangements for the orchestras?

Ms Bean—There have been preliminary discussions with the ABC. Obviously there is a level of detail still to be worked out. We are not anticipating any adverse effect from that direction.

Senator CARR—You have had legal advice on a range of issues arising out of the Strong report about the efficacy of the service level agreements between the ABC and the orchestras. Is that true?

Ms Bean—We certainly have not had legal advice on the service level agreements because they have not been developed yet. But they would be developed with legal advice, because obviously they are—

Senator CARR—What issues will need to be addressed in that advice?

Ms Bean—It very much depends on the arrangements that are put in place. It is a bit early to say, really.

Senator CARR—It is too early to say.

Ms Bean—Yes.

Senator CARR—The first matter I raised this morning was in regard to the accuracy of information. I draw your attention to question No. 166—Australia Council research. It is a question that was on notice. Could you have a look at that and, in light of the McRae report, advise the committee as to whether that answer was accurate? The question went to whether the Council had any ‘unpublished research on the financial viability of the arts sector to provide in addition to the five published reports it has already made available’.

Dr Brown-Watt—We do not appear to have a question 166—

Senator CARR—Do you have that with you?

Ms Bott—Yes, I am just reading it. Actually, no, I am sorry, I do not have 166. The question I have is 168, which is a question that Senator Lundy asked me.

Senator CARR—No. This is a question that I asked you about unpublished research about the financial viability of the arts sector. Would you have a look at 166, in view of the McRae report—

Ms Bott—I do not have it.

Senator CARR—Take it on notice. Do not worry, I will come back to it. I am only too happy to come back to it because I do think it is important that we get accurate information. I am more than happy to argue the toss as to whether you think I have misunderstood something, but obviously I am concerned where issues of accuracy have been raised.

Senator Kemp—And I am sure, Senator, that if you have made a mistake you will also make sure that the record is corrected.

Senator CARR—I invariably do.

Senator Kemp—That would be very important. I would not want you to impose standards on public servants that you do not impose on yourself.

Senator CARR—Absolutely. The accuracy of information to Senate estimates is a pretty fundamental issue.

Senator Kemp—Yes, absolutely fundamental, and it applies right round the table. If a misleading and inaccurate statement has been made by you, Senator Carr, it should be corrected, and I am pleased to hear that you will do that.

Senator CARR—I understand there has been a restructure of the Community Cultural Development Board since we last met. There seems to have been a change in the attitude of the Council. Can you outline to me what changes you have made in your plans since we last met in February?

Ms Bott—I would firstly like to clarify that there has not been a change in the attitude of the Council. When we last met, the Council was in the middle of its dialogue with the sector over the recommendations that had been put out for discussion. Since then, the Council has approved a final structure for the reorganisation, and that includes changes to the original model that we put out on CCD.

Senator CARR—Would you spell out what those changes involve.

Ms Bott—The changes to the CCD board—is that what you mean?

Senator CARR—Yes.

Ms Bott—The Community Cultural Development Board will be dissolved as at the end of June, but all the grants programs that have been advertised in our handbook will go ahead. Decisions on those applications will be made by a specially convened committee, a section 17A committee, which will comprise peers with CCD experience. Our proposal is that that committee consist of two current members of the Community Cultural Development Board, two members of the about to be established Community Partnerships Committee and two artform board members or peers. The Council itself will be appointing the members of that committee.

We have also announced that we will be doing a scoping study between July and December. In our dialogue with the sector we agreed on policy objectives for the new community partnerships area, so in order to fulfil those policy objectives this scoping study will look at the kinds of programs the Australia Council will offer in the area of community partnerships and CCD for 2006 and 2007. The scoping study will operate with terms of reference and a steering committee, which I have the membership of if you are interested.

Senator CARR—Could you provide me with a copy of the names of the people on the steering committee?

Ms Bott—Yes. We have no names yet. The proposal is that the new chair of community partnerships will be one of the new community representatives on the Council to be appointed by the minister, and that chair will drive the steering committee. The other members would be a representative from the future planning task force, two arts sector representatives nominated by the National Arts and Cultural Alliance, one other arts sector representative and the newly appointed director of community partnerships, although that person has not yet been appointed.

Senator CARR—Are you able to provide us with a copy of the decision with regard to the 11 March meeting of the council that determined these matters?

Ms Bott—Yes. The council met in March and April. The absolute final tick-off on the restructuring took place at the April meeting in Hobart—

Senator CARR—Can we have a copy—

Ms Bott—Yes, we can certainly provide details. The other matter that I did not mention is that the council also agreed to confirm funding for CCD within the community partnership section at existing levels for 2006 and 2007. I can give you the detail of that decision about community partnerships.

Senator CARR—Yes, the full decision would be very helpful, if that is possible.

Ms Bott—It is actually on our web site, I should add, but I can give you a more formal response.

Senator CARR—The special committee that you have indicated is a six-person special committee?

Ms Bott—The new Community Partnerships Committee, yes.

Senator CARR—When will the names be put to that?

Ms Bott—Other than the chair, the members of that committee can be appointed by the council, and the council will be dealing with that later this year after the scoping study has done some further work.

Senator CARR—When is the scoping study due to report?

Ms Bott—At the end of this calendar year—end of 2005 or November 2005.

Senator CARR—So we will not have the new committee in place until December?

Ms Bott—Correct.

Senator CARR—And will the Community Cultural Development Board be a separate new board or will it be the same board?

Ms Bott—No. The Community Cultural Development Board has been dissolved effective the end of June. We will then pull together the special section 17 committee that will deal with applications that are received for the second half of this year, and then that committee will be dissolved to be replaced by the new Community Partnerships Committee.

Senator CARR—So the section 17A committee is a temporary committee that exists for three or four months?

Ms Bott—Correct.

Senator CARR—And who will be on that committee?

Ms Bott—That was the first group that I mentioned. It will consist of two current CCD board members, two members of the Community Partnerships Committee and two Artform board members.

Senator CARR—And do you have names for those people?

Ms Bott—Not yet, no.

Senator CARR—When will you have names for those people?

Ms Bott—I would anticipate we will have names around July. My colleague has just corrected me. The CCD board concludes at the end of July, not the end of June, so this new section 17 would be appointed after that. So I will have names in August.

Senator CARR—It has been put to me that a great deal of trust has been dissipated as a result of the manner in which the Australia Council carried through and announced this restructure. Would you agree with that?

Ms Bott—In December, when the recommendations were published, there was a very strong reaction from certain areas of the arts community. During the process of consultation, I think we have built a very effective dialogue and there is now a high level of trust and collegiality. But, of course, it was a bumpy period for a number of months.

Senator CARR—So you think it has been restored?

Ms Bott—I do.

Senator CARR—And that is the view of the National Arts and Culture Alliance, is it?

Ms Bott—Based on my last conversation with the chair of that body—

Senator CARR—That is Graham Pitts, is it?

Ms Bott—That is right. I think the nature of the appointments to the committee, to the council, to the director of community partnerships, will be very important in terms of ongoing trust, but we have agreed on the policy objectives and we are moving ahead in a very healthy and collegial way.

Senator CARR—It was put to me that the breakdown in trust extends not only to the community cultural development, the new media boards, which were disbanded, but also to other art forms who are concerned that these boards that are being re-established will specialise in their arts and also could be disbanded—that there are further changes down the track—because there is no confidence in the transparency of the arrangements that you have entered into. How do you respond to that proposition? Have you not heard that?

Ms Bott—No, I have not heard that.

Senator CARR—I am surprised.

Ms Bott—We have had people give us feedback on the restructuring that expressed surprise that perhaps this was an opportunity to remove all artform boards, as many of our state government colleagues have done. We have chosen not to do that—indeed, to make other, better arrangements, we believe, for community partnerships and new media. The way I would answer your basic question is this. This is the first restructuring the Australia Council has gone through for eight years. We had a very open process. Firstly, the arrangements that we are making are about our own delivery system. They were not made in order to save money or cut staff or for any of the other reasons. We wanted to have a look at ourselves to make sure that our organisation is as healthy as it can possibly be. I would have thought that that is an entirely proper thing for an organisation to do and that we should continue to pursue that process over the coming years in order to make sure that what we sought to achieve with this restructuring has been achieved and to take on board any other changes in our environment which will be constant.

Senator CARR—To what extent can the funds that were available for community cultural development be quarantined?

Ms Bott—They will be quarantined for the next two years—for 2006 and 2007—both for new media and for CCD.

Senator CARR—What percentage of the Council's funds has been devoted to this task?

Ms Bott—What percentage of the Council's funds are new media and CCD funds?

Senator CARR—Yes.

Ms Bott—I think that total would be around \$8.4 million. Our total budget is \$140 million.

Senator CARR—That is a very small percentage. Do you consider this to be an imbalance? It is put to me that it is. How do you justify that sort of prioritisation?

Ms Bott—The process of prioritising Indigenous arts against individual artists against support for organisations against community engagement is a constant debate at the Australia Council and will depend absolutely on where that debate comes out in any given year. One of the things we were trying to achieve with the restructuring is having more debate about exactly those kinds of issues. But we would anticipate that quarantining \$5.1 million, for

example, for CCD would be therefore the minimum spend, not the maximum spend on community.

Senator CARR—So you think the funds could grow from that \$8 million?

Ms Bott—I do.

Senator CARR—What sort of range have you calculated?

Ms Bott—We have not, because that will be a matter of the Council deciding how much beyond that—where community partnership sits on the range of priorities that the Council will be debating over the coming year.

Senator CARR—Is there any funding that you have earmarked that will be able to be devoted to this task that previously was not available?

Ms Bott—Not yet. The Australia Council will debate its 2005-06 budget at its June meeting.

Senator CARR—It is just speculative at this time?

Ms Bott—It is speculative, but it is there as a minimum amount, and, as I said, one of the key things we were trying to achieve with the restructuring was to create a strategic pool of moneys. The Council now needs to look at how it wishes to spend that strategic pool. The next Council meeting will talk about the process for those decisions and the Council meeting after that will talk about the exact projects that might be the recipients of that strategic money.

Senator CARR—With regard to small and medium-sized companies in the current triennium cycle, where does it leave those small and medium-sized companies? At what point does the triennium run out for the small and medium-sized companies?

Ms Bott—Firstly, we are at the end of year 1 of our triennial funding. There are 29 companies in the major performing arts. There are 145 organisations that will come under the new key organisations section and they would be at different points, depending on the company. They could be in the first, second or third year of a triennial funding grant.

Senator CARR—So you cannot tell me how many of the 145 are on year 3 of their triennial funding?

Ms Bott—No, not without notice. We can certainly get that answer to you.

Senator CARR—If you could, please give me a breakdown of the 145 companies. I do not necessarily want individual names, but you must have some aggregates that tell us what percentage are in their third year and what percentage are in their second and first year.

Ms Bott—Okay. My colleague has just said that it is approximately a third, a third, a third, but we will get the exact figures to you.

Senator CARR—I see. You rotate them through at a third. So a third of the companies are up for refunding next year, are they?

Ms Bott—Approximately.

Senator CARR—A little under 50, is that right?

Ms Bott—Yes.

Senator CARR—Without adequate indexation arrangements, will it not be a fair conclusion to draw that you are going to have to do more with less?

Ms Bott—The Australia Council, at its June meeting, will be discussing its budget and the council can choose to tackle that issue in any number of ways. That is something management will be recommending to the Australia Council—what we should do about the small to medium companies and the issue of the efficiency dividend.

Senator CARR—The choices are pretty straightforward, are they not? The effective purchasing power of the dollars available means that companies will either have fewer or smaller grants—it is one or the other. Are they the two options that you now face?

Ms Bott—It depends on whether the council decides to put extra moneys into the small to medium sector.

Senator CARR—Is that the proposal?

Ms Bott—I do not think it is appropriate for me to talk about a recommendation that has not yet been discussed by the Australia Council.

Senator CARR—So that is a third option: smaller grants, fewer grants or a transfer of funds from other major performing arts programs.

Ms Bott—No, not from the major performing arts—from elsewhere.

Senator CARR—Where else can money come from? If it cannot come from the majors, where is it going to come from? What other programs have a discretionary element within them?

Ms Bott—The Australia Council's budget is discretionary to the council other than government initiatives and the Major Performing Arts Board. All other lines are discretionary in the sense that the council could decide to increase the budget of one board and reduce the budget of another board, or to reduce the money we spend on market development, research or any number of other areas.

Senator CARR—Do you have any research studies within the council on the effect of not having full indexation?

Ms Bott—As I mentioned last time, we have two particular reviews—the Roberts review into theatre and the Fishell review into dance—both of which have highlighted a number of cost pressures in the small to medium sector. The council is well aware of the pressures on that sector and it is part of our ongoing dialogue with the sector and with government.

Senator CARR—I might put something on notice on that matter.

Ms Bott—Could I clarify—a figure we used before was \$8.4 million which was new media plus CCD. It is actually \$7.4 million; it is \$5.1 million for CCD but the new media figure was smaller than I indicated.

Senator CARR—Can I ask about the Footscray Community Arts Centre. I am sure that Senator Kemp would be only too well aware of the antecedents to the Footscray Community Arts Centre and the importance of the work undertaken by George Seelaf. You would be aware of that, wouldn't you, Minister?

Senator Kemp—I have been out to the centre.

Senator CARR—I used to live in Footscray. Seelaf was a tremendous citizen for the west. He was a militant unionist, a meatworker and a pioneer in the community arts. He was very heavily involved in the art working life program. He was co-founder of the trade union clinic in Footscray with Moss Cass. That is right. You would remember all of that, wouldn't you?

Senator Kemp—I remember Moss. I am not normally an enormous fan of someone whom you have described as a militant unionist, but I am sure he had other good qualities.

Senator CARR—George Seelaf was honoured by the Australia Council for his contribution to the arts. Isn't that right, Ms Bott?

Ms Bott—Yes, I believe so.

Senator CARR—He was recognised and acknowledged for his contribution to the arts. I am just wondering why it is that the Council now wants to go to so much trouble to destroy the legacy of his work.

Senator Kemp—I think the way that question is phrased is most unfortunate, Mr Chairman.

CHAIR—Senator Carr, perhaps you could phrase that question in a less loaded fashion.

Senator Kemp—Senator Carr could try to phrase the question in a less offensive manner.

Senator CARR—It seems to me that there have been moves afoot to undermine the funding arrangements for the arts centre.

Senator Kemp—Why don't you just ask for the reasons for any changes? Why be offensive about it?

Senator CARR—We did. In February we asked these questions. However, I understand—and I welcome this—that there has been a change of heart in recent times. I was looking for an opportunity here for you to explain to us why there was a change of heart about the \$60,000 additional funding that will be provided to the arts centre. Minister, why was there a change of heart? Why did you do that?

Senator Kemp—I will seek advice from my officers.

Ms Bott—The Community Cultural Development Board, as I reported to you at the last Senate estimates, did reduce the grant to Footscray. Since then we have been in discussion with the Footscray Community Arts Centre and the Victorian government to find an interim solution while the scoping study into community partnerships happens. We are providing money, as are Arts Victoria, in order to keep the Footscray Community Arts Centre in a viable state until further work is done on the infrastructure that—

Senator CARR—So it is a temporary reprieve, is it?

Ms Bott—It could be more than temporary, but at the moment it is a temporary decision pending the review of infrastructure, which the scoping study will entail.

Senator CARR—I take it that you have had a discussion with the staff at the arts centre about the effect that your previous decision has had on morale, program planning and the confidence of the community in the centre. All of those things were assessed, weren't they? They were evaluated before you took the decision last time, which has now partially been corrected.

Ms Bott—The decision last time was taken by the CCD Board. I do not dictate to that board. They took a decision that we have reviewed in the light of our restructuring.

Senator CARR—So this funding will run through to the end of the year. Is that right?

Ms Bott—Yes.

Senator CARR—It is a calendar year?

Ms Bott—Yes.

Senator CARR—What discussions are being proposed with the centre? Will it get the same sort of attention as the Sydney Dance Company?

Senator Kemp—The implication of that is that the Australia Council has dealt very conscientiously with the issue of the Sydney Dance Company. I would assume that, as it does in all its areas, the Australia Council will deal conscientiously with these matters.

Senator CARR—I am delighted to hear that they are and that the Footscray Community Arts Centre will get the same level of attention as the Sydney Dance Company.

Senator Kemp—I said that the Australia Council will deal conscientiously, as they do. A generalised insult is not acceptable to me.

Senator CARR—I would have thought that, as a Victorian, you would be most anxious to protect the legacy of George Seelaf.

Senator Kemp—So many times have I been on these committees defending Victoria and I have never received any help from you.

Senator CARR—You certainly have not had any help here.

Senator Kemp—I am glad you are back on the Victorian bandwagon but it has been a long time coming.

Senator CARR—I am concerned that you have been so negligent about George Seelaf's legacy.

Senator Kemp—I have even had to speak to the Premier about that.

Senator CARR—He will ask you for some more money when you do. You should raise this matter with him immediately.

Senator Kemp—He always asks for more money, we know that, but anyway I am very glad you are on the Victorian bandwagon.

Mr Strout—Senator, you asked about consultation with the organisation prior to perhaps either of the decisions. Before the Community Cultural Development Board made its decision they had given notice to the company of specific concerns, which is required by our policy, and they were in consultation with the company over the course of the year prior to making the decision about their concerns. Then, as Jennifer Bott said, they made their decision. That was an empowered decision of the Community Cultural Development Board. Subsequent to that, I have been involved in discussions with the Director of the centre, Jerril Rechter, about their operational needs to maintain them as a part of the infrastructure of the community cultural development sector for the course of the scoping study.

Senator CARR—The Community Arts Network was funded quite extensively in the past, was it not?

Mr Strout—And still receives a good deal of funding.

Senator CARR—Was it true that there was a community arts centre in every state?

Mr Strout—A formal network representative, for example?

Senator CARR—An actual community arts centre in each of the states—was that true?

Mr Strout—I do not know that I can answer that definitively. I know there are arts centres in each state.

Senator CARR—Could you take it on notice. The point that I am getting to is I am told that there are only two, of the type of Footscray's, receiving funding.

Mr Strout—The other being?

Senator CARR—I am not certain where the other one is, to tell you the truth. Do you know how many there are?

Mr Strout—I am trying to figure out the definitions because there are a lot of arts centres. There is Brown's Mart in Darwin, for example, which is also an arts centre. There are a range of community linked organisations—whether you would call them a community arts centre I do not know.

Senator CARR—Of the standard of Footscray: how many are there of that type?

Mr Strout—On the scale of Footscray—it has from memory a turnover of close to a million dollars. There are not terribly many organisations in the small to medium sector of that size.

Senator CARR—So there is no decision to move away from support of organisations such as that?

Mr Strout—No, there is not.

Senator CARR—How many would have the same length of service as the Footscray centre? It has been there for 30 years now.

Ms Bott—I think Brown's Mart would be close. I am not aware of any others.

Mr Strout—No, although I would need to think about some of the organisations in Queensland.

Senator CARR—Thank you. When will the scoping study conclude its work?

Ms Bott—November.

Senator CARR—And your proposal there is presumably to provide an opportunity for ongoing funding.

Ms Bott—For CCD—

Senator CARR—The scoping study for the Footscray centre.

Mr Strout—The whole issue of infrastructure for the community cultural development sector is a part of the scoping study, and that includes Footscray Community Arts Centre and

it includes the Community Arts Network you referred to—and there are many of those around the nation. There are other community arts organisations that are part of the current CCD infrastructure.

Senator CARR—So there is no guarantee that there will be ongoing funding?

Mr Strout—For the two years of the commitment to the CCD budget there will be support for infrastructure within CCD. Some of those organisations are on triennial grants that will continue through the course of the next two years. All organisations, wherever they are in their contract, would need to be given a minimum of a year's notice before the Australia Council could change the funds for that organisation.

Senator CARR—Thank you.

Senator LUNDY—I would like to get an update on the expenditure of the \$5 million allocated to the Melba Foundation, to Melba Records.

Ms Bott—I will ask my colleague Cathy Brown-Watt to answer that question. The Melba initiative is managed by the Major Performing Arts Board.

Dr Brown-Watt—The contract with them is a fiscal year contract and the first year's payments have been made on receipt of all of the documentation that was required by us.

Senator LUNDY—In terms of the fiscal year contracts, will you only pay the instalments as you are satisfied, each year, that the contract has been met?

Dr Brown-Watt—Absolutely. It has been paid on the basis that they have met all of the requirements in the contract.

Senator LUNDY—Can you outline what those requirements are?

Dr Brown-Watt—They relate to the development of a budget and a forward business plan. In the case of Melba the requirement is also for a very specific and detailed forward marketing plan and quarterly financial reporting so that we can track with them how the project is going. And we require governance reporting too.

Senator LUNDY—When you say that the first payment has been made that means that you have received all of the documentation for the last year?

Dr Brown-Watt—The first year's full payment has been made in several instalments because we have now received all of that documentation. I think when we last spoke we had not received the marketing information. We have now received that.

Senator LUNDY—Was that for the fiscal year 2004-05?

Dr Brown-Watt—Correct.

Senator LUNDY—Can you outline what instalments were paid in the current fiscal year and when?

Dr Brown-Watt—I will have to take that on notice and give it to you.

Senator LUNDY—Can you describe the marketing efforts that Melba are required to fulfil in order to obtain taxpayers' money?

Dr Brown-Watt—Part of the aim of the project is to raise the international profile of Australian artists. The company has now retained a very senior member of the recording

industry—who has much experience in that area, which he has gained by working with a number of major labels—to advise them of strategies to be used.

Senator LUNDY—Who is that person?

Dr Brown-Watt—I think it is Jorgen Schlosberg, but I will have to check the precise name.

Senator LUNDY—That was the employment of a person to—

Dr Brown-Watt—It was a person with experience to advise them in relation to the marketing strategy. That has been his role with a number of major international recording labels.

Senator LUNDY—What is that appointment worth in dollar terms to Melba and to taxpayers?

Dr Brown-Watt—I believe that he is doing this at the moment pro bono for the company because he believes in that support being provided for Australian artists, but again I will have to check whether there have been payments.

Senator LUNDY—So when you say that he has been retained you are talking about a relationship but not an employment contract.

Dr Brown-Watt—He certainly reports to the board through a board subcommittee relationship.

Senator LUNDY—Where is he based?

Dr Brown-Watt—He is now based in New Zealand.

Senator LUNDY—Is that an important market for us?

Dr Brown-Watt—No, the issue is not the fact that he is based in New Zealand; it is the fact that he has worked in Europe and knows the market generally.

Senator LUNDY—Can you tell me whether or not you were advised when former senator Richard Alston was appointed to the Melba board?

Dr Brown-Watt—Yes, we have been advised that he has been appointed to the board. One of the things they need to do is to advise us of any changes in board membership.

Senator LUNDY—When was he appointed to the board?

Dr Brown-Watt—Recently. I believe in their last report to us we were advised of his appointment.

Senator LUNDY—So it would have been in March?

Dr Brown-Watt—I believe it would have been sometime in the February-March period, but again I will check the precise date. They do not have to advise the date of appointment. In their regular reports they have to advise of any additions or changes, and in their most recent report to us they have advised of his appointment.

Senator LUNDY—Minister, perhaps you can now let the committee know, once and for all, that it was more than likely to have been Richard Alston who was doing the heavy lobbying in cabinet to secure the \$5 million for Melba.

Senator Kemp—I cannot even remember Senator Alston being involved, I have to say.

Senator LUNDY—He is a member of the board now. He has obviously stitched it up from way back.

Senator Kemp—He might be involved now, but I would have to say, in relation to that, that I cannot even remember a conversation I had with ex-Senator Alston on that.

Senator LUNDY—Do you think he might have had a conversation with a few other people who are still in cabinet?

Senator Kemp—Frankly, to get ex-Senator Alston's services is a real coup for any organisation. I think that any arts body would be delighted to have ex-Senator Alston on their board. To suggest that there is anything untoward about this is an outrage. I do not think you believe it—

Senator LUNDY—That is precisely what I am suggesting.

Senator Kemp—If you think about the implications of what you have said, it is pathetic. Ex-Senator Alston is a person of outstanding repute, a man who has served this country well and continues to serve it. To make a suggestion along the lines that you have is appalling, frankly.

Senator LUNDY—Just keep a straight face, Minister.

Senator Kemp—You are judging people by your own standards. These are not the standards the Liberal Party applies.

Senator LUNDY—You have been caught out big time, Minister.

Senator Kemp—You do not believe that for a moment.

Senator LUNDY—Don't you think it is inappropriate to now know that \$5 million allocated in very controversial circumstances—

Senator Kemp—Why controversial?

Senator LUNDY—Clearly at the time there was public discussion—

Senator Kemp—What was controversial about it?

Senator LUNDY—Just let me finish, please—about what was perceived influence of cabinet. It was a budget decision; it was not a decision made by the Australia Council. In fact, the Australia Council at the time did not advise that this be funded. Applications had been previously rejected. No formal application other than for \$500,000 had been put forward. Yet this company walks away with \$5 million. Now we know why: because ex-Senator Alston was their chief advocate. And now he is on the board.

Senator Kemp—That is an outrage. You do not believe that. Let me just make this point. We are in government. We make decisions. When you hoped to come into government you made decisions. You decided—

Senator LUNDY—Are you embarrassed that he has gone on the board now to leave you in this difficult position of having to justify the expenditure of taxpayers' money on Melba?

Senator Kemp—You decided to give \$12 million to Musica Viva in your policy. In your policy you decided to give \$12 million to a particular company which would be administered

by the Australia Council. You did exactly the same thing—exactly the same thing, only double the money. For you to stand there and posture about this is absurd. I do not accept what you said.

Senator LUNDY—The former minister for the arts—

Senator Kemp—What you have said is a disgrace. I do not accept it for a moment.

Senator LUNDY—A former senior cabinet minister responsible for the arts is now on the board of an organisation that was allocated \$5 million in controversial circumstances. I think the Howard government must be accountable for this. You are now exposed as doing favours for mates.

Senator Kemp—That is absolute nonsense.

Senator LUNDY—That is what it is all about, isn't it?

Senator Kemp—That is absolute nonsense. Who wrote the first letter that I got about—I would have to check whether ex-Senator Alston was in cabinet, because of course this was the last budget.

Senator LUNDY—Yes, it would be very interesting to test.

Senator Kemp—Let me check whether, even on a factual basis regarding ex-Senator Alston being in cabinet, you are right. I will check on that. The first letter I got about the Melba funding came from a fellow called Barry Jones, I think. Barry Jones, if I remember rightly—is he the current president of the ALP?

CHAIR—I think he was recently.

Senator Kemp—This was a mate? This was a favour I did for a mate—a favour the government did for a mate—of which Barry Jones was the strongest supporter! What you are saying is an absolute disgrace.

Senator LUNDY—So you do not deny that it was ex-Senator Alston who was agitating in cabinet to have this money paid?

Senator Kemp—I have said that I cannot even remember having a discussion with ex-Senator Alston about that, to be quite frank.

Senator LUNDY—It was, wasn't it? Clearly you were not in a position to make a decision, because, as I remember, we have on the record, or at least as public comment, that you were not in favour of this either.

Senator Kemp—You have made a disgraceful slur—

Senator LUNDY—That you had your arm bent to tick this off by your cabinet colleagues because of ex-Senator Alston's influence.

Senator Kemp—Are you suggesting that ex-Senator Alston would be arguing for a particular point so he could be on the board? Really! This might be the way the Labor Party thinks; it is not the way this government operates.

Senator LUNDY—Where is ex-Senator Alston at the moment? He is in the UK, isn't he?

CHAIR—That is quite right, and it is quite wrong to besmirch his name.

Senator Kemp—To suggest, having said that, what you have said about this campaign! The truth is that Barry Jones wrote me a letter saying it was a great decision.

CHAIR—There we are.

Senator Kemp—The former Labor president wrote me a letter saying—

Senator LUNDY—Come on, Senator Kemp.

Senator Kemp—He did not write to me?

Senator LUNDY—Just admit that it was ex-Senator Alston that stitched this up. Given his appointment over in the UK as high commissioner, can I ask whether this is his attempt, by supporting Melba Records, because he could not access this music here in Australia, to take the opera to himself rather than come to the opera.

CHAIR—That is outrageous, Senator.

Senator LUNDY—Does he have any role in the distribution of Melba Records in the UK?

Senator Kemp—This is the most pitiful attempt—even by your usual low standards this is a rather unusual experience.

Senator CARR—We are talking about ex-Senator Alston here and you want to talk about low standards!

Senator Kemp—This is an absolute disgrace, what you are talking about.

CHAIR—Australia's most outstanding communications minister.

Senator Kemp—Let me just deal with the issue of the Melba Foundation. It is true that governments make decisions from time to time. In relation to the Labor Party policy, you made a decision to fund an organisation, Musica Viva, to the tune of \$10 million to \$12 million.

Senator CARR—A good decision too.

Senator Kemp—Yes. But—hello!—this was to fund a specific company and it was to be administered by the Australia Council, and this is what we did with the Melba Foundation.

Senator LUNDY—You are not honestly comparing Musica Viva and a school based program taking music to the masses with a \$5 million grant to the Melba Foundation? Are you serious? Are you trying to call that a legitimate comparison? If that is your defence then it is pitiful and I think your words will stand on the record as being pitiful.

Senator Kemp—Let me just say, Senator, that I think you are entitled to make that decision. I am saying this: you decided to fund a specific company, Musica Viva, and you decided to give them—correct me if I am wrong—\$10 million or \$12 million in your budget. This was to be administered by the Australia Council. What did we do? We decided to fund of the Melba Foundation, we gave them some money and this was to be administered by the Australia Council. So the things are exactly comparable.

Senator LUNDY—Five million dollars to a company to produce CDs compared to Labor's policy of \$10 million to facilitate a musical experience for thousands of schoolchildren—

Senator Kemp—No, your argument was that you were opposed to a particular company being funded and you were opposed to the Australia Council being asked to administer it. You did exactly the same thing.

Senator LUNDY—Can you tell me whether or not the board members of the Melba Foundation receive any remuneration for their role? They do not. And how will ex-Senator Alston participate in board meetings, given he is in the UK as the High Commissioner?

Senator Kemp—There is time for Senator Lundy to withdraw her accusation. Daryl Williams had replaced ex-Senator Alston, I am advised, by the time this matter was considered in cabinet. So, Senator, in view of the allegation you have made—

Senator LUNDY—My allegation was that he used his influence as a former cabinet minister to influence cabinet ministers at the time.

Senator Kemp—I am going to finish this. There has been a lot of posturing about getting the Australia Council to correct the record today. There has been a bit of a lecture from Senator Kim Carr about the Australia Council correcting the record. Now you have made allegations against ex-Senator Alston. You made allegations that he was in cabinet when this matter was considered. My advice is that he was not there—in fact, Daryl Williams was the operative minister. So, in the light of that advice I have received, I invite you to withdraw the allegation that you have made, to correct the record.

CHAIR—I think you should consider that very carefully, Senator Lundy.

Senator LUNDY—And I do, because I do not believe I made the allegation that he made the decision as the cabinet minister. What I said was that as the former cabinet minister he used his influence on existing cabinet ministers. That is that I said or that is certainly what I meant to say.

CHAIR—This is very mysterious, Senator Lundy. If you made an allegation and you cannot substantiate it you must withdraw it.

Senator LUNDY—I think I have made it very clear.

Senator Kemp—No, you have made a disgraceful inference about a former colleague who served this country and this government well. The time has come for you to withdraw that allegation and correct the record so that it does not stand.

Senator LUNDY—I will say it again.

CHAIR—Senator Lundy, be very careful, because you must substantiate what you are saying.

Senator LUNDY—Are you going to let me speak? Listen very carefully.

CHAIR—We have heard you several times, so think carefully.

Senator LUNDY—Listen very carefully. My allegation is that ex-Senator Alston as a former cabinet minister used his influence on the cabinet to get this money for Melba Records.

Senator Kemp—That actually was not your allegation.

Senator LUNDY—Yes, it was.

Senator Kemp—There is rewriting of history. You said: Senator Alston as a cabinet minister.

Senator LUNDY—Senator Kemp, that is my allegation.

CHAIR—If you want to leave that on the record, Senator Lundy, you will have to substantiate it in some way, otherwise it is a totally unreasonable allegation.

Senator LUNDY—I am asking Senator Kemp whether that is the case.

Senator FIERRAVANTI-WELLS—No. Senator Lundy you are making an assertion. What facts and circumstances are you relying upon to make that sort of assertion? That is really what we are asking? You made a serious allegation.

Senator LUNDY—In am relying on the fact that Senator Alston is now on the board of Melba Foundation. They got \$5 million in controversial circumstances. The government has never been able to show a paper trail as to the process for application for that \$5 million.

Senator Kemp—Supported by Barry Jones.

Senator FIERRAVANTI-WELLS—I think you are going to have to do better than that.

Senator LUNDY—Excuse me, let me finish! Senator Kemp has spent many minutes, if not hours, in this committee justifying the political decision to give Melba Records \$5 million. It was a political decision; it was a budget decision. It was not a decision that was supported or advocated by the Australia Council, and, Minister Kemp, I recall that it was not a decision that was supported by you. That was certainly the public comment made at the time.

Senator Kemp—That was not the public comment that was made at the time. I think this decision will be seen to be a very good decision. And let me say, Senator, I think that your performance here explains to us all why you were dumped as the shadow arts minister.

Senator LUNDY—If that is the best you can do to defend yourself, Senator Kemp, then I think you have been caught out big time.

Senator Kemp—Your performance has been quite disgraceful. You have made inferences and allegations against people. You have refused to correct the record when the facts have been presented to you. I do not believe that you believe even the most extreme version of what you have said. I do not believe you think that. I believe you think this is a nice sort of way to smear somebody to get a headline. Does anyone seriously think that former Senator Alston tried to manoeuvre his way onto the board of the Melba Foundation?

Senator LUNDY—No, I suspect he probably always planned to go there.

Senator Kemp—How infantile is that?

Senator LUNDY—I suspect he always planned to go there.

CHAIR—Senator Lundy, I call the meeting to order. Do we have further issues to raise with the Arts Council? If not, we can break early for lunch and come back at 2 pm to move on down the agenda?

Senator LUNDY—That happens to be the only issue that I wanted to raise, but can I place on notice a number of question about Melba?

CHAIR—If you wish to, you may do that.

Senator LUNDY—Please provide the committee with the reports you are required to provide to the Australia Council. If there are any commercial issues, just advise the committee. I am not interested in commercially sensitive information, just openness and accountability. Thank you.

CHAIR—That concludes questions for the Australia Council. I thank representatives for being here.

Proceedings suspended from 12.43 pm to 2.03 pm

CHAIR—I think we will get under way. Senator Carr had some questions for the Film Commission.

Senator Kemp—Before we go on to that, I have a couple of things. The first is that we did have a large number of people waiting all morning.

Senator CARR—They would have been entertained.

Senator Kemp—It is interesting how the worm went. I actually have a report on the worm, which is not good news for the Labor Party.

Senator CARR—What a surprise!

Senator Kemp—You were not here, so we cannot blame you. It is a bit distressing that so many people are waiting around. If someone could tell us what we are going to do between now and afternoon tea, that would be a help.

Senator CARR—We have finished with the Australia Council.

Senator Kemp—I know that. Could we be a little more constructive. I know we have finished with the Australia Council. What bodies could we do sensibly between now and afternoon tea, so that at least those public servants can do other things.

CHAIR—I have been told we will perhaps be proceeding more quickly through these agencies.

Senator CARR—I think so. The answers will probably be a lot sharper and more accurate, and I am sure they will be more precise, so I am expecting that we will be able to move more quickly.

Senator Kemp—Which groups are not needed before afternoon tea?

Senator CARR—I would hope that we would finish the entire department by tea time.

Senator Kemp—The other point I would like to make relates to a call my office has had. There is some confusion about orchestras. The issue with orchestras has always been the same. The government has put its money on the table.

Senator CARR—Do you want to apologise?

Senator Kemp—No. The government has put its money on the table and we expect the states to make their share of the contribution. My view is that this is going to occur, but there may be one or two states which are more sticky than others.

CHAIR—Certainly not Western Australia.

Senator Kemp—I am certainly expecting Senator Carr to provide some help to those states to make sure that orchestras do get their money. I look forward to a very positive approach from Senator Carr. As Senator Carr knows, from day one Commonwealth funding is conditional on the states paying their share of the costs.

Senator CARR—That is fair enough. In the case of New South Wales and the Sydney Dance Company, they should be changing their tune, but in the Queensland case they should not be changing their tune. I am just wondering where the consistency in government policy is.

Senator Kemp—I did not say that. That is an example of totally confused thinking. What is happening is that the states which accept the package—and I expect all of them will ultimately—will get Commonwealth funding. They will pay their share. So it is not as though the package would be dumped; there is no question of that happening. The situation simply is that the Commonwealth money is on the table—

Senator CARR—But it is conditional.

Senator Kemp—and we expect the states to pay their share of the additional costs. In the overall package, the Commonwealth will be putting down in the order of \$25 million. The states, if they wish to match the Commonwealth contribution with their share, will contribute about \$6 million. South Australia has already indicated that it is coming in. The Tasmanian government has indicated that it is coming in. In the paper this morning the New South Wales government said that the ministry for the arts was negotiating. I want to be very clear that we are committing to giving this money to orchestras but we are going state by state. In the end, the state governments have to pay their share.

Senator CARR—It is conditional on the states paying what you regard as their share. If they do not pay, what will you do?

Senator Kemp—The states have to pay their share. We have always said that we will put in the Commonwealth money and the states will then have to pay their share. Typically, the Commonwealth puts in \$4 and the states put in \$1.

Senator CARR—And if they do not pay up—

Senator Kemp—To pull an example out of the hat: if the New South Wales government—and I do not think they will do this—say they do not want to put in any money, they will have to explain to their orchestras why the funding has not been received.

Senator CARR—So the Commonwealth money will be withdrawn?

Senator Kemp—The Commonwealth money will not be paid to states which do not put in their share of the additional contribution.

Senator CARR—What will happen to the Commonwealth money under those circumstances? Will it go to consolidated revenue?

Senator Kemp—You will have to wait and see. This has been very clear to the states from day one and very clear to the orchestras.

Senator CARR—This is your method of negotiation is it—the big stick?

Senator Kemp—It is not a big stick. It is great news. I would have thought that, as the shadow arts minister, you would have said, ‘This is fantastic, the Commonwealth has coughed up.’ We want the Labor governments to pay their share, which is a significantly smaller share because in most states the Commonwealth pays around 80 per cent and the states pay 20 per cent. This is very good news.

Senator CARR—Why did you have to clarify your statement? Why were you confused?

Senator Kemp—Because there was some confusion by someone who contacted my office and I wanted to make it absolutely clear.

