



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

ENVIRONMENT, RECREATION, COMMUNICATIONS
AND THE ARTS LEGISLATION COMMITTEE

Consideration of Estimates

WEDNESDAY, 10 JUNE 1998

CANBERRA

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SENATE

**ENVIRONMENT, RECREATION, COMMUNICATIONS AND THE ARTS
LEGISLATION COMMITTEE**

Wednesday, 10 June 1998

Members: Senator Patterson (*Chair*), Senator Schacht (*Deputy Chair*), Senators Allison, Eggleston, Lightfoot and Lundy

Substitute member: Senator Tierney

Senators in attendance: Senators Allison, Colston, Eggleston, Harradine, Lundy, Patterson and Schacht

Committee met at 9.09 a.m.

DEPARTMENT OF COMMUNICATIONS AND THE ARTS

Proposed expenditure, \$1,183,973,000 (Document A)

Proposed provision \$43,768,000 (Document B)

In Attendance

Senator Alston, Minister for Communications, the Information Economy and the Arts
Department of Communications and the Arts

Executive

Mr Neville Stevens, Secretary

Program 1—Arts and Heritage

Centenary of Federation

Mr James Barr, Head of Secretariat, National Council for the Centenary of Federation

Ms Sharon McAuliffe, Assistant Director, Corporate Management, National Council for the Centenary of Federation

Subprogram 1.1—Arts and Heritage Policy

Mr Les Neilson, Acting First Assistant Secretary, AHD

Mr Peter Young, Acting Assistant Secretary, Arts

Mr Kevin Wohlers, Acting Assistant Secretary, Cultural Heritage

Ms Jen Levy, Acting Assistant Secretary, Federation Task Group

Mr Rob Palfreyman, Acting Deputy Secretary

Mr Leonard Marsden, Director, Resource Management

Subprogram 1.2—National Archives of Australia

Mr Malcolm Wood, Assistant Director General

Mr Steve Stuckey, Assistant Director General

Subprogram 1.4—Australia Council

Mr Michael Lynch, General Manager

Ms Sarah Gardener

Mr Gabriel Chan

Mr Don Baxter

Subprogram 1.5—Australian National Maritime Museum

Ms Mary-Louise Williams, Acting Director

- Mr Quentin Howarth, Assistant Director, Corporate Services
- Ms Debra Bock, Manager, Finance
- Subprogram 1.6—National Gallery of Australia
 - Mr Brian Kennedy, Director
 - Mr Alan Froud, Deputy Director
 - Mr Keiron Roost, Head of Finance
- Subprogram 1.7—National Library of Australia
 - Mr Warren Horton, Director General
 - Mr Peter Hughes, FMS Project Team
- Subprogram 1.8—National Museum of Australia
 - Ms Dawn Casey, Executive Director, (Acting First Assistant Secretary) Construction Coordination Taskforce
 - Dr William Jonas, Director
 - Dr Darryl McIntyre, General Manager, Core Operations
- Subprogram 1.9—National Science and Technology Centre
 - Mr Chris Bee, Deputy Director
 - Mr Gary Bullivant, Business Manager
- Program 2—Film and Intellectual Property
- Subprogram 2.1—Film and Intellectual Property Policy
 - Dr Alan Stretton, First Assistant Secretary
 - Mr Alan Edwards, Acting Assistant Secretary, PBB
 - Ms Megan Morris, Assistant Secretary Film
 - Dr Kay Daniels, Assistant Secretary IPB
- Subprogram 2.2—Australian Film, Television and Radio School
 - Mr Rod Bishop, Director
 - Ms Susan Hissey, Accountant
- Subprogram 2.3—National Film and Sound Archive
 - Mr Ron Brent, Director
 - Ms Margaret Baird, Acting Senior Manager RMB
- Subprogram 2.4—Australian Film Finance Corporation
 - Ms Catriona Hughes, Chief Executive
 - Mr Michael Malouf, Financial Controller
 - Mr Michael Ward, Manager
- Subprogram 2.5—Film Australia
 - Ms Sharon Connolly, Chief Executive Officer
 - Ms Deborah Coombe, Head of Finance
- Subprogram 2.6—Australian Film Commission
 - Ms Catherine Robinson, Chief Executive
 - Ms Kim Ireland, Policy Adviser
 - Mr Ron Neale, Director, Finance and Systems