Senator CARR—A newspaper had rung you, had they—

Senator Kemp—Yes.

Senator CARR—because you had not explained yourself properly?

Senator Kemp—I am just making it clear.

Senator CARR—At what point does the money get returned and at what point do you decide that there has been no agreement?

Senator Kemp—At what point do we decide that there has been no agreement? When the state government says it is not going to pay any money for orchestras.

Senator CARR—None of them are saying that.

Senator Kemp—That is what I am saying too. That is exactly what I am saying.

Senator CARR—They are saying they will not pay any increase.

Senator Kemp—We are saying that for the additional money that we are putting in, the states will have to pay their additional share. That is what we are saying and that is well understood.

Senator CARR—I think your position is now extremely well understood. You will probably get a few more calls. While we have the officers at the table from the Film Commission, perhaps we should turn to them since you are so anxious about the time.

[2.10 pm]

Australian Film Commission

Senator CARR—I welcome the officers from the Film Commission. It is good to see you again. I have here an article which appeared in the *Australian* on 24 March. It says:

The Australian Film Commission will continue to press the federal Government for greater levels of local content on pay television after last Wednesday’s tabling of a key review that decided against setting a minimum spending level for new Australian documentaries.

AFC chief executive Kim Dalton said the commission was disappointed with some of the review’s outcomes, particularly the decisions not to introduce a quota for local documentaries and not to raise the 10 per cent spending quota for new Australian drama.

Why were you disappointed? Is that an accurate quote?

Mr Dalton—That is an accurate quote. The Film Commission has been on the public record for many years saying that the expenditure system quota which operates in pay TV

should be used effectively to deliver adequate levels of Australian content on pay TV to Australian audiences. It is a mechanism that is available to the government. It continues to be available under the free trade agreement. We believe that existing levels of Australian content on pay TV, whether it be drama or documentary, are inadequate at the moment. We have consistently said, and have been on the public record saying, that we feel the expenditure quota should be increased.

Senator CARR—It is not just the documentaries though, is it?

Mr Dalton—Dramas and documentaries: drama has the ability to be increased and there is no quota at the moment for documentaries.

Senator CARR—You are looking at the expansion of local requirements for pay TV to do that?

Mr Dalton—Yes, this is just referring to pay TV.

Senator CARR—What levels are you seeking?

Mr Dalton—Our position has been that the expenditure quota level on drama should be increased to the full level allowed under the free trade agreement, which is 20 per cent, and that quotas should be introduced for documentaries to the full level available under the free trade agreement, which is 10 per cent.

Senator CARR—How would you have this done—by regulation?

Mr Dalton—The government said that it will review the situation again in a couple of years. In the meantime, we will continue to argue that when that review is looked at we will obviously continue to monitor levels ourselves. When that review is conducted, we would be arguing again that that position be reconsidered.

Senator CARR—A couple of years is a fair time, Minister. Why will it be a couple of years before you review this matter?

Senator Kemp—Local content rules are not specifically my area, as you would understand. These are issues which are dealt with by Senator Coonan. My understanding is that, as Mr Dalton indicates, this matter would be reviewed again in a couple of years. I have no doubt that Mr Dalton will be continuing to press his case.

Senator CARR—He has made that clear, but that does not answer my question. Why is the government waiting a couple of years to have a review on this matter? Ms Williams, I think you need to bail the minister out at about this time.

Senator Kemp—This is not actually my specific area so you will excuse me if I seek some further advice.

Senator CARR—I always excuse you.

Senator Kemp—I am not sure you always do, and I am not sure that I always excuse you.

Senator CARR—You are very ungracious. Ms Williams, why does the government wish to wait some years before it has a review?

Ms H Williams—A number of things are being brought together, and this whole area of broadcasting, digital content and Australian content is obviously impacted by that. As you

know, the government has a number of reviews in the broadcasting area proceeding at the moment and it would probably be better if those things were considered together.

Senator CARR—You want to wait until the others are concluded?

Ms H Williams—A number of reviews under the Broadcasting Act are progressing at the moment. The government wants to consider the whole gamut of these things together. Australian content is one issue in the broad broadcasting area. The government wants to look right across the broadcasting area and take decisions on this together.

Senator CARR—I am having trouble following that line of argument. You are saying you are doing other reviews at the moment but you want to wait.

Ms H Williams—There are a broad scan of reviews being carried out under the Broadcasting Act at this stage.

Senator CARR—Why is that not one of those matters being subject to review right now? Why do we have to wait?

Ms H Williams—I was trying to say that, as the government is looking right across the whole area of broadcasting—and the move to digital and the degree of Australian content are included in those areas; and, in particular, I think you raised the area of content on pay TV—I think it would probably be stupid for the government to jump into one of these decision before the others.

Senator CARR—If you think that is stupid, why do you not do a review of the local content more generally? If you do not want to do it in pay TV, why is the review not into other areas as well?

Senator Kemp—This is an interesting point. Senator Carr, if he wishes to pursue it, should have pursued it in previous days.

Senator CARR—Thank you very much; that is extremely helpful! I will have to ask Mr Dalton. What does he say about the proposition?

Senator Kemp—Mr Dalton has made his views known and he is entitled to do that. I always appreciate Mr Dalton's frankness.

Senator CARR—I bet you do.

Senator Kemp—Well, I do. This might shock you—I know it is unknown to you—but there are quite a range of people I manage to get on with quite well. I know that is not your experience of life but it is mine, Senator Carr.

Senator CARR—There is no reason why you would not get on well with Mr Dalton, is there?

Senator Kemp—Just ask the questions!

Senator CARR—Mr Dalton, what do you say about the review? Why can a review not be undertaken right now? What does the Film Commission say about that?

Mr Dalton—It is not within my power to decide when governments can have reviews, but the point is that there was an ongoing review late last year, rolling into this year. I was responding to the findings of that review. I would not have thought that the government would

turn around, having just delivered the findings of that review, and immediately conduct another one. I was responding to the findings of that review. As the secretary says, there will be a whole range of quite significant structural changes occurring in the whole broadcasting area over the next couple of years. I think there will be an opportunity for us and the production sector more generally to continue to press our views about the issue of Australian content within what I am sure will be quite a wide-ranging debate about the structure of the industry, and specifically pay TV.

Senator CARR—As this article points out, the commission has been arguing for some time for a change in the arrangement, particularly in the light of the free trade agreement. The article also points out that the department has contested your research in regard to the amount of Australian content that is currently broadcast. Is that true? The article states:

Recent figures from the Australian Broadcasting Authority show that local drama on free-to-air television added up to 17.6 per cent of all drama. Australian content for documentaries is 37.6 per cent.

However, the AFC research is contested in the review carried out by the Department of Communications, Information Technology and the Arts. It found that the commission's methodology of using sample periods of a single month was flawed.

Are you familiar with that?

Mr Dalton—I am familiar with the view that was expressed in the report. We have said to the department since then that we stand by our methodology. It is a methodology that is quite consistent with similar approaches to measuring local content used elsewhere around the world.

Senator CARR—What do you say to that, Ms Williams? Is it the case that the commission's research was flawed? If so, on what basis do you claim that?

Senator Kemp—I am not sure that this relates to the estimates.

Senator CARR—It is a legitimate question.

Senator Kemp—I am not going to be too difficult on this but—

Senator CARR—It sounds as if you are.

Senator Kemp—I do point out that you have had two days in which to pursue some of these matters with the relevant minister here. I think it is a little late in the piece. Mr Dalton can freely express his views. He is quite entitled to do that. I do not want to get into a debate that is really a matter for another estimates, to be quite frank.

Ms H Williams—Senator Carr, I do not have the kind of detail that you want. I mentioned why there was a pause before any further review. The department did look at the Australian-New Zealand content obligations on pay TV services. The review found that the 10 per cent new eligible drama expenditure requirement is appropriate, taking into account the stage of development of the subscription television sector. After time, this will have moved and another review will be appropriate. However, the current requirement is valued by the production industry and meets the objectives of the Broadcasting Services Act without being an unreasonable burden on the industry. Pay TV investment funds have been involved in most of the Australian films released over the last five years. Altogether there was a decision by

government that there was not a compelling case at this stage, but of course these things are subject to review.

Senator CARR—Have the pay TV operators been at the government?

Senator Kemp—That is not a question that the secretary would be expected to answer. This government, as you know, is a consultative government. We consult very widely on issues. One of the reasons we are still in office is because we consult.

Senator CARR—Did Mr Murdoch have a go at you?

Senator Kemp—That is absolutely pathetic, Senator Carr! I think the reason you are not in government is because of the attitudes which you sometimes manifest. I do not think we should blame others.

Senator CARR—Mr Dalton, with regard to the collection access policies, the budget has allocated \$6.2 million to improve access to the National Film and Sound Archive collection. It has been allocated from the AFC Industry and Cultural Development Branch. Is that correct?

Mr Dalton—No, our appropriation involved an additional \$2.3 million a year over the next three years to, amongst other things, engage in an expanded range of programs around the screen culture area, but also quite specifically, as part of some of those programs, to improve access to the audiovisual collection.

Senator CARR—So it is not \$6 million, it is only \$2.3 million.

Mr Dalton—It is \$2.3 million over three years. That works out at \$6.9 million.

Senator CARR—I have underquoted a little.

Mr Dalton—It is \$2.3 million a year for three years. It is an annual increase.

Senator CARR—It is to do with screen culture?

Mr Dalton—Yes, it is to do with screen culture.

Senator CARR—Is there additional funding for improved access to the sound collection?

Mr Dalton—There will be a range of programs. As you are probably aware, we are in the midst of some restructuring at the moment at the archive. One of the things we will be doing is strengthening the profile, the work, the access and the outreach work specifically of the sound area at the archive.

Senator CARR—What additional resources have been allocated to allow that to occur?

Mr Dalton—The actual allocation of the resources going into the next financial year is something that we are in the process of working out at the moment and the budget will go to the commission during the month of June.

Senator CARR—So there is no financial allocation agreed upon at this time to do that?

Mr Dalton—There is nothing agreed upon at the moment by the commission. We are trying to improve the sound area within the collection of the sound materials as well as increase accessibility and outreach programs in that area and make sure that that part of the process of restructuring put in place by the new director has that as an intention and a focus.

Senator CARR—Has the money been allocated to the Industry and Cultural Development Branch?

Mr Dalton—The money has been allocated across a number of programs, some of which are delivered through programs of the archive and some of which are delivered through programs from the Industry and Cultural Development Branch. The Big Screen program, for instance, is a joint program and it is delivered jointly. We are doing a major Australian screen online web based initiative, which will work in with the Curriculum Corporation and a number of other partners and look at the archive collection and digitising material from that collection to be made available via the Internet into the education area across Australia.

Senator CARR—On notice, can you give me an independent breakdown of where that \$6.9 million has been allocated to, if it is not just the one branch.

Mr Dalton—You mean in terms of how those programs will be delivered or how the funds will be administered?

Senator CARR—Is there a difference? Will they be administered by different branches or delivered by different branches?

Mr Dalton—Where the actual funds are allocated and administered within the branch structure or the divisional structure of the Film Commission, we often deliver programs on a joint basis, particularly in the area of screen culture and access.

Senator CARR—When was the director of the National Film and Sound Archive consulted about this new allocation?

Mr Dalton—The new director of the archive you mean?

Senator CARR—Yes.

Mr Dalton—I had discussions with him about the possible future financing structures et cetera of the archive from the moment of his appointment. But also, obviously, the range of programs to be delivered by the archive and, in particular, the access and outreach program were part of an ongoing discussion.

Senator CARR—Has there been an agreement reached about the way in which the money is to be spent?

Mr Dalton—Yes.

Senator CARR—When was that reached?

Mr Dalton—The final decision is actually made by the commission and will be made at its meeting in June when it makes a decision about the actual breakdown of the budget, the range of programs to be delivered and the costings of those programs. The broad discussion about all that was something that I had with the new director from the moment he formally started work, which was in August or September last year.

Senator CARR—But you did not know about this allocation at that time, did you?

Mr Dalton—The allocation was an election promise and then it was confirmed in the budget in May, only a couple of weeks ago. The finalisation of our budget process precedes

the confirmation from the government and that is an internal process that is going on at the moment.

Senator CARR—Has a directions paper been prepared to cover this allocation?

Mr Dalton—No. There was a statement of policy in the government's election policy about additional funding coming to the Film Commission, both in the area of development and production as well as in the area of screen culture.

Senator CARR—But in terms of the internal discussions within the archive itself, has there been a strategy paper developed to account for this new additional resource?

Mr Dalton—At a management level, on a one-on-one basis and at a broader management level within the commission, there has been ongoing and detailed discussion about an evolving approach to screen culture now that we are an integrated operation and there are opportunities for expanding programs, but also an opportunity for building on the synergies that can exist between those two areas of our organisation, which are involved in the screen culture programs.

Senator CARR—But there is no draft strategy paper as such?

Mr Dalton—We have developed a strategy document which went to the commission—it has been approved by the commission—in terms of our screen culture and access program and how the commission intends to approach that area and deliver those programs. That is a strategy document that has been developed. The director of the archive was involved in presenting that strategy to the commission and subsequently has been involved in jointly presenting that strategy with the person who heads up the Industry and Cultural Development Branch at all staff meetings in Canberra, Melbourne and Sydney.

Senator CARR—When were they held?

Mr Dalton—April. Maybe it went to the March meeting of the commission and then there were a series of meetings to which all staff were invited in Canberra, Sydney and Melbourne. They would have been in April. That was to outline the strategy and where we were going in this area.

Senator CARR—How would you describe staff morale with the National Film and Sound Archive at the moment?

Mr Dalton—I think morale is very good and there is an attitude of commitment and optimism about the new directions that the new director has outlined.

Senator CARR—So have things improved?

Mr Dalton—Improved in what sense?

Senator CARR—As you know, there was considerable agitation about the new arrangements. Do you think they have improved since those announcements?

Mr Dalton—I suppose it partly depends on your interpretation and what you read into the agitation. I think that there has been a very positive view and expression of intent very publicly outlined by the new director. It is one that I fully support. It builds upon what we have been outlining for the last couple of years since the government first announced the integration and, indeed, builds upon the government policy as it outlined the reasons behind

the integration. Obviously, in any process of institutional change there is some disquiet about it for some individuals or some sections, but overall I think there is a commitment to move ahead.

Senator CARR—Do you think the sorts of concerns expressed by the Friends of the National Film and Sound Archive at a conference last year have now been addressed? I noticed the resolutions, for instance.

Mr Dalton—The Friends of the Archive and the Archive Forum, which are perhaps the two groups external to the archive which have been most vocal on this issue, have consistently in the last six months given a ringing endorsement to every decision that the new director of the archive has made.

Senator CARR—I wish to talk about the PALM Consulting Group. Are they still working?

Mr Dalton—They have been working with us for 18 months, I suppose. They are a Canberra-based management consultant group which specialises in the area of what people commonly refer to as change management. We retained their services 18 months or so ago partly through a recommendation of the archive management itself because they used PALM consistently prior to the integration on various exercises and work. They have been involved in a program across the AFC in terms of management development issues and strategic planning issues. They have also been specifically working very closely with the new director of the archive on a number of changes and the implementation of the restructure within the archive itself. They have been working at two levels.

Senator CARR—What was the cost of the consultancy?

Mr Dalton—I would have to take that on notice.

Senator CARR—When do you expect it to conclude?

Mr Dalton—At the moment I would see it as ongoing. The contribution and assistance they provide to the whole process of strategic management is quite invaluable.

Senator CARR—So it is an ongoing consultancy?

Mr Dalton—It is an institution of 250-300 people with a budget of over \$50 million and a very broad range of responsibilities. I think the sort of input and advice they can provide to add value to our work is quite invaluable.

Senator CARR—What was the method of selection of these consultants?

Mr Dalton—They had had an ongoing relationship with archive management and they came highly recommended to us by archive management at the time, 18 months ago. We wanted to use a company that was based in Canberra. I personally spoke to them and they put a proposal to us about the work that they were going to do and we have been using them since then.

Senator CARR—You have taken on notice the cost of the consultancy. You must have a rough idea of what it costs. I want to get a sense of the size of the project.

Mr Dalton—I do not carry those sorts of figures around in my head.

Senator CARR—Perhaps other officers would have that information. I am not looking for a precise figure. I want to know the scale of it.

Mr Dalton—It is in two areas. Maybe between \$150,000 and \$200,000 across the last 18 months.

Senator CARR—So presumably if that is an annual cost, it may be a little less than that if it is 18 months.

Mr Dalton—It will not go on as an annual cost at that level. There is a lot of quite intense work that has been going on working very closely with the new director of the archive in terms of the specific changes that he is introducing at the moment.

Senator CARR—I raised it because the method of selection becomes quite important if it is an ongoing contract.

Mr Dalton—Well, it is not. It depends what you mean by an ongoing contract.

Senator CARR—If it is outside the open tender process, there has to be good reason, not just because someone at the commission or even your predecessors likes them. I am interested to know if it will be ongoing why there would not be an open tender for such an arrangement.

Mr Dalton—In an ongoing sense, the level that they would be used at would not be for this quite intense work that has been going on over the last six to eight months with the new director.

Senator CARR—There are procedures for the engagement of consultants in the Commonwealth public service. I would like to know whether or not the engagement of this consultant meets those procedures.

Mr Dalton—I do not know.

Senator CARR—You may want to take that on notice.

Mr Dalton—We will take that on notice and get back to you.

Senator CARR—Finally, I have a question on notice I asked last time, No. 170. I ask you to look at it please because the answer you have given me does not respond to the question I asked. I ask you to take that back again and have another look at it. That concludes my questions.

[2.42 p.m.]

Australian National Maritime Museum

Senator CARR—The Commonwealth now owns the *Endeavour* replica. Is that correct?

Mr Dingle—Yes, that is correct.

Senator CARR—Is it on display already?

Mr Dingle—Yes, it is.

Senator CARR—Will the Endeavour Foundation continue to be involved with the vessel in any way?

Mr Dingle—Not with the Maritime Museum.

Senator CARR—What about the vessel?

Mr Dingle—Nor the vessel.

Senator CARR—The foundation commissioned a whole series of publications and other materials relating to the vessel. Does it continue to own the IP rights?

Mr Dingle—No.

Senator CARR—So the museum has taken over the IP rights as well?

Mr Dingle—Yes.

Senator CARR—So the foundation has no connection at all with the vessel in any capacity?

Mr Dingle—The only connection it would have is that it is closing down itself so there may be some other connections in terms of exchange of information.

Senator CARR—So the foundation is being wound up, is it?

Mr Dingle—Yes.

Senator CARR—We do not have anything for officers from the Australian Film Television and Radio School, if they want to go.

Senator Kemp—I think that is probably good news.

Senator CARR—Do you want me to think of something? I am sure that I can have a look at their PBS!

Senator Kemp—I think we had better review how the Australian Film and Television School was asked to come down. Mr Long has had to fly from Sydney for the day.

Senator CARR—He would have enjoyed speaking to you. You had him for dinner. He had lunch with the minister. I thought he would appreciate that.

Senator Kemp—That is one of the burdens that even Malcolm Long has to bear occasionally.

Senator CARR—So it was not a complete waste, was it?

Senator Kemp—I hope he liked the food but it is a more serious issue than this. I have spoken about this before. This is the second time that we have had one of our agencies summoned to appear before this estimates committee and it has not been required. There has to be some preliminary planning done so we avoid this.

Senator CARR—Minister, you are right. That is a very reasonable point. I will make up for it at the next round of estimates by asking him twice the number of questions.

Senator Kemp—We will wait and see. You will ask the questions that you are able to in the time available. We will not dwell on any silly threats from Senator Carr. All I am asking for is an ordered process. I ask that those agencies that people want to be asked down, that they know roughly when they are going to be called so we do not have people waiting around. It is not an unreasonable request. It is a request which this committee should turn its mind to. I know you are one of our most outstanding chairs, Senator, and you will be able to at least get some order into this. It is not a good look to fly someone down and not require them.

CHAIR—The difference between this and supplementary estimates is that all agencies are called to these estimates because these are the main estimates. We call to the supplementary estimates agencies that are nominated by various parties. Other senators could have come in and asked questions of the film and television school. I agree that we need to have some indication from all senators from all parties whether or not they have questions for various agencies because it is inconvenient for an agency to come down to Canberra and to be told at the last minute that there are no questions for them.

Senator Kemp—That is true. There is a lot of press, not unreasonably, about Senate estimates—and we used to do it when I was in opposition—looking at things that are regarded as waste. It is a bit rich when a committee itself is in the embarrassing circumstance of wasting people's time.

CHAIR—I think you make a very good point.

Senator CARR—As chairman, you would have made sure that the questions were being asked. There are plenty of other members of the committee here. As you rightly pointed out, it is the right of any senator to ask a question.

CHAIR—Indeed, and anybody could walk in now and ask a question.

Senator CARR—Minister, you made a very pious point. I appreciate it.

CHAIR—It is a matter of convenience.

Senator Kemp—It is not pious. It is a matter of good manners. It is silly to characterise it like that, Senator Carr.

Senator TCHEN—I do agree that it is very important to take care of taxpayers' money.

Senator CARR—Why did you not ask some questions? You have not asked a question here all day or all week. There is your big chance, speaking of taxpayers' money.

Senator Kemp—I would be careful. He might. That would squeeze you out a bit, senator.

Senator CARR—I would like to see him ask a question.

CHAIR—I have invited them to.

Senator CARR—I return to the matter before the committee. What additional costs or additional funding has been provided to meet the preservation and display costs of the *Bark Endeavour*?

Mr Dingle—In the current year it is \$746,000.

Senator CARR—That is for one year?

Mr Dingle—Yes.

Senator CARR—How are those costs calculated?

Mr Dingle—They are calculated in the costs of actually maintaining the vessel and cooling the vessel, keeping it in survey for operation within the harbour in the enclosed waters and a staff of five people—ship manager, ship keeper and three shipwrights.

Senator CARR—That is the cost for next year. How are subsequent years to be funded?

Mr Dingle—That should be ongoing.

Ms H Williams—That is ongoing and indexed.

Senator CARR—And indexed?

Ms H Williams—Yes.

Senator CARR—What is the indexation rate?

Ms H Williams—You have me there.

Senator CARR—I would like to know what the Commonwealth's liability is.

Ms H Williams—We will find out.

Senator CARR—Who calculated these costs?

Mr Dingle—The museum did.

Senator CARR—What do you intend to do with the vessel?

Mr Dingle—We intend to operate the vessel as a working vessel. When it is not operating as a working vessel, it will be on display at the museum. Otherwise, it will be taking out school parties, other groups, navigational tours and artistic tours. We also hope to take it beyond the museum and use it as a travelling exhibition as an outreach program. As with all our outreach programs, that really depends on getting corporate sponsorship to take it beyond our close environs.

Senator CARR—By 'close', do you mean outside the harbour?

Mr Dingle—That is right.

Senator CARR—What prospect is there for attracting the sponsorship necessary to take it out of the harbour?

Mr Dingle—I would say the prospects are good to very good.

Senator CARR—How would you crew the vessel?

Mr Dingle—That would come through sponsorship funding.

Senator CARR—What is the cost of a charter? How would you organise the tours outside of the harbour?

Mr Dingle—Basically, we need to hire a captain and a crew. We do have some expertise within the museum that could crew the vessel but the cost of doing that really depends on how far you are going and for how long.

Senator CARR—Yes. What is the complement? How many people do you need to crew it?

Mr Dingle—Sixteen.

Senator CARR—You need a crew of 16?

Mr Dingle—That is if you want to sail it.

Senator CARR—Otherwise you use it with a motor.

Mr Dingle—You can motorise it without raising and lowering the sails but if you want to fully sail it without engines, you need a crew of 16 at least.

Senator CARR—What is the minimum crew required?

Mr Dingle—That is the minimum.

Senator CARR—That is for sail. What is the minimum crew for motor?

Mr Dingle—About five people.

Senator CARR—What is the prospect of attracting sponsorship? That is the point I was getting to in terms of using it outside the harbour. Do you have a plan in that regard?

Mr Dingle—We are currently putting together a business plan for it. We are also developing a sponsorship plan. Our first sponsorship push, if you like, or function will be on 15 June.

Senator CARR—What sort of sponsorships are you seeking to attract?

Mr Dingle—Mainly cash sponsorship but we are also seeking in kind sponsorship, the same way the vessel has operated previously where you need a lot of in kind sponsorship for port fees and other—

Senator CARR—Expendables?

Mr Dingle—Not so much expendables, but fuel, yes.

Senator CARR—Is there any budget allocation at all for these voyages? Do you have any appropriation for voyages?

Mr Dingle—As I said earlier, the appropriation that we have covers keeping it within the deep sea survey and the basic maintenance crew so that the vessel is ready to go at any time. We have just appointed a new ship manager to run the vessel and we are interviewing for the crew in the next few days. Once that ship manager starts on 27 June, we will be developing a business plan for operating the vessel and where we are going.

Senator CARR—But you have no additional money other than to keep the vessel in survey to actually undertake that task?

Mr Dingle—Beyond the Heads.

Senator CARR—That is what I said. You have no additional money?

Mr Dingle—No.

Senator CARR—So if you do not attract the sponsorship, it will basically be a tourist attraction for Sydney?

Mr Dingle—Yes. It is also used for school groups and education groups. The biggest visits at the moment in terms of numbers have been school groups.

Senator CARR—Is there a charge?

Mr Dingle—There is a small charge for each school child coming into the museum and groups.

Senator CARR—So it would be an additional charge over and above the normal museum fee?

Mr Dingle—That is the normal museum fee.

Senator CARR—But there is no special charge to look at the Endeavour?

Mr Dingle—For the public or school children?

Senator CARR—For schools.

Mr Dingle—No. They come in as part of a booked group. There are two levels of fees, whether they come in unguided or whether they need a teacher guide.

Senator CARR—If you were to use it for a tour of Australian ports, for instance, there will be no funding for that—for instance, to give schoolchildren access to it in other cities.

Mr Dingle—When we take it to other cities, there will be a charge.

Senator CARR—But in terms of the budget, you do not have any additional budget to allow it, for instance, to sail or motor to Melbourne?

Mr Dingle—No.

Senator CARR—So Sydney school kids get access to it.

Mr Dingle—Except I would say New South Wales and the ACT, I must admit.

Senator CARR—Minister, once again, Victoria misses out.

Senator Kemp—With the agreement of the previous government, when the Bark *Endeavour* finished its tour of duty with the Endeavour Foundation, it was to go to the National Maritime Museum. The previous government made that decision.

Senator CARR—You have allocated three-quarters of a million dollars per year.

Senator Kemp—I am very hopeful that this boat will have the opportunity to travel around Australia. Mr Max Dingle indicated that on the private sponsorship front, he thought the prospects were good to very good and I think that is very encouraging. I would personally like to see the boat in Port Phillip Bay during the Commonwealth Games. I do not know whether or not that will be possible but it is certainly a project that is worth looking at.

Senator CARR—If I could have the officer's opinion, the \$750,000 that you are getting or thereabouts, will that fully cover the preservation and display costs?

Mr Dingle—Yes, it does.

Senator CARR—Could I have a breakdown on how you intend to spend that money.

Mr Dingle—I will have to take that on notice.

Senator CARR—I expect that you would. If I could have a look at precisely what you think will be the display costs, the maintenance costs, the crewing costs.

Mr Dingle—Yes.

Senator CARR—I take it that you actually set the budget, you made the museum bid.

Mr Dingle—The museum did.

Senator CARR—That is what I mean. The museum made the bid to take ownership of the vessel.

Mr Dingle—Yes. To take ownership of the vessel, we were asked to submit a budget of what it would cost to maintain it.

Senator CARR—But the initiative was taken by the museum to take control of the vessel. This was your idea.

Mr Dingle—To take control of the vessel?

Senator CARR—To take ownership of this vessel. You approached the government. You said, ‘We need to buy this boat.’

Senator Kemp—I think you missed the point I made. This was part of the original agreement with, I think, the Keating government, as I understand it and the officers can tell me if I am wrong. There was an arrangement that once the HM Bark Endeavour Foundation had finished with the vessel, it would thereby be offered to the National Maritime Museum.

Senator CARR—But the proposition did not mention anything about \$750,000 a year, did it?

Senator Kemp—I guess when people had those original plans in mind they assumed they would require some funding. I do not know whether the archives would show that there were any tentative figures put around at the time. I do not know whether there were, and it is probably not worth having a look at, but I think it would be a bold assumption to suggest that the boat would have been self-funding.

Senator CARR—How much did you pay for the boat—or vessel, I should say: sailors would get offended if I called it a boat?

CHAIR—It is a bark.

Senator CARR—That is right. I have described it correctly previously. I do not want to slip now. How much did you pay for the bark?

CHAIR—The Bark *Endeavour*.

Senator Kemp—The HM Bark *Endeavour*, as I understand it, was owned by the HM Bark Endeavour Foundation, so the costs that were involved to the Commonwealth were essentially in bringing the boat back to Australia and, of course, the ongoing costs. The costs of bringing it back to Australia have not finally been determined yet, I suspect, but they would be a maximum of \$1.5 million. The ongoing costs are the figures that we have previously discussed, but there would no other money paid out, apart from that.

Ms Williams—The indexation factor is against the WCI 6.

Senator CARR—I hope you can do it on the cheap, if you have only got WCI 6 to get your indexation here. It is a bit of a squeeze on the budget.

Senator Kemp—Are you opposed to WCI 6? What is your favourite—

Senator CARR—I can tell you now that we all know WCI 6 is at the lower end of the scale.

Senator Kemp—You prefer WCI 7, do you? If the Labor Party’s policy is WCI 4 or WCI 8, you had better tell us and we will probably have a look at it.

Senator CARR—So it is \$1.5 million?

Senator Kemp—No. I said that it would be a maximum, I understand, of \$1.5 million. I think the costs are finally being determined.

Senator CARR—I thought it was a bit more than \$1.5 million.

Senator Kemp—No, that was the upper limit. It would be a maximum of that to the Commonwealth.

Senator CARR—The additional estimates budget last year was \$1.510 million, so that is higher, isn't it? It is a little bit higher. That is it, is it? Do we know of any additional costs?

Senator Kemp—That is what we are paying out, unless anyone can indicate whether there is anything else.

Senator CARR—When the bark was being delivered it ran aground, didn't it?

Mr Dingle—That is right, it did.

Senator CARR—How did you do that?

Mr Dingle—I did not do it at all.

Senator CARR—You were grateful you had nothing to do with it. You were not on the vessel.

Mr Dingle—No.

Senator CARR—The minister was though.

Senator Kemp—Yes.

Mr Dingle—The vessel was under the charge of the captain and a pilot.

Senator CARR—Right, and there was a sandbank there he did not know about: was that the story?

Mr Dingle—No, it was not a sandbank. It was a reef that had been there, in fact, charted by Captain Cook, which is quite interesting.

Senator CARR—And he bumped into it?

Mr Dingle—Yes.

Senator CARR—How much damage was done to the bark?

Mr Dingle—There has been some damage to it, but the vessel is perfectly stable. The significant damage was to the sacrificial keel. It has a sacrificial false keel under the—

Senator CARR—It certainly was in this case, wasn't it?

Mr Dingle—Yes. The original vessel was built that way, just as the replica was built to take into account that it might run aground or get into shallow waters. That is why it had a sacrificial keel.

Senator CARR—What was the damage bill?

Mr Dingle—We do not know yet. We are docking the vessel on 18 July and we will know the full extent of the cost then.

Senator CARR—Did it take in much water?

Mr Dingle—No. There was a little bit more water than it normally takes, but the bilge pumps are quite capable of coping with that.

Senator CARR—It is still leaking?

Mr Dingle—Yes, it leaks all the time. It is a wooden vessel and the bilge pumps have to take water out all the time.

Senator CARR—So it is taking more water than it normally does.

Mr Dingle—It is taking a little bit more than it was.

Senator CARR—Have you got any estimates of the damage?

Mr Dingle—We have done a report on the damage, but we will not be able to estimate the full extent of the damage until the thing is in dry dock.

Senator CARR—What is the estimate of the damage?

Mr Dingle—In terms of cost?

Senator CARR—Yes.

Mr Dingle—We cannot do an estimate of the cost until it gets into dry dock. The cost of any damage will be covered by the insurance. That is part of the involvement that the foundation still has, because the foundation will be claiming on insurance for the cost of damages.

Senator CARR—Insurance will cover it?

Mr Dingle—Yes.

Senator CARR—Thank you for that. Do you have anyone on your staff at the museum at the moment who is actually qualified as a ship's master?

Mr Howarth—Yes.

Mr Dingle—We have at least one master 4. In fact, on 27 June, when the new ship manager starts, we will have two master 4s.

Senator CARR—I take it that you have specialist shipwrights to deal with this.

Mr Dingle—Yes. We have already got on the staff a range of specialist shipwrights, and I am about to employ four more.

Senator CARR—That is all done with industry—

Mr Dingle—I am reminded that one of our shipwrights just won apprentice of the year, too.

Senator CARR—That is terrific. That additional cost is all part of the budget, is it?

Mr Dingle—The additional cost?

Senator CARR—The additional cost of employing these specialist shipwrights.

Mr Dingle—Yes, that is part of the budget.

Senator CARR—Thank you very much. I want to turn to the efficiency dividends that the museum is paying in the next three years. What is the aggregate cost of meeting the efficiency dividend?

Mr Dingle—In the first year it is 56 k, in the second 123 and in the third 188.

Senator CARR—Does the efficiency dividend apply to the additional money to fund the Bark *Endeavour*?

Ms Miller—We have received the two-step calculation, and there is a separate one for the Bark *Endeavour*. There is no efficiency dividend in the first year. In 2006-07, there is \$10,000—then \$19,000 and \$27,000.

Senator CARR—There is none in the first year.

Ms Miller—That is correct.

Senator CARR—Why is that?

Ms Miller—I must say that that was calculated by the department of finance on my behalf, and I did not have any involvement.

Senator CARR—You have just got an exemption?

Ms Williams—The efficiency dividend is not paid in the first year, I think.

Mr Howarth—You cannot be efficient the first year up.

Senator CARR—I might leave it there. Thank you very much for coming. Is the minister still here? Minister, you would be delighted to know that my office has told me that we advised the committee that the film and television school would not be required.

Senator Kemp—I am delighted to hear that.

Senator CARR—For a moment there, I was a bit concerned, but I had no cause to be.

Senator Kemp—It is fairly rare that I have to compliment you on being efficient, so I am delighted to hear that.

CHAIR—You may have done that, Senator Carr, but nevertheless any senator from any party can come in and ask questions. I have inquired of the staff. All parties were advised, so this is one of those awkward mistakes which we will have to rectify.

Senator CARR—You are quite right. I do not detract from your responsibilities in this matter at all.

Senator Kemp—We can exclude any blame from Senator Carr.

CHAIR—Senator Carr is coming out of this smelling of roses.

Senator CARR—As always.

CHAIR—I thank the officers from the National Maritime Museum. Senator Carr, next on our list we have the Archives. Is that what you propose to deal with next?

Senator CARR—Yes. I have a short series of questions.

CHAIR—We have the Archives, then the National Gallery, then the Library, then the National Museum. We will move to the Archives.

[3.09 pm]

National Archives of Australia

CHAIR—Welcome, Mr Gibbs and Mr Lyons.

Senator CARR—Can you confirm that the Melbourne facility of the Archives is not open at weekends? Is that true?

Mr Gibbs—The Melbourne facility opens on one Saturday—I cannot remember the formula—once a month in a joint operation with the local state archives. So it is not open as a matter of course, but it has been open one Saturday a month for several years now.

Senator CARR—Is that the same pattern of opening that occurs in other cities?

Mr Gibbs—No, it is actually more, except for Canberra. Canberra opens on weekends; the other cities do not. It arises from the fact that we have a shared operation in Victoria with the local state archives. So out of those efficiencies we open at the weekend.

Senator CARR—How long has the operation of not being open on the weekends been working?

Mr Gibbs—In the other states, do you mean?

Senator CARR—Yes.

Mr Gibbs—We have never opened on the weekends.

Senator CARR—In terms of the current policy position, is there any consideration to provide greater public access on weekends?

Mr Gibbs—It is often considered. As I said, it has been an arrangement in Victoria for quite some time that came out of the efficiencies from sharing with the local state archives. Here it is a factor. I guess the issue now is that 81 per cent of our use is web based, and we are putting all of our resources into that. That is where most Australians are now getting access to the archives.

Senator CARR—You are open on weekends in Canberra?

Mr Gibbs—We are.

Senator CARR—How does the efficiency dividend apply to you?

Mr Gibbs—In 2005-06 it will be \$825,000.

Senator CARR—How are you going to meet that cost?

Mr Gibbs—As we discussed at the February hearing, it will be difficult. We are just going through that budget process now.

Senator CARR—So you still have not identified that?

Mr Gibbs—The meetings are happening as we speak. We have a total budget of over \$66 million. It is becoming more difficult but it is manageable within a budget of that size.

Senator CARR—When you heard that some organisations were going to be exempt from the efficiency dividend in the next couple of years, was there any discussion with the department as to why you are not being exempted?

Mr Gibbs—No, there has not been.

Senator CARR—Have you sought any discussion?

Mr Gibbs—It is a discussion we have had generally, more generically, with all the agencies but not individually.

Senator CARR—Thank you very much. I do not have any further questions.

CHAIR—Thank you for appearing.

[3.13 pm]

National Gallery of Australia

CHAIR—Welcome, Mr Radford.

Senator Kemp—Yes, we welcome Mr Radford. He is the new Director of the National Gallery of Australia. It is a very important position. Mr Radford, you will find that the Senate estimates are always painless.

Mr Radford—I am very glad to hear that.

Senator Kemp—They are something to be enjoyed.

CHAIR—Some people consider them stimulating, and we hope you will find them so. We also welcome Mr Froud.

Senator CARR—There are a number of perennials that we discuss, so we may as well go through those quickly. What progress is being made on the new entrance project?

Mr Radford—I am working very closely with our current architect and the former architect. Plans are progressing very well and should be ready in the next couple of months.

Senator CARR—The plans?

Mr Radford—Yes.

Senator CARR—When will the construction start?

Mr Radford—It all depends on how quickly it goes through planning. We would hope that it would be this year.

Senator CARR—What is the budget for the new entrance?

Mr Radford—About \$25 million.

Senator CARR—That involves a blow-out, does it not? If I recall, the original budget was considerably less than that.

Senator Kemp—Mr Froud might be able to assist.

Senator CARR—Just to refresh my memory because it has been a long while.

Mr Froud—Originally the gallery was provided with a budget limit of \$42.9 million to refurbish the building and to provide the necessary enhancement requirements. With fees, some \$23 million to \$24 million was expected to be required for the enhancement elements.

Senator CARR—The enhancement, that means the entrance?

Mr Froud—Yes. The entrance is one of the terms that is being used, but it is actually more than an entrance. It is a bit of a misnomer.

Senator CARR—For \$25 million you can afford to have a misnomer, I suppose. So it is a \$3 million blow-out, do you think?

Mr Froud—\$23 million to \$24 million out to \$25 million—more like \$1 million or \$2 million.

Senator CARR—That is a pretty firm budget now, is it, \$25 million?

Mr Radford—Because the plans are not finished yet, we cannot give you any certainty at the moment.

Senator CARR—So it could be a bit more than that?

Mr Radford—Or less.

Senator CARR—We are going to save money—is that right?

Mr Radford—I really do not know yet.

Senator CARR—This will be a first for the director of the gallery to come here and tell us they are going to spend less. What do you anticipate the cost will be?

Mr Radford—I really do not know, but we will know within the next two months.

Senator CARR—And just refresh my memory again: when did you say you were going to actually do some work?

Mr Radford—If it goes through all the planning and environmental requirements, we hope to begin this year.

Senator CARR—What do you mean by ‘begin’?

Mr Radford—Begin the building, begin construction.

Senator CARR—It will be an actual construction site. You will have people down there in the CFMEU doing things—

Mr Radford—Hopefully, yes.

Senator TCHEN—You are smiling. Do you think he is being helpful?

Senator CARR—I have only been in this job a short while but I get the feeling that there is a long pattern of hope associated with this project. Could you give us a contemporary description of the new project for the enhancement? What are you actually proposing to do?

Mr Radford—It has not all been confirmed yet. One of the things we hope to do is to bring the Aboriginal memorial, which is one of our major works, out of Gallery 1 into the entrance area on the ground floor to make that one of the most spectacular and first works that you see on entering the building. We expect also to have: a new cloakroom; a new bookshop; a lift from the downstairs car park so you can go right up to the galleries or to the entrance area, if you wish; new toilets; and new opening facilities, and within those facilities will be facilities to hire out to other organisations when we are not using them. There will be escalators from that ground floor up to the foyer. But the enhancement program also includes fixing up the current building.

Senator CARR—What do you mean ‘fixing up the current building’?

Mr Radford—The money was given in the first place because the building has deteriorated. It is a 25-year-old building and it needs to be upgraded. We are upgrading it.

Senator CARR—What upgrades are you anticipating?

Mr Radford—New double glazing which has broken down. We have already mended the airconditioning. I will pass the other part on to my deputy.

Mr Froud—When the funding was originally provided, it was acknowledged at the time that there was a number of issues that related to code compliance challenges for a building that was now more than 20 years old. As well as those that have been identified by Mr Radford, there were issues about fire services, exit emergency signage and just general refurbishment of a building that was no longer code compliant. Most of that work has now been done.

Senator CARR—Let me just get this straight: how much money have you spent so far on this project?

Mr Froud—On the project about \$13 million.

Senator CARR—What work has been done for \$13 million?

Mr Froud—A series of works: emergency warning and information systems; security and lightning protection upgrades; refurbishments within the heating, ventilation and airconditioning system; and renovations in some of the public spaces. There were upgrades to some of the facilities in the infrastructure in windows and tunnels, roof works, exit signage, fire systems, early warning smoke detection systems, power supply upgrade, emergency lighting—amongst some of those issues that have been identified as being deficient and in need of attention.

Senator CARR—Fair enough. And that is important for a public building, particularly one that has as many visitors as you do. Over what period of time have you spent the \$13 million on those renovations?

Mr Froud—That has been now over about a five-year period.

Senator CARR—If we turn specifically to the entrance, how much have you spent on that?

Mr Froud—Costs have been incurred in paying consultants fees, architects fees, subconsultants programming costs, costs planning, advice et cetera.

Senator CARR—So we have consultants and architects.

Mr Froud—Yes. Some \$3.4 million has been spent altogether on that project to date—sorry, that relates to the total project. So that is advice regarding the new entrance component as well as the upgrade of the existing facilities. That is all in together. I just have one combined figure.

Senator CARR—So for the entrance 3.5. Over what length of time have you spent that?

Mr Froud—The same period of time, about five years.

Senator CARR—The design work surely has not been going on for five years; that cannot be right.

Mr Froud—The work commenced as a consequence of some survey work done in about 1999-2000. There has been preliminary work done about the new front entrance that certainly has had some history that you would be aware of.

Senator CARR—A bit like this Captain Cook story by the sounds of it—five years.

Mr Froud—Five years but a good deal of the work was done five years ago.

Senator CARR—The design work was done five years ago?

Mr Froud—No, I am talking about the refurbishment of the building—

Senator CARR—I understand that. That is \$13 million. I am interested to know how long the argument has been going about the design of the new entrance and how long have you been spending money to get a new entrance. Can I have an answer to that question, please?

Mr Froud—I would think the best part of the five years has been involved in engaging on issues to do with the new front entrance as well.

Senator CARR—And over that length of time you spent \$3½ million?

Mr Froud—On consultants and fees for the whole project, yes.

Senator CARR—And in two months time you will have a budget presumably somewhere around another \$25 million to complete the project?

Mr Froud—If I could just make the point that we have spent just over \$13 million to date. In round figures, 13 spent, 43 has been the budget and we will spend all of the balance of \$30 million. The director mentioned the sum that relates to the new entrance proposal, but there is still some further work to be done on refurbishment of the existing building.

Senator CARR—Mr Froud, are you telling me you have actually spent \$43 million?

Mr Froud—No, we have approval to spend \$43 million.

Senator CARR—How much have you spent?

Mr Froud—\$13 million.

Senator CARR—What was the balance of the \$30 million you mentioned?

Mr Froud—The difference between 43 and 13.

Senator CARR—Has it been spent or not?

Mr Froud—That has not been spent.

Senator CARR—And is sitting in the bank.

Mr Froud—It is not sitting in the bank. We have been given permission to incur expenditure to that level.

Senator CARR—And you intend to start to draw down upon that—which was my point earlier—by the end of the year?

Mr Froud—We have been drawing down on it over the last five years and we will continue to do so.

Senator CARR—The additional \$30 million that is sitting there.

Mr Froud—It is ongoing, yes.

Senator CARR—Is it fair to say that your budget could move out to \$30 million?

Mr Froud—We will spend the entire sum that we have been given authority for.

Senator CARR—On the entrance?

Mr Froud—No, not on the entrance. On the total project, which is refurbishing the existing building and the entrance.

Senator CARR—What is the additional \$5 million to be spent on?

Mr Froud—Other work that was included in the original scope, in terms of the refurbishment of the existing building. Some of that work was contingent upon the conclusion of design detail of the enhancement works. That work was to be programmed once it was clear as to what additions would be made and how that would impact on the existing building.

Senator CARR—When were Tonkin Greer sacked?

Mr Froud—Tonkin Zulaikha Greer and the gallery agreed to part company. It was in November 2003, I believe. I would like to take that on notice.

Senator CARR—Okay. How much money were they paid?

Mr Froud—I have provided that previously to the committee. I do not have it with me but I would be happy to provide it on notice.

Senator CARR—Roughly, what was it?

Mr Froud—We have given that figure previously and I cannot recall—I would be guessing.

Senator CARR—Andrew Andersons?

Mr Froud—PTW Architects have been retained and Mr Andersons is the principal there. They were retained last year to help with the design of the front entrance.

Senator CARR—How much have they been paid?

Mr Froud—I do not have that with me. I will happily provide that on notice.

Senator CARR—Was Colin Madigan rehired?

Mr Radford—Not exactly. He was asked to join the project as a consultant. He is not the main architect.

Senator CARR—No, but he has come back?

Mr Radford—Yes.

Senator CARR—So he has not been rehired, he has just come back.

Mr Radford—He is a consultant to the project.

Senator CARR—How much do you pay him?

Mr Froud—I can provide that on notice.

Senator CARR—I want to know what the total cost of those three people has been to the project.

Mr Froud—Sure.

Senator CARR—If we exclude the internal refurbishment cost of \$21 million, what is the total cost of the project going to be?

Mr Radford—As I said originally, because the plans are not finished yet we do not know what the exact cost is just at the moment. We will know within two months.

Senator CARR—Right. It is just that in April 2003 the Gallery advised—probably this committee—that they were aiming for final sketch plans, council approval and NCA approval by June 2004. You are supposed to be awarding tenders for construction, and it was intended that it be commenced in July 2004. You are a little behind schedule on that. Work was supposed to be concluded by November 2006. What confidence can we have that the new timetable that you are proposing will be met?

Mr Radford—Again, I can only reiterate that I hope that it would begin before the end of the year. It does take time for planning and heritage matters. Some of those are beyond the Gallery's control.

Senator CARR—I am obviously having trouble following all this, so could you give us on notice an indication of the timetable, when you will have had a chance to look at the details and then perhaps we can come back to you at another point on whether or not these timetables are met. Is there any proposal to close the children's gallery?

Mr Radford—No. There is a proposal to build a new children's gallery at a later stage because it has proven to be so popular that it is far too small. We need a larger children's gallery. Only a small number can get in there at one time so it is a fairly awkward space. We want a much larger space.

Senator Kemp—It is probably worth recording that the works would have to go through the usual parliamentary approval process and the Public Works Committee.

Senator CARR—You have spent additional moneys. The occupational health and safety issues are now sorted out, are they?

Mr Radford—Occupational health and safety is an ongoing program. We launched new policies a couple of months ago and training continues and remains a very important part of the Gallery's activities.

Senator CARR—Has the assistant director of access services been on leave in Washington for a little while?

Mr Radford—He has asked for an absence of a year, yes.

Senator CARR—How long has that person been on leave?

Mr Radford—It will be coming up shortly to a year.

Senator CARR—Will he be returning?

Mr Radford—I am not sure whether he will be returning or not. We will know within the next month or so.

Senator CARR—Is there any prospect of an extension of leave?

Mr Radford—No, there is no prospect.

Senator CARR—So the choice has to be made?

Mr Radford—Yes.

Senator CARR—Is it custom and practice in a gallery to leave open a position of this seniority for such a length of time?

Mr Radford—One year is the longest that that can happen.

Senator CARR—Is the person Mr Ramsay?

Mr Radford—Yes.

Senator CARR—Is Mr Ramsay's name held against one or two positions in the library?

Mr Radford—In actual fact it is neither. When or if he comes back we will be doing a restructuring.

Senator CARR—Is his substantive position head of education and public programs?

Mr Radford—Yes.

Senator CARR—But he is also assistant director of access services?

Mr Radford—Yes.

Senator CARR—Is that not two positions?

Mr Radford—No, not exactly.

Senator CARR—Explain that to me, because I am having a little bit of trouble following it.

Mr Froud—Mr Ramsay's substantive position is the head of education and public programs. The Gallery's senior management team and most program managers have, because of their ongoing employment status—and this applies to two of the members of staff in the senior management team—opted to retain their hold of those substantive positions whilst they have acted for a fixed period as a program manager. So the program manager was merely a fixed-term engagement. The substantive position is the head of education and public programs.

Senator CARR—In the last annual report that I have seen—the 2004 report—the person listed was Susan Herbert.

Mr Froud—She has been working as head of education and public programs for the period that Mr Ramsay has been acting as the assistant director of access services.

Senator CARR—She had a fixed-term contract?

Mr Froud—Correct.

Senator CARR—Because the substantive position was held by a person that was in the United States?

Mr Froud—Yes—whether it was in the United States or in Australia.

Senator CARR—Yes, but he was in the United States for the year—is that right?

Mr Froud—Correct.

Senator CARR—On leave?

Mr Froud—Correct.

Senator CARR—And has not indicated whether or not he is returning?

Mr Radford—No, but we expect he will do so very soon because he has been invited to do so.

Senator CARR—Ms Herbert: has she been advised that her position will be terminated?

Mr Froud—Yes.

Mr Radford—Yes.

Senator CARR—Let me get this straight. The substantive position is held by someone on leave overseas, and been appointed to another position within the Gallery—assistant access services—so, arguably, one person against two positions. Another person has been appointed on a fixed-term contract and had that contract terminated. And you do not have the substantive filler of the vacancy indicating whether or not he is going to return. Is that the facts?

Mr Radford—Yes.

Senator CARR—I suppose you are going to tell me this is good management. It does not sound too good to me. I am just wondering how it is you could get yourself into this situation.

Ms Bean—Senator, can I just clarify: Mr Ramsey is not on private leave, he is actually on leave of absence, and he is the cultural counsellor at the Australian Embassy in Washington. So he is effectively on a posting.

Senator CARR—That is even better. What I want to know is: if you have got a person that is on a permanent appointment, a government diplomatic post—

Ms Bean—It is part of the embassy staff, yes.

Senator CARR—Yes, it is a diplomatic post overseas, annual at least. You do not know whether or not he is staying on. You put someone else into the position. He has actually got another position at the Gallery. So he has got three positions with the government. That is what you are telling me.

Ms Bean—I would imagine he is only receiving one salary, though.

Senator CARR—I am not arguing about his salary. That will be separate argument. He has got three positions in the Australian government, and you have terminated the person that is doing his substantive job, and he is not there to do it. I am wondering how that can come about.

Senator TCHEN—It sounds pretty good, a person doing three jobs but getting paid once.

Senator CARR—And I have not heard any explanation. I am just wondering if it is possible if I could have an explanation please.

Mr Froud—Perhaps if I can explain. Firstly, Mr Ramsey's substantive position is head of education and public programs. Yes, he was some four or five years ago appointed on a fixed-term basis to the position of assistant director, access services. Upon vacating that position of head of education and public programs, the Gallery recruited somebody else on a fixed-term basis that matched his fixed-term engagement at a higher level within the organisation. That arrangement was initially for three years, and then it was extended for a further two, so that has run for a total of five years and that will conclude in June of this year. Mr Ramsey sought and was granted permission 12 months ago to work in the Australian Embassy in Washington. He is working not as an Australian based officer but a locally engaged position there.

Senator CARR—Oh, really!

Mr Froud—So that position is actually filled in the United States.

Senator CARR—This gets better all the time.

Mr Froud—Mr Ramsey holds one position with the Gallery in a substantive sense, and that is the head of education and public programs. The Gallery recently has looked at the structure and the management of that department and has taken a decision that instead of three senior staff to manage that department we will in future manage that department with two senior officers. And so the position that was previously the head of education and public programs has been deleted at the conclusion of the current fixed-term arrangement.

Senator CARR—Okay, so that is Mr Ramsey's interesting pattern of employment with the Australian government. Can you tell me about the registrar of collections? Is that position a permanent or an acting appointment?

Mr Froud—That is the other position I mentioned. There were two people on the Gallery staff who were occupying senior or program manager positions that had entitlements to the previous positions that they were appointed from.

Senator CARR—Is this another person?

Mr Froud—This is the other position, yes.

Senator CARR—Do they have two positions or one?

Mr Froud—The person who is currently the assistant director, collection services, is the substantive registrar and has a right of return to that position, but for the fixed-term appointment as an assistant director, collection services, has been appointed as program manager.

Senator CARR—So again we have a situation where senior management are in acting positions for lengthy periods of time because someone else who holds the substantive position is doing another job?

Mr Froud—Yes.

Senator CARR—Do you think this is good policy?

Mr Froud—It has certainly been the practice at the Gallery for a number of years.

Senator CARR—Do you intend to maintain these arrangements or are you intending to do something about it?

Mr Radford—As you know, I have been at the Gallery for less than four months. I am reviewing the whole Gallery structure and I have not made a decision on that yet.

Senator CARR—I take it that it is not the practice to sack the person who is actually doing the job. That is what seems to have happened—you end the contract. You say: 'We'll fix this position. We'll end the fixed-term contract.' Is that the pattern?

Mr Radford—There is no pattern. What happened before was a one-off. I have not decided what the new structure will be, if indeed there is a new structure.

Senator CARR—Are they currently in the Gallery any other appointments in a similar vein?

Mr Froud—No.

Senator CARR—It is just these two?

Mr Froud—That is correct.

Senator CARR—So I have stumbled across the only two in the Gallery?

Mr Froud—You have. No, I volunteered the two.

Senator CARR—It is not hard to volunteer this information.

Senator Kemp—I suspect that the word ‘stumbled’ is not accurate in this. I suspect there are other sources.

Senator CARR—Is this a cost-saving measure? Is there any rationale I could look to to explain this?

Mr Radford—It is partly cost-saving and it is partly efficiency. In the case of the education position we thought it was more efficient for the education officer and the public program officer to report immediately to the program manager. In other words, we have removed a layer of management, which we think will be more efficient.

Senator CARR—Perhaps you could give us an indication of whether or not Mr Ramsey is returning to the Gallery—you could take that on notice—and how you intend to fill his substantive position if he is not. What is the accumulated value of the efficiency dividends for the Gallery for the next three years?

Mr Froud—The efficiency dividend payable is \$414,000 for 2005-06, \$510,000 for 2006-07 and \$601,000 for 2007-08. It is increasing over the next three years. In total it is about \$1.5 million.

Senator CARR—How do you intend to make that?

Mr Froud—It will be very difficult, but it is part of the financial framework that we have to operate under. The director mentioned that we will be looking at structure. The number of positions in the organisation is something we constantly have to look at. The component of the efficiency dividend is known ahead of time, it is part of the budget process, and we develop plans with that in mind.

Senator CARR—What are your plans?

Mr Froud—The director, as a new director, will have some thoughts about that. In terms of overall financial arrangements we will be looking at the organisation, the exhibition program, the public programs and other activities of the organisation and developing a strategic approach to what has been previously identified in our business plan.

CHAIR—Senator Carr, we have a scheduled tea break.

Senator Kemp—Senator Carr, why don't you put your questions on notice?

Senator CARR—No.

Senator Kemp—Mr Froud, as an aide-memoire, are you able to tell us when the efficiency dividend came in for the National Gallery of Australia? In what year did it start?

Mr Froud—I would like to take that on notice.

Senator CARR—That is a very good answer! He has been to the Public Service school of training.

Senator Kemp—I had a feeling that it may have been the infamous Paul Keating government that brought that in. I would like to have that checked, because I think there are some Labor senators whose corporate memory seems to be a little bit lax. Will you take that question on notice and provide me with an answer?

Mr Froud—Yes.

Senator CARR—If it is more convenient for the officers to break now, I am happy to do that. But I am hoping to finish this in about 10 to 15 minutes.

CHAIR—We will do that after four, because people have probably made arrangements.

Proceedings suspended from 3.46 pm to 4.02 pm

CHAIR—The committee will continue.

Senator CARR—Mr Ken Begg's company has a consultancy with the gallery, \$7,100 per month. Is that correct?

Mr Froud—Yes, that is correct.

Senator CARR—When was the contact last renewed?

Mr Froud—The precise term of the contract has concluded. So it currently operates on a month-by-month basis. I would have to take on notice the question of how long it has been operating in that mode.

Senator CARR—In one year he was paid \$83,000.

Mr Froud—Yes.

Senator CARR—That is the figure I have for 2003-04.

Mr Froud—That is correct.

Senator CARR—For the year to date, what has he been paid?

Mr Froud—It would be \$7,000.

Senator CARR—Times 12.

Mr Froud—Times 10, at this stage.

Senator CARR—Can we have a copy of his contract?

Mr Froud—You could.

Senator CARR—Thank you.

Mr Froud—Sorry. I am not sure that I am at liberty to provide a copy of the contract, but I will happily do so if I can.

Senator CARR—It could not possibly be commercial-in-confidence because it has already been awarded. He has been receiving this money for how many years? How many years has he been at the gallery?

Mr Froud—Since August 2000. He has been providing services in one way or another since that time.

Senator CARR—It is good work if you can get it. That is five years on the job. Was there an open tender for the contract?

Mr Froud—No.

Senator CARR—Then how did he get the job?

Mr Froud—As I understand it, the previous director—

Senator CARR—Which director was that?

Mr Froud—Dr Kennedy. Mr Begg was engaged during Dr Kennedy's term. Dr Kennedy and the gallery board determined that it was appropriate for some media advice to be provided. I understand Mr Begg was approached and an arrangement was entered into at that stage.

Senator CARR—There is a big shortage of media consultants in Canberra, isn't there? It is one of those areas of eminent expertise that only one or two persons can do. I am just wondering how it was that he got this job without an open tender.

Mr Froud—Certainly I would say that, if we were commencing a process like that at this stage, at this time, there would have been a tender process.

Senator CARR—It has now concluded. Why isn't there an open tender now?

Mr Froud—It's certainly something we can look at.

Senator CARR—In fact, why do you need specialist media advice? Don't you have someone down there who can help you? Or was it just because that particular director had a few problems with the media?

Mr Radford—As we said at the last session, we are looking at all those positions in the light of ongoing management of the gallery.

Senator CARR—What is the justification for keeping on particular media advice? Mr Radford, your media relations seem pretty good. I have seen nothing but praise. Do you really need a specialist media consultant?

Mr Radford—I think our chairman would like to retain him for a little while.

Senator CARR—Who is the chairman?

Mr Radford—Harold Mitchell.

Senator CARR—Mr Mitchell. This is to provide local and interstate journalists with liaison. Is that right? That is the purpose of the contract, is it?

Mr Radford—Yes.

Senator CARR—Liaison?

Mr Radford—Yes.

Senator CARR—This includes information about the gallery's exhibitions, its works of art on loan, its education and other public programs. Is that not the work that officers would normally provide?

Mr Radford—Yes, but there is nothing stopping us from having others doing it as well.

Senator CARR—I see; so you could double up. Is this another efficiency? I can see that there are a few management practices down at the library that might need a bit of attention.

Mr Radford—Gallery.

Senator CARR—I am just wondering how it is possibly justified; that is all. I would have thought it was pretty standard fare to be able to answer questions about the works of art on loan. You don't need a specialist spin doctor on that, do you?

Mr Radford—I would not have thought so.

Senator CARR—For five years. You have a marketing and communications manager, don't you, and a public affairs coordinator?

Mr Froud—We have a marketing department, yes.

Senator CARR—How many people are there in the marketing department?

Mr Froud—There are 3½ staff.

Senator CARR—And you have a public affairs coordinator. Is that a different department?

Mr Froud—No.

Senator CARR—It is one and the same job, is it?

Mr Froud—That would be one and the same.

Senator CARR—So there are just three people who handle communications?

Mr Froud—Correct. There are 3.5, actually. One is part time.

Senator CARR—Apart from anyone else who rings up? When you ring up and they answer the phone, people tell you that something is on display or it is not, and where you can buy tickets. I cannot see why you need to pay \$7,000 a month to get that sort of work done. Surely Mr Begg does not answer the phones down there, does he?

Mr Froud—He does answer the phones when the journalists ring him.

Senator CARR—What, down at the gallery, he is down at the desk, is he?

Mr Froud—No, he sometimes attends the gallery. He does not work out of the gallery on a day-to-day basis.

Senator CARR—So you have to ring him at home, do you?

Mr Froud—You ring him on his mobile, wherever he may be. He may be at the gallery.

Senator CARR—There is a saving for you. I have a couple of questions on occupational health and safety which, given that time is running away from us today, I might get you to answer those questions on notice. I do not suppose you need Mr Begg to help you here—but you acquired before the auction recently three paintings from the Fosters collection; is that right?

Mr Radford—Before the auction, yes.

Senator CARR—What particular works were they?

Mr Radford—They were a landscape by John Glover, one by John Skinner Prout and one by Alexander Schramm. We bought them out of the auction. And then at the auction we bought another two.

Senator CARR—Right. What were the other two?

Mr Radford—One was a landscape by Phillips Fox and the other was a landscape by Australia's first locally born artist, WC Pigenit.

Senator CARR—Congratulations. Did you bid for a Joseph Brown work?

Mr Radford—We purchased two small works from the Joseph Brown collection, yes.

Senator CARR—So they are in addition to the others that you mentioned?

Mr Radford—Yes.

Senator CARR—Can you help me out on this: it has been put to me that the gallery previously had been offered Brown's full collection; is that true?

Mr Radford—I doubt it very much. I certainly do not know about it.

Senator CARR—You are not aware of it?

Mr Radford—I am not aware of it and I doubt it very much, having known Mr Brown for a long time.

Senator CARR—It has been put to me that your predecessor and Minister McGauran actually viewed the collection and then the gallery turned down the offer. You think that could not be right?

Mr Radford—Have you heard anything about that?

Mr Froud—I am aware that Mr Brown did have some discussions with the gallery and other parties about taking the collection but on condition that the entire collection be displayed on an ongoing basis.

Senator CARR—So is that the reason you turned it down?

Mr Froud—I believe so. I was not part of those discussions, but that would be my understanding.

Senator CARR—Mr Radford, you have said that you know Mr Brown.

Mr Radford—Yes.

Senator CARR—How important would you regard his work in terms of Australian art collections?

Mr Radford—How important—

Senator CARR—How would it stand? Is it a significant collection?

Mr Radford—Are you talking about the Fosters collection?

Senator CARR—No, the whole group of paintings by Joseph Brown.

Mr Radford—The works that came on for auction recently or?

Senator CARR—Not the two. We understand that you bought those. What concerns me is that I am told you previously were offered the entire collection and turned it down. I appreciate that you are only new to the gallery and may not be familiar with that history. Mr Froud, I think you are confirming that there was an offer.

Mr Froud—Yes. To be clear, Senator, I was not party to the discussions. I am not sure of the precise detail.

Senator CARR—I am not going to that question. What I am concerned about is that the gallery was offered the entire collection but turned it down and now the gallery is purchasing two of the collection.

Mr Radford—Two small works for a few thousand dollars. They were not expensive; they were small watercolours.

Senator CARR—And you are saying the gallery did not have the space to display them—what is the reason?

Mr Radford—What was the reason?

Mr Froud—I do not know either. We would probably need to take that on notice, Senator.

Senator CARR—How important do you think the Brown collection is to Australian art history?

Mr Radford—There are some major works in it, particularly works from Victoria.

Senator CARR—Would it be an acquisition you would like to make if the gallery could afford it?

Mr Radford—In some areas it does duplicate what we already own, and that is why we were going for the Fosters because there were works that we needed to buy that were not duplicated.

Senator CARR—I would ask if you could take on notice the reason for the rejection of the offer to take the whole collection and, given that you are new to the job, Mr Radford, you can tell me how appropriate that rejection was in hindsight.

Mr Radford—Do you want me to answer now?

Senator CARR—No, take it on notice so that it will give you some time to think about it. It may well be that your answer—

Mr Radford—If it was in fact offered in the way that you suggest, I have not heard of that. It may be an entirely different set of circumstances. But we will see.

Senator CARR—Perhaps we will come back to that next round, if you are able to help me with that. I think that may well conclude our business today. I am going to put the occupational health and safety stuff on notice. Thank you very much for the way in which you have answered the questions.

CHAIR—We thank the officers of the National Gallery.

Senator CARR—I trust you are not put through a re-education program as a result.

CHAIR—We look forward to seeing you again, Mr Radford.

Senator Kemp—Senator, we always expect our officers to answer questions directly. You know that.

[4.17 pm]

National Library of Australia

Senator CARR—Could you tell me what the effect of the efficiency dividend will be on the library over the next three years?

Ms Fullerton—It is approximately \$640,000 a year.

Senator CARR—How do you intend to meet that cost?

Ms Fullerton—We deal with it in our budget planning processes, as we have from the time the efficiency dividend has been implemented. So we do not cut any particular activity but we shape our activity to accommodate that reduction.

Senator CARR—When you heard that some arts and cultural organisations were going to have an exemption, did you approach the government as to why the library was not included?

Ms Fullerton—No.

Senator CARR—Has there been any explanation given to you as to why you are not treated in the same way?

Ms Fullerton—No.

Senator CARR—Do you intend to seek an exemption from this?

Ms Fullerton—We discuss the issue with our minister and with the department at every opportunity.

Senator CARR—He has been responsive, has he?

Senator Kemp—We always admire the way the National Library of Australia is being managed. And surprise, surprise, we know that these institutions are not entirely comfortable with the efficiency dividend—how long has it been applied for?

Ms Fullerton—We think since 1984.

Senator Kemp—The Hawke government I guess would have imposed it.

Senator CARR—Complaints have been since that long—you think they would have fixed it, would you not?

Senator Kemp—The interesting thing is that it is still part of Labor policy. Anyway we welcome your comments about this.

Senator CARR—I do not have any further questions.

Senator LUNDY—I would like to ask the National Library how your digitisation program is proceeding and, in particular, what resources you have available to digitise the National Library's collection.

Ms Fullerton—Our digitisation is proceeding and just in the last week we digitised the 100,000th image in our collection, so that is progress. We are trying to gain resources to do increased digitisation and we are currently preparing a submission to the ARC for \$3 million. We are doing that in association with a number of the Australian university libraries and that would enable us to digitise, in their entirety, nine major daily newspapers in Australia, and we think that would be a remarkable advancement.

Senator LUNDY—Having digitised your 100,000th document, what proportion of your collection does that represent?

Ms Fullerton—A tiny proportion.

Senator LUNDY—Like one per cent, five per cent?

Ms Fullerton—We say we have seven million items so a very small percentage. But then we would not expect ever to digitise our entire collection.

Senator LUNDY—With respect to the grant application, first, could you tell me whether or not you have ever had any other grants or funding specified for the digitisation project?

Ms Fullerton—No, I do not believe we have ever had any off-budget funding for digitisation. We have planned it from within our own budget.

Senator LUNDY—So you are using your current resources?

Ms Fullerton—We are, yes.

Senator LUNDY—How does that compare with national institutions that have the same status as the National Library in comparable economies, countries like Canada, New Zealand and the US?

Ms Fullerton—Many of them have access to other kinds of funding—endowments, granting organisations, those sorts of things. Those organisations simply do not exist in Australia. In some other countries of the world there has been a more coordinated approach to dealing with funding organisations to deal with the digital world. But it is not primarily digitisation; it is to deal with things that are born digital that exist only in digital form, which is a major issue.

Senator LUNDY—What sort of imperative is there to digitise aspects of your collection that might otherwise be vulnerable or under threat or just not accessible because of perhaps their frail state?

Ms Fullerton—There is, in fact, not a lot in our collection that we digitise because it is very frail. There was one particular item, the Wills journal—that is Wills of Burke and Wills—a tiny little book. That was very frail and fragile and we have digitised that. But our prime purpose in digitisation is to improve access. The impact of that is very significant. Just in the last few weeks we have been analysing our use. In the past year we have had, I think, 560,000 visitors come in person to the National Library, but over 61 million page views from our web site were used. Increasingly, that is the way the world is coming to us. It is that sort of imperative to stay relevant; when we are in this Google dominated world that is our imperative.

Senator LUNDY—Minister, I know the library did receive some additional funding for storage facilities last year, but does the government have a policy on this overarching issue of information management and access to information via public libraries with the National Library playing a key role?

Senator Kemp—We have had discussions with the National Library and I think that is part of the work of the Collections Council too. I think they are looking at that issue and seeing what they can do. I have no doubt that the National Library will be continuing to make submissions to me on this issue and we are working with the National Library very constructively. But we will have to see what happens. I agree with the general view that this is one of the ways of the future, let us face it, and so we are very conscious of the importance of this and the director and I are in constant consultation.

Senator LUNDY—What happens next with the ARC grant you mentioned in conjunction with universities?

Ms Fullerton—The outcome will be known in November this year. We have a high expectation of success.

Senator LUNDY—Once you digitise that content to make it accessible, what are you doing to facilitate it not just for librarians but for the general public?

Ms Fullerton—That will be freely accessible to the general public. It will be delivered from the National Library web site but it will be accessible to anyone who has access to the internet, anywhere they happen to be.

Senator LUNDY—I know that Kinetica has recently undergone some changes. Can you describe what is going on there?

Ms Fullerton—We are redeveloping Kinetica, which is a service the National Library has run for nearly 25 years. In the process of improving it we have reduced the cost, which is an encouraging thing.

Senator LUNDY—That could pay for your increased efficiency dividends.

Ms Fullerton—We are going to make Kinetica accessible to the general public as well. We have made it a much simpler system to use. Australians will be able to look in one place as if they were looking at one catalogue for all the libraries in Australia presented in a very simple way. They will be able to discover resources that exist right across the country.

CHAIR—That would be very useful and very good.

Senator LUNDY—What sorts of arrangements do you have to strike with other owners of digital content to be able to deliver a service like that? Do you have all the copyright agreements with the various publications and so forth?

Ms Fullerton—The major part of that system is descriptions—catalogue records of collections around Australia. We have a long relationship with Australian libraries to make that accessible. In fact, we charge them. When it is operating, the whole service will cost about \$4½ million a year. We will be charging libraries \$3.5 million in a way that regains it in revenue, and the National Library will continue to subsidise it by \$1 million a year. But to provide access to other digital content we will be going through a series of arrangements. Some of it—like Picture Australia, Music Australia and all those things—is accessible through this system and is freely available. The full content of journal articles has to be negotiated, and licences paid for, to make that accessible.

Senator LUNDY—Having been on the Senate inquiry into public libraries' online services, I know that it contained a recommendation that the government subsidise that service to make it free to public libraries. Senator Kemp, given that you were re-elected and are still the minister, is this an issue you are able to contemplate or consider perhaps in the context of next year's budget? I think it is worth \$5 million a year.

Ms Fullerton—We are going to make this service free to all Australians, but Australian libraries and the National Library will be supporting it. That is the way it is supported.

Senator Kemp—I am sure that I will be receiving submissions.

Senator LUNDY—I will send you a copy of the library's report—another copy.

Senator Kemp—I looked under this section in your policy library to see whether you had provided some money for that, but regrettably you had not.

Senator LUNDY—We are working on it.

Senator Kemp—Anyway, we live and learn.

Senator LUNDY—You are the one in the hot seat for the next couple of years.

Senator Kemp—Yes. What a pleasure it is.

Senator LUNDY—I am sure it is. With regard to Pandora, your program for capturing web sites, I am particularly interested in your understanding of the Commonwealth's general capacity to capture government web sites in particular; the policy surrounding what happens when those web sites are updated, changed or given a new look and feel; and what happens to the information once it is renewed.

Ms Fullerton—There is a particular problem with all government publications across Australia that have increasingly moved to be delivered only in online form. The processes and procedures surrounding those things are not sufficiently robust to ensure that those web sites are permanently accessible. The National Library does work with National Archives, as we both have an interest in this area, and with AGIMO, which is part of the Department of Communications, Information Technology and the Arts, but there are still many issues to be resolved in that area.

Senator LUNDY—I have still got the opportunity to talk to AGIMO in the finance committee estimates. I will pursue that issue because it concerns me as I have particular trouble—and this will not surprise anyone at the table—with the DOCITA web site, knowing that if information were to change on that it just would not be possible to look at an archived version of that web site. I think that raises very important issues of accountability. So what you are saying is that there is not a constant capture. Whilst that would be difficult, perhaps a periodic capture would be the way to deal with it.

Ms Fullerton—In addition, there needs to be more adherence to standards and defined procedures to ensure that if they move within a web site they can still be found, so there would be a degree of persistence that does not exist yet.

Senator LUNDY—I have even found documents on the DOCITA web site that had no links to them. Unless you are told the precise address, you do not even know they exist.

Ms Fullerton—That is common everywhere on the web.

Senator LUNDY—Can you provide the committee with an update on the AskNow! service that the National Library provides.

Ms Fullerton—The AskNow! service is our interactive online reference service. It is still working and functioning very well indeed. Our recent analysis showed it compares more than favourably with similar services around the world. Our people operating it are very efficient and manage to deal with a lot of requests. Our current ambition is to be able to put in place a parallel system that is particularly designed for schoolchildren because they are large users of this service.

Senator LUNDY—Are you having to find the resources for that within the library?

Ms Fullerton—AskNow! is a collaborative service between the National Library and the state libraries. We would like to speak to DEST about the possibility of some funding and the inclusion of other sorts of libraries, such as school and public libraries, to answer questions.

Senator LUNDY—I am sure the minister would gladly lobby with his ministerial colleagues on your behalf.

Senator Kemp—We are always very happy to work with the National Library.

Senator LUNDY—How is construction of the storage facility proceeding?

Mr Linehan—Everything is on track at present. We have had the design and documentation completed. The development application was actually approved earlier this week. A two-stage tender process for the construction of the facility is currently under way and we are hoping to pick the selected tenderers early next month. As I mentioned, we are still on track with construction due to start in July and to be completed in mid-March for the book move to occur between then and the end of June. In the context of the purchase of the land with the development application being approved earlier this week, we are on track now to complete those negotiations in June.

Senator LUNDY—Have you had any problems with the whole process?

Mr Linehan—It has been a new process for the library. I think it has been a learning process, but essentially it has been very good and the ACT government has been very supportive.

Senator LUNDY—That is good to hear. Finally, congratulations on the Miles Franklin exhibition.

Ms Fullerton—It is really the State Library of New South Wales that should be congratulated.

Senator LUNDY—Please pass that on as it is excellent.

Ms Fullerton—I will.

[4.35 pm]

Australian Film Finance Corporation

CHAIR—I welcome to estimates Mr Rosen and colleagues.

Senator CARR—What TV production has benefited from the 12.5 per cent tax offset since the program was announced in March 2004? I am interested in TV production, not film production.

Mr Rosen—It does not apply to us.

Senator Kemp—I think the department can deal with that.

Senator CARR—Can you indicate what the recent changes have been in regard to the rules applying to investment and film proposals?

Mr Rosen—That is in regard to feature films?

Senator CARR—Yes.

Mr Rosen—We have created a two-door policy. One is the original policy—that is, if a certain amount of marketplace fits the guidelines then an applicant can apply for money to receive funding for a feature film. This year we implemented an evaluation door whereby we do not just look at the deal; we look at the quality of the project.

Senator CARR—What has the reaction been from the sector to these new proposals?

Mr Rosen—There has been a pretty positive reaction generally. Some sectors are watching it carefully to see what the outcomes are.

Senator CARR—Has there been any concern that you are restricting the creative process by adopting these new procedures?

Mr Rosen—I do not believe so.

Senator CARR—I am told that the Film Finance Corporation currently recoups about only 17 to 18 per cent of the money that it invests in Australian films.

Mr Rosen—That is correct.

Senator CARR—While it is difficult, obviously, to pick a success story every time, would you regard that as a satisfactory rate of return?

Mr Rosen—I think you have to look at what the purpose of the FFC is. It is there to support an Indigenous and Australian domestic industry. The financing is structured in a way that distributors put up money, private investors put up money, overseas sales agents put up money and then the FFC puts in the balance. A lot of the time we are subordinated to that other money; it is in first position. Hence, to get a major recoupment is a big achievement, and a lot of it comes down to the quality of the film.

Senator CARR—Do the new procedures that you have put in place attempt to address this low rate of return?

Mr Rosen—We are trying to upgrade the quality of the films so that they engage more with an audience. Hopefully, that will therefore generate a greater return.

Senator CARR—Is your new program specifically and explicitly designed to try to get a higher return on money invested?

Mr Rosen—No, it is to identify projects that we believe will work with an Australian audience and, hopefully, with an overseas audience.

Senator CARR—What are the major issues that you are trying to address with these new arrangements?

Mr Rosen—We are trying to find a diversity of films that tell a range of diverse stories, from lower budget to a higher budget, from genre films to dramas to maybe comedies and to put a stronger robust focus on the state of readiness for the film before it gets funded.

Senator CARR—The issue of script development has been put to me as a major concern. Do you think your guidelines will address that matter of improving the level of script development?

Mr Rosen—As you know, we are not allowed to develop; we can only fund. The AFC and the other state corporations develop. However, if we feel projects are not ready for

production, we encourage further development. The AFC and other state bodies have started script hothouses that are starting to show a better quality script.

Senator CARR—Surely the script is a basic ingredient to success for films.

Mr Rosen—The script is an important part, but it is also the whole team that comes with it. The film is very much a director's medium. It is also the vision of the director as to how to interpret that script. It is how they cast it and it is how they execute it.

Senator CARR—There is also an issue about the time it takes to develop this quality script. Do you think your new guidelines will allow for sufficient time for there to be an improvement in script quality?

Mr Rosen—Yes, I do.

Senator CARR—Is that one of the intentions of these new arrangements?

Mr Rosen—Again, we are trying to identify scripts that are ready for production.

Senator CARR—So you are coming into the process after that quality development has occurred?

Mr Rosen—Yes. When somebody applies to us, they bring us a script. Under the evaluation process we look not just at the script but also at the vision that the film-makers have for it, the budget and the appropriateness of that budget to the size of audience. We look at it holistically; we do not just look at the script.

Senator CARR—The other question put to me was the matter of marketing of Australian films, which is another area that people say is not sufficiently developed and that there is a weakness in the industry. As I understand it, film finance funds are explicitly prohibited from being used for marketing purposes. Is that the case?

Mr Rosen—It depends how you define 'marketing'. We do support prints and advertising, and that is part of marketing. Our charter allows us to do that.

Senator CARR—Do you think the guidelines are adequate at the moment to allow you to invest in marketing?

Mr Rosen—Yes.

Senator CARR—You do not feel that there is a need to change that in any way?

Mr Rosen—I think everything has to be looked at all the time, but we have done some P&A loans, and we are watching to see how that works out for those particular films.

Senator CARR—Good luck.

[4.44 pm]

National Museum of Australia

CHAIR—I welcome the officers from the National Museum: Mr Craddock Morton, the director and his colleagues.

Senator CARR—How many exhibitions is the museum currently developing?

Mr Morton—By exhibitions do you mean travelling exhibitions or gallery changeovers?

Senator CARR—I will come to that. I am just trying to establish that the council does currently endorse your exhibition strategy—does it not?

Mr Morton—Yes, it does.

Senator CARR—Then you let the directors and staff get on with the job of organising the material—is that right?

Mr Morton—Correct.

Senator CARR—That is how it works, isn't it?

Mr Morton—Yes.

Senator CARR—The council receive regular reports but do not directly control the content.

Mr Morton—No, they do not.

Senator CARR—Has it ever happened that the council sought to involve itself with the content of the displays that are available at the museum?

Mr Morton—Certainly in terms of both our permanent galleries and our temporary and travelling exhibitions we do present outlines to the council so that they are aware of the general themes and the approaches that we are taking. But if you mean do they look at them on a line-by-line basis and provide that level of approval, certainly not in my experience.

Senator CARR—Certainly you would not have that, would you?

Mr Morton—It has not happened in my experience.

Senator CARR—So you would not have any of those right-wing demagogues get up there and rant and rave about the black armband view of history or any of that sort of stuff, would you?

Senator Kemp—That is not an appropriate question both in the way the directors are being categorised and in its attempt to put the director in a difficult position.

Senator CARR—The director, I am sure, would defend the staff of the museum against that sort of interference.

Senator Kemp—Of course that is assuming that the way you have framed it is an appropriate way of framing it, which I do not accept. I think you have framed it in a false manner.

Senator CARR—I would like to establish just how the processes work and the measure of protection that the management of the museum is offering at the moment. Are you doing your next series of exhibitions in-house or are there external exhibition consultants being employed?

Mr Morton—If we are talking about our gallery refurbishment program then it will be done substantially in-house, but there may possibly be external design consultants involved. But in terms of the actual curatorial work, to the best of my knowledge the curatorial work is being done in-house.

Senator CARR—There are two new galleries being opened—is that right?

Mr Morton—There are two galleries being refurbished.

Senator CARR—When will they be open to the public?

Mr Morton—It is a progressive process. We aim to have both galleries finished by 2008.

Senator CARR—What principal themes or subjects are under consideration for display in these refurbished galleries?

Mr Morton—One is the current Horizons gallery, which is being redeveloped and will be called Australian Journeys. That will represent the journeys of discovery, exploration and settlement of the Australian continent, including the settling of Australia by migration waves from Britain, Ireland and elsewhere, and the journeys of Australians to other parts of the world. The other is the current Nation gallery, which will be redeveloped as the Creating a Country gallery. That will represent the development of Australia and its economic, social and political conditions; it is also intended to document the innovative and enterprising spirit of Australian responses to this continent's distinctive environment and landscapes.

Senator CARR—The enterprising spirit?

Mr Morton—Yes.

Senator CARR—Who chose these themes?

Mr Morton—These themes were chosen by museum staff, in their working up of a response to the Carroll report, and they were subsequently endorsed by the museum council.

Senator CARR—When were they endorsed?

Mr Morton—They were first endorsed by the museum council in November 2003.

Senator CARR—Can you outline the process for the development and approval of these exhibitions? Who in the museum came up with these proposals?

Mr Morton—The response was generated prior to my arrival at the museum. But my understanding is that the museum executive senior management and the senior curatorial team had been recognising weaknesses in the galleries, as they were then constituted anyway, quite independently of the Carroll report. It is a normal part of the gallery redevelopment process to be continually turning over modules in galleries. In terms of the broader theme, and taking into account the recommendations of the Carroll report, the working group determined that this was an appropriate way to go in displaying Australian history and picking up certain themes and using them best to display our collection.

Senator CARR—There has been considerable public controversy about the nature of the displays at the museum and considerable controversy by council members about exhibition texts and scripts.

Mr Morton—From time to time we have had views expressed by a number of people, not only council members but members of the public.

Senator CARR—Members of the public are fine. But do you intend to allow council members to vet scripts and texts?

Mr Morton—No. Council members will provide an appropriate input and, on the basis of their advice, we will consider our approaches and either amend or not amend accordingly.

Senator CARR—What role will the council have if they are not going to vet the texts?

Mr Morton—The council will, as in all of our content development since the museum has begun—and in accordance with other museums as far as I know—have an overall advising role rather than a line-by-line, nitty-gritty micromanaging sort of a role.

Senator CARR—So you as the director and senior staff will take responsibility for the displays?

Mr Morton—Yes, we will.

Senator CARR—What is happening with the Aboriginal galleries?

Mr Morton—In the Aboriginal galleries, modules are being turned over on a regular basis in the normal way. The Carroll review, for example, recognised the Aboriginal galleries as one of the strengths of our museum. We have recently changed over two of the modules in the First Australians gallery and put in a new Victorian module, which deals with possum skin cloaks and the cultural practices of the Yorta Yorta along the Murray River in particular. There is also a Tasmanian module. Those have both been done in full consultation with the communities concerned. We are also at the moment in the process of redeveloping the focus gallery in the First Australians gallery so that it will be better equipped to take temporary shows.

Senator CARR—Will the new galleries on ‘enterprise Australia’ reflect a difference of views about the economic development of the country?

Mr Morton—Which differences of view are those?

Senator CARR—What different views there are about the economic development of Australia?

Mr Morton—I know that in relation to any aspect of Australian history there are different views.

Senator CARR—That is exactly what I am saying. Will there be a diversity of views—

Mr Morton—There will be a diversity of views.

Senator CARR—expressed about the nature of British imperialism in Australia, for instance?

Mr Morton—I do not know whether there will be a particular debate about the nature of British imperialism in Australia, because I do not think the content has been developed to that extent yet. But certainly there will be alternative viewpoints put forward in the various modules of the redeveloped galleries, just as there are now.

Senator CARR—You can assure me that the cultural and historic diversity will be acknowledged.

Mr Morton—Indeed.

Senator Kemp—Senator, we are not afraid of debate. Some groups may be, but we are not afraid of debate. We are always a bit suspicious of those who try to close it down.

Senator CARR—Thank you. Since you are not afraid of debate: the Aboriginal and Torres Strait Islander program is estimated at nearly \$196,000 above the initial estimates for

2004-05. So in the years 2005-06 and 2004-05 there appears to be an additional expense of \$196,000. Is that right?

Mr Morton—I am not sure what you are referring to.

Mr Smart—Are you referring to the Indigenous budget statements?

Senator CARR—Yes, this is the Aboriginal and Torres Strait Islander program, according to the annual report at note 16. If I can get a copy of the report I will—

Mr Smart—Are you referring to the difference between 2003-04 and 2004-05 or between 2004-05—

Senator CARR—My note here is for 2004-05 to 2005-06. Have you got a copy of that?

Mr Smart—Yes, I can answer some of that.

Senator CARR—If you cannot, I can get a report and draw to your attention what I understand it to be.

Mr Smart—The difference there is that we have recognised some staff costs that relate to that program in relation to repatriation activity.

Senator CARR—Were there some repatriation costs?

Mr Smart—Yes, there are some staff involved who are working virtually full time on repatriation activities. Their salary has been included in the budget costs.

Senator CARR—What were the additional activities that led to a blow-out of that level?

Mr Smart—I do not have the figure in front of me. The number you are referring to is about \$150,000—is that right?

Senator CARR—It is \$196,000.

Mr Smart—That would be staff costs. I do not have those numbers here. I could take it on notice.

Senator CARR—Sorry?

Mr Smart—I do not have those numbers here, but from memory they relate to the staffing costings. That would equate to about two full-time staff, roughly.

Senator CARR—What is the target audience for that particular program?

Mr Morton—I am sorry, I do not quite understand what you mean by the targeted audience for repatriation activities?

Senator CARR—No; for the Aboriginal and Torres Strait Islander program. Who do you see as the main group of people dealing with that particular program?

Mr Morton—Are you referring to the return of human remains and objects?

Senator CARR—No, I am talking about the entire Aboriginal and Torres Strait Islander program.

Mr Morton—The entire Aboriginal and Torres Strait Islander program is directed to all Australians.

Senator CARR—All Australians?

Mr Morton—Yes, indeed.

Senator CARR—It is not just for the exclusive benefit of any one particular group of Australians?

Mr Morton—No.

Senator CARR—What do you regard as the responsibilities of the members of the council in regard to that program?

Mr Morton—The same as would be their responsibilities in relation to any other program that the museum runs. They express a broad interest in the general thrust of the particular program. They would not have, as I have said before, a detailed micromanagement job in relation to it.

Senator CARR—That is not part of their role?

Mr Morton—Their role is to take an interest in all aspects of the museum's activities, but certainly their role is not to micromanage any particular aspect of what the museum does.

Senator CARR—Is there remuneration payable to a council member?

Mr Morton—Yes, there is.

Senator CARR—What is that?

Mr Morton—It has just gone up in the last day or two. It is approximately \$11,000 for a member and \$22,000-odd for the chair.

Mr Smart—It is \$11,000 plus superannuation, so another nine per cent on that.

Senator CARR—How long has Mr Barnett been on the council?

Mr Morton—Mr Barnett was appointed on 17 December 1998.

Senator CARR—How many times has he been reappointed?

Mr Morton—He was reappointed in March 2002 and in April 2005.

Senator CARR—That is three times, is it?

Mr Morton—Three times.

Senator CARR—Have any other council members been appointed three times?

Mr Morton—Not at this point in time.

Senator CARR—It is a unique place on the council.

Mr Morton—Certainly in the time that I have been involved with the museum I do not recall any others.

Senator CARR—Yes, but you have other officers here: is there any other council member that has been appointed for three terms?

Mr Morton—Not that we recall but we would have to check because it goes back quite a few years. Of course, the council goes back prior to the actual opening of the museum in 2001.

Senator CARR—I cannot recall anyone else who has had that distinguished—

Senator Kemp—We will check for you. We do have to go to our historical records, so we will check for you.

Senator CARR—Mr Barnett is a distinguished historian, is he?

Mr Morton—Mr Barnett is a member of council who describes himself as a farmer and journalist.

Senator CARR—Farmer and journalist?

Mr Morton—That is correct.

Senator CARR—And historian?

Mr Morton—Well, Mr Barnett has a thorough ongoing interest in Australian history and as a working journalist over the last 50 years—

Senator CARR—An interest in the Prime Minister, isn't it?

Senator Kemp—I think we can forgo your usual political attacks. Let us just take the political attacks as read so we can move on.

Senator CARR—I just want to know—he is the man who has been a strong advocate that the museum has been an advocate of a black armband view of history, isn't he? That has been his claim to fame, hasn't it?

Senator Kemp—I think he has his views, but I do not pretend to be an expert in his views across a broad range of issues. I am always a bit loath to characterise someone with a simple slogan. Some would say you are a far-out socialist. I do not know whether you are or you are not.

Senator CARR—That would be right, wouldn't it? That claim would be made on a regular basis.

Senator Kemp—In that case, we have it in one.

Senator CARR—I would have thought you would not have the slightest idea what a far-out socialist would be.

Senator Kemp—I thought that nobody was a socialist these days.

Senator CARR—That is a measure of your ignorance yet again.

Senator Kemp—It just shows you what a rare creature you are.

CHAIR—You may even find a place in the museum.

Senator Kemp—In fact, I would say you are a seriously endangered species, so we are privileged to you have you.

Senator CARR—I just wonder how it is this man managed to secure three terms on the council, given that he is such a controversial contributor to the assessment of the museum.

Senator Kemp—You are a person who is a controversial character and you have been preselected numerous times. The mere fact you generate controversy—

Senator CARR—I trust I continue to be.

Senator Kemp—Well, I am not sure, I am a bit worried about you. After reading Saturday, I am a bit worried about you.

Senator CARR—Has the museum council considered Mr Barnett's most recent interventions on questions of history? I understand that as recently as last week he said that the former Prime Minister John Curtin was responsible, and indeed culpable, for the loss of the 8th Division of the AIF and for the sinking of the *Sydney*. Is that sort of view considered at the council?

Senator Kemp—I am not aware that he said that. But I am aware that there has been a vigorous debate in the last week or so generated by a certain lecture. I guess everyone who is interested in this will have a say. I make no particular judgment on it, but I do not think we should be afraid of debate.

Senator CARR—Indeed. But I understood that the council's values—in fact, its vision statement—points to the view that the museum 'upholds scholarly and professional integrity'. I am wondering how that sort of view is consistent with Mr Barnett's membership of it.

Senator Kemp—The mere fact that you have a view does not mean that others cannot have a different view. They are issues of public interest; they are issues of debate. We are not actually appointing people to boards because they happen to agree with you. That is not one of the criteria that we have. On some issues they may agree; on some issues they may not. But the mere fact that someone does not agree with you does not mean, as far as I am concerned, that it excludes him from any appointment.

Senator CARR—I do not mind his having different views. But, with such way-out, totally inaccurate and clearly discredited views being expressed in the mainstream media by a member of the museum's council, it strikes me that one could conclude that his views on the council about the museum's displays might be grossly inaccurate as well.

Senator Kemp—We note your views. We know that you differ with David Barnett. I do not think that because someone differs from you it follows that they are not an appropriate appointment. We will just take it as read that you do not like him; you do not think he should be appointed—okay, that is your view.

Senator CARR—He is the government spiv on the council. That would be right, wouldn't it?

Senator Kemp—No, we do not speak like that. We are not at a Labor Party conference. We do not attack people personally.

Senator CARR—But that is his main and distinguishing qualification for the job: that he is the Prime Minister's biographer and he is a total and complete sycophant to this government.

Senator Kemp—I think that is a pathetic comment but it does not surprise me coming from you. You do not like people who hold views which are different from yours. You have a particular fixed view of Australian history; others do not share that view. The mere fact that someone does not share that view does not preclude him from any appointment. We know that Senator Carr does not like anyone who differs with him—

Senator CARR—I am just wondering how many others are likely to get a third term down at the council.

Senator Kemp—We know that Senator Carr likes to slander people under parliamentary privilege. Let us just accept that this is Senator Carr and let us move on.

Senator CARR—Minister, how many others of the council membership do you intend to offer a third term to?

Senator Kemp—That will be determined at the time that they come for appointment, and then we make a decision. I personally am very happy that David Barnett has decided to serve—

Senator CARR—I have no doubt that would be absolutely right. What particular characteristics does he bring to the job that you find would justify him getting a unique third term?

Senator Kemp—I was interested to speak to the chair and to the director about his contributions. Each of them felt that he was making a very useful contribution to the council. He is a person whose views I know, and I know he is very enthusiastic about the museum. He is currently chairing the collections committee and I understand doing a good job on the collections committee.

Senator CARR—I can imagine.

Senator Kemp—So I am quite happy—

Senator CARR—The collection is on John Curtin, is it?

Senator Kemp—If we want to have a seminar on John Curtin, let us have a seminar on John Curtin, but we are now having a discussion on the National Museum of Australia. Let us take it as read that you do not like the appointment of Mr David Barnett. I happen to like the appointment of Mr David Barnett. You and I will differ, and I think we should move on. That would be my view.

Senator CARR—Thank you very much for your view, but I am still to hear what it is that is so special about the reasons—

Senator Kemp—I have explained to you that his contribution is one which is regarded--

Senator CARR—His contribution to the Liberal Party, was it?

Senator Kemp—Senator, we are all getting tired.

Senator CARR—We could cut this short if you could just tell me what the explanation was.

Senator Kemp—And even for you it is falling off, senator.

Senator CARR—That concludes my questions. Thank you very much for coming.

Senator Kemp—Good.

[5.09 pm]

Department of Communications, Information Technology and the Arts

Senator CARR—I will start with some questions on Orchestra Victoria. Can the officers of the department assist me with advice on the nature of the discussions they have had with Orchestra Victoria? I take it that in recent times there has been a series of discussions.

Ms Bean—There was a meeting with all orchestras in Sydney just before Easter. Orchestra Victoria attended that. That was the meeting at which James Strong and the other panel members presented, and I and some of my colleagues were there, and then there was general discussion of the report. I have attended one further meeting with Orchestra Victoria—I think one other colleague attended—and it was quite a lengthy meeting. There has been no other meeting but there have been a number of phone calls.

Senator CARR—So there have been two meetings.

Ms Bean—It was not a one-on-one meeting. It was a general meeting with all the orchestras—a presentation.

Senator CARR—There has been no separate meeting.

Ms Bean—There has been one separate meeting with Orchestra Victoria.

Senator CARR—When was that held?

Ms Bean—Shortly after the report came out.

Senator CARR—After Strong's report came out—so April?

Ms Bean—It might have been early May.

Senator CARR—Did you tell the orchestra that there would be no extra money for them?

Ms Bean—We indicated that there would be a further examination.

Senator CARR—What you mean by a further examination?

Ms Bean—The Strong report recommends that there be a further examination of the provision of pit services in Sydney and Melbourne.

Senator CARR—Pit services?

Ms Bean—Yes. It is not correct to say there is no further money for Orchestra Victoria. They do get some—

Senator CARR—Would Orchestra Victoria see themselves as a pit orchestra?

Ms Bean—I cannot speak for how they see themselves.

Senator CARR—But they would have expressed to you their views, surely. They certainly expressed a view to me.

Ms Bean—Certainly they provide pit services.

Senator CARR—They do, but they do not see themselves as a pit orchestra, do they?

Ms Bean—And they have a community access business as well.

Senator CARR—A substantial community access business, aren't they?

Ms Bean—Yes, indeed.

Senator CARR—Travelling throughout regional Victoria.

Ms Bean—As I understand it, yes.

Senator CARR—Attracting very large audiences.

Ms Bean—I do not have any information on their audience numbers.

Senator CARR—I would described them as sell-out crowds, but they do not charge anything. Extremely well-attended performances.

Ms Bean—I understand they are popular. I do not have details. I just do not know how big the crowds are.

Senator CARR—Can you take on notice what the departments understand is of the record of their attendances and their regional performances.

Ms Bean—That information may have been provided to the review; it certainly has not been provided to the department as such. I am advised that it would have been provided to the review so, yes, I can take that on notice.

Senator CARR—At the last review the orchestra was told that it had to clean up its balance sheet, improve its efficiencies and generally restructure itself to the point that it now has quite a healthy balance sheet—hasn't it?

Ms Bean—As I understand it, yes.

Senator CARR—It was in fact commended by Strong for its financial responsibility. In a sense it is now facing the situation that, because it has done very well in improving its balance sheet by undertaking some pretty tough decisions about conditions of employment and its operations, it has almost ruled itself out of additional support. Isn't it somewhat ironic that that situation could develop?

Ms Bean—The Strong review does not rule out additional support; it suggests a further examination of surrounding issues.

Senator CARR—That is Sir Humphrey talk for 'go away', isn't it?

Senator Kemp—No, it is not. That is just a pathetic comment. You have a senior public servant here who is giving you frank answers. She is explaining to you carefully what the Strong report involved. We don't need to have that sort of comment.

Senator CARR—But that is what it means. In bureaucratic language the term 'further review' means—

Senator Kemp—No, it is not bureaucratic language—not at all.

Senator CARR—'we'll have a look at this. Go away; come back another time.'

Ms Bean—That is certainly not my reading of the report. My reading of the report is that the panel was not in a position to make a full assessment of the situation and recommended a further examination.

Senator CARR—So you have a situation here where, as a result of Strong, Orchestra Victoria looks like it receives \$800,000 compared with an average outcome per orchestra of \$3.2 million for its competitors. That is essentially the carve-up of the \$25.4 million, is it not?

Ms Bean—Sorry, could you give me those figures again?

Senator CARR—There was \$800,000 for Orchestra Victoria. The average outcome per orchestra for the others is about \$3.2 million.

Ms Bean—So you mean that, if you take the \$25-odd million and divide it by seven?

Senator CARR—That is about right, isn't it?

Ms Bean—Yes, in bald arithmetic.

Senator CARR—That is my point. What is happening here is that Orchestra Victoria is taking the government at its word at its previous review. It has demonstrated fiscal responsibility; it has driven down the salaries of its players to well below that which is provided to peer organisations in either Melbourne or Sydney; it has not gone into deficit; it has not sought a bail out; it has met all the fiscal requirements of the government—and then it ends up in the situation where it disqualifies itself from additional assistance.

Senator Kemp—I do not think that is correct. I think your argument is that the extra money that is being given under the Strong report is lower than that which is being given to a number of other orchestras. But from memory—correct me if I am wrong—they get about \$850,000 from the Commonwealth and I think there would be additional money from the Victoria government, which provides \$1.1 million or something over four years.

Senator CARR—That is true; the Victorians are putting in more money.

Senator Kemp—You may have wanted a different carve-up of Strong. You may have wanted the Victorian government to put in more money. But it is not correct to characterise it as though Orchestra Victoria has missed out. You are right to compliment Orchestra Victoria on the way they were characterised in the Strong report in relation to their community activities, which I strongly support; and for their healthy balance sheet, for which I commend them. But it is not correct to say that they receive no benefit under the Strong report. Equally, as has been mentioned, there will be a further review. We will see what transpires from that further review.

Senator TCHEN—Do any of the other orchestras receive less than Orchestra Victoria?

Ms Bean—Each package for each orchestra is tailored. Funding for the six symphony orchestras is tailored to the specific circumstances of that orchestra. With the two pit orchestras, which are the Australian Opera and Ballet Orchestra and Orchestra Victoria, the Strong report recommends a further examination of the future funding arrangements. That will take place. That was announced in the minister's press release at the budget, and the funding arrangements will be dealt with at that time.

Senator TCHEN—So that is already announced?

Ms Bean—That is.

Senator TCHEN—It is a commitment.

Ms Bean—In the budget press release, yes.

Senator CARR—Is it true that when you met with Orchestra Victoria you indicated to them that the department had no interest in their regional work, the regional performance and educational programs?

Ms Bean—No; well—

Senator Kemp—It is a very odd question. You are quite right. I know politeness prevents you from speaking your mind on this. It is a very odd question.

Senator CARR—I do not mind. I would hope the officer would speak her mind.

Senator Kemp—I would think that officers of my department would be very pleased to see the role of Orchestra Victoria, but the issue that you are worried about is that Orchestra Victoria, you say, should have received more money. That is the central issue that you will argue and you have demonstrated that by arguing that Orchestra Victoria received a lower level of funding from the Strong review.

That is not to say it did not receive anything. It received, I think, \$1.1 million over four years. That is not peanuts, but we hear what you say. We hear Orchestra Victoria's concern about their salary levels and we understand that they are concerned about that. It is true that their salary levels, on my advice, are a little bit lower than a number of other orchestras. I think there are broadly four orchestras in a similar category but I think it is true that the salaries at Orchestra Victoria are at the bottom level, and Orchestra Victoria are concerned about that. They have spoken to me about that, they have spoken to a number of my colleagues, and they are quite entitled to do that and we listened to their submissions. It is not correct to say that Orchestra Victoria have not received a benefit under the Strong report. They have and if that were not forthcoming Orchestra Victoria would be quite right to be playing a drum, I can tell you.

Senator CARR—I welcome the minister's interest in making sure that Orchestra Victoria are better treated, but I think he is under a misapprehension if he thinks that the salaries of Orchestra Victoria are only a little bit below. They are 26 per cent below their Sydney counterpart and 40 per cent below the other orchestra in Melbourne.

Senator Kemp—I think some work has been done on this. I might ask Mark Taylor to come to the table. Are you able to give us some information on this?

Senator CARR—Good, I am pleased. We have got someone who knows something about it.

Senator Kemp—I think there is a significant range of salaries—and Mr Taylor will correct me if I am wrong—paid to orchestras and I have had some work done on this. There are some orchestras that are obviously at the top of the spectrum and others at the lower end of the spectrum. It is true that Orchestra Victoria in a number of key categories are probably at the bottom end of that spectrum. That is correct. But it is also true that there are a number of other orchestras—and you have mentioned two which are at the upper end of the spectrum—that have salaries which are in a similar range. Is that right, roughly?

Mr Taylor—That is correct, Senator. They are at the lowest broad range of salaries for all orchestras, but they are also you could say roughly on a parity with the orchestras in Brisbane, Adelaide and Perth.

Senator CARR—Is it true that Orchestra Victoria is 40 per cent below the other orchestra in Melbourne, the MSO?

Mr Taylor—That is probably correct. I do not have the details.

Senator Kemp—The point we are making is not—

Senator CARR—I understand the point. I am not completely dense. I want to be clear that in the same city it is 40 per cent below.

Senator Kemp—I have never said you are completely dense, and I accept that. What we are saying is that there are a number of orchestras that are at the upper end of the spectrum and there are a number at the lower end. There is no argument that OV is at the lower end. It is correct that its salaries are below those of the MSO. But it is not correct to say that they are completely out of kilter with every other orchestra around Australia. It is equally true that, if any orchestra that finds itself at the bottom of the spectrum argues that it is at the bottom of the spectrum and should therefore be compared with orchestras at the top and we make an adjustment, someone else ends up at the bottom. Having said that, I want you to understand that I am not unsympathetic to the problems of Orchestra Victoria. I think I am on record as being a significant admirer and supporter of Orchestra Victoria. I dare say, Senator Carr—and I could be wrong on this—I have attended more performances of Orchestra Victoria than you have.

Senator CARR—That is probably true given that you have been stuck in this job for so long.

Senator Kemp—They are kind enough to ask me along. I enjoy going along and I enjoy their skill and their company.

Senator CARR—That is true. I have got no doubt they will be kind enough to offer me the same privilege.

Senator Kemp—I am not unsympathetic to the position of Orchestra Victoria, but it is something which we will have to see if we can work through. It is not correct just to characterise them as being well out of kilter with every orchestra in Australia. They are certainly well below the MSO and the SSO—I understand that. But they are in that same general category as the TSO and the ASO. Is that right, Mr Taylor?

Mr Taylor—Yes.

Senator Kemp—We are all in blazing agreement.

Senator CARR—You have Mr Taylor at the table. Why don't you let him speak?

Senator Kemp—I have rather sprung this on him. I feel a little bit guilty, actually. I think what I am saying is broadly correct.

Senator CARR—Is Orchestra Victoria 26 per cent below the Sydney equivalent?

Mr Taylor—I could not say exactly.

Senator Kemp—We could look at those figures. We would be happy to, on the basis of the information we have, show you what the categories are. We have no worries with that.

Senator CARR—Thank you. I am interested in those two particular statistics, just the ones that have been given to me. I want to know if they are accurate—40 per cent below the MSO, the other orchestra in Melbourne, and 26 per cent below the equivalent in Sydney. Is it true that the orchestra has provided a surplus now for four years in a row?

Ms Bean—I understand that to be true but they are funded through the Australia Council.

Senator CARR—How many of the other eight would have provided surpluses for four years?

Ms Bean—The orchestras for the last three or four years have been funded through the Australia Council, so I just do not have the information. The Australia Council funds them.

Senator CARR—I know, but you are the one having meetings with them. I have been left with this impression that the government, from the time of the Nugent report, sought to forcibly merge them. Since that time every other orchestra has had substantial assistance above what they have had. They have of course, following the Nugent report, built up significant reserves. It seems that the policy position you are leaving them with is that they have to spend their reserves and produce a deficit, and then you will take notice of them.

Ms Bean—The current policy position is that there will be a further examination of those two orchestras.

Senator CARR—The concern I have is that the department is not serious about addressing that issue. I noted the minister's interest, but I think he needs a bit of help for the department to change its attitude on this one.

Senator Kemp—There is one person I do not need any help from, and that is you, Senator Carr. I am perfectly comfortable with the advice I am receiving from my department, who clearly appreciate my views on this matter.

Senator CARR—Did you advise Orchestra Victoria—specifically its chairman and other members of the orchestra—that the department was only supporting orchestras of an international standard, and that Orchestra Victoria was not one of that standard?

Ms Bean—I certainly never said anything like that. I cannot think of anything I said that could leave that impression.

Senator Kemp—Senator, I do not know how you can be privy to alleged comments that people make.

Senator CARR—I am making these inquiries, and you are denying them. I am told that there was a meeting on the 15th and that Orchestra Victoria was also told that Commonwealth officials told the orchestra that it did not fit the department's policy guidelines.

Ms Bean—I think I understand what you are referring to. It was probably an explanation of the Nugent categories—the international flagship, the national flagship, the state company, the specialist company.

Senator Kemp—That is always the problem when you get things third-hand.

Senator CARR—That is what estimates are for, aren't they? They provide an opportunity to get to the bottom of government policy.

Senator Kemp—I feel that I can actually help Senator Carr profoundly here. What have we established? We have established that Orchestra Victoria will get significant benefits under the Strong review; we have established that there will be a further review in which a range of other issues can be taken into account; we have established that the minister is a supporter of Orchestra Victoria and that he has enjoyed them; we have established that the shadow minister is a supporter of Orchestra Victoria; we have established that the minister is happy with the advice he has received from his department in relation to these matters; and we have established that Orchestra Victoria have low salaries compared with a number of orchestras but not significantly different—certainly still low and probably the lowest compared with

three or four other orchestras. I suggest that we will understand the concerns of Orchestra Victoria, and we will see what can be done, but I am not able to promise anything at this stage. The government has provided some \$25 million and the states will be providing \$6 million, provided that all the Labor states come in. This represents a \$32 million injection into orchestras over four years. It is a tremendous outcome for orchestras. We will continue to work with Orchestra Victoria in a sympathetic fashion, and I look forward to your support.

Senator CARR—One other fact we could establish is that you take the view that the review into pit orchestras will go beyond the function of this orchestra, which is not just pit. Have we established that?

Senator Kemp—I hear you. I have not determined the terms of reference. I do not need to be pathetically harassed by you in an attempt to demonstrate my position on Orchestra Victoria.

Senator CARR—You have given me a list of things you have discovered.

Senator Kemp—We will deal very sensibly with this matter, and I would like to see whether we can deal with it in a sympathetic manner. That is what we are saying.

Senator CARR—Will the community and regional program of Orchestra Victoria be considered as of value in this regard?

Senator Kemp—I regard it as of value. I regard orchestras getting out into the wider community not only as of value; it is also something which I think is very important. You should have no worries on that score. I hope that that has consoled you on that matter.

Senator CARR—But is there a change in the positions of the officers?

Senator Kemp—Don't you worry about the officers, either.

Senator CARR—I do worry about the officers, given what I understand happened at the meeting on the 15th. It is a matter of great concern.

Senator Kemp—We have established that you have had third-hand conversations, and they are always risky.

Senator CARR—Thank you, Minister. I will look forward to the terms of reference. When did you say they will be publicly available?

Senator Kemp—I look forward to seeing you at one of the coming functions of Orchestra Victoria.

Ms Williams—On behalf of the department, could I also say that the department works in support of its minister.

Senator Kemp—Indeed they do!

Ms Williams—It does not go off onto frolics of its own.

Senator CARR—Is that right? I look forward to that assurance in the future, Minister.

Senator Kemp—You can be absolutely assured of that.

Senator CARR—Senator Vanstone, of course, has spent considerable time on that very thesis at the moment. I trust that that is not happening here.

Senator Kemp—You start to wander at this time of the evening.

Senator CARR—I do.

CHAIR—Senator Tchen wishes to make a comment, if that is possible.

Senator CARR—That is the second question today, is it?

Senator TCHEN—As a Victorian senator, for the time being—

Senator Kemp—And a very good Victorian senator.

Senator TCHEN—I do not endorse Senator Carr's attitude. I thank you, Minister, for your words of support for Orchestra Victoria. I have accepted your reassurance, and I look forward to great news for Orchestra Victoria.

Senator Kemp—Excellent. Mr Chairman, I must say that it is great to be discussing cultural activities at Senate estimates rather than appointments and airconditioning and all that stuff. To discuss how we relate to the wider community, I think it is a bit of a plus. I hope that we have the eighth shadow arts minister here, Senator Carr. I cannot say that I can see any significant improvement, but there is still time.

Senator CARR—I asked this question before to the wrong officers. What benefits for TV production has there been for the 12.5 per cent tax offset program?

Ms Bean—At the present time, the only television productions that are eligible under the offset are movies made for television and TV miniseries. It is not entirely easy to tell with movies because you do not know whether they are going direct to television. But we understand that one miniseries has taken advantage of the offset.

Senator CARR—What is the name of that?

Ms Bean—We do not make the names public because of the tax secrecy provisions, as they obviously relate to taxpayers' affairs.

Senator CARR—When will we know which—

Ms Bean—They are never published.

Senator CARR—So we will never know who benefited?

Ms Bean—Correct.

Senator CARR—The program guidelines were amended, were they not? Have there been any recent amendments to them?

Ms Bean—You mean the legislation? There has been a government policy announcement that the offset will be extended to TV series, but the legislation has not yet been introduced.

Senator CARR—If we can talk in generic terms, when was the TV production that you referred to undertaken?

Ms Bean—I would have to take that on notice.

Senator CARR—Was it recently?

Ms Bean—The offset has been going for only a couple of years, so it would be in the last couple of years.

Senator CARR—What was the size of the project?

Ms Bean—It would have been over the \$15 million threshold.

Senator CARR—How many people were employed on the project?

Ms Bean—I do not have any details of the project with me.

Senator CARR—Why don't you take it on notice. Can you provide me with the size of the project; the number of people who were employed; the total value of the project, obviously; and what training opportunities arose. These were all the criteria that I understand the Treasurer claimed when he announced the new policy. I would like to establish how that measures up against actual production work. If there has been one case, let us have a look at that.

Ms Bean—I am certainly happy to take it on notice.

Senator CARR—Thank you very much. We are certain, though, that it is only one case?

Ms Bean—That was specified as television, yes. We will check the records again. As I said, there may be other cases of movies that have not actually made it to distribution, but I am not aware of any.

Senator CARR—Has there been any discussion with production companies, industry organisations or state governments suggesting that the \$15 million threshold figure is too high?

Ms Bean—There have been representations, yes. In terms of formal negotiations, there have been submissions put in, letters to the minister and general industry conversations.

Senator CARR—Have there been proposals advanced to bundle production together so that the threshold figure can be reached?

Ms Bean—Bundling proposals have been put forward, yes.

Senator CARR—Has there been a response by the government to that proposal?

Ms Bean—The government has decided not to go with bundling.

Senator CARR—Why not?

Ms Bean—That is a matter for the government obviously.

Senator CARR—Minister, can you tell me why it is that the representations from state governments, industry associations and companies about the bundling of TV productions to allow the \$15 million threshold to be reached were rejected?

Senator Kemp—We considered a range of options—in fact, there are quite a number of bundling options. I think one of the options for bundling depends on the level of the threshold. So quite a range of things were considered. We were pleased to extend the offset, but we decided that we would not go down the bundling route. I looked at your film package and noticed—

Senator CARR—That is fine, but—

Senator Kemp—Hold on, this is actually quite important. You were faced with the representations that we were faced with. You put together a film package and we put together

a film package. You decided not to include bundling in your film package and that is what we did with ours. It would be helpful to know if the Labor Party's position has changed. I am not aware of any announcement that you have made.

Senator CARR—What was the reason that you gave for refusing the request?

Senator Kemp—I would have to go back and examine the issues.

Senator CARR—Will you take that on notice?

Senator Kemp—I will take it on notice. I am not sure that I will share with you the details of my views, but I will take it on notice.

Senator CARR—What do you mean—that you will not answer the question?

Senator Kemp—Presumably, in considering your film package, you went through the same exercise.

Senator CARR—But we are not the government. I am asking you a question at estimates about a specific matter—

Senator Kemp—No, you are not the government; but we were within six or seven months of an election at which you put out a significant film policy package and so did we. All of us were very much aware of the issue of bundling. In your film package you decided you would not include bundling in the offset, and that is the decision we also made ourselves. I am going to have a look to see whether there are any thoughts I would share with you on this. I suspect one of the issues simply was cost, but I know there will be a debate about that. We went through a similar process to the one I assume you went through. The only point I am making is that we do not propose to be lectured by you for making a decision which you made yourself.

Senator CARR—I have not lectured anyone. I have asked a simple, straightforward question. You have been approached by a range of bodies. You have rejected the approach. I would like to know the policy rationale for rejecting that approach.

Senator Kemp—I have said it would probably be very similar to the policy rationale you made in rejecting the approach too.

Senator CARR—So it was cost, was it?

Senator Kemp—I suspect one of the significant issues was cost. I will refresh my memory and see whether there is anything more I can share with you.

Senator CARR—I ask you to take on notice the reasons for the rejection of that request.

Senator Kemp—I will take it on notice. I will also put on notice that sometimes I will not be sharing with you, unless I feel entirely comfortable, the deliberations of the government.

Senator CARR—Is it possible for the department to confirm that there has been a decline in the amount of international touring by Australian major arts companies over the past three or four years?

Ms Bean—I cannot confirm that. That would normally be handled by the Australia Council. I can certainly take it on notice.

Senator CARR—If you could, please. Can you also confirm the extent to which the Australian Chamber Orchestra cut its proposed international itinerary from two tours to one?

Ms Bean—I can take that on notice.

Senator CARR—Can you provide any reasons for that being the case?

Ms Bean—Yes, I will look at that.

Senator CARR—Are there more sources of money other than the Australia Council for international touring?

Ms Bean—There are a number of sources of money.

Senator CARR—Can you tell me what the sources of funding are?

Ms Bean—The Department of Foreign Affairs has a small amount of money available to fund cultural activities.

Senator CARR—Is that the International Cultural Council?

Ms Bean—Yes. Some state governments will provide some funding. There is no other Australian government source.

Senator CARR—Are there any specific—

Senator Kemp—I think sometimes one-offers are provided. I know the Australia Council provides some money for this, as the officer said. Then we mentioned the International Cultural Council, and I think there is a small amount of money there.

Senator CARR—The Australia France Foundation, is it?

Senator Kemp—There may be some things that come through Austrade; we could check as to whether they make any contributions.

Ms Bean—I understand the country foundations provide some money occasionally. There is no program.

Senator CARR—When was the last time a cost-benefit analysis was undertaken on the provision of support for international touring by Australian cultural organisations?

Ms Bean—I am personally not aware of any cost-benefit analysis. The Australia Council may have done some work on it, but certainly there has not been any in recent times in the department.

Senator CARR—Is it possible for you to check what the particular sources of funding are for international touring and the amounts that are available, please?

Ms Bean—Yes, certainly.

Senator Kemp—We are happy to do that. You may be aware that it is an issue that I am looking at very closely myself. I am faced with a considerable range of demands for assistance, and you have orchestras—the MSO has travelled recently, I think the TSO is travelling, I think WASO will be travelling and you have the Australian Ballet in London. There is a range of Australian cultural institutions already out there. Someone made a very interesting point to me that there are a lot of performing arts centres opening in Asia and there is a need, as they put it, for product. We would say that this may present an opportunity for

people to see more of Australian culture and to see more of our brilliant artists. It is an issue that has been turning my mind, one that I continue to look at closely. I think we have a way to go there and we have to make the case for this, but it is something that as a minister I am looking at closely.

Senator CARR—I will put the rest of my questions on notice; there are a number. I notice that a review is under way of the Cultural Ministers Council. Is that right?

Ms Bean—There will be a review if ministers agree to the terms of reference. But we are certainly moving down the review path.

Senator CARR—What does the department pay towards running the Cultural Ministers Council?

Ms Bean—I think it is between \$700,000 and \$800,000 a year.

Senator CARR—How much was that?

Ms Bean—I am sorry; it is \$196,000 for the Cultural Ministers Council.

Senator CARR—What does that figure cover? Does that include staff costs and travel costs?

Ms Bean—It includes the secretariat and it includes project money.

Senator CARR—Project money?

Ms Bean—Expenditure on projects or programs that ministers decide to pursue each year. It also includes the statistics working group.

Senator CARR—How many officers are involved with the Cultural Ministers Council?

Ms Bean—The Cultural Ministers Council money actually pays for 0.6 of one ASL—so that is 0.6 of a person, essentially. Of course, there are others involved in the management stream. The relevant section head and I, for example, are involved at different levels. But in terms of provision of secretariat—

Senator CARR—How many officers attend cultural ministers meetings?

Ms Bean—Normally what would happen is that the secretariat person would attend; the section head who looks after the secretariat, who also looks after CMC issues for the Commonwealth, would attend; I would attend; and probably the chief general manager for arts and sport and relevant general managers would attend. This year, for example, obviously orchestras will be on the agenda and therefore Mr Taylor would attend. But it is not every GM.

Senator CARR—I see that there is an upcoming discussion on delivery of Indigenous services. What contribution is the department going to make to that?

Ms Bean—In the CMC context?

Senator CARR—Yes. Have I got that wrong?

Ms Bean—It is not an active project. It might be something that one of the states proposes to put on the agenda but it certainly is not an active project at this stage.

Senator CARR—You are not aware that that is being proposed?

Ms Bean—Did you say ‘Indigenous services’ or ‘digital services’?

Senator CARR—Indigenous.

Ms Bean—Sorry, I thought you said ‘digital’. There will be an agenda item on provision of Indigenous services. That essentially will be an update for state ministers on the Commonwealth’s new arrangements. In addition, the government is in the process of developing a series of bilateral arrangements. We are conscious that the arts is a significant area in Indigenous affairs and we see opportunities for development of Indigenous arts issues on a bilateral basis.

Senator CARR—You now have regional offices, do you?

Ms Bean—The department has regional offices, yes.

Senator CARR—How many regional offices do you have in the north?

Ms Williams—We do not actually have regional offices but we do have representatives in the new ICCs which are established.

Senator CARR—Can you tell me what locations they are in?

Ms Bean—I think it is all of them.

Ms Williams—No, it is not. We would have to take that on notice. We do not have the people here who would be able to answer that.

Senator CARR—I would like to know what their rank is too, what level of seniority they have. So if you could take on notice their location and their classification. I would also like to know how often their line managers have actually been to those locations to have a look at what they are doing.

Ms Williams—The concept is not so much a line manager because, if we have somebody in an ICC, that person will deal with a range of issues.

Senator CARR—So they do not necessarily have dedicated departmental structures.

Ms Williams—No. And often our meeting with them will be when we call some of them in to a central area to talk to them and train them et cetera.

Senator CARR—I would like to know what you are doing with the transfer of resources that have come across with the destruction of ATSIC. I would like to know what action you are taking to strengthen Indigenous cultural programs within the department and what action has been taken in terms of the deployment of resources to support those programs. I would like you to specifically respond to this: has there been any decline in the number of officers actually deployed on Indigenous policy issues?

Ms Williams—That is a very difficult one to answer, because in the division of ATSIC it was very unclear who was working on what because people worked across several programs. There was quite a long sorting out period—not about who worked on what but about who would go where, to which Commonwealth department. Since we have been given the number to come to us, we have done some rationalisation. Firstly, we got a lot of low-level staff—that was just the way it worked out. We also got some areas where we would have three staff and other areas where we would have one or none. We have had to do a bit of moving, a bit of rationalisation. To deal better with the programs we got, we have had to look at those staff. It

is not actually possible to say there has been a decline, but we can give you the details about what we have done and how we have tried to that.

Senator CARR—Could I have a detailed response to my question about the nature of those rationalisations so that I can get a proper explanation for it. I would like to come back to you in some detail at the next round to examine the consequences of the transfer of the resources to the department to Indigenous cultural programs.

Ms Williams—Yes.

Senator CARR—The rest of my questions I will put on notice.

CHAIR—Thank you, Senator Carr.

Proceedings suspended from 5.56 pm to 7.03 pm

Australian Sports Commission

CHAIR—We will resume the hearings. We welcome Mark Peters and his officers. We are going to outcome 2—Development of a stronger and internationally competitive Australian sports sector and encouragement of greater participation in sport by all Australians.

Senator LUNDY—Minister, it is five months since submissions closed on the DCITA discussion paper prepared in response to the Anderson inquiry. In February, you advised the committee that an announcement would be made before the budget.

Senator Kemp—I will be taking a proposal to the government in the very near future. Once that has gone through the proper governmental processes, an announcement will be made.

Senator LUNDY—Given you made that statement in February, it implied that an announcement would be before the budget, so why has it taken so long?

Senator Kemp—It is quite a complex issue. This issue was originally raised in 1990, I think. It seems to have gone through very many sports ministers. I have to say that this will happen on my watch. But there has been extensive consultation, which is appropriate because this is a very important initiative. As I said, I expect to be taking a proposal to the government in the very near future. Once that proposal has been ticked off by the government or modified or changed, an announcement will be made.

Senator LUNDY—So you are taking a proposal to the next cabinet meeting. Is that what you mean?

Senator Kemp—No. I said in the near future.

Senator LUNDY—So a cabinet meeting in the near future.

Senator Kemp—In the near future.

Senator LUNDY—Why did you miss out on this budget round?

Senator Kemp—As I said, it is quite a complex issue. It is one which we are very concerned to get right. Rather than meeting a timetable of a budget, it is best to get it right, to be quite frank.

Senator LUNDY—I just do not understand, given it has been so long, that—

Senator Kemp—I do not know if it has been so long. I am actually the minister that is doing it whereas every other sports minister has not.

Senator LUNDY—So you are just slow?

Senator Kemp—I actually think you should be praising me, not criticising me.

Senator LUNDY—We have not seen the results yet.

Senator Kemp—When they come out, I am sure you will say, ‘Senator Kemp has done it again.’

Senator LUNDY—Done it again?

Senator Kemp—In a very positive sense.

Senator LUNDY—‘It’ being the key word. There does not seem to be any funding in the budget in anticipation of the new policy in this area.

Senator Kemp—Let me say on the issue of funding that if additional funding is required, I am sure we will get that approved as part of a cabinet decision.

Senator LUNDY—So are you seeking funding as well as part of that submission?

Senator Kemp—I make no judgment on that. I said the word ‘if’; the word ‘if’ was in there.

Senator LUNDY—You practically told me that.

Senator Kemp—I know you are interested in this, and you are quite entitled to be interested in it, but I think you should just contain yourself for a short period of time and all shall be revealed.

Senator LUNDY—All shall be revealed. Is it likely that sport in general will have to wait for another year before you get any money allocated in next year’s budget, presuming you are successful?

Senator Kemp—My intention would be to make sure this is implemented as quickly as practicable in a sensible manner, so I think it would be wrong to say that if you miss one budget cycle you therefore have to wait for the next one. That would be my view, but I am just a minister, you see. But that would be my view.

Senator LUNDY—Do your proposals contained in that submission involve legislative amendment?

Senator Kemp—Yes, I suspect that it will have to go through the Senate. We are looking forward to your cooperation.

Senator LUNDY—Indeed, we will assess it on its merits, Minister, as always.

Senator Kemp—Indeed, as you should.

Senator LUNDY—Have random searches of AIS facilities commenced?

Senator Kemp—I will leave that to the AIS.

Mr Peters—We have not commenced the actual random searches of athletes yet, but we have done a mock search system to make sure that everything we put in place has been actually in place and working. We had ASDA and other agencies involved in that. We

anticipate we will now, from what we learnt out of that, be looking to put the process in place in the near future. One of the difficulties we had is we thought we may be able to have the Australian Federal Police do the actual searches, but they informed us that they were not able to do it so we have had to go into a different training program to make sure we have people with the expertise to undertake the searches.

Senator LUNDY—So what does a mock search involve?

Mr Espeland—We had a team of people work through three different scenarios. I suppose you could call it role playing.

Senator LUNDY—So did you set up a room and hide things in it?

Mr Espeland—That sort of thing, and work through the issues—and there are many of them—in terms of protecting the rights of the athletes and making sure that there is value in the search. As Mr Peters indicated, we hoped to get support in terms of the actual searching from other authorities. That has not proved possible so we have our own training program and are very much in the process now of testing out the guidelines through that mock process I mentioned.

Senator LUNDY—Were any athletes involved in that mock process or just officers?

Mr Espeland—No, although the athletes have been informed. We worked with Professor Fricker and the Athletes Commission so they are aware of what is going on. They have raised a number of issues and we have taken them on board. So there is consultation with the athletes through this development process.

Senator LUNDY—So who was involved in that? Which organisations were involved in that exercise? You mentioned obviously the AIS, ASDA, the Athletes Commission and the AFP.

Mr Espeland—They were not actually involved. They have been involved in terms of the consultation process. But the actual dry run involved AIS personnel and ASC people and people from ASDA. We also used Mr Justin Stanwix because of his expertise in this area and his keen legal mind to make sure we identified the right issues and posed the right questions to be answered.

Senator LUNDY—Why has it taken so long just to get to this point? I appreciate the sensitivities Mr Peters mentioned. Again, reinforcing the previous point with the minister, it is now May 2005. Why so slow in progressing it?

Mr Espeland—It is a case really of getting it right rather than sticking to an arbitrary timetable. This is about catching the drug cheats but also protecting the clean athletes, and you have to make sure you do both those things. It is a difficult issue and it is a complex issue, particularly in relation to random searches. There are issues in relation to what is legal and what is not legal and what is appropriate and what is not appropriate. To balance those out, it does take time to work through the issues. There needs to be proper consultation, particularly with the athletes and coaches as well.

Senator LUNDY—So what are some of the issues that are so sensitive with athletes and coaches?

Mr Espeland—One of the issues is if you identify something in a room that is suspicious but you are not sure if it actually belongs to the athlete, then there is no right that can be given to the commission or other personnel in relation to the property of third parties. So if someone says, ‘That is not my bag. That is my aunt Mabel’s’, then you have a real issue to work through. That is just one of a number of issues that need to be dealt with.

Senator LUNDY—That is one of them. What is another one from a coach’s perspective?

Mr Espeland—It is important from a coach’s perspective, as Mr Anderson said, that they are not actually involved in this process because they would have a possible conflict of interest. The actual search needs to be conducted by appropriately trained personnel. But there are other issues associated with let us say the incidental discovery of matter not relating to doping issues. The AIS has a number of rules in place. The residence at the Bruce campus is a dry residence. So there are protocols to deal with the discovery of alcohol. How do you then, in terms of a doping search, if you find that material, link it back to other processes? There is also the issue about the forensics. As we saw from the case involving the cyclist Mark French, once you start to look at paraphernalia, issues relating to the possible forensic investigation come to the fore, and they need to be dealt with very carefully.

Senator LUNDY—So has the process to date involved discussions around these issues with each of the different stakeholder groups, such as athletes and coaches?

Mr Espeland—That is correct, yes.

Senator LUNDY—Can you provide the committee with the schedule of consultations that have occurred around this matter?

Mr Espeland—I can take that on notice, yes.

Senator LUNDY—I am also interested in this point made about the AFP not being able to conduct searches, leaving the AIS or the Sports Commission in the position of presumably supplying the personnel who would conduct such a search. What is the reasoning behind the AFP not being able to assist in this matter?

Mr Espeland—They looked to provide us with as much assistance as possible. But in the end their authority stems from a different source and so therefore their protocols and their process are very different. They are working in terms of law enforcement. Doping control is a sports issue. While there are some similarities, the two are different. In the end, they provided assistance as they could but they thought they were not in a position to actually undertake the work.

Senator LUNDY—So what about things you mentioned, such as the collection of evidence and forensics? The police are experienced in these matters. It is part of their job. I presume for Sports Commission officers it is not. How are you going to deal with that?

Mr Espeland—It is a question of proper training and proper processes. If something is deemed to be prima facie a criminal matter, it will be referred immediately to the appropriate authorities. The police will be called in from the outset. But if it remains a sporting matter, we will deal with those processes. We will draw upon as much as we can in terms of advice from agencies that have experience with this. That is why it is taking that time to get it right,

because it does need to be right in terms of balancing those two things—rubbing out the cheats and protecting the clean athletes.

Senator LUNDY—And what training are you contemplating for staff required to perform this duty?

Mr Espeland—Again, that is under development as part of the mock run and the development of the guidelines. We would anticipate completing within the next couple of months the guidelines, the training and carrying out our first actual random search.

Senator LUNDY—So you have not done the guidelines for that yet?

Mr Espeland—They have been developed and they were tested as part of the mock process. We now have to go away and do some further work on them.

Senator LUNDY—Did it not go so well, then, or did it show up problems?

Mr Espeland—It showed up problems. It is a good way of testing it. This is new ground and what looks good on paper does not always exactly work out when you actually are there on the ground.

Senator LUNDY—What do you anticipate is the timetable for starting these searches?

Mr Espeland—I think in the next couple of months we should have the first, as I said, actual random search, completed. We will continue with the processes we have in the sense of consultation, but at the end of the day in terms of a deterrence factor they will be random and they will be unannounced. But there will be no surprises in terms of the process.

Senator LUNDY—Don't worry, I will not ask you for the dates that you are planning to do the random searches. What about the potential for conflict with the officers of the commission or the AIS conducting the search?

Mr Espeland—Judge Anderson recommended that AIS personnel who have contact with athletes not be involved. In fact, the reality is that no AIS personnel, as distinct from commission personnel, would not have a conflict of interest. Everyone deals in some way, directly or indirectly, with athletes. So it will be done by commission personnel. But we also realise that there needs to be an independent mechanism to make sure that the commission is seen to be above board. We are looking to put that in place. We are having discussions with ASDA. There may be some issues that they wish to raise in relation to that. But at the end of the day we are looking for independent verification of the thoroughness of the process and the appropriateness of the process.

Senator LUNDY—So it may be that the Sports Commission representative is accompanied by an ASDA representative on this.

Mr Espeland—Or someone who can provide that independent oversight, yes.

Senator LUNDY—I wouldn't mind asking ASDA a few questions about this process.

[7.18 pm]

Australian Sports Drug Agency

Australian Sports Commission

Senator LUNDY—What has been your involvement in the development of this exercise and the mock search?

Mr Terrell—We were approached a number of months back by the commission in terms of seeking our cooperation with the implementation of the recommendations from Mr Anderson's report. The random search provisions are one of a number of recommendations which came out of that report. We have indicated consistently for the last six months that we are willing to assist to the greatest extent possible. On this particular recommendation, we have been involved in a number of meetings and discussions on the principles about what we are trying to achieve through the random search program. The commissioner has given us copies of draft guidelines to look at and comment on. We had one of our staff members attend the dry run last Wednesday.

Senator LUNDY—What impact on resources would ASDA's involvement in these random searches have? I know it is a bit of a hypothetical because I do not know how regular or random the searches will be.

Mr Terrell—It is a difficult question. At this point, we are still working through, as Mr Espeland explained, the details. We are not exactly sure what resource impact will flow from that because we are still not exactly clear what role ASDA may or may not play in the conduct of the searches.

Senator LUNDY—So it is not confirmed that you will be accompanying a Sports Commission officer?

Mr Terrell—No. As I said at the outset, we are certainly willing to assist in every way we can. We just need to work our way through the issues and make sure it makes sense to have ASDA directly or indirectly involved. Mr Anderson's report talked about cooperating, and we are willing to do that.

Senator LUNDY—From the athletes' perspective, when potentially confronted with a random search, what right do they have either to have someone else present or to have a witness present in the room when the search is taking place? What consideration has been given to the problem from an athlete's perspective and their right to natural justice?

Mr Espeland—From a policy point of view, we deem it essential that they are present. That presents some operational difficulties in terms of still having it random but having them there. But we feel we can overcome that without showing our hand, so to speak. There will be an opportunity for them to also have present as an observer staff from the residences—in other words, the normal residence staff, such as house parents, supervisors and the like. So there will be a familiar face there not necessarily to take a formal part in the process but clearly someone who can provide support at the time.

Senator LUNDY—You say these proceedings will be finalised soon. What degree of formality is required to introduce this program with respect to your agreement with athletes and any potential legislative or regulatory changes for the operation of the AIS?

Prof. Fricker—As I understand it, I think athletes sign an agreement when they take up a scholarship with the AIS that they agree to these room searches being done. A part of this process has been to inform them of just what that means. It refers back to the issues we have just been talking about in terms of their rights and responsibilities in that context. In terms of formality, I think there is an issue of notifying an athlete at the time that the room is going to be searched. Obviously depending on what happens, various procedures need to be followed. As we mentioned earlier, the Athletes Commission have been informed that this is about to unfold or roll out.

Senator LUNDY—Sorry to interrupt, but have they been given a draft of the new agreement they will be required to sign yet?

Prof. Fricker—I believe they have.

Mr Peters—The athletes and the Athletes Commission have signed the agreement. We addressed them a few weeks ago. Some of them raised some concerns about privacy. They have information on how things will be done. They will be involved in the review of this particular mock search system.

Senator LUNDY—How is it that they have signed a contract but you have not finalised the procedures yet? You have not technically been able to give them the document of what is going to happen.

Mr Peters—What we have been able to do is to write into their scholarship the responsibilities they have as AIS athletes, and that is to be subject to random room searches. That is what the scholarship says, and they have signed on to that as part of their obligation. Some athletes have raised some concerns about privacy, but the athletes believe they are clean athletes and they have nothing to hide so they have signed their scholarship.

Senator LUNDY—Well, they have done so in remarkably good faith given you have not finalised the procedures. I am not criticising you for pushing ahead because everything else has been delayed, but it seems to be a natural progression that you get the procedures clear and in writing and announced and then you ask the athletes to sign up—notwithstanding, of course, you would need to consult with them beforehand. So it is clear that that is unfair.

Mr Peters—We took the view that the issues raised by Mr Anderson were issues of some importance. To show good faith to all those that had raised issues, it was best for us to engage our athletes and have them accept the concept of random room searches. The majority, if not all, the athletes believe they are clean athletes and the reputation of the AIS and the Australian athletes is served best by them doing that. In the discussions with them, they have signed their scholarship agreements. We have said we will continue to engage them in the process and for them to raise concerns. As I say, at the Athletes Commission meeting, I and Professor Fricker attended so we could give them assurances that, besides putting a process in place that was necessary, we would look after their rights and ensure that they were always informed of what was going on.

Senator LUNDY—Have all of the scholarship holders signed their new agreements for the authorisation of room searches?

Mr Peters—My understanding is yes.

Senator LUNDY—Everyone?

Mr Peters—That is my understanding.

Senator LUNDY—Have there been any athletes that have refused to sign?

Mr Peters—Not to my knowledge.

Senator LUNDY—Professor Fricker?

Prof. Fricker—Not to my knowledge.

Senator LUNDY—So when do you think the program will start? When will the documents be available for publishing as advised in the February hearings—that is, the actual procedures for random searches?

Mr Espeland—We will have a full roll-out—that is the full program in terms of the onshore program—by 30 September.

Senator LUNDY—And is that program reliant upon the policy that Senator Kemp was referring to that will be announced soon? Is it all tied in together or is this separate from that broader policy consideration?

Mr Peters—No, it is separate.

Senator LUNDY—The date of 30 September is a long, long time away. Why so long from now?

Mr Espeland—We have identified those issues. We will come back and probably do another mock one and probably also do a first one in the sense of a pilot, so we are continually revising the process. In terms of having them bedded down and having a mature system, it will be 30 September. That is not to say that nothing will occur before then, but it will be a mature system by then.

Senator LUNDY—Can you tell me what your thinking currently is on providing the appropriate training to Sports Commission staff to conduct those random searches? Will they be undergoing any formal training, such as AFP training?

Mr Espeland—We are dealing with other authorities to make sure that we can lift whatever modules are applicable from law enforcement agencies or forensic agencies that would apply in the circumstances. We are drawing whatever is out there that has relevance to this being a sport issue as distinct from a criminal issue.

Mr Peters—But they will definitely be trained. This is a pretty scary area for our staff.

Senator LUNDY—It raises all sorts of concerns; I think that is obvious. You also have a responsibility.

Mr Espeland—They could well end up basically being in the various courts of sport—the Court of Appeal, the Court of Arbitration for Sport—so they need to be able to defend their credibility and their competency and their professionalism as well as obviously provide evidence that would go to the merits of the case.

Senator LUNDY—Indeed. Minister, are you confident that all national sporting organisations will be compliant with the wider code by 30 June this year?

Senator Kemp—We are having discussions. There are probably three you would be aware of—the AFL, the NRL and Cricket Australia. I remain hopeful that they will be compliant.

Senator LUNDY—So what action are you taking to ensure that AFL, cricket and the NRL are compliant by that date?

Senator Kemp—We are having discussions with them and dealing with the problems and the issues that they raise. I must say that the discussions are very constructive. They are quite complex issues. Our bottom line is that they have got to be WADA compliant, as indeed do all other sports that we fund. The vast proportion of Australian sports men and women, of course, already belong to sports which are really WADA compliant. So we are very hopeful that those three bodies will become WADA compliant. So discussions are continuing.

Senator LUNDY—Who is conducting those discussions?

Senator Kemp—I have been involved in some of them.

Senator LUNDY—At a ministerial level? That is very impressive—at the ministerial level.

Senator Kemp—No. I think the detailed ones are—

Senator LUNDY—There is obviously some serious opposition.

Senator Kemp—No. I think they are important issues. I want to convey the importance the government feels about this issue. The more day-to-day ones are conducted by the ASC, and my department have been involved. I think ASDA has been involved as well. We are anxious to make sure that they understand what being code compliant is and to deal with any issues that they raise. Hopefully, we can reach agreement.

Senator LUNDY—What is the nature of ASDA's discussions with these three NSOs in relation to compliance with the WADA code?

Mr Terrell—As you are probably aware, we have worked with the three sporting bodies on a commercial basis for probably a decade or so now in various ways. The ASDA board took a decision at the end of last year that we would continue to work hard to encourage those sporting bodies and other sporting bodies to adopt the World Anti-Doping Agency code on the basis that we thought that the advantages of a code and the harmonisation across countries and across sporting bodies far outweighed any disadvantages. The board was also realistic in recognising that certain sporting bodies in Australia, including the ones we have been talking about, have had their own policies in place for a number of years and have developed a certain expertise which we needed to recognise and work with. So the sorts of discussions that we have been developing over the last six to 12 months have been trying to help them understand what the code means and what the various international standards mean, and to see where there are real issues and where there are issues which may be dealt with, for instance, through administrative processes. Those sort of discussions are still ongoing. As the minister said, we are quietly confident that they will come on board.

Senator LUNDY—So how often, Minister, have you met with these organisations in your efforts to convince them of the merits of being WADA code compliant?

Senator Kemp—I have had a number of meetings. I have had at least one meeting with each of those organisations, I guess, in the last three or four weeks.

Senator LUNDY—Recently.

Senator Kemp—I am available to speak on the phone if needed. From my point of view, the discussions have been constructive. We are working towards this goal that we want all sports to be WADA compliant.

Senator LUNDY—Minister, can you confirm that funding will be withheld from these organisations if they do not become WADA code compliant?

Senator Kemp—Our policy is that if the body is not WADA compliant, funding will not be provided.

Senator LUNDY—And you will stand by that if they do not sign up?

Senator Kemp—Yes. That is the policy that we went to the election on.

Senator LUNDY—What are the funding arrangements for these organisations in the event of them not becoming compliant by the due date?

Senator Kemp—We have been talking about those three organisations. They are not dependent on government funding.

Senator LUNDY—No. I appreciate that. But I just want to understand the nature of the threat.

Senator Kemp—I think that they themselves do not want to have an issue in this area. We do not want to have an issue in this area. I do not think the public want to have an issue in this area. We can all judge it, but my feeling is that the public generally take a pretty firm line on the issue of drugs. That is not to say that in some areas these sports are not actually going further than WADA. I think some of these sports can say they are actually doing more than the WADA code requires. But in the end the judgment I have to make and the government will make is that the Sports Commission and the department and ASDA will be advising me whether a sport is code compliant or not. They have to meet those tests.

Senator LUNDY—So if they do not, what is the mechanics of withholding their funding? When do they get their funding rounds? It is probably a question for the Sports Commission.

Senator Kemp—The funding is provided through the Australian Sports Commission. There may be some funding provided through the department in relation to some programs. We would obviously review where funding has been provided and then take the appropriate action.

Senator LUNDY—So when are the sports due to get their new round of grants?

Senator Kemp—We have a deadline of 30 June.

Senator LUNDY—Of allocating that funding?

Senator Kemp—Our deadline is 30 June for them to be WADA compliant.

Senator LUNDY—Yes, I know that.

Senator Kemp—They will be notified, really, in the first or second week of June what the indicative funding would be.

Senator LUNDY—As part of the normal funding round?

Senator Kemp—Yes, as part of our normal processes.

Senator LUNDY—The first or second week of June. When would they receive the money?

Mr Peters—It is operational from 1 July. It is on a financial year basis. But they need to sign—

Senator LUNDY—So you will be standing at the door with the cheque late at night on 30 June and if they are not signed up, you will say—

Mr Peters—No. They will be sent a service-level agreement to sign and send back to us. If they are not WADA compliant, they will not be able to sign it. The two preliminary conditions are the WADA code and member protection.

Senator LUNDY—So they will not get the cheque if they are not compliant?

Mr Peters—That is correct.

Senator LUNDY—And how much funding are we talking about with respect to these organisations—Cricket, NRL and AFL—and does it apply across not just their base grant funding but targeted sports and the after school sports and all the myriad of other programs that they might access government money from?

Mr Peters—It applies against all of the Sports Commission's funding streams. I do not have the exact figures with me but it is around or slightly less than about \$1 million for each of them.

Senator LUNDY—For each of them?

Mr Peters—But I can certainly provide the exact figures.

Senator LUNDY—If you can take that on notice that would be good. I have some questions about the other programs later. Are they tied into the same fiscal year allocation of funding? Is that all being dealt with in June as well?

Mr Peters—There are some schemes we have, such as coaching and officiating, where we may make decisions during the year, but they are applicable roughly within a financial year.

Senator LUNDY—And what about the programs where you have provided effectively a triennial funding source? Do you have to take money back? Are you put in a position of having to ask for money back?

Mr Peters—We have looked at transitional arrangements. So if you look at, say, our AIS programs, which are developmental programs in those three sports, then obviously we need to look after the athletes. Some of those programs may well go into August or September as we transition athletes out, because that is one of our primary concerns. So there are different timelines for some of the different programs rather than a guillotine coming down on 1 July.

Senator LUNDY—That anticipates my next question: what other action does the Sports Commission and the government plan to take if any sports are noncompliant? It is not just cutting off the funds, because I think the point has been made that \$1 million is not going to knock the AFL over. What else can you do to shame these organisations into signing up—

Senator Kemp—Obviously I think you would look at any—

Senator LUNDY—apart from meeting with them, Minister, which you have done already, I know.

Senator Kemp—I do not think that shames them. It is not a question of shaming. It is basically a question of trying to get a consistent level playing field in regard to drugs. At least that is what we think the Australian community wants. We have mentioned ongoing funding. Obviously we would look carefully at any future capital funding arrangements that may occur.

Senator LUNDY—That is a good point. Would you take any money off them for any of your lists of capital works in sports facilities?

Senator Kemp—I tell you what, some of those Labor seats would get upset with us if we did that, Senator.

Senator LUNDY—I am just asking you the question.

Senator Kemp—No. We will not. We made election promises. We will keep our election promises. We are not going to remove that.

Senator LUNDY—It was an election promise to make all this happen a lot quicker than it has, too. I am referring to the other issues.

Senator Kemp—I am not sure what you mean.

Senator LUNDY—The response to the Anderson report.

Senator Kemp—I think the response has been—

Senator LUNDY—Slow.

Senator Kemp—We all have to make responses to the Anderson report. I think the Labor Party has to make some responses to the Anderson report. The Labor Party made some very serious charges against the AIS. Anderson found—

Senator LUNDY—All vindicated.

Senator Kemp—I want to finish this, as you have raised it. Anderson rejected those accusations. I am not aware that the Labor Party has apologised. The accusations that the Labor Party made were very damaging. Anderson specifically addressed the issue of whether it should have been raised in the parliament. He said it should not have been and there was no need for it to be raised.

Senator LUNDY—No-one would have known about it.

Senator Kemp—I think we all have responsibilities in relation to Anderson. I think the government has a responsibility in relation to Anderson and I think the Labor Party has responsibilities in relation to Anderson. The government will be doing its job and we will be looking to see whether the Labor Party does its job. You have some ground to recover, Senator, in relation to this. You have some people who are very offended by what was said.

Senator LUNDY—So you still think it would have been better off covered up?

Senator Kemp—You probably have not read the Anderson report. The Anderson report indicated that these matters were being dealt with and there was no need to raise it in the parliament. Your party rejected that. You raised it in the parliament. You made accusations in the parliament, including issues of a shooting gallery, which were rejected by Anderson.

Senator LUNDY—What was the result? What was the subsequent action taken?

Senator Kemp—The results were that a lot of damage was done to a lot of people and a reputation. This government has to respond to its part of the Anderson report. But I do not want the Labor Party to think it has not got to respond as well. So we are all in this, Senator. There are no free kicks in this game.

Senator LUNDY—I know you are very embarrassed by it all so I certainly understand your needing to try to justify your position again and again.

Senator Kemp—Actually, I think the embarrassment was that a number of very vicious allegations by the Labor Party were specifically investigated by Anderson. I am not aware that the Labor Party has apologised to the AIS. I am not aware that the Labor Party has recognised that the steps it took were not needed.

Senator LUNDY—You are sounding very defensive.

Senator Kemp—I am not defensive at all.

Senator LUNDY—You are also using up my question time.

Senator Kemp—I am saying that you have got matters to address.

Senator LUNDY—Would you like to say it again?

Senator Kemp—What I am saying is that we have issues to address in Anderson and so has the Labor Party.

Senator LUNDY—Would you like to say that again?

Senator Kemp—No. I have made my point very, very clear.

Senator LUNDY—Are you sure you do not want to say it again?

Senator Kemp—There are a lot of athletes that are very offended by what happened and the accusations that were raised. You might think this is funny but the people who were—

Senator LUNDY—I do not think it is funny. I invite you to say it again so you can get it off your chest. You are feeling very defensive about this because you know we were right.

Senator Kemp—The people who were attacked and slandered do not think it is funny, I can tell you. They remember it.

Senator LUNDY—Would you like to say it again?

CHAIR—Senator Lundy, the minister is making a serious point.

Senator Kemp—I have made the point.

Senator LUNDY—Five times.

Senator Kemp—Well, we shall wait for your response, Senator.

Senator LUNDY—If that is not defensive behaviour, I do not know what is.

Senator Kemp—I shall be raising this issue of whether you have apologised and whether you have dealt with the recommendations of the Anderson report.

Senator LUNDY—It will stand as a blight forever on your term as sports minister, and you know it.

CHAIR—Move on, Senator Lundy.

Senator Kemp—The reason why you were sacked from being sports minister was your handling of this; we understand that. The sports bodies know it too.

Senator LUNDY—You can say that a few times tonight too if it makes you feel better.

Senator Kemp—I may if I am provoked. I am slow to anger. As you know, I have a reputation for being very slow to anger. It is one of the things that people admire.

Senator LUNDY—Is there anything else you want to get off your chest, Minister?

Senator Kemp—Continue your questions, Senator.

Senator LUNDY—Are you sure?

Senator Kemp—Well, not really. I would prefer to go home, actually.

Senator LUNDY—I have a few questions for ASDA now. Can you tell me how long caffeine was on the WADA banned list?

Mr Terrell—I think it probably came on the IOC's banned list in, I believe, the early 1980s. It was removed from the start of last year from the WADA list. There are obviously two different lists.

Senator LUNDY—And is it still on the IOC list?

Mr Terrell—There is no more IOC list.

Senator LUNDY—That is what I thought. So the WADA list is the list?

Mr Terrell—That is right.

Senator LUNDY—And it was removed from the WADA list precisely when?

Mr Terrell—From 1 January 2004.

Senator LUNDY—Why was caffeine on the list?

Mr Terrell—My understanding of the history is that the early research into the substance was that it was being used by athletes in ways which were quite unhealthy. This goes back many decades. The research at the time I think was that high dosages of the substance could be performance enhancing. The reason why it came off the list at the start of last year was that that research was developed and it was found to be that in fact it was potentially performance enhancing only for athletes at small dosages.

Senator LUNDY—So the answer to the question of whether caffeine is performance enhancing is a qualified yes in that it is only performance enhancing in small doses?

Mr Terrell—I think it is a very qualified yes. I think the scientists, who probably know a little bit more about this than I do, would say it is only potentially performance enhancing in certain athletes for certain events. In those instances, it is small amounts that we are talking about. Basically, the sort of analogy that I have been told is that it is the equivalent of two to three cups of coffee, and even then it really does depend upon the individual as to whether there is a performance-enhancing effect.

Senator LUNDY—Can I ask the AIS whether or not they support the principle that performance-enhancing drugs should not be used by elite athletes or scholarship athletes?

Prof. Fricker—I guess the principle we would use would be to maximise elite athletes' performance legally. There are a range of substances out there. There is an issue with the word 'drug'. I think that brings up all sorts of emotive issues. On the premise that we want to maximise elite athletes' performance legally, if caffeine, for example, is not a banned substance and it does have some performance-enhancing benefits in some situations for some athletes, then it is reasonable to use good science to understand what that might do for athletes who choose to use it and make those facts known. So, without necessarily promoting caffeine, it is just offering the facts on caffeine as a legal substance. Similarly, there are a range of other things that could be deemed performance enhancing. Again, our policy is to apply good science and reason to the use of these things to make these facts known to athletes so they can make sensible decisions.

Senator LUNDY—So the answer to the question of whether the AIS supports the principle that performance-enhancing drugs should not be consumed by scholarship athletes has to be no, based on what you have said?

Prof. Fricker—I would say performance-enhancing 'substances'—I would not say performance-enhancing 'drugs'.

Senator LUNDY—Okay, substances. So you support the principle that performance-enhancing substances should not be consumed by athletes but you think drugs is okay?

Prof. Fricker—No, sorry—performance-enhancing substances. If they are legal, then on the basis of good science they should be permitted.

Senator LUNDY—So the answer to the question of whether the AIS supports the principle that performance-enhancing substances should not be consumed by elite athletes is no?

Prof. Fricker—Yes.

Senator LUNDY—How does that marry up with the athletes' charter that you ask them to sign which says that they will not take performance-enhancing—and I will have to check the wording—substances?

Prof. Fricker—I think the spirit of that is to not use banned substances to cheat.

Senator LUNDY—It does not make that distinction. This is a very important point.

Prof. Fricker—It is. I think the athletes' charter is written in the spirit of maximising your performance ethically and legally. They look at the opportunities that might be there and make the most of those opportunities if they are reasonable. But to cross the line and to go into the unethical side of using banned substances for performance enhancement in the sense of cheating is what the charter is about.

Mr Peters—We have a significant supplements program. Our expertise in the nutrition department is being utilised by the IOC and WADA. So we are very much at the forefront of identifying what substances are and what the benefits may or may not be. I think that is an important role the AIS has been playing in this whole issue.

Senator LUNDY—I think the ethical difficulty with caffeine nonetheless is that it was on the banned substances list. You have made the point that once it came off the list and did not have that illegal status attached to it the AIS effectively changed its position with respect to advice to athletes. This definition of performance-enhancing substances is okay as long as it is

not illegal. I suspect the ethics of that question would be quite genuinely and justifiably challenged.

Prof. Fricker—I take your point. I would also make the point that caffeine was never banned outright. Athletes have never been stopped from drinking coffee or Coca-Cola, and Coca-Cola, as you know, is a major sponsor of the IOC. Caffeine was permitted, but above a certain level in the urine it was then deemed a positive test. So it has always been under special consideration, I guess. As Mr Terrell was saying earlier, the issue with caffeine was the recognition that what would seem to be acceptable was taking one or two cups of coffee and realising that that could produce performance-enhancing effects. That is why caffeine was taken off the ‘banned’ list as such and is now being monitored to see if it is producing any risk to the health of athletes or so on. I take your point on the ethical discussion, but we are involved with that ethical discussion every day. That is why I framed that very carefully about maximising performance legally and keeping that discussion as ethical as possible. The recommendations we make are based on science. We are trying to frame it in a very ethical way.

Senator LUNDY—I just want to confirm the position. The AIS position on performance-enhancing substances is not based on the ethical question of whether they are performance enhancing or not but is based on technical legality in relation to the WADA list?

Prof. Fricker—If you start objecting to anything that is performance enhancing in an ethical sense, you will object to strength training in a gym and you will object to training at altitude if you do not live at altitude. You might start questioning the use of low-dose glucose solutions or drinking during a marathon, for example. Without being ridiculous, a good night’s sleep is performance enhancing. Again, this is the ethical debate we have been caught up with on some of the committees I have worked on. Where do you draw the line? Caffeine is probably—

Senator LUNDY—I make the point, though, that sleeping, training at altitude and weight training are slightly different from consuming a substance. You think not?

Prof. Fricker—Again, you can separate, if you want to, science and ethics. Think about the use of creatine, for example, which is a protein extract. If you take that, it will improve muscle development and can be deemed performance enhancing. So that is a substance. As I say, you have to be careful about the use of the word ‘drug’ because—

Senator LUNDY—I am trying to use the word ‘substance’.

Prof. Fricker—Yes, I know. I am not saying that. I am saying that creatine is a substance and caffeine is a substance and glucose is a substance. They are all performance enhancing from an industry point of view.

Senator LUNDY—Minister, could I ask you whether or not you are comfortable that the AIS position on performance-enhancing drugs is based on technical legality and not ethics?

Senator Kemp—The first test is that clearly the AIS and everybody associated with the government has got to rigorously enforce the WADA code. Banned substances are exactly what they are—they are banned and cannot be tolerated under any circumstances. The next thing is it is important that we give a very clear message to people that things like pill-popping—and caffeine pill-popping—are giving quite the wrong message to young people

and athletes. That is not something that the government supports. That is very important. Equally, it is important that the AIS research committee and the ethics committee look very closely to make sure that they are ethically comfortable with all the research programs which are being carried out by the AIS.

We have a wider responsibility, and that wider responsibility is not only to do things which are strictly according to law but to make sure that we are giving a good example to people. I think that is a very important aspect of the government's sports policy and it is something that we expect the sports agencies to adhere to. Nutrition obviously is important. The AIS does some sensible work on nutrition. That is clearly important and it is clearly important to athletes. But the message that we want to get out is that to be a top athlete you have to work hard, you have to develop your skills, you have to lead a balanced life and you have to have a proper diet. It is those things which are the important messages that we want to put out—*not* pill popping.

It is important that athletes be warned about the use of substances. They may well be legal but, if they can produce adverse consequences, we want to know about it. I think some of the research into caffeine has indicated that it does have adverse effects at higher dosages than perhaps the dosages that were spoken about earlier. I think there is a message that has to be given. That is why we have an ethics committee to look carefully at this program. We do not want to give out messages that you can get yourself over the line by popping pills, whether they are legal or not.

Senator LUNDY—But 'whether they are legal or not' is the key phrase in that statement, Minister.

Senator Kemp—Yes. That is why it is very important to have a research program.

Senator LUNDY—That puts you into conflict with the stance taken by the AIS.

Senator Kemp—I do not think I am in conflict. I think there is an ethics—

Senator LUNDY—But you said, whether it is legal or not, the AIS have determined legality as being the key factor on whether or not pills can be taken or syrups, drinks or whatever supplement it may be or substances.

Senator Kemp—I do not want you to misinterpret the AIS or the government's policy. We have an ethics committee—

Senator LUNDY—I am trying really hard not to.

Senator Kemp—that has a clear responsibility to make sure that any research is consistent with appropriate practices and appropriate examples that we wish to give our young people. So that is the government's policy. I have been criticised in this committee by you and others because you say I am too tough on research. You were very critical a number of estimates ago because you thought this government had very clear guidelines on research at the AIS. A couple of scientists had got to you. You were very critical of the strict guidelines that this government was imposing.

Senator LUNDY—You are opening up a whole new line of questioning for us. Thank you.

Senator Kemp—You are quite entitled to get to that question.

Senator LUNDY—We will go there.

Senator Kemp—I think it is very important that the right messages get into the wider community. Our athletes are one of the ways in which that occurs.

CHAIR—Professor Fricker, did you want to make a comment?

Prof. Fricker—I will just add to that, if I may. Anything we have done at the institute in terms of evaluating supplements—it has been referred to earlier that we have a drugs and supplements policy program—has always been governed by our own ethics committee, which is made up of independent members, not of AIS staff. It was formed within the guidelines of the NHMRC and the Australian Health Ethics Committee and so forth. We are absolutely rigid about complying with our ethics committee's deliberations. I think we do seriously consider the risk to the health of the athlete when considering the use of supplements. Again, caffeine has been brought into this.

The other point I did want to make to support what the minister is saying is that the AIS has always promoted the message that it is not about popping pills to get shortcuts to success in performance. That has been the other side of our philosophical stance. So while we think about the science and legality and all those issues and the ethical concerns against the health of the athlete, there has always been the strong message going out that this is not about young kids taking caffeine pills to improve their performance on a weekend game of football. I think that is the issue that is out there about caffeine. In a sense, it counters the issue, I suppose, that we need to put out there, which is that there is some science behind this.

Senator LUNDY—I guess to delve a little deeper into this question of ethics, the charter that athletes sign mentions specifically three things that are relevant. I would just like to read them out. Point (b) in the code of ethics states:

... neither possess nor use illegal or prohibited drugs or other substances (either at law or under the ASC's Anti-Doping Policy).

So that covers the question of illegality. It also says at point (c)—and I think this is probably relevant:

... not use legal or permissible drugs and other substances (either at law or under the ASC's Anti-Doping Policy) in an irresponsible or dangerous manner.

I think that probably also fits within the framework you have described. Later on, at point (i) it says:

... abide by the spirit, as well as the letter, of the rules of their sport.

I think it evokes the whole question of ethical conduct with respect to performance-enhancing drugs or substances generally. So do you not at least concede that this code of ethics has the potential to cause some confusion if the AIS is researching, experimenting with and providing advice on the use of low-dose caffeine supplements?

Prof. Fricker—Yes. I can see what you are saying. That is why I come back to the position that we take. If it has been determined by ethically approved research that caffeine works in low doses—and they are the sorts of doses that you get in one or two cups of coffee—then ethically it is acceptable to use that if you wish to make that decision.

Senator LUNDY—To use coffee or to use that low dose in a pill?

Prof. Fricker—You have to make a decision about whether you want to use coffee or a low dose in a pill. We are offering the advice that it is caffeine—

Senator LUNDY—Or cola or whatever it might be.

Prof. Fricker—Again, do you take a glucose tablet, do you drink a lemonade, a Sprite or 7-Up? That is what I mean—the debate can go on in an ethical sense.

Senator Kemp—We think it is important this debate be resolved quickly. I made it very clear that WADA would be reviewing this in the normal course of having a substance on their monitoring list. This will come up in September. It is very important we get very clear guidance from WADA. It is actually a very complex issue. As you know—

Senator LUNDY—I understand that.

Senator Kemp—The reason people did not take it off the list was through carelessness. I have asked that the AIS provide all the information they are able to give to WADA so that proper consideration can be given to this particular issue. I judge that the community simply does not like the idea of pill-popping amongst our top players and our more junior athletes and the example that that gives. I would certainly rather err—

Senator LUNDY—You have anticipated a point I have wanted to make, which is the role model issue.

Senator Kemp—I would err on the side of caution.

Senator LUNDY—So are you lobbying WADA to put it back on the banned list?

Senator Kemp—I think they have to determine the science, to be quite frank.

Senator LUNDY—What does that mean?

Senator Kemp—It is a matter for scientists to look at. Some research says that it does not do anything. Other research indicates it does have some performance-enhancing aspects.

Senator LUNDY—Maybe it does for some people and not others.

Senator Kemp—I think that our agencies will provide all the information they have. But if you want to know where I stand, I am very uncomfortable with pill-popping. I am uncomfortable with the message that that sends. We have obviously got to ultimately determine what is a legal substance and what is an illegal substance. That is the great advance of the WADA process, actually—those lists that WADA has developed, as people's knowledge and science grows. But my view is you would always err on the side of caution. We have an ethics committee which overlooks this issue, which is very important, so that the research which is being conducted is appropriate. I hope that clarifies for you just where the government stands on this issue.

Senator LUNDY—What is the AIS's approach to pseudoephedrine, which I understand was also taken off the WADA banned list last year at the same time as caffeine? Do you have a fact sheet on the use of pseudoephedrine?

Prof. Fricker—I am not sure if we have a fact sheet on the use of pseudoephedrine, but we have a policy which is out there. It advises all our AIS scholarship holders that they should only take pseudoephedrine under medical direction or medical supervision. We have particularly counselled all athletes against taking caffeine and pseudoephedrine together for

performance-enhancing purposes. That is because of, again, the message about pill-popping for shortcuts to success and, importantly, the risk to the health of the athlete due to the risk to the heart and so forth. The compound effects of pseudoephedrine and caffeine can be quite serious. That policy was brought in in the middle of last year.

Senator LUNDY—Have you got a copy of the policy?

Prof. Fricker—I do, yes.

Senator LUNDY—Could you provide that to the committee.

Prof. Fricker—I can, yes.

Senator LUNDY—Can you also provide the caffeine policy to the committee. Do you have a policy on caffeine?

Prof. Fricker—We do not have a policy on caffeine. We have a fact sheet on caffeine.

Senator Kemp—Professor Fricker also put out a press statement in relation to that matter, and we will give you one of those.

Senator LUNDY—If you could provide that to the committee also, that would be good. I did note your comments in the media. First of all, can you tell me if any other substances or drugs came off the WADA list at the same time as caffeine and pseudoephedrine? ASDA, can you help?

Prof. Fricker—ASDA might be able to help me there. I know in recent times they have discussed taking off topical corticosteroids that had been on the list of banned substances.

Senator LUNDY—What are they, sorry?

Prof. Fricker—The topical corticosteroids. They are the cortisone based creams and things. That is being considered for coming off the list next year. The other corticosteroids have been added to the list recently. Again, that is something that has been put on rather than taken off, so that has caused some concern.

Senator LUNDY—What work has the AIS undertaken with respect to preparing this advice, the fact sheet and the policy? Did you conduct any research at the institute about the effects of those drugs to inform that advice?

Prof. Fricker—On caffeine in particular?

Senator LUNDY—Caffeine or pseudoephedrine.

Prof. Fricker—Once caffeine had been removed from that ‘banned’ list, there was some research done at the AIS which had been ethically approved looking at cola beverages—basically to see if a can of a cola beverage enhances performance, to answer the question that athletes were asking. I think that is the only research that has actually been done at the AIS. The other research we have done has been to review the research that has been done around the rest the world, particularly in recent years, to get a view on low-dose caffeine versus higher dose in terms of the risk to health and so forth. So that is the research done that goes into our drugs and supplements program. It is then expressed as fact sheets. So you will have a list of substances that are, for example, legal and performance enhancing and then recommendations on what that means. That would include things that are obviously banned, such as banned supplements, that athletes should not take, supplements that athletes believe

might work but do not because there is no science to support it and then substances that may need further research to ascertain whether they are useful or not. That is the nature of that program.

With pseudoephedrine, the research done there was really based on reviewing medical evidence on the action or activity of pseudoephedrine as a drug. We then looked at doses that might induce side effects on the heart—blood pressure et cetera—to make recommendations based on clinical grounds that you should only be taking pseudoephedrine for appropriate medical purposes. At the AIS that is where the medical supervision comes from.

Senator LUNDY—Did any athletes take pseudoephedrine as part of these studies?

Prof. Fricker—No. We did not do any research on pseudoephedrine with that. We just reviewed the medical literature and then made recommendations on clinical guidelines.

Senator LUNDY—You mentioned cola beverages with caffeine. Did you do any research with athletes involving NoDoz or other forms of caffeine?

Prof. Fricker—No. The only research that the AIS has done has been with cola beverages.

Senator LUNDY—You have not experimented with anything else?

Prof. Fricker—No, not that I am aware of.

Senator LUNDY—Are you sure about that?

Prof. Fricker—I am pretty sure about that, yes.

Senator LUNDY—I suggest you take it on notice.

Prof. Fricker—Okay. So you are asking have we done research using NoDoz?

Senator LUNDY—Yes—as to its effects on athletes.

Prof. Fricker—Okay.

Senator LUNDY—Is it generally the approach of the AIS when substances come off the banned list—I do not know how often this happens; I presume it does not happen too often—to actually go through this exercise of reviewing the international literature to see what effects they have?

Prof. Fricker—To be honest, I think caffeine is the only example of a product like that.

Senator LUNDY—I want to ask a question relating to ethics. If the AIS's attitude towards use or non-use relates to technical legality, does that place the AIS in a position of, I guess, continual experimentation in the use of performance-enhancing substances that might not yet be on the performance-enhancing banned list?

Prof. Fricker—I think the philosophy is that—if you use an example like creatine, which is a protein used to put on muscle—because athletes want to use these supplements and they are not banned, we see it as a part of our leadership role to be an authority to be able to offer good advice based on good science and to do some work in that area. So we will actually test creatine to see if it works, and then we can make a recommendation. We will also test other things—the vitamins and supplements that are out there, such as coenzyme Q10 or something—to see if they work or find that they do not help performance. A lot of the applied

research done in that area is coach driven. This is what coaches want to try with their athletes and what athletes want to try for themselves.

We see it as a responsibility on our part to actually test them, given that they are not banned, and tell the athletes whether they work or not. It is to try to, I guess, provide education and, again—I come back to it—good science and sensible advice. So it is an ongoing thing. It is not frantic activity. We are not constantly testing new drugs and new chemicals all the time. From time to time a question is raised about a particular supplement like creatine or HMD or, dare I say it, caffeine. So the sensible thing to do is to say, ‘Let’s do a proper controlled trial under ethical supervision and ethical approval and then present the results and combine that with all the other evidence there may be around the world and come up with sensible recommendations.’ But I keep repeating that we are very conscious of the ethical implications of what we do.

Senator LUNDY—It is obviously an extraordinarily difficult area. I would like to ask the government if the policy approach of the government is to encourage that continual exploration of performance-enhancing substances in the context of this spirit of it being about, as you say, Minister, working hard. It is a fine line between the science and the effort, I know.

Senator Kemp—It is a complex area. I think—

Senator LUNDY—It ends up in your lap inevitably.

Senator Kemp—You would always err on the side of caution and you would always make sure that you were entirely comfortable with the ethical issues that were involved, and that is why you have an independent ethical body to do it.

Senator LUNDY—And you are not comfortable with the whole pill-popping, NoDoz thing, are you?

Senator Kemp—Pill-popping in sport I do not think is something that this government would want to encourage in any way whatsoever.

Senator LUNDY—Does it concern you that at least one athlete, being George Gregan, very publicly said, ‘I take NoDoz. They are performance enhancing,’ and cited the AIS fact sheet as some kind of permission or vindication?

Senator Kemp—I think that that was in fact answered by the Sports Commission.

Senator LUNDY—I appreciate that.

Senator Kemp—Of course I would be concerned, yes.

Senator LUNDY—Regardless of the profound science that the AIS may or may not be involved in, the interpretation of the broader sporting community, of children and of elite athletes at the level of George Gregan does really suggest there is a problem.

Senator Kemp—It does show how careful one has to be in this area. It illustrated that. I think this caffeine debate has clearly illustrated some of the issues which are involved and the caution and care and the strict ethical approach which has got to be taken in this area. If you take what a lot of the public commentators, me included, say, I think the pill-popping culture gives absolutely the wrong message to young sportsmen and sportswomen. That is something which I think this caffeine debate has highlighted. There are wider issues here. It is important

that we make sure that nothing should be done which in any way quarrels with the WADA code or can be seen to go around the WADA code. Equally, we have to consider some of those wider issues which we have discussed here. I will be very keen that the AIS does that. I think the AIS would understand my views on that.

Senator FIERRAVANTI-WELLS—Professor, could you clarify the comments. There seems to be some reliance by Mr Gregan on studies done by the AIS. Could you clarify what that was in relation to? Was it simply just information provided by the AIS?

Prof. Fricker—I have not spoken to Mr Gregan, so I am not sure exactly where he was coming from. But I did see the thing on television. He stated that the AIS had somehow provided information on caffeine and then used the figure of a seven per cent improvement in performance. We have said that the limited research we have done and the research we have looked at from around the world talks about gains of up to three per cent in some endurance events. So we could not understand where Mr Gregan would have thought the AIS would have been advising him as a rugby player that he could get a seven per cent gain. So I think there was some confusion about that. As I say, the reason we went out to the media was to, firstly, clarify that that is not factual information that we had supplied to Mr Gregan and also say that we do not promote the use of taking tablets for gains in sport. Our role as the AIS, as I said earlier, was to talk about the science behind caffeine and talk about gains of one to three per cent in some events for some people at low doses. It stops there.

Senator FIERRAVANTI-WELLS—Thank you.

Prof. Fricker—Adding to that, we did say that higher doses do not improve performance. Higher doses, again, can threaten your health. So that is a part of the message we were sending. Again—and we repeated it time and time again—we are not promoting the use of NoDoz and we are not promoting pill-popping. Our role is to provide the science and the facts so that people can make good decisions.

Senator LUNDY—I think pill-popping has a very negative connotation, as does, I think, using a brand name caffeine pill like NoDoz, which I presume is the most common. That is why everyone keeps referring to it. I do not know how many brands there are out there. The point is that, the minute you start to assess the performance-enhancing effects of caffeine, individuals will find that caffeine, be it in the non-negative form of three quick cans of high-caffeine dose cola or a pill. So I put to you that it is not good enough just to use the terms that carry the negative connotation to express your concern. The heart of this issue is the question of use or not.

Mr Peters—One of the difficulties we have is whether we have informed athletes that understand about supplements. We had a similar issue about injecting. Injecting had the same connotations as popping pills. We have a policy that if AIS athletes are to be injected with vitamin B it needs to be under medical supervision. Some people would argue that injecting is actually better than taking oral pills into your stomach because of the way they affect the stomach lining and all that. But we have had to take a stance on that. We would rather have our athletes informed about supplements and whether there is fact or fiction about them. Therefore, we publicly put out supplement sheets so people can understand the facts. The alternative we have is to do nothing and to have the rumour system with athletes maybe taking a whole lot of things that are effective or not effective and not understanding the health

consequences et cetera. So you are right—it is an incredible ethical decision—but we have a responsibility to our Australian athletes and our AIS athletes for them to be properly informed. The benefit, I think, of the work being done worldwide by a whole lot of organisations is that that information is being shared.

As the minister said, on the issue of caffeine it is the apparent popping of pills. The difficulty is if someone comes up with a tube of caffeine. So if someone is squeezing a tube of caffeine into their mouth, is that abhorrent to anybody? The issue comes down to, again, the health issue for the athletes. That is one of the principal concerns. Around that are the ethical issues and everything else we have to do. We have taken a stance with our ethics committee. As I say, we have Louise Bourke, who is a world expert, heading up our nutrition department and working with the IOC and WADA and sharing the information we have. We recognise that the information we have in some instances is world leading. The difficult question is whether we stop researching—and most of it is literature researches—and say nothing to our athletes or whether we advise them. It is an incredibly difficult scenario for us.

Senator LUNDY—The situation that the minister or the government is left with is that elite athletes have multiple roles as they perform their talents and skills. One of those important roles has always been as role models for young people.

Mr Peters—Absolutely. But as we have said—

Senator LUNDY—What steps is the Sports Commission, the AIS and indeed the department taking to repair the profound damage that has been done to the perception of the AIS by virtue of your role and the statement about taking caffeine in pill form, using the negative connotation, as opposed to three cups of coffee? It is now something that kids might well do. How will you fix that? What have you got planned?

Mr Peters—The information that we put out is not about children doing anything. It is about high-performance athletes, the same as with our divers, who practise—

Senator LUNDY—Mr Peters, you also have a responsibility to the thousands of children for whom you are out there busting a gut and whom you are trying to get into your participation programs. What are you going to do for them?

Mr Peters—We have put out public statements saying that we do not support the use of caffeine pills or anything else, particularly for children; that there are health issues; and that anyone involved in considering this should be aware of what the issues are. Certainly it is not for children. We have put those public statements out. We are the organisation that at least has some information out there. The AMA are now coming out with some information. So people can readily go to our web site, see the warnings and understand what it is about. Therefore, what the media chooses to report on and raise as the major issues we cannot control. All we can do is put the facts on the table about substances. That is what we do as an organisation.

Senator LUNDY—So in a way you cannot reconcile the whole issue of no performance-enhancing substances for people in participatory sport with the need to provide factual information to elite athletes?

Senator Kemp—I do not think you can frame it that way. It is a complex area. The government and the Sports Commission have to give the right messages. It is a dilemma that we want to make sure athletes who are subject to rumours about what they should be taking

are fed appropriate information. They have indicated that high dosages of caffeine do not have performance-increasing effects, as I understand from Dr Fricker, but they can sometimes have quite serious health effects. It is a complex issue. I think you and I would probably tend to agree that we have to make sure the right messages are given. How do we best do that in this context, making sure that people understand the information which is around so that people adopt healthy practices? We do it by having an ethics committee that is very conscious of these issues and is very conscious of the program and a sports commission that is conscious of the messages which are getting out. I think what you are saying is that, whether caffeine is legal or not, it is giving a very bad message. I think that is true, actually. I do not argue with that. I think this caffeine issue has highlighted some of the dilemmas we have.

Senator LUNDY—Have you given any direction to the AIS or the Sports Commission in this matter?

Senator Kemp—We have constant discussions. I take it the Sports Commission would be very much aware of my views. They have assured me that we have an ethics committee which looks very closely at these issues. In relation to caffeine, Dr Fricker put out a press release which clarified the position that some athletes put about what the Sports Commission was doing. It is a complex area and it is one which we have to try to get absolutely right, in my view. I think there is an interesting issue about making sure people are properly informed. We would say that is a good idea. But it is making sure that we do not at the same time give some encouragement or promote this. It is difficult to do it. We have to get it right. The AIS has to get it right.

Senator LUNDY—You do not think it is right yet?

Senator Kemp—I make no judgment on it. You raise the issue of caffeine. As I said, it highlighted the issues that we are now dealing with.

Senator LUNDY—How would you get the right messages to children, young athletes and aspiring sports people to counteract what has occurred with this caffeine issue? What is the plan?

Senator Kemp—The first part of it is zero tolerance to drugs.

Senator LUNDY—Kids do not watch the news, though. They do not read the papers.

Senator Kemp—What happened with this caffeine thing is that suddenly there was a significant debate. But if you asked me where the community consensus came down, I think it was fairly clear. There would be a few dissenting voices. From talkback radio hosts and concerned parents to many athletes, I think the community consensus was clear—they were uncomfortable with this and they were uncomfortable with the role model aspect of it. On the other hand, people would say that, if you have three cups of coffee a morning, it will have some effect. It is complex but we have to get it right.

Senator LUNDY—We have to do something, though. So is there a plan to try to fix the damage done regarding the messages to children—a counterstrategy, if you like, to put something to them?

Senator Kemp—As Dr Fricker has indicated, when some comments were made Dr Fricker issued a press release to clarify that.

Senator LUNDY—Yes, I know that.

Senator Kemp—But that is important.

Senator LUNDY—I am thinking more of a grassroots approach.

Senator Kemp—But there are messages, as you know. You can never catch accusations made in this parliament. You and I know that. There is an issue that you and I are dealing with in relation to this matter. So it is difficult. But we have to get this right. In terms of its considerations, the ethics committee will look very closely at what happened with this caffeine debate.

Senator LUNDY—To what degree are the concerns of the ethics committee weighted towards the interests of children participating in sport or non-elite sportspeople compared to the needs of and issues surrounding the elite sports community, whose interests have been reasonably well articulated this evening? The Sports Commission also has a charter to look after the interests of the broader sporting community, that grassroots sporting community. What ethical considerations have been attached to that part of the population and their needs?

Mr Peters—To answer the first part, the ethics committee is for the AIS and is about high performance. I am not quite sure what you mean about the ethics for young people. Anyone reading our press statements and anyone reading our web site will know that we are strongly opposed to children using any substances. So they are public statements on the record. Through our participation programs, we encourage young people to be physically active, to eat healthily and to have fun, and that is the constant message. If you are suggesting we should put out the things they should not do, that may well be several pages that young people will not read. So the message is to encourage the positives of participation and healthy eating and how you get on with hard work rather than some negative campaign about not drinking caffeine. There will be another substance perhaps in a year's time or 18 months time.

Senator LUNDY—I am not necessarily suggesting that. I am now trying to ascertain whether the ethics committee has a charter to address the interests of that participating population in sport.

Mr Peters—Its charter is to look after the athlete. It specifically relates to the AIS and the athletes we have there and people at the high-performance end.

Senator LUNDY—I note that the minister has ducked out. This is a question appropriately directed at him. Does this raise the question of having a broader ethics committee able to address questions across the whole of the community, not only taking into account the interests of the elite athletes and the scientific programs et cetera but also weighing them up against the potential damage to or negative impact on the part of the population that participates in sport generally? I say this because there is such a close nexus between young athletes being inspired by the whole role model and elite athlete thing and perceived hypocrisy by the AIS, which says, 'We will give this advice to our own athletes but then recommend heartily to everyone who is not in our institute that they don't go anywhere near these substances.'

Mr Peters—I do not think that is quite correct. I think that is an exaggeration of what we are saying.

Senator LUNDY—I am exaggerating, Mr Peters, but I am doing so to again make a point about the ethical dilemma we have been discussing.

Mr Peters—That is an unfair point for the AIS.

Senator LUNDY—I can understand why young people would see the fact sheet on caffeine and the subsequent statement as contradicting each other or at least being hypocritical.

Mr Peters—I can accept that is your opinion.

Senator LUNDY—That is probably one for the minister, Ms Williams, by the looks.

Ms Williams—As you have said, Senator Lundy, and as the minister said, this is a very difficult problem. He will be thinking of all kinds of ways through it and ways to deal with it.

Senator LUNDY—Minister, I just raised the issue of a broader ethics committee or broader ethical assessment that would weigh up the interests of the community and elite athletes and perhaps form a view that could take into account both interests whereas the ethics committee that we have been discussing tonight relates specifically to the issues confronting the AIS and elite athletes.

Senator Kemp—The Sports Commission is dealing with abuse and harassment in sport. All the messages that are coming out of the Sports Commission, as far as I am aware—and if you have something which you do not think is the case, you had better tell me—are of the very positive sort that you and I would profoundly agree with. The caffeine debate has highlighted some very difficult issues. We have to make sure that they are properly and adequately addressed. One, of course, is the dilemma of what you do with a substance which is in widespread use, such as coffee, which is used constantly.

Senator LUNDY—I am about to have another cup of tea myself.

Senator Kemp—I think tea has caffeine. You are probably taking caffeine now. On the other hand, we are waiting to see whether WADA, on the basis of any information that they can get from around the world, including anything we can get them, will put this back on the banned list. If it went back on the banned list, it would go on the banned list above a certain threshold, I suspect, or else you are probably faced with an impossible situation. But the short answer is that everything the Sports Commission has put out that I have seen and I am sure that you have seen is giving the right messages—the fair play messages, the avoidance of abuse, and the proper treatment of players, good sportsmanship and zero tolerance of drugs. The Sports Commission is doing all those things. That is something I strongly support.

CHAIR—Also warning of harm, because caffeine can cause problems with people's hearts and hyperactivity. It is actually quite a dangerous drug in excess.

Senator Kemp—That is right. I and this government are very committed to making sure that sport gives exactly the right messages. We will certainly take action if we need to in any area. I can assure you of that.

Senator LUNDY—So what will the government's approach be if you find a national sporting organisation or sporting body actively encouraging the use of caffeine for performance enhancement, whether they are promoting pills in a packet or copious amounts of espresso?

Senator Kemp—The dilemma is that people have seen throughout sport that these are legal substances. We think that certainly it is giving a very wrong message to—

Senator LUNDY—Will you be able to do anything about it? I know it is hypothetical, but a football code could put out a flyer and say, ‘Did you know that this much caffeine will enhance your performance by three per cent? Give it a go.’

Senator Kemp—I think we first of all have to make sure—which is going to happen—that we rigorously enforce the world anti-doping code. That is the first thing.

Senator LUNDY—But that does not necessarily stop this kind of thing, because it is not on the banned list anymore.

Senator Kemp—We have to see what else can be sensibly done. I do not pretend it is easy. It is not easy. I think that we have to see what else can be done and what would be sensible and practical and would make sure that we give the right messages.

Senator LUNDY—So what would the government’s view be on sports actively promoting the use of caffeine?

Senator Kemp—My view is that I would be entirely uncomfortable about that, absolutely. People would say, ‘Senator, it is not on the WADA list,’ and I think it is one of the issues that we have to deal with it.

Senator LUNDY—But it is in breach of the spirit, isn’t it?

Senator Kemp—I think there is an element of that. That is correct.

Senator LUNDY—So from the Sports Commission’s point of view and the whole anti-doping policy within the Sports Commission’s policy and the WADA code and that whole hierarchy of rules, if you like, where in that hierarchy would you be able to enforce the minister’s view that you shouldn’t be able to actively promote caffeine use within a sport?

Mr Peters—We are not aware of any sport that does that.

Senator LUNDY—That is not the question.

Mr Peters—We think sports are responsible because of the education that is out there.

Senator LUNDY—That is not my question. My question is: where in that hierarchy of policies and rules would you be able to prevent a sport actively promoting the use of caffeine?

Mr Peters—If there were a government policy, we would enforce it by withdrawing funding. Outside that, there is an issue of perception. As the minister said, it is very difficult to bring in a rule to penalise a total sport because of perceptions.

Senator LUNDY—The perception?

Mr Peters—The perception about taking caffeine. I assume you are talking about pills in your mouth. We would have to ban the total funding of a sport for a substance that is not illegal but has scientific evidence to say you should not be taking it. We would be talking to that sport very seriously to withdraw that particular statement because it would be totally incorrect. I cannot ever see a sport putting that statement out on caffeine, so it is about education and demanding commonsense. We are already seeing coaches react negatively to what they say their players are doing.

Senator LUNDY—What is ASDA's view on this question of ethics? What ethical advice is ASDA able to draw on in its general consideration and participation in policy matters such as this?

Mr Terrell—There are a couple of things which go through our thinking in terms of this issue. Obviously not being a banned substance is a critical issue in terms of the test program. It is on the monitoring list, so WADA is getting statistics. We are aware of the statistics from the Australian laboratory.

Senator LUNDY—So you still test for it? Is that what you mean?

Mr Terrell—Because the substance is on the monitoring list, is part of WADA's monitoring program, a certain number of laboratories around the world—I cannot tell you exactly how many but I know the Sydney laboratory is one of them—are conducting statistical reporting to WADA on the level of caffeine in samples that have been analysed by the laboratory. That commenced from 1 January 2004 when the substance came off the list. It was designed deliberately so that—

Senator LUNDY—Do you do that with pseudoephedrine as well?

Mr Terrell—Yes, we do. So there is data there in terms of what is going on within the test program. But from a policy point of view, we tell athletes very clearly what is and is not on the list. We deliberately educate them about their rights and responsibilities in that area. In terms of supplements, the general message we give to athletes is that we do not encourage supplement use, primarily because of the risks associated with inadvertent doping due to problems in the manufacture of the substances that they might be taking. The ethical issues we tend to not give advice to athletes on. We tend to focus on what is banned and what is not banned.

Senator LUNDY—So it is black or white for ASDA in your advice?

Mr Terrell—We like to keep the message very clear for athletes and explain to them, again, as I said, what their rights and responsibilities are. But we do have a message in terms of supplements, which is be very, very careful not only because of an inadvertent positive drug test but because there are obviously health issues as well. There are a lot of products in the marketplace which we know should be treated with some caution.

Senator LUNDY—Thank you for that. I will come back to you on the issue of the monitoring program. I would like to ask Professor Fricker what the AIS's approach to those types of supplements is, the pre-packaged ones that Mr Terrell is talking about. What is the policy about that kind of supplement?

Prof. Fricker—That is what the drugs and supplements program is about. As these products are coming onto the market, we are trying to ascertain whether they put the athlete at risk of testing positive because they might be contaminated with something which will produce a positive test. That is one of the categories we put out there. So it is a part of the education program.

Senator LUNDY—So the AIS actually does that work? You test new supplement products?

Prof. Fricker—No. We do not test the supplements.

Senator LUNDY—Sorry, analyse the supplements?

Prof. Fricker—No. We try to ascertain, of all the substances that are coming onto the market, which ones are, if you like, legal and may be performance enhancing, which ones are legal and documented as performance enhancing and which ones are definitely banned and should not be taken. There is also a long list of those we do not know enough about to be able to recommend them because they may pose a risk of an inadvertent positive test. We then encourage manufacturers of those supplements to have their products tested so they can offer a guarantee to athletes that their product is safe.

Senator LUNDY—Sounds like a huge effort.

Prof. Fricker—It is a huge effort, yes.

Senator LUNDY—Is it an appropriate effort for the AIS?

Prof. Fricker—We have a department of nutrition. We are seen as leaders in the area of sports nutrition. We are an elite institute of sport, perhaps the best in the world—I think it is the best in the world. We get asked the question. Louise Bourke, who heads up that department, has initiated this because no-one else could put that together for athletes. That is part of the picture I am trying to describe. We do have a responsibility, in a sense, whether we like it or not, to answer questions from athletes and coaches about what is out there—whether they can take it, should they take it, will it help and so forth. We can refer back and work with ASDA on whether it is banned or not; that is easy, because then you can say no up front. But then you get a whole range of other things that they want to know about because athletes want to use them if they believe there might be an advantage in it for them.

Senator LUNDY—So how much of the AIS's resources are devoted to this effort?

Prof. Fricker—Within the nutrition department one person pretty much could be full time engaged on running that program for Australia's athletes, elite athletes in particular. They then work with a committee made up from people within the AIS and outside providing expert advice, and they meet from time to time. There is a lot of liaison done between AIS nutrition and ASDA, for example, and with other bodies, such as the Therapeutic Goods Administration and the Food and Drug Administration and so forth. So it is quite a complex and, dare I say, reasonably sophisticated program. The more you resource it, the better it is. But at the moment it is operating at that level.

Senator LUNDY—Thanks for that. Mr Terrell, what proportion of your samples would be monitored for this purpose by WADA—that is, just taking samples and presumably recording, at least statistically, the presence of caffeine and pseudoephedrine?

Mr Terrell—The analysis for those substances occurs when there is what we call a full-screen analysis.

Senator LUNDY—That is where you test for everything?

Mr Terrell—That is right. That has not basically changed for a number of years. All that occurs now as a result of that full-screen analysis, which typically occurs in competition during event tests. Caffeine was only ever banned in competition above a certain level. It was not banned out of competition. What happens now is that other than those two substances—pseudo and caffeine—anything which comes through a positive drug test is dealt with in the

usual way. The statistics for those two substances are reported to WADA. I think it is on a six-monthly basis, but I am not 100 per cent sure.

Senator LUNDY—Are you able to provide those statistics, or are they confidential?

Mr Terrell—I think we can provide those to the committee. I would have to confirm that with the laboratory. But basically the data that has been provided to me indicates that there have been very small changes, if any, in the reporting.

Senator LUNDY—So you are not seeing a sudden spike in caffeine and pseudoephedrine in competition samples?

Mr Terrell—I am talking about caffeine. I do not have the pseudoephedrine data in front of me. There have been some very small changes. But the number of tests that have been detected with caffeine in them above six milligrams per millilitre, which is half of the old threshold, still remains very small.

CHAIR—Do you have any more questions on this subject, or do you want to take a coffee break?

Senator LUNDY—I think I will take a tea break. Have a break, and I will come back on other issues. Thank you.

CHAIR—We will now have a break.

Proceedings suspended from 8.48 pm to 9.05 pm

Senator LUNDY—I would like to now turn to the government's commitments under the *Making Australia stronger: delivering our commitments* budget paper where the Government provides \$47.3 million to recreational facilities in various parts of Australia. I would like to ask the minister how these projects were specifically identified to you for funding.

Senator Kemp—These are election policies. These were announced during the election. It was a bit like the Labor Party announced a whole range of policies. They identified, in their own way, what policies. We identified a number of others. You can correct me, but the Labor Party came in and supported a number of these announcements. You would probably be better informed than me. I am very aware that the announcement we made at the Geelong Legends Boulevard was matched within an hour by the Labor Party. I am not sure what process the Labor Party used to commit, but they did; they matched that. From memory, they matched the Kogarah Oval one. That may have been matched within a very short period. These are election commitments. You know how election commitments are put together. These were announced in the course of the election and they will be funded.

Senator LUNDY—Well that told me absolutely nothing.

Senator Kemp—I am telling you that if we had been beaten in the election they would not be funded, because these were election promises. The government put together its policies by consulting widely with people. It is exactly the same way you put together your policies. We consult widely and we make a decision and then we make an announcement.

Senator LUNDY—Did you ever put out a general notice to rural, regional and metropolitan sporting clubs, local government authorities or members of the sporting community to pitch to your office for consideration during the election campaign?

Senator Kemp—This was not an application program.

Senator LUNDY—I am not suggesting it was an application. You have made it very clear there was no formal process. But did you at least give every club out there a fair go to pitch for funding during the election campaign?

Senator Kemp—We make decisions on the basis of the advice that we receive from people in various electorates. That is assessed, as in your party, by the powers that be. If a decision is made to fund them, an announcement is made. It is a bit like when you went up and you announced the big project in Cairns, which I think was \$8 million or \$9 million. As you know, I have some views on that announcement, but we will not waste the committee's time with that. You did not put out a general view that, 'We are thinking of putting in a major indigenous facility. Who would like to apply for it?' You made a decision. And that is what this government did. I am not familiar with Labor Party processes, but knowing how political parties work in elections—

Senator LUNDY—Right now I am focused on your processes.

Senator Kemp—Sure. As they are my party political processes, I am not sure that I can add much to it. We decide what our policies are. We think about it. We consult with it. We then announce them.

Senator LUNDY—So when did you determine that that figure of \$47.3 million was the pool of funds you had to work with?

Senator Kemp—I did not determine it. You give me powers that I do not have. I would like to be able to determine those things.

Senator LUNDY—So you did not determine that?

Senator Kemp—No, I did not determine that. That was determined by the appropriate party body.

Senator LUNDY—Which is?

Senator Kemp—It is for us to decide how we write our policies.

Senator LUNDY—So what is the appropriate party body for deciding how much money to spend on sporting facilities?

Senator Kemp—It is actually not your business. The government puts together its election policy. It then announces it.

Senator LUNDY—So did it have any basis or relationship to need or perceived need in the community?

Senator Kemp—We consult. When you came in and your party announced—

Senator LUNDY—Was it just pure pork?

Senator Kemp—One thing I announced was the Geelong Legends Sporting Boulevard. I was aware that this was a proposal which had been around for quite a long period. I am actually very supportive of it. I was delighted. I indicated that this is one of the things I think would be a good thing to fund. But I did not know whether it was going to be accepted.

Senator LUNDY—So who did you have to lobby to get the money to get that one ticked off?

Senator Kemp—I do not discuss what happens in our party.

Senator LUNDY—Hang on. You are spending taxpayers' money. Taxpayers have a right to know.

Senator Kemp—This is an interesting story. It was announced, and I announced it, and the Labor Party then announced that they would do it too. If you tell me the processes by which your party was able to announce that commitment of taxpayers' funds—and if you won the election, you would have had to pay it—I might tell you what we do. But that was a total mirror policy which you announced within an hour. So when you—

Senator LUNDY—Let me get this clear. You are saying that all these projects were announced in the caretaker period?

Senator Kemp—No. These were announced as part of our election policy. Announcements were made at the electoral level. In some cases, I think they were announced by the Prime Minister.

Senator LUNDY—So was the department involved at all?

Senator Kemp—No. The department was not involved.

Senator LUNDY—Not at all?

Senator Kemp—No.

Senator LUNDY—No applications, no vetting of proposals?

Senator Kemp—No. These are our policies. We do not actually get our policies vetted by the department.

Senator LUNDY—They do provide some useful role to you, I am sure, through the scheme of running a business.

Ms Williams—Not in the election.

Senator LUNDY—Not in the election period. That is what I am trying to ascertain.

Senator Kemp—If I said, 'Excuse me, Secretary, would you vet these policies?', they would say, 'We're in caretaker mode.' It is like your announcement in Cairns on the indigenous facility in Cairns. It is like my announcement in Geelong. These are ticked off as election policies.

Senator LUNDY—I understand what a policy is. What I am trying to ascertain is whether or not you took any sense of responsibility for determining whether or not these projects were the most worthy or indeed viable projects and what the exercise perhaps within your own political party was to assess their merits.

Senator Kemp—I do not know what your party did to assess the merits of the Geelong Legends Sporting Boulevard because you only had an hour to apparently do it.

Senator LUNDY—With due respect, Minister, unfortunately we do not have the opportunity to spend the money. But you do, so you are now accountable for the expenditure of this money.

Senator Kemp—That is right, and we will deliver it.

Senator LUNDY—Let me finish. Taxpayers now have the right to know the process by which these projects were chosen by the Liberal Party during the caretaker period and how you assessed them—whether they are meritorious, whether they are viable, whether it is just pouring money down a drain or whether they are going to be spent on these things or not.

Senator Kemp—That will have to be tested. I do not know whether you are opposing any of these grants—if you are opposing the Penrith stadium or Whitten Oval.

Senator LUNDY—I am offering you the opportunity to be accountable to the parliament. So far you are not taking it.

Senator Kemp—But we are accountable. You will be able to assess when these projects are paid and they are developed. You will be able to ask questions on them and you will ask whether they are viable.

Senator LUNDY—Who approached you to fund the Pambula surf lifesaving club?

Senator Kemp—If my memory is correct, I went and visited that centre.

Senator LUNDY—Did you make the decision to allocate that funding?

Senator Kemp—The decision was not made by me because I do not make decisions to fund.

Senator LUNDY—Who was the decision making body?

Senator Kemp—The decisions are made in our election policy development process.

Senator LUNDY—What does that mean?

Senator Kemp—It means that those people who are charged with finally determining what our policies are as we go to the election make those decisions.

Senator LUNDY—But what body is that? Is that the leadership of the Liberal Party?

Senator Kemp—It is the group which is established.

Senator LUNDY—Is that the Prime Minister's office?

Senator Kemp—People make submissions.

Senator LUNDY—Oh, they do make submissions?

Senator Kemp—No. I said there are a couple I am aware of. The Geelong Legends Sporting Boulevard was around for about a year and a bit, I think. I was very much aware of that. I thought it was a good project. I am delighted that the party was able to include that in its election policy. Equally, with the Pambula surf lifesaving club I think there was a media release. I think I am correct in saying that I visited it. You see so much in an election. I went and visited it. I thought it looked pretty good. A press release was issued saying that we would provide some funding for that. These are election policies. This is what we do in elections. We do not get departments—

Senator LUNDY—I am trying to drill down a little. So far we know that there is some sort of submission process. So is it the case that the candidates for each of the electorates where

these projects are now funded make submissions to the Prime Minister's office and it is assessed on its marginal seat merit? That is the assumption. It just looks like pork.

Senator Kemp—You can assume what you like.

Senator LUNDY—Regardless of the merits of it?

Senator Kemp—Sometimes you are just slightly predictable, Senator.

Senator LUNDY—I would expect so after nine years.

Senator Kemp—Someone asked me how many of these projects are funded in Liberal seats and how many in Labor seats.

Senator LUNDY—Have you got the figures there?

Senator Kemp—As I understand it—and I may be wrong—the value seems to be slightly over \$19 million for the Labor Party and slightly under that for the coalition seats. I would have to check those figures.

Senator LUNDY—And what proportion of these projects were funded in seats that would have been considered either marginal Liberal or marginal Labor?

Senator Kemp—I do not know.

Senator LUNDY—I suspect probably all of them.

Senator Kemp—You think they are?

Senator LUNDY—I do not know. You tell me.

Senator Kemp—Do you think that Whitten Oval was—

Senator LUNDY—Was this all about just winning votes? Tell us what candidates have to do.

Senator Kemp—When we go to an election, we develop policies to win votes. That is why we have policies. We want our policies to be appealing to people. Frankly, our policies clearly were appealing to people. I think you have a bit of sour grapes here, Senator, if you do not mind me saying so.

Senator LUNDY—It is always tough to lose an election; you know that, Minister. But it is an entirely legitimate question to ask how these clubs came to be on this list in the fortuitous position of having received federal funding in the absence of any organised or formalised facilities funding program for many, many years. What do they have to do to get your attention?

Senator Kemp—As you know, people spend a lot of time getting the attention of politicians. A lot of people make their views known to politicians and then decisions are made. You made a lot of commitments yourself. I may even get someone to look at the various facilities program that you had. I am not criticising you for that. I am saying that you are entitled to have an election policy, put it in your policy—

Senator LUNDY—When you are on this side of the table, Minister, you will have the opportunity to ask us those questions.

Senator Kemp—That is right. But we do not have to explain to you what is in our policies.

Senator LUNDY—Yes, you do. You do because you are accountable to the parliament.

Senator Kemp—But we are accountable for how we spend the money, and that is when the parliament comes in. If you think we are not spending the money sensibly on the Whitten Oval, which is in a Labor seat, I might say, in that case that is a valid debate. But it is not a valid debate to say, ‘Why did you include that in your policy?’ We included it in our policy because we thought it was a good project. That is why we included it in our policy.

Senator LUNDY—Do you not concede that there would be many other worthy projects that are not on this list? The question of accountability is: how did these become the projects to be selected and not the others?

Senator Kemp—Because we made decisions. We actually—

Senator LUNDY—What were the criteria? Tell me what the criteria were.

Senator Kemp—Hold on. We made decisions that we would include those projects. They were worthwhile projects. This is how—

Senator LUNDY—So ‘worthwhileness’ is a criterion? What else?

Senator Kemp—No. We made a decision that these were worthwhile projects. It is exactly the same process that you followed. You sit across the table looking stunned that the government goes to an election with a policy and the people elect us. Hey, we developed our policies. We say, ‘What makes sense for the sort of government we are—’

Senator LUNDY—Was the Sports Commission involved, Mr Peters?

Senator Kemp—No. It would be quite improper for the Sports Commission to be involved. Mr Peters would have given me short shrift if I had phoned him. For a start, he would not have wanted to fund the Whitten Oval, I can tell you that. He would have been wanting to do something for the Gabba, the way he goes on. He would be the last person I would ask about those facilities.

Senator LUNDY—So all of the decision making around which projects to fund took place in a political office in the course of the campaign? Did you use a whiteboard?

Senator Kemp—A decision was made to include them in our election policy. We are perfectly entitled to do that. We are not accountable to Senate estimates—

Senator LUNDY—You are accountable.

Senator Kemp—on what we include in our policy. We are not accountable to you. We are accountable to you for the way the money is spent. If you feel that in any of these projects, as they are developed and built, the money is not being well used, you are entitled to raise that issue. But you are not entitled to suggest that we are accountable to you for what we included in our election policy. You are not accountable to us for what you included in your policy.

Senator LUNDY—You are accountable because you have allocated taxpayers’ money—

Senator Kemp—That is right.

Senator LUNDY—outside a process that would have provided the opportunity for clubs to be involved.

Senator Kemp—You have to make sure that we are accountable for the way that money is spent.

Senator LUNDY—It is a secret process.

Senator Kemp—We are accountable for the way that money is spent.

Senator LUNDY—Minister, will you stop talking over me.

Senator Kemp—I am trying to get through that—

Senator LUNDY—Okay, you say your bit and I will be quiet. Then when you have finished, I will say my bit. Go.

Senator Kemp—What I am saying to you is that we are entitled to go to an election and develop our policies. We are not accountable to you for the way those policies are developed. We are accountable for the way ultimately the money is spent. If money is wasted, if money is not spent appropriately, we are accountable in that area. Therefore, the department is given instructions to administer this program. They have to make sure that it is spent appropriately and properly acquitted by the standards which are required. That is what we are accountable for. I am not going to be lectured to by you. Within an hour of me announcing the Geelong Legends Boulevard, you agreed that you would also put \$1 million in. At the Kogarah Oval, your people also announced that they would match that funding. Now what facilities program was involved there? What facilities program did the Labor Party have then? Were you involved in that decision? You were the sports minister. Were you involved?

Senator LUNDY—Have you finished?

Senator Kemp—Were you involved in that decision?

Senator LUNDY—Have you finished your little speech?

Senator Kemp—No. I am just trying to show to you that we are not accountable to you for our election policies. We are accountable to make sure this money is spent appropriately—

Senator LUNDY—You are being defensive again.

Senator Kemp—and meets the appropriate standards. That is what we are accountable for.

Senator LUNDY—Are you finished?

Senator Kemp—Finished.

Senator LUNDY—Minister, you are being defensive again and you have repeated yourself five times. You have to let me finish now. It makes me think I might be on to something.

Senator Kemp—Oh, right. It would be the first time.

Senator LUNDY—It would seem to me that unless you can provide the details of these projects—the projects' sponsors, the funding arrangements, any joint venture arrangements and the chief advocates—you are keeping the whole exercise a secret. It is quite right to say we will not know if this money is spent well or not until after the fact. But that is exactly how the government got itself into the problem with the Regional Partnerships program. It is very difficult for any sporting club in Australia that is not on this list to understand what on earth they have to do to get the ear of you or the Prime Minister or any other party political campaigning operative within the depths of the Liberal Party to flick them some much-needed

money. You have an obligation to let the sporting clubs of Australia know the secret. Unless you do, you are roting this program and you are treating all of those clubs with contempt. So can you explain the process by which either these marginal seat candidates or your own campaigning intelligence led you to these projects and why you selected these ones?

Senator Kemp—Are you finished?

Senator LUNDY—Yes.

Senator Kemp—Let me say I suspect our processes were very similar to yours in deciding policies. When governments go to an election, they decide what policies they will run on. They will decide in the course of an election campaign what announcements they will make. They are decisions that political parties in the election context have to make. That is exactly what we did. We announced a range of projects. In a number of significant cases, they were projects that were immediately mirrored by the Labor Party. They must have felt they were good because the Labor Party, sometimes within hours, endorsed those projects. We are not accountable to you for policies that we include in our election context. We are accountable in the end for how that money is spent. The job of this committee and the job of my department is to make sure that these announcements are properly administered and the highest standards are met. That is what accountability means in this context. These are our policies. These are the policies we went to an election on. We are not accountable to you for what is included in our policies. We are entitled to do that without Senator Lundy's approval. But you are entitled to make sure that that money is well spent. My department is charged with making sure that the money is appropriately administered.

Senator LUNDY—If you take out the Whitten Oval, all the other funding is skewed towards ALP and Liberal marginal seats, with the vast proportion certainly being focused, in terms of the number of actual projects, in the seat of Bass.

Senator Kemp—Let me just look. The Whitten Oval is a Labor seat. The Geelong Legends Sporting Boulevard is a Labor seat as far as I am aware.

Senator LUNDY—Gellibrand, I had said that. The Whitten Oval is one of the major expenditures.

Senator Kemp—Kogarah is \$8 million. Whitten Oval is \$8 million. Both of them are Labor seats. I think they were going to remain Labor seats. In fact, Labor thought they were so good—you can correct me if I am wrong—that they immediately endorsed them.

Senator LUNDY—Tell me why, then, if you look at these numbers, that nearly double the amount of promised funding went to Liberal marginal seats than went to Labor marginal seats?

Senator Kemp—I have not done that analysis. All I am saying is that—

Senator LUNDY—I certainly have.

Senator Kemp—we are quite entitled to announce policies. We are quite entitled to do that.

Senator LUNDY—So how do you front up to these clubs now who have been asking your department, your office and the Sports Commission for the last nine years whether there is a federal facilities funding program? You have said, 'No, there's not. No, there's not. No,

there's not. Go and see your state government.' How do you front these people when you are sitting on this package knowing that you have basically given them the flick in a dishonest way? You have had a system—

Senator Kemp—The same way you do it. It is the same way you did it.

Senator LUNDY—and it is in the back offices of the Liberal Party during the election campaign. I would be really embarrassed if I were you, Minister.

Senator Kemp—I have to say that no-one has raised this with me.

Senator LUNDY—You have treated these people harshly.

Senator Kemp—You are the only person who seems to be upset about it. I do not deny that there may be others that are, but you seem to be the only one who is upset. We have to deal with it in the same way you would have to deal with it. You announced facilities programs during the election. You made similar decisions. When people come up to you and say, 'How did you manage to get this in the policy document?', I do not know how you handle it. I do not know how Labor put it in. You made decisions the way we made decisions.

Senator LUNDY—Tell me, apart from these projects announced in this policy, what other Commonwealth projects have been funded since 1996? I know there have been some, but can you itemise them?

Senator Kemp—I think I may have put some of that on notice, actually.

Senator LUNDY—Either fully funded or partially funded or joint ventures.

Senator Kemp—I will have a look at it. I have to say I do not think I am going to authorise massive research on this for you because I have a feeling the department might have already done something like that.

Senator LUNDY—You have no choice because it is a reasonable request placed on notice.

Senator Kemp—I will make the judgment whether it is reasonable or not.

Senator LUNDY—You sound like you have something to hide again.

Senator Kemp—I have nothing to hide.

Senator LUNDY—You already have a secret process for determining favours for Liberal candidates. Do not make it worse for yourself. I am just asking for the facts now.

Senator Kemp—Let me illustrate a point to show you the somewhat shaky foundation on which you are building your argument. When you announced the \$12 million grant to Music Aviva, there were a lot of bodies that actually provide music—

Senator LUNDY—Why do you always refer to that? You are being defensive again.

Senator Kemp—Don't get defensive. There are lots of bodies that provide training in music in schools but you decided on a particular body. I do not know whether there was an announcement that you made that people could apply or not. You made a policy decision. Let me say you were entitled to do it. In my judgment, it was great for Music Aviva. I congratulate them on getting that in your policy. I do not dispute it at all. But you were entitled to make that decision because it was in your election policy. Equally, in the same way, we are entitled to make decisions.

Senator LUNDY—I wish you would spend as much time talking about sports facilities. Get back on topic. We have finished with the arts. We finished the arts before dinner.

Senator Kemp—You can make announcements in your election. I am not aware of any process that you had. All I can assume is that the Labor Party had its internal processes. It made decisions on what it felt were sensible policies. Let's face it—that would attract some significant support from the community. So you made your announcements. Good on you. There is nothing improper about that. We did the same.

Senator LUNDY—Can you tell me whether you are going to do this again?

Senator Kemp—Whether I am going to?

Senator LUNDY—Fund more facilities.

Senator Kemp—Am I going to fund more facilities? I am trying to think whether there are any other things in the pipeline. I think the answer is no, there is none that I can recall. My officers are confirming that. I suspect from time to time the government will be making announcements on facilities.

Senator LUNDY—Did you know about any of these before they were announced—

Senator Kemp—I think my knowledge of what goes into the policy is—

Senator LUNDY—or were you kept in the dark as well?

Senator Kemp—I have indicated to you that there were a number I was involved with.

Senator LUNDY—Two.

Senator Kemp—People are entitled to put them in the policies.

Senator LUNDY—You did not know, did you? You did not know.

Senator Kemp—I will not share with you what I knew and what I did not know.

Senator LUNDY—But you did not know. Admit it. Someone else was making these decisions and you did not know. It is as embarrassing for you as I think it is.

Senator Kemp—Someone else was making these decisions. I do not have the authority to commit money like this. I do not have that authority. Other people have to make those decisions.

Senator LUNDY—So you did not know.

Senator Kemp—I am not as important as you think, Senator. Senator Eggleston is nodding in agreement.

CHAIR—I am just surprised. I would have regarded you as a very powerful man.

Senator LUNDY—Clearly not. 'Mushroom' is the word that comes to mind. So you are not even managing your own sports rorts? Someone else is doing it for you and you are the one having to sit here and cop all these questions.

Senator Kemp—That is a sad comment. Let's face it—who invented sports rorts? My memory was it was the Labor Party.

Senator LUNDY—Well, the minister lost their job over it.

Senator Kemp—My memory is that it was the Labor Party.

Senator LUNDY—I have to say you are doing a pretty shabby job of defending yourself against this round.

Senator Kemp—It isn't hard to defend. What I am actually saying—

Senator LUNDY—Just let me finish. I do not know if you can answer this question.

Senator Kemp—I assume this is exactly what happened in your own party. You mirrored a number of these announcements.

Senator LUNDY—I was going to ask you a question but now I know I cannot because I do not think you were even advised of these things; I think you were told later. I was going to ask you whether or not a whiteboard was involved in these sports rorts. But you would not know because you were in the dark. How embarrassing for you.

Senator Kemp—I think are you really sinking now. When you announced that you were going to match some of our funding proposals, what was the process that the Labor Party had? Were you involved in that, Senator?

Senator LUNDY—Minister, you have been in government nine years—

Senator Kemp—As the shadow minister for sport, you did not even know, did you?

Senator LUNDY—you have been batting back—

Senator Kemp—You did not even know.

Senator LUNDY—sports clubs.

Senator Kemp—You keep on saying I am being badgered by sporting clubs. No-one has come to me—

Senator LUNDY—Now you are just making me laugh.

Senator Kemp—No-one has come to me and complained about what this government has done in the election. They may well, but to date they have not.

Senator LUNDY—I can tell I cannot go any further because you do not know anything. But your department might given that these projects are now funded. Can I ask the department—

Senator Kemp—You can ask the department some proper questions.

Senator LUNDY—The northern Tasmanian recreational precinct is listed for receiving \$4 million in funding. Will the money will be contributed to the Elphin project or the Windmill Hill aquatic centre? See, the department knows more than you. Point proved.

Senator Kemp—The department are there to administer it. What I said was that you were not entitled to—

Senator LUNDY—Did you go to Bass in the election campaign?

Senator Kemp—inquire how this government put its policy together. You are entitled to make inquiries about how the money is ultimately spent.

Senator LUNDY—Did you go to Bass in the election campaign?

Senator Kemp—Yes, I did go to Bass.

Senator LUNDY—Did you announce all these sporting facilities?

Senator Kemp—No, I did not.

Senator LUNDY—Did you know about them?

Senator Kemp—None of your business, Senator. It is none of your business.

Senator LUNDY—You did not know.

Senator Kemp—It is none of your business.

Senator LUNDY—I am sorry, I should not laugh. Where are we at with Launceston?

Mr Isaacs—We are awaiting advice from Launceston City Council on the precise details of the project and the precise purposes for which the Commonwealth funding will be applied. The general description of the project has been the Launceston regional sport and recreation precinct. We are pursuing the council for further detail.

Senator LUNDY—I take it back because the department does not know. How come it is now May and you do not know what you are going to be spending your \$4 million promise on?

Mr Isaacs—Because this has been an iterative process with Launceston City Council in them providing to us some further detail. I dare say there are some council processes that they are going through pretty much as we speak.

Senator LUNDY—Minister, you will have to refer to documentation because I know you do not know directly. What specifically was the promise?

Senator Kemp—Has someone got a press statement there?

Mr Isaacs—The promise was in the government's Strengthening Tasmania's Economy and Building a Better Community policy. The promise was to provide funding of \$4 million to the Launceston regional sport and recreation precinct.

Senator LUNDY—As broad as that? What was in the policy about the detail, anything, or was that it? Did the policy say, 'And we will consult with Launceston City Council?'

Senator Kemp—I do not have that information here, but I will see what additional information there is.

Senator LUNDY—You haven't got a clue, have you?

Senator Kemp—Do not look so sorrowful, Senator.

Senator LUNDY—I do feel sorry for you. It makes you look very foolish.

Senator Kemp—I can see how sorry you feel.

Senator LUNDY—I have a lot of empathy for you, Minister. It is very difficult to be kept in the dark. So we still do not know what that money will be spent on.

Senator Kemp—We will provide you with some information. I will see what we can provide you.

Senator LUNDY—Do you have a view on whether it should be the Elphin project or the Windmill Hill aquatic centre, Minister?

Senator Kemp—I do not have a particular view. But I will, as I said—

Senator LUNDY—Do you know the difference?

Senator Kemp—Do I know the difference between what?

Senator LUNDY—The Elphin project and the Windmill Hill aquatic centre. You are the minister for sport.

Senator Kemp—We will provide you with some information on those two projects.

Senator LUNDY—Can you tell me whether that funding will provide for a regional tennis centre as well or instead?

Mr Isaacs—Again, that will be a matter for decision of the Launceston City Council. We await that detail.

Senator LUNDY—Precisely what are you waiting for from the Launceston City Council and when will construction be able to start on whatever facility is going to be built?

Mr Isaacs—What I am waiting for from the Launceston City Council is full details of their project plan and the nature of the construction so we can then construct a funding agreement and arrange payment based on construction milestones.

Senator LUNDY—And what are the conditions the federal government is attaching to this \$4 million?

Mr Isaacs—The conditions are as per the normal run of conditions that we attach to funding agreements of this nature. The payment will be fully acquitted. There will be quarterly reports provided by the Launceston City Council to give us an indication of progress on the construction. There will be a final report provided that will wrap up what our funding has been used for, and on which we will make an assessment of the appropriateness of that use. So it will be the normal range of conditions, acquittals, accountability and reporting arrangements.

Senator LUNDY—So what is the likely completion date or handover date for that facility based on your current timetable?

Mr Isaacs—Again, I am awaiting advice from the Launceston City Council.

Senator LUNDY—The funding is allocated over a three-year period, and \$500,000 of that was supposed to be spent in this current fiscal year. Has any been spent?

Mr Isaacs—No.

Senator LUNDY—Will it be spent by 30 June?

Mr Isaacs—That will depend on the details that are provided to me by the Launceston City Council.

Senator LUNDY—They had better move it. And there is \$2½ million the following year followed by \$1 million. Is that still your schedule for expenditure on this project?

Mr Isaacs—That is the allocation schedule of funding. That is correct.

Senator LUNDY—What is the likelihood of the first half a million being rephased?

Mr Isaacs—I would need to make that judgment after I receive the project details from the Launceston City Council.

Senator LUNDY—But it has been delayed from your original expectations, hasn't it?

Mr Isaacs—There were no particular timing expectations associated with the first half million except that it is available in 2004-05. That has been conveyed to the Launceston City Council. As I say, I await details of their project schedule.

Senator LUNDY—When did the government ask Launceston City Council to provide them with that information?

Mr Isaacs—I met with the Launceston City Council on 31 March this year.

Senator LUNDY—That does not give them very much time. Why did it take you that long?

Mr Isaacs—I indeed wrote to them slightly before that date. This was a process of ensuring that the funding was available to the department through the additional estimates process and then moving forward once that allocation had been made.

Senator LUNDY—The actual policy statement by the coalition says:

...a Coalition Government would consider a plan for a regional tennis centre, which would enable local and state tournaments to be played in Launceston.

But this seems to be an afterthought from the broad commitment to contribute up to \$4 million towards a regional sport and recreational precinct currently being considered by the Launceston City Council. Can you tell me whether the regional tennis centre is an either/or proposition—that is, it would replace the regional sport and recreation precinct investment—and whether or not the government has some discretion now to consider what Launceston City Council come to you with and make a choice on?

Mr Isaacs—As I understand it, it was an alternative to the wider proposition that went to the broader regional sport and recreational precinct. Again, I think this would be a process of Launceston City Council going through its council processes and determining what it needs.

Senator LUNDY—I will read from the coalition commitment:

Should the council be unable to reach consensus on a proposal, a Coalition Government would consider a plan for a regional tennis centre, which would enable local and state tournaments...

The way I am interpreting that is if the council comes to you without a consensus position, the federal government could say, 'Well, we're just not going to fund it now. We are going to fund something else.' Is that the right interpretation of that statement?

Mr Isaacs—I have no evidence available to me that the council will not reach a consensus position.

Senator LUNDY—That is not my question.

Senator Kemp—I think you are asking whether there is a fallback position.

Senator LUNDY—Basically.

Senator Kemp—I will have a look at it. I think the indication you have received is that the council is proceeding?

Mr Isaacs—Yes, the minister is correct.

Senator LUNDY—It is a very strange way to word a policy, especially if you had one member of council who said, ‘Actually, I’m in favour of tennis so I’m not going to form a consensus on this other proposal.’ You are really leaving it open to a bit of manipulation.

Senator Kemp—I expect sometimes you will be thinking about policies.

Senator LUNDY—I do not know how Launceston council is constructed. I am sure they are far more sensible than to allow those sorts of coalition policies to—

Senator Kemp—They will be very pleased to hear that they have your support too, Senator.

Senator LUNDY—Indeed.

Senator Kemp—Do they?

Senator LUNDY—I am just wondering why on earth you would put an either/or in the policy like that. Did you do that for all of them? You would not know because you do not know what is being built. Forget it.

Senator Kemp—I am not quite as important as you, Senator. That is the truth.

Senator LUNDY—Clearly.

CHAIR—He is exceedingly modest.

Senator LUNDY—Indeed. We need to move along. The member for Warringah, Minister Abbott, in a press release dated 9 May 2005—so not that long ago—said that \$1 million would be contributed by the federal government for Brookvale Oval. Are you aware of this press release? Do you have knowledge of this?

Senator Kemp—I am aware that there was a commitment made.

Senator LUNDY—Do you know the press release I am talking about?

Senator Kemp—Am I aware of the precise wording of it? No, I am not. But I was aware there was a commitment made. I have not read the press release.

Senator LUNDY—I insist on reading it to you.

Senator Kemp—It is your time.

Senator LUNDY—It is essential to my line of questioning, so just humour me. It says:

\$1 million for Brookvale Oval

Tony Abbott today announced that the Commonwealth Government will contribute \$1 million towards the upgrade of Brookvale Oval.

Funding from the Department of Communications, Information Technology and the Arts, which has responsibility for Commonwealth sports programs, will be used for the installation of new ‘television standard’ lighting at the oval.

Were you aware of that, by the way?

Senator Kemp—I was aware of the Brookvale commitment, yes.

Senator LUNDY—It continues:

Mr Abbott said that the Manly Warringah Sea Eagles are an important part of the local community and that the funding will help improve the Peninsula's premier sports venue.

The executive chairman of the Manly Sea Eagles Ltd, Mr Paul Cummings, said the grant announced by Mr Abbott was a massive boost to sports fans on the northern beaches.

"Having lighting necessary for the television and playing of night football is a criteria for Manly to be in the prestigious National Rugby League.

"This funding allows Brookvale Oval to be further enhanced as one of the traditional suburban grounds in the competition. We thank Tony for fulfilling a promise he made last year to the Sea Eagles and its thousands of supporters," Mr Cummings said.

So I ask you now: when did Mr Abbott make the promise and when was contact first made with your department to give effect to that promise?

Senator Kemp—I will take that one on notice and I will make inquiries. I think that is the best thing I can do.

Senator LUNDY—Did he have authority to commit \$1 million of taxpayers' money?

Senator Kemp—I would be very surprised if a cabinet minister made an announcement for which he had no authority, I can assure you.

Senator LUNDY—Well, how did he get that authority?

Senator Kemp—We have processes which ensure that ministers can make announcements on money. I think it is probably best—

Senator LUNDY—But this is in his own seat. It is your portfolio. Why weren't you up there side by side with Mr Abbott—

Senator Kemp—Well, I suppose that—

Senator LUNDY—taking some of the credit as the nation's sports minister?

Senator Kemp—I suppose he did not need the added lustre. I guess he felt he could carry it himself.

Senator LUNDY—I do not think you knew about it.

Senator Kemp—Well, I am a bit of a shrinking violet. You know that, Senator.

Senator LUNDY—Did he bother calling you or popping you an email? It is very simple.

Senator Kemp—I know you would like to know about the communications between ministers in this government, but we will not be sharing them with you.

Senator LUNDY—Is the department able to point to the usual paper trail that would exist of such a request, acknowledgement, support, agreement and technical sign-off for this kind of funding? Is there any paperwork on this issue?

Mr Isaacs—None available with me. I will take that on notice.

Senator LUNDY—Is there, though? Is there a file?

Mr Isaacs—There is certainly paperwork in the department. Look, I will take that on notice.

Senator LUNDY—I would like to formally ask that you provide all correspondence and references on DCITA's files on this particular issue to the committee.

Mr Isaacs—I will take that on notice.

Senator Kemp—We will make a judgment on what we should provide.

Senator LUNDY—Quick, quick—you had better get that qualification in. It might be secret.

Senator Kemp—I think you are getting tired, Senator.

Senator LUNDY—No. I think you are getting very defensive. You are getting caught out again.

Senator Kemp—I am trying to actually say as little as possible so we can all go home.

Senator LUNDY—You should have thought about that two hours ago before you repeated things five times.

Senator Kemp—I think people know that I am very sparing with my comments. I like to speed the journey of these estimates.

Senator LUNDY—What funding arrangements did the member for McEwen, Ms Fran Bailey, have available to her when she was able to promise \$190,000 worth of funding during the last election campaign for 16 sports and recreation facilities in her electorate?

Senator Kemp—The government decided to announce these as part of its election policy. It reflects very well on the great interest that Fran Bailey clearly has in sports facilities. She was clearly able to effectively represent her community.

Senator LUNDY—What other MPs had a similar opportunity available to them to advocate for the funding of local—

Senator Kemp—Actually, it is none of your business.

Senator LUNDY—Do not interrupt. Just let me finish.

Senator Kemp—It is actually none of your business.

Senator LUNDY—local sporting and recreational facilities.

Senator Kemp—We are entitled to announce policies in an election context without explaining to you what was decided. Clearly in the electorate of McEwen there would be a number of announcements made on sporting facilities. We are quite entitled to do that, as you have made announcements yourself on facilities.

Senator LUNDY—If the member for McEwen was the only Representatives member to have this sort of allocation available to her to apply to sporting clubs in her electorate, how were the priorities for her determined?

Senator Kemp—We are entitled to make announcements. We make decisions on what should be announced in an election, like you do.

Senator LUNDY—When did Ms Bailey first contact you or your department about the possibility of funding these facilities?

Senator Kemp—These are election announcements. They are not announcements which would go through the department because the department would not be handling announcements made in the election context. These are announcements which we are entitled to make as we are entitled to make announcements on the redevelopment of Whitten Oval and the upgrade of the Penrith stadium. We are quite entitled to make these announcements. They are part of our election policies.

Senator LUNDY—Did the Liberal Party provide a form or some kind of formal process—

Senator Kemp—It is none of your business.

Senator LUNDY—Let me finish. Was there a form for Ms Bailey to assist her in making application for the funding to the Liberal Party?

Senator Kemp—It is none of your business how we develop our election policies. We make a decision on what we think should go in our policies. The final decision and tick-off is given and announcements are made. We are quite entitled to do because it is exactly what you do. I do not understand. You seem to be wanting to apply a standard to an election policy announcement which you clearly have not applied in your own policy announcements.

Senator LUNDY—How would other members of the community of McEwen, particularly those in sporting clubs, apply for funding under the process that was used in the election campaign?

Senator Kemp—We said there was an election policy developed and announcements were made in relation to McEwen. That is what happened. It was a bit like your announcements on facilities. I am not sure whether you had a sum of money and whether you were told that you had to allocate spending in certain areas.

Senator LUNDY—Was there any reference made to the recreation strategies prepared by the local government authorities in McEwen before any decision was made to fund these projects?

Senator Kemp—I think—

Senator LUNDY—Excuse me. I have not finished. In asking that question, I would like to reference the consultation between the government now and obviously the Launceston City Council. Was the same respect paid to the local council in McEwen?

Senator Kemp—I do not have that information on hand. I will see if we can add anything to your question. I will take that on notice.

Senator LUNDY—Finally, did Ms Bailey respect the views of her local sporting clubs in compiling the list of funded sports facilities in the lead-up to the campaign?

Senator Kemp—I think Fran Bailey clearly did an infinitely better job than her Labor opponent because Fran Bailey happened to be elected. In my judgment, the Australian electorate have a close look at candidates and decide who is going to be the most effective. I am not aware that Fran Bailey has been criticised on the grounds that you suggest. But I am not sure whether, frankly, if she has, it is of great concern to you anyway. In an election

context, people announce policies, and that is what they should be doing. That is what happened. That is what you did. That is what I did. That is what Fran Bailey did. I am not sure what the issue is here.

Senator LUNDY—Who made the assessment ultimately—you can take this on notice—regarding the projects that are now funded for McEwen?

Senator Kemp—These were decided to be part of our election policy. It is like me saying when you announced the museum facility in Cairns, which I would have to say was the second worst policy launch in the election, I did not say “In that facilities program did you test other larger cities and towns in the area as to whether they would want to have the museum? What was in the form that you put out?” You are actually trying to apply a standard which you will not apply to yourself. You make policy announcements. Good on you. Good on the people that can actually become part of those policy announcements. I make no criticism of them whatsoever. I think you should not be attacking the announcements that we make.

Senator LUNDY—What was special about Ms Bailey and the seat of McEwen? There are 16 projects. That is unprecedented. It is not matched anywhere else in the election. What is going on?

Senator Kemp—In that case, I say congratulations to Fran Bailey. I think I will put together a facilities program, if I have some time, that the Labor Party announced because I can see you are going to pursue this. I will just check on all these announcements that you made. We will be checking on what sort of processes were used.

Senator LUNDY—I thought you said you were going to try to not talk very much. You are not doing a very good job of not talking. Just going back to Kogarah Oval for a second, it was announced on 3 October that \$8 million would be involved. Were you, as the minister for sport, aware of that announcement?

Senator Kemp—Sorry, what was that again?

Senator LUNDY—Were you aware of the commitment that the coalition made on the day of the announcement for Kogarah Oval, or did you read about it later as I suspect?

Senator Kemp—This was a major announcement. I would have to say that this was a major announcement made well outside my portfolio area. It was done, I believe, by a prime ministerial press release. The Prime Minister is entitled to make these announcements. But I think the good news is that I suspect if we looked hard we would find on the same day a Labor Party announcement indicating they would support this. I cannot guarantee that but I do remember someone mentioning that the Labor Party were pretty fast off the mark there on Kogarah Oval. I understand it is in a Labor seat.

Senator LUNDY—So when did you hear about it? Did you hear about it via a press release?

Senator Kemp—It is none of your business when I heard about it. That is not actually any of your business. I can assure you the Prime Minister is able to make announcements without consulting me.

Senator LUNDY—I am trying to see if you are doing your job or not, as the case may be.

Senator Kemp—I am back in the portfolio and you are not. So some judgment must have been made about your performance and my performance by your selectors and our selectors.

Senator LUNDY—The response given to question on notice No. 196 dealt with the distribution of the number of grants rather than the distribution of the value of the grants. Can you re-answer this question to demonstrate the distribution of the projects funded across the state by the value of the grants.

Senator Kemp—So you want it by the value of the grants?

Senator LUNDY—Yes.

Senator Kemp—I will take it on notice.

Senator LUNDY—Can the department provide a similar breakdown by electorate and state for the recreation projects funded as part of the *Making Australia stronger: delivering our commitments* budget statement.

Mr Isaacs—I will take that on notice.

Senator LUNDY—I would now like to go to the issue of the taxation of elite athletes. What action has the government taken since the decision in the Stone case? I presume you know the background to the Stone case?

Senator Kemp—Yes. I think you are referring to Ms Stone. Mr Peters has been working on this on behalf of the Sports Commission and, of course, providing advice to the government. I might suggest that Mr Peters respond to that question.

Mr Peters—We got legal advice on the tax ruling. We have also been in consultation with the Australian Olympic Committee. They have a number of questions they have also raised on the decision. There were two issues. One was about how you define a business of an athlete and what is claimable against that business. There were issues about the degree or the triviality of the amount of money that may well be subject to taxation. We have had one meeting with the Taxation Office. They have asked us to put some examples on paper to them. We are doing that at the moment. We are working with the AOC to make sure we cover off all the different types of situations that athletes may find themselves in. The Taxation Office said they will respond to those examples.

Senator LUNDY—Is that the advisory panel?

Mr Peters—I am not sure.

Senator LUNDY—Have you established an advisory panel to be chaired by Mr Justin Stanwix?

Mr Peters—No. We have certainly sought advice from a number of people, including Justin Stanwix, who was involved in some of these issues previously. But we do not have an advisory panel.

Senator LUNDY—I was definitely under the impression that the Australian Sports Commission announced it had established an advisory panel to be chaired by Mr Stanwix to look at this issue. That is not correct? No?

Mr Peters—We have used him, based on his expertise in this area, to be a facilitator in giving legal advice for us. Our internal legal officer was still—

Senator LUNDY—So he is the source of the legal advice on the tax ruling?

Mr Peters—No. There are two companies. Minter Ellison and Mallesons gave us advice on the sort of things that came out and their interpretation. The AOC have supplied questions that were asked by the solicitor representing—

Senator LUNDY—Sorry, the AOC?

Mr Peters—The Australian Olympic Committee have also supplied us with a number of questions that were being asked by the legal counsel for us to also incorporate. They have also written to the Taxation Office with those questions.

Senator LUNDY—Currently the tax ruling is in place, isn't it?

Mr Peters—Yes.

Senator LUNDY—I was going to say, 'Where is the minister?', but there he is. My question to you, Minister, is: what action does the government intend to take to deal with the loss of value in grants as a result of this decision and the tax office's current stance on this issue? There will be some loss of value. The question is how much and how you will be able to compensate for that.

Senator Kemp—You would be aware that I just popped out of the room because I had to make an urgent phone call. I did not have the benefit of listening to Mr Peters. Mr Peters will stop me if there is anything I am saying which just contradicts what he has just said.

Senator LUNDY—It would be a good idea, I suppose.

Senator Kemp—Mr Peters was going to be providing me with advice. There is a lot of discussion with lawyers about what this means and with the tax office. The tax office is trying to get some clarity. On the basis of that advice, I will be then receiving advice from the Sports Commission on the implications of this and what, if anything, the government can practically do. From my point of view, we want to provide athletes with certainty. We want to make sure that they understand their obligations. We do not want them to be treated in an inequitable manner compared with perhaps other groups in the community. They are two areas that the Sports Commission in particular will be looking at. We can then decide what action we will take.

Senator LUNDY—Let us go to the specifics. You have been reported as saying that you are waiting on advice from the Attorney-General and the Commissioner for Taxation. Are you in fact awaiting advice from either or both of those people?

Senator Kemp—The process by which I would get advice in relation to this matter would typically come to me from the Sports Commission or my department. I am trying to think what aspects of this I am waiting for from the Attorney-General. I am wondering if one of my staffers is able to enlighten me. We may be awaiting advice from the Attorney-General on a number of issues but not on the tax issue.

Senator LUNDY—Right. So at this stage you are only waiting for advice from the Australian Sports Commission?

Senator Kemp—I am actually quite happy, if anyone else has any other sensible advice, to take that. The people charged—

Senator LUNDY—You do not know what to do with this one either, do you, Minister?

Senator Kemp—I have charged the Sports Commission with providing an assessment to me along the lines which I mentioned. We will then decide what action should be taken.

Senator LUNDY—But I do not understand. They are providing you with advice on how athletes are affected. How is that going to help the Commissioner for Taxation or the Attorney-General to review—

Senator Kemp—I have to see whether there is an issue that the government has to address. What actually happens here is that it is quite possible, for example, that I may get advice which says: ‘We now have far more clarity than we had as a result of our discussions with the ATO. Therefore, on the basis of this, we do not believe there is any other action you should take.’ Alternatively, they might say: ‘We believe the advice we have has led to massive confusion. We believe it will be very hard to administer such a system. We believe that in order to get some clarity you might consider taking the following steps.’ That is how government operates.

Senator LUNDY—I would have thought you would also get feedback from the taxation commissioner and A-G’s at the same time you were getting input from the ASC so you are in a much better position to take a balanced view on the issue.

Senator Kemp—I know I can rarely meet your high standards, but I have been Assistant Treasurer and have been in charge of the tax office for five years.

Senator LUNDY—So you just think you know how they are going to think about this?

Senator Kemp—Let me tell you that the best process of government is really for me to get an assessment of the advice from the ATO. That assessment will be provided to me by the ASC in conjunction with whoever they wish to involve. They may wish to involve lawyers, they may wish to involve the department. And then—

Senator LUNDY—Why wouldn’t you get your own advice from the government solicitor in A-G’s? They are probably paying for it. The Sports Commission probably have to pay for that advice and you could get the advice from the government solicitor.

Senator Kemp—I have had the privilege of actually being in government for close to nine years.

Senator LUNDY—I am just trying to be helpful, Minister.

Senator Kemp—It actually just shows how much experience you lack. Ministers relate to their agencies and departments. Those agencies and departments are charged with giving advice to ministers. Ministers have to decide whether to accept that advice or not.

Senator LUNDY—Then why is there a media report that says you were waiting for advice from the Attorney-General and the Commissioner for Taxation?

Senator Kemp—I will have to check that particular cutting. I do not know why there is that advice. This is the normal process. I have to say that only you would query the process we are going through.

Senator LUNDY—I am just wondering how long athletes will have to wait while you fiddle around waiting for all sorts of advice. Meanwhile, athletes are losing the value of their grants and are going to be facing massive tax bills.

Senator Kemp—We, like yourselves, want this resolved quickly.

Senator LUNDY—Have you made an assessment of how many athletes would be directly affected?

Senator Kemp—The problem is to actually determine what this High Court judgment means. I think you are actually presuming an answer that we are now trying to find out what this really means.

Senator LUNDY—We know what it means for Ms Stone.

Senator Kemp—But that probably is a case of an athlete probably earning over \$100,000. The issue that we are concerned about is how—

Senator LUNDY—You know as well as I do the taxation department decision does not distinguish on the value of earnings, so any speculation about where that benchmark might be is completely out in the ether at the moment. All of them could be determined as having a business if they receive a grant outside their taxable income.

Senator Kemp—That is one of the issues that we have to determine, actually—when an athlete can be defined as having a business.

Senator LUNDY—So how many athletes are potentially affected?

Senator Kemp—The hour is late. Let me finish.

Senator LUNDY—Mr Peters should be able to tell me.

Senator Kemp—We are trying to get some clarity on this issue. It is complex. Mr Peters, can you add anything to this?

Senator LUNDY—How many athletes are on scholarship and, therefore, potentially affected by this ruling?

Mr Peters—AIS scholarships?

Senator LUNDY—Yes.

Mr Peters—Around 650 athletes, approximately. Those in residences are not affected to the extent of those who actually have a living-out-of-residency allowance, particularly those interstate people. I do not have a number on that but I can certainly get it to you. The taxable amount for them is about the \$800 or \$1,000 per month allowance we give them to live out. Back in early 2000—I think it was around 2001—that allowance was increased to take effect of about an 18 per cent possible tax allocation.

Senator LUNDY—Have you provided any advice to your athletes about this tax decision?

Mr Peters—I have written to all the athletes saying that the tax decision is something that we need to get clarity on, that our advice to them is to seek an opinion from their taxation people and that we will come back to them as soon as we can. Similarly, we talked about the issues with the Athletes Commission a few weeks ago to explain to them that there was still some uncertainty about what the decision actually meant.

Senator LUNDY—Minister, have any assessments been done on how much of the \$14 million announced in the budget for direct assistance to athletes can potentially be clawed back through ATO assessable income as a result of this decision?

Mr Peters—We have not done the analysis because it will come down to what an athlete earns.

Senator LUNDY—I do not expect you to. That is why I asked the minister. Maybe I should ask the tax office.

Senator Kemp—Hold on.

Senator LUNDY—You were just telling me you were Assistant Treasurer.

Senator Kemp—You did not expect Mr Peters, my key adviser on this, to know but you expected me to know. Gee, you have a weird view of how government operates.

Senator LUNDY—You were the one that was just telling me how you were Assistant Treasurer for all those years and how you knew about the tax stuff.

Senator Kemp—That means I can immediately determine this answer which Mr Peters has said we need some clarity on? So it means I can immediately determine that? Gee whiz, I think you have a bit to learn, Senator.

Senator LUNDY—Do you know if an assessment has been made about the potential clawback on government grants as a result of athletes having to pay tax?

Senator Kemp—Are you referring to the \$14 million?

Senator LUNDY—Yes, the \$14 million.

Senator Kemp—That was just answered. That very question you have just asked me was just answered. Can you remember that? You asked that question and Mr Peters said he was not—

Senator LUNDY—Sorry, I asked you.

Senator Kemp—Mr Peters is actually administering the \$14 million and he is providing advice to me on this matter. We virtually had this conversation too. I said to you that it would be a surprise if I knew the answer to that question when my key adviser who is doing the work did not know the answer to that question.

Senator LUNDY—Are you aware that the tax department has made those assessments, Mr Peters, Senator Kemp, Ms Williams?

Mr Peters—We are not aware of any calculations that the department has done.

Senator LUNDY—Anybody? No. I am glad we have that settled. So it is a waiting game. So all the athletes are waiting on you, Senator Kemp, to get advice and then hopefully do something with it.

Senator Kemp—We are actually very anxious to get this resolved.

Senator LUNDY—You were anxious to get the Anderson report recommendations acted on, and that will be September.

Senator Kemp—We are. They are happening.

Senator LUNDY—That is over a year.

Senator Kemp—Some of those Anderson report—

Senator LUNDY—If you wait a year on this issue, all those athletes will be paying heaps of tax.

Senator Kemp—Of course the Labor government, when they were involved in sport, never took up the recommendations of the Black committee about an investigative body. You are the last person to lecture me on this issue. You are the dead-set last person to do that. Of course you mentioned the Anderson committee report. I think the Labor Party has to make some response itself to that Anderson report.

Senator LUNDY—I just hope that it is not a secret plan of the coalition government to claw back tax through these athletes grants.

Senator Kemp—Don't be infantile.

Senator LUNDY—It is now up to you to prove me wrong.

Senator Kemp—Don't be absolutely infantile.

Senator LUNDY—Prove me wrong. I dare you to resolve this quickly.

Senator Kemp—The government decided to get this ruling from the High Court in the Stone case so we could claw back this money; that is weird.

Senator LUNDY—You have been known to claw back tax before. Prove me wrong minister; there is a dare for you. Let us see if you can do the job for athletes in this current financial year. Will it that ruling affect them in this current financial year? When they lodge their tax returns in August will it affect this current fiscal year's earnings?

Mr Peters—The same tax ruling that has applied over the last few years will apply so there is actually no change in the way athletes address their taxation issues.

Senator LUNDY—But how it is assessed will change this year, won't it?

Mr Peters—No, the ruling brought no change to previous taxation rulings on how they would assess income from athletes and that is what the appeal was attempting to do so the athletes will approach their taxation the same way they always have.

Senator LUNDY—Yes, but the implications of the Stone case say they could be assessed differently.

Mr Peters—There is some confusion over what that actually means and that is what we are talking to the tax office and providing examples for us to give us some clarity but at the moment the athletes will be approaching it the same way they have in the past.

Senator LUNDY—If the Stone case is any precedent then some athletes may face additional tax for this current financial year. Is that a fair reflection of the circumstances?

Mr Peters—I would prefer to wait for the tax office to come back against examples before I make that comment.

Senator LUNDY—Could you take on notice to provide the committee with that advice as it becomes available?

Mr Peters—Yes.

Senator Kemp—I think actually you will find that the advice will come to me first.

Senator LUNDY—Answers to questions on notice usually do, don' they? You are the expert.

Senator Kemp—Just keep asking the questions.

Senator LUNDY—Can you describe the process about how the Elite Athlete Friendly University Network is delivered to universities?

Mr Peters—It was identified by AIS professionals who work with student athletes that the training schedules for athletes makes their ability to undertake normal lecture times within universities very difficult. The previous Director of the AIS, Michael Scott, had a number of discussions with universities and established the Elite Athlete Friendly University Network. Twenty-four universities have signed up. Three universities agreed in principle, but I notice in a press release this morning that the University of Sydney and the University of Melbourne, who were two of the in-principle universities, have said they may not have the capacity to deliver the product. The idea is that these are student athletes, so our athlete education people will sit down with the universities and look at what is the best study schedule for those athletes. The 24 universities that signed up have been very enthusiastic. They signed up at the time when voluntary student unionism was well and truly on the table. I guess that is the point that Melbourne and Sydney universities were making this morning. We will continue to implement the program. The focus is on what is best for the athletes and their education.

Senator LUNDY—I am glad you are aware of that press release, because you correctly anticipated that my question concerns not only how the VSU will impact upon both of those universities but the general proposition that VSU, voluntary student unionism, will undermine student services to the extent that universities will not be able to provide the level of support expected or required by universities under this program. It does come back to a question to the Sports Commission. What contingency plan do you have in place if that is the effect of VSU? Do you have more funding to compensate the universities for the reduction in support that they can give these athletes?

Senator Kemp—I think you are making certain assumptions there.

Senator LUNDY—They are not my assumptions.

Senator Kemp—I know.

Senator LUNDY—They are the assumptions of the universities of Melbourne and Sydney.

Senator Kemp—I know that people are making claims. I am well aware of the claims that people are making on this issue. But this often happens in a public debate. People do get set positions. But the fact is that under VSU a compulsory levy has been removed and students will have more money in their pockets. There will be assumptions as to whether they will use some of that additional money for sport. That is how the debate is now panning out.

Senator LUNDY—The point the universities make is that, even if they had the money in their pockets, the infrastructure will not be there. Have you spoken to the minister for education about this or conducted a review within your department about the impact of the VSU on university sport?

Senator Kemp—I have had discussions with the minister for education. Of course, I want to see how the policy plays out. The government is very committed to VSU, as you know.

Senator LUNDY—Is it prepared to sacrifice university sport for it?

Senator Kemp—You make assumptions.

Senator LUNDY—They are not my assumptions; they are universities' assumptions.

Senator Kemp—There are claims being made, and I can understand people establishing positions on that, but this debate has a considerable way to go.

Senator LUNDY—Going back to my question to Mr Peters, what plans are being put in place if in fact the impact Sydney university describes occurs, where support staff are put off, leaving the 100 or so elite athletes currently supported by those support staff out in the cold? Will you provide the support staff?

Mr Peters—We have not had a chance to talk to those two universities since they put their press release out this morning. The vice-chancellors are quoted as saying this may be an issue for them. Obviously we will engage in discussions with them. Again, they had agreed in principle before without actually signing an agreement. The other 24 universities, as far as we know, will continue to supply, and we will continue to talk to them.

Senator LUNDY—Can you provide any correspondence on this matter to the committee?

Mr Peters—Correspondence from the universities?

Senator LUNDY—Correspondence between the universities and the Sports Commission on this program.

Senator Kemp—If universities want to give you correspondence, they can give it to you directly.

Senator LUNDY—They do not appear before estimates.

Senator Kemp—I am not too sure that we should be providing letters that are sent to us. The normal courtesy is that people would send you copies if they wanted you to have them. They probably are. I would be surprised if they were not sending you copies.

Senator LUNDY—Whatever the protocol is in being accountable to this committee, I have asked for all correspondence relating to this matter. If you want to try and suppress it or refuse to give it, we will have a look at that.

Senator Kemp—We note your request and we will make a judgment on what we can provide.

Senator LUNDY—You do have an obligation to provide documents on the public record.

Senator Kemp—In general, people would say I am pretty helpful, I think, actually. I think you would have to say that as a fair assessment over the years.

Senator LUNDY—I move to targeted sports. It has fallen apart. What a dismal failure. Let us go through it, shall we?

Senator Kemp—Why don't you ask a question rather than making statements?

Senator LUNDY—The response received to questions asked about this program at the February estimates identified a shortage of data on many of the sports involved. Are you in a position now to complete the data set about the status of the targeted sports programs?

Mr Peters—Yes, we are.

Senator LUNDY—Can you provide that information now?

Mr Peters—Do you want us to go through each of the 22 sports and the projected targets over the three years and the results against those targets?

Senator LUNDY—If you have a piece of paper, that would make it a lot easier. We can both refer to the same document.

Mr Peters—We have a piece of paper.

Senator LUNDY—The committee can copy it.

Mr Peters—Do you want us to provide it on notice to you?

Senator LUNDY—Do you have a piece of paper? If you can make a copy of it now, I can have accurate information in front of me and we will save a lot of time.

Mr Peters—We have a bit of paper with the statistics on it—in a different format from the ones that were supplied at the end because it is more analytical.

Senator LUNDY—I do not mind. Can we have that tabled, please?

Mr Peters—Sure.

Senator LUNDY—While we are waiting for that, let me move to something else. The response received to questions asked about this program at the February estimates referenced a number of specific program initiatives such as the ‘out of stadium’ program operated by Athletics Australia; Nextball, operated by Netball Australia; and J-Cycle operated by Cycling Australia. Can I get a brief explanation of each of these programs? I have not heard of them before. Can you tell me what they are all about? What are they?

Mr Peters—Perhaps I can give an introduction as to why this program was set up.

Senator LUNDY—What program?

Mr Peters—All of the programs.

Senator LUNDY—We do not have time. I would rather you answer the specific questions. Do you have someone here who can tell me what the ‘out of stadium’ program by Athletics Australia is?

Mr Espeland—‘Out of stadium’ is a program whereby there is an opportunity for people who are involved in athletics to join a program that offers some benefits. We have had a very successful program in that area, but in the end we have not provided those as counting towards our targets, because we do not feel that it totally ties in with the criteria for the targeted program.

Senator LUNDY—Sorry, I missed that last bit.

Mr Espeland—In terms of our statistics—do you have a copy of the table that has been provided?

Senator LUNDY—Not the new ones yet. It is coming. ‘Out of stadium’ is not on this new one.

Mr Espeland—It is down below the line. We have reviewed it and we feel that it is a very worthwhile program, but in the strict sense of increasing participation it provides benefits to those people who are already in athletics in terms of joining a program that provides those benefits. We did not feel that it increased participation, so we put it below the line. That is not in our targets even though you can see that it has been very successful. The other one you were asking about was netball to go.

Senator LUNDY—Nextball, yes.

Mr Espeland—Netball to go is a program that has not been successful. We have had discussions with Netball and agreed that we would not continue it at this stage. The sport have agreed with our position that they do not have the capacity at this point in time. In the fullness of time they will take on the program and run it themselves. J-Cycle has been very successful, as you can see from the figures.

These programs are all in different stages of development. It is a three-year program with the aim that they will be sustainable after three years—sustainable either through a partnership between us, the sport and a sponsor over the three years or, in the case where no sponsorship is available, where they can indicate that that sustainability will be there at year 3. There is a six-monthly review of each program and we make a decision, in consultation with the sport, as to whether or not the program should be continued. We also have a process of review. At the moment we have looked at 11 programs and nine sports. Getting towards the end of year 2, we bring in an external reviewer, in the last case Ernst & Young. They check the figures, they indicate comments on sponsorship and they give us a recommendation in terms of sustainability. Of the programs that have come through, Try Rugby with the ARU and AFL with their Auskick have been very successful. They are sustainable and there is no further ASC support. Other programs, such as—

Senator LUNDY—Was Auskick already in operation before targeted sports?

Mr Espeland—Yes, it was. It is a case where the various sports have different capacities.

Senator LUNDY—I will come to that. Thank you. You mentioned that two sports, the ‘out of stadium’ athletics and Nextball or netball to go, had a 130,000 targeted increase. Now that they have not been successful, does that mean that your overall target under this program is reduced? Or do you try to build up the numbers elsewhere by reallocating the funding or just let it go?

Mr Espeland—This involved 21 sports, and in the fullness of time we are looking to have a second tranche of target programs involving other sports. Rowing is a sport that has expressed interest. But to this point we have not been able to progress with them. The latest one approved was football, as in soccer, which was approved by our board in February this year. That has been some time coming on, obviously, because they have been bedding down their post-governance implementation and other matters.

Senator LUNDY—It refers to junior members. Does that mean new members or kids already playing soccer? All of these programs are supposed to be targeting new participants.

Mr Espeland—Correct.

Senator LUNDY—Are you telling me that, for all of these programs, including the existing ones, the figures here, the targeted figures, are about net new membership? That is the aim, isn't it?

Mr Espeland—It is membership of the program that is run by the NSO. They are a member of the NSO for that particular program. There is a receipt in terms of their contribution, and they are a member of the sport for that particular program.

Senator LUNDY—For that program?

Mr Espeland—Yes, whether it be Auskick or whatever.

Senator LUNDY—What data do you have available that show the benchmark figures for participation in those programs prior to each of these starting, where they existed before?

Mr Espeland—That was assessed to the best of our ability based on the information they provided to us, but it was also looked at very carefully by Ernst & Young. In terms of coming up with—

Senator LUNDY—You were not able to find benchmark figures for all the sports, were you?

Mr Espeland—Some of them were new programs.

Senator LUNDY—The ones that are not new programs.

Mr Espeland—It depended on the sport. AFL had a pretty good idea how their Auskick program was going.

Senator LUNDY—A pretty good idea is not really a benchmark.

Mr Espeland—When I say 'a pretty good idea', we are talking about establishing what the baseline was.

Senator LUNDY—Do you have a list of all the benchmark figures for every single one of these programs on this list?

Mr Espeland—We can provide that, yes. It is either zero or it is the starting point where we joined up with the sport.

Senator LUNDY—So zero if it is a new program completely.

Mr Espeland—Yes.

Senator LUNDY—Or for something like Auskick there will be a number there for their participants.

Mr Espeland—Yes.

Senator LUNDY—Following the logic, can you tell me whether all of these programs continued for more than year—like Crickhit?

Mr Espeland—It indicates, as at 30 April, where they are in their three-year cycle.

Senator LUNDY—I am not talking about the three-year cycle. If a kid joins Crickhit for one year or joins at the event and participates for six weeks in Crickhit and then goes and does it again the next year, are there two new participants for the purposes of these lists?

Mr Espeland—No. You can see it in basketball. In year 2 it actually shows a net decrease. In other words, their figure was roughly 23,000.

Senator LUNDY—So you are prepared to guarantee that the numbers in these separate columns for year 1 and year 2 are actual membership increases—though I note that there are a substantial number that have not even met their first-year targets—and that there is no double-up and you can acquit this against the original benchmark in each year.

Mr Espeland—That is right. These are the figures provided by the sport, which we check. Then, as I say, when Ernst & Young come through, we ask them to tick whether—

Senator LUNDY—Can we see those reports from Ernst & Young? Can you provide them to the committee?

Mr Espeland—Certainly.

Senator LUNDY—Good. I will have a look at it myself. Can you advise the committee which of the programs each of the NSOs listed were operating in prior to the commencement of the program? Can you also provide a list showing what was already operating?

Mr Espeland—Certainly we can do that, yes.

Senator LUNDY—For example, in relation to the information on how participation is counted, is that all contained in the Ernst & Young report for each of these sports?

Mr Espeland—It gives the various concepts of the particular programs and indicates their baseline, what their target was and how well they have achieved against that target.

Senator LUNDY—So if it is on the basis of signing up members—and does it also give a description of what that means, like going along to an event?

Mr Espeland—Each program has a certain duration. It is not just a matter of going to one event.

Senator LUNDY—Sorry, events are weekly in sport, one would presume.

Mr Espeland—That is right. It will describe the concept: ‘This is a 10-week program involving this, this and this.’

Senator LUNDY—Are there some that are only 10 weeks long?

Mr Espeland—Some are 10 weeks long, yes.

Senator LUNDY—That is not improving participation. I thought they were supposed to get kids involved in perpetuity.

Mr Espeland—For example, we know—

Senator LUNDY—You are counting kids that do 10 weeks of stuff and then stop?

Mr Espeland—We know, for example, in Rugby League that, if we get a clinic going and there are 60 participants, the sport can tell us that 40 of those came through the Smaller Steps program. A lot of these programs are sub the normal club structure. This is building a participation bridge.

Senator LUNDY—But how do you track them through? Does Ernst & Young do that for you?

Mr Espeland—No. The Rugby League do. They have the capacity to do that. When they sign up—

Senator LUNDY—So in the first year—

Mr Espeland—When they sign up someone to their under-12 program, they will have an indication from that participant that they did or did not come through the Smaller Steps program.

Senator LUNDY—So if 40 kids sign up and half of them go on to play, your figures will show only 20, not 40.

Mr Espeland—No. This figure will show the number that participated in that program.

Senator LUNDY—But they do not go on to play. What if there is a 50 per cent drop-out rate?

Mr Espeland—This is a program to stimulate participation into the club sector.

Senator LUNDY—But they are not participating on an ongoing basis. How can the government claim that this is all about increasing participation if what it is about is increasing participation in a short-term sporting exercise for a period of a few weeks? There is a big difference. If that is the proposition, fine, but do not call it targeted sports or increasing sports participation for Australian children. Call it short-term program participation.

Mr Peters—I can explain the philosophy of the program if you would like. It is about young people participating in a number of activities and at a point in time making a choice about which one they prefer to do.

Senator LUNDY—So the same child could crop up in seven different categories in the same year and you would be double-dipping seven times over.

Senator Kemp—Hold on, Senator. Mr Chairman, this is quite important. Senator Lundy has disparaged this program. I want Mr Peters to explain it carefully.

Senator LUNDY—The figures stack up and justify that, I have to say.

Mr Peters—One of the issues challenging sport at the moment is how to get back into programs that introduce young people into physical activity, playing sport, so that at a point in time, hopefully, they decide they want to go on and play sport or a number of sports for life. These sports have been challenged to look at the programs they run at the moment, see whether there are different variations they can put in place and see whether that will generate more people initially in the sport, participating—

Senator LUNDY—That is not what this program is about.

Mr Peters—It cannot guarantee that in three or four years time every one of these people are still going to be playing that sport. We would certainly encourage that children experience more than one sport. We do not expect them to play rugby union all year; we would hope they would experiment in maybe three or four sports. The statistics are always a difficulty, particularly when we look at clubs and how clubs can trace individuals who may come and be with them for a month or six weeks as part of a season. In a lot of sports at the moment we are finding that the feedback they are getting from parents and children is that they do not want a six-month season. They would much prefer to have a two-month or three-month season where

their kids are introduced to different activities. When you introduce new programs, you look at new ways that may be successful in getting what we all want—kids to be more physically active and having fun.

Senator LUNDY—Thank you.

Mr Peters—If we are frightened to fail in a couple of programs, we are guilty of that, but we think overall this program has helped sport address a whole lot of new ways of introducing children to sport.

Senator LUNDY—That may be so, but the specific claim of this program is to introduce a number—an identified number. Remind me what the targeted number was at the start of the program. I can probably add up the total projected. It is a million kids. It was a million, wasn't it?

Mr Espeland—That was the target, yes. That is the target.

Senator LUNDY—I note here that the projected net membership increase over three years is 979,436, which is pretty close to a million. That is a very different proposition from what you are now describing—a series of short-term, try-out style sports where kids could be measured in two or three of these events. The number down at the bottom of the column says 'Total new participants'—339,000 in the projected year; I think the real figure in year 1 is 232,805—but you could be counting the same child three or four times. That is not what you are on about. That is not one million more children participating in sport. That is a program designed to dodgy up figures.

Senator Kemp—That is outrageous.

Senator LUNDY—It is not outrageous.

Senator Kemp—It is quite outrageous.

Senator LUNDY—You know exactly the point I am making.

Senator Kemp—It is quite outrageous. It is—

Senator LUNDY—To claim that this can deliver a million more children participating in sport is an absolute farce.

Senator Kemp—Before you start shouting at people, let us have an explanation from Mr Peters.

Mr Peters—Our target is to have a million extra participants in sport. That is what we are aiming for.

Senator LUNDY—Separate participants, individual participants, or can you double-dip? You can double-dip, can't you, the way these figures are compiled?

Senator Kemp—I know that you seem to be getting somewhat excitable, Senator, but I think we will let Mr Peters finish his explanation before you butt in.

Senator LUNDY—I thought he had.

Mr Peters—We ask the sports to provide the targets; we ask them how they initially establish those targets; and we ask them to notify us of incorrect participants. In some instances, you may be right. There may be someone that plays a summer sport and is included

in a baseball/softball statistic that also plays a winter sport. That is why we have Ernst and Young sit down with the sports and try to understand what has happened and what has not happened. There is still a considerable time to go for some of the sports in this program. As Mr Espeland said, there are some sports that would like to be involved in this program. Soccer has just started. They have tailored—

Senator LUNDY—You need them to flesh the numbers out, don't you? It has the highest junior participation of any sport in the country.

Senator Kemp—Mr Chairman, I would like Senator Lundy to keep quiet so that the witness can explain the answer to her question and most unfortunate allegation.

ACTING CHAIR (Senator Tchen)—I think that is very good advice.

Mr Peters—We talk about program membership—

Senator LUNDY—Sadly, I am the deputy chair.

Mr Peters—and that is what we are aiming for.

Senator LUNDY—Sorry. Please continue.

Mr Peters—We talk about program membership. That is what we are aiming for. There are sports that will automatically attract a number of participants—the bigger sports like AFL, rugby league and rugby union. There are smaller sports that will really struggle to get big numbers. We want to make sure that choice is available to young people and that they are introduced to those activities. We will continue to work on the one million participants in the program.

Senator LUNDY—Can you confirm that you will be able to double-dip in the annual figures if children participate in more than one program on the list?

Mr Peters—I can confirm that, if an individual plays sports in different seasons, that individual may well be included in those different sports statistics.

Senator LUNDY—Can you also take on notice to provide information—I presume it will be in the Ernst and Young report—about the duration of each of these individual programs and about whether or not the same child could be counted each year in the same program if it is run, say, in November to December each year. Again, the same child is just being counted every year in that increase. The way these figures are compiled, the three totals for each of the years are added together to come up with the million people figure in that projected target of membership increase. The other thing I would like to ask is this: given that you are struggling to reach the targets in the first year—or that is the way it looks—are you reviewing this program now in order to try to meet the target, if you can call it a target now given what we know about it, in order to make these numbers look better? What are you doing to fix it? You will not meet them on your current projections.

Mr Peters—We do not need to fix the program to make the numbers look better. This is a program where sports are looking at what initiatives they can put in place to attract more people to participate in and experience their sport. Every year, we sit down with each sport and review the program. The board asks us to consider whether we will continue their funding at the end of each year. We are constantly working with these sports and having the sports talk to each other about best practice. At the end of the day, this is about helping sports to attract

more people into physical activity and playing sport. The one million participants in the program is there; it is set in the policy. We will aim for it. Already there are enormous benefits coming out for some sports in the way they are able to work in the junior sport area. I would say that our assessment at the moment is that the program has been successful. We will continue to work with these sports to achieve the targets set.

ACTING CHAIR—Senator Lundy, it is approaching 11 o'clock. Will you have all your questions finished by then?

Senator LUNDY—That is absolutely my intention. We will see how we go. I have a general question about the way the outputs are expressed in the portfolio budget statements and the ASC budget papers. A number of changes to the outcome and output statements in these budget papers seem to be reductions in expectations or more generalised statements that make it difficult to measure achievements. Examples include changes to the quantities in nearly every item listed under activity 1.1. For example, under 'Quantity', in performance information in relation to output 1.1, last year it referred to 75 funded service level agreements jointly agreed by the ASC and funded NSOs. This year it says, 'All recognised NSOs where appropriate have executed agreements.' I will give another example. Last year it said 'Assist 10 of the smaller NSOs'. Now it says 'assist selected and smaller NSOs'—to support their administrative arrangements et cetera. It goes on. Last year it referred to five major partnerships with ATSIC et cetera; now it says 'major partnerships'. There seems to be a general watering down of the commitment—or perhaps you would say, putting a positive spin on it, allowing more flexibility. What I want from the minister is an undertaking that the full details of the performance of the Australian Sports Commission against the outcomes and outputs stated in the 2005-06 budget papers will in fact be made available in that quantity framework as it was previously expressed, to maintain the high level of accountability.

Senator Kemp—I will look at the question you have asked.

Senator LUNDY—I am happy for you to take it on notice and provide an explanation as to the purpose behind the changes.

Senator Kemp—Sure. We will provide that on notice.

Senator LUNDY—Also, is it possible to provide information on that activity.

Senator Kemp—We will see what can be provided.

Senator LUNDY—In the numerical way—numbers of programs.

Senator Kemp—We will see what can be provided.

Senator LUNDY—Thank you. Let me make the comment briefly that I would hope that it is not a sign that the Australian Sports Commission is going to further reduce the number of NSOs that it funds or further reduce the number of smaller sports that it supports through administration. Can you give a guarantee that you will not reduce the number of NSOs that the Sports Commission funds?

Senator Kemp—I will be receiving some advice from the Sports Commission shortly, and then we will see what has developed. The Sports Commission have to provide strategic advice on how funds can be best spent. I will be looking closely at what their advice is and at the decisions that are being made.

Senator LUNDY—I have a question with regard to the after hours school sports program. In answer to a question on notice, the annual salaries of the employees of the AASC—

Senator Kemp—The active after school hours program.

Senator LUNDY—I do not know if you have got it there, but I want to check the accuracy of this document. Something strange has happened in the actual salaries. It shows regional coordinators in one case earning over \$1 million, which I am sure cannot be right.

Senator Kemp—I think that means we would all apply for a job there.

Senator LUNDY—It has 15 regional coordinators in Victoria who, according to this, have an actual salary of \$1.5 million per year. I do not know what is going on there. Good job if you could land it.

Senator Kemp—That suggests—

Senator LUNDY—I think the totals at the bottom of the page come up all right, so I think it must be an error.

Senator Kemp—We will look at it to see if there is an issue of clarity there.

Senator LUNDY—Could you just provide an accurate salary table to the committee.

Senator Kemp—As you know, we always try to help.

Senator LUNDY—What is the take-up by NSOs like with respect to this program, how many have taken up the offer to be involved, and is that level lower than expected when the program was announced?

Mr Peters—The role of the NSOs in the program is to support the concept. They do not have a direct role in delivery on the ground. The direct role is through the schools and after-hours care centres. The response from the regional and club levels of sport has been fantastic. NSOs have in principle supported the concept. Some initially thought they may get all the money to deliver their sport within the school program, but that was never the concept. At the grassroots level where this has actually been implemented, and that is through the schools and the after-hours care centres, the response from sport has been fantastic, as it has been from the teachers and the community.

Senator LUNDY—Are you using students as sports trainers in this program?

Mr Peters—In some states high school students are being trained in coaching principles and are being linked in with the primary school kids. We would hope that is a model that is used more. It was successfully used a number of years ago in the Aussie Sport model. It is not the main delivery mechanism, but I know in some locations it is being done that way.

Senator LUNDY—Are there police checks on students who are involved?

Mr Peters—All deliverers are checked.

Senator LUNDY—I will place some questions on notice. The main issue is this: do you have any numbers for participation yet and, if so, can you provide them to the committee now or on notice?

Mr Peters—I do not have the exact figures, but we have launched the 20 pilots and we are just putting approximately another 900 schools on. We are doing surveys at the moment. I am

happy to supply that—and also indications of where the program is going. There has been a quite fantastic response from parents, kids and schools.

Senator LUNDY—I appreciate that, but I want to see numbers. So could you take on notice to provide any quantity figures you have. You do not have anything you are able to put on the table tonight?

Mr Peters—No.

Senator LUNDY—Do you have any participants yet?

Mr Peters—Yes, in the 20 pilots.

Senator LUNDY—About how many in each pilot?

Mr Peters—It could be 25 to 50 in each pilot. Some schools have 200 in.

Senator LUNDY—So it might be 400.

Mr Peters—It is varied.

Senator LUNDY—I will place some questions on notice about that. I am conscious of the time. Lastly, I would like to turn to the Indigenous Sport Program and ask what amount of funding for sport and recreation programs was transferred from ATSSIS to DCITA.

Mr Lyons—I understand that the amount that was originally transferred to DCITA in 2004-05 was \$5,554,000. The amount in the 2005-06 budget is \$11.7 million.

Senator LUNDY—Specifically what programs were transferred from ATSSIS to DCITA—the names of the actual programs?

Mr Lyons—The program has three elements. There is a regional component, which is allocated \$7.4 million, providing funding for organisations for local sport and recreation projects and increased participation of Indigenous people in sport and physical recreational activities. There is a multiregional component of \$1.8 million, providing funding to organisations for projects carried out in more than one region, including major carnivals and events up to a national level. And there is also a memorandum of understanding between DCITA and the ASC to the value of \$2.1 million for delivery of the Indigenous Sport Program, which supports a network of 28 Indigenous sport development officers in all states and territories except Queensland and provides financial support to elite Indigenous athletes.

Senator LUNDY—Have any of these programs been abolished or modified since being taken over by DCITA?

Mr Lyons—No, and they will be continued in 2005-06. The program will, however, be reviewed during this year—the review is expected to be completed by about September this year—to ensure that those programs are aligned with the government's whole-of-government approach to Indigenous funding and to make sure that it is delivering its outcomes.

Senator LUNDY—The AFLNT—Northern Territory AFL—has recently received confirmation from DCITA that their 2004-05 submission to ATSSIC for continued funding in support of AFL Kickstart has been rejected. Is that just a problem—

Mr Lyons—I will have to take that on notice.

Senator LUNDY—Is that just because it was targeted to ATSIC? It seems a bit strange. If they made that submission to ATSIC, it should have come to DCITA, and I understand that it has been rejected.

Mr Lyons—I will have to take that on notice.

Senator LUNDY—My information is that they are extremely concerned about that, because the AFL Auskick backpack was used as a major educational incentive to encourage school attendance as part of that program, so losing that program would have a substantial detrimental impact throughout the Northern Territory.

Mr Lyons—I am not aware of that.

Ms Williams—Which year was that for?

Senator LUNDY—My information is that it was for this current financial year—that they were rejected this current financial year. I am concerned that, in the transfer, their application was rejected, lost or not followed through by DCITA.

Ms Williams—We will check it, but we are in the middle of a round for 2005-06.

Senator LUNDY—This says it was rejected. Maybe it was last year.

Ms Williams—It could have been. We will check for you and get back.

Senator LUNDY—So there would be nothing stopping them from being eligible for the next financial year?

Ms Williams—Not that I know of, but we will get back to you.

Senator LUNDY—Could you make that quite urgent, because it sounds like something that is very important to that community. I will place the rest of my questions on notice.

ACTING CHAIR (Senator Tchen)—Thank you. I understand that Senator Carr indicated earlier that he has no further questions on the arts portfolio. Is that right, Senator Lundy?

Senator LUNDY—That is my understanding.

ACTING CHAIR—In that case, this completes the examination of the Communications, Information Technology and the Arts portfolio. On behalf of the committee, I thank the minister and officials for their attendance.

Committee adjourned at 11.02 pm