Program 3—Broadcasting, Online and Information Services

Subprogram 3.1—Broadcasting, Online and Information Policy

Dr Rod Badger, First Assistant Secretary (LBISD)

Dr Beverly Hart, Assistant Secretary (LBB)

Mr Michael Sutton, Assistant Secretary (RTIF)

Mr Colin Lyons, Assistant Secretary, (Telev Group)

Subprogram 3.2—National Transmission Agency

Mr Vic Jones, General Manager

Subprogram 3.3—Australian Broadcasting Corporation

Mr Brian Johns, Managing Director

Mr Colin Knowles, Head, Technology

Ms Sue Howard, Head, Regional Services

Ms Clair Henderson, Acting General Manager, Network Television

Ms Liz Jakubowski

Mr Russell Balding, Head, Finance and Business Services

Subprogram 3.4—Special Broadcasting Service

Mr Nigel Milan, Managing Director

Mr Peter Cavanagh, Head of Television

Ms Maureen Crowe, Head, Resources

Mr Chris Sharp, Policy Manager

Subprogram 3.5—Australian Broadcasting Authority

Mr Gareth Grainger, Deputy Chairman

Mr Giles Tanner, General Manager

Subprogram 3.6—National Office for the Information Economy

Mr Brian Stewart, General Manager, Legal and Regulatory Framework

Mr Arthur Blewitt, General Manager, Corporate and Government

Mr Tim Field, General Manager, Government Services

Mr Tom Dale, General Manager, International

Program 4—Communications

Subprogram 4.1—Telecommunications and Postal Policy

Ms Faye Holthuyzen, First Assistant Secretary, Telecommunications Industry Division

Mr Chris Cheah, Assistant Secretary, Competition Consumer Branch

Mr Richard Thwaites, Assistant Secretary, Trade and Development Branch

Mr John Neil, Assistant Secretary, Enterprise and Radiocommunications Branch

Subprogram 4.2—Australia Post Corporation

Mr Gerry Ryan, Corporate Secretary

Mr Maurice Castro, Group Manager, Strategic Planning

Mr John Power, Group Manager, Letter

Mr Jim Marshall, Group Manager, National Operations

Subprogram 4.3—Telstra Corporation Limited

Mr Graeme Ward, Group Director, Regulatory and External Affairs

Mr John Stanhope, Director, Finance

Mr John Losco, Managing Director, Business and Government Sales

Mr Peter Frueh, Managing Director, Business Development, Products and Marketing

Mr Geoff Barkla, Director, Industrial Relations

Mr Lawrence Paratz, Executive General Manager, Network and IT Infrastructure

Ms Deena Schiff, Director, Regulatory

Mr Andrew Day, Managing Director, Commercial and Consumer Sales

Mr Tony Bundrock, General Manager, Customer Strategy, Business and International

Subprogram 4.4—Australian Communications Authority

Dr Bob Horton, Deputy Chairman

Ms Esther Alter, Member

Mr Roger Smith, Senior Executive Manager, Planning and Standards Group

Mr Geoff Luther, Executive Manager, Marketing Group

Mr John Haydon, Executive Manager, Telecommunications Licensing Group

Ms Roslyn Kelleher, Executive Manager, Consumer Affairs Group

Mr John Grant, Executive Manager, Corporate Management Group

Mr Jeremy Chandler, Manager, Finance

Department of Finance—

Ms Kelly Ralston

CHAIR—I declare open this public hearing of the Senate Environment, Recreation, Communications and the Arts Legislation Committee considering the budget estimates in respect of the year ending 30 June 1999. On 14 May 1998 the following documents were referred to legislation committees for examination and report: *Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 1999*; *Particulars of proposed expenditure for services for the year ending on 30 June 1999*; and *Particulars of certain proposed expenditure in respect of the year ending on 30 June 1999*. Following the hearings, the committee will prepare its report for the Senate to be tabled on 23 June 1998.

Unless otherwise stated, responses to questions placed on notice at the hearing today and tomorrow can be sent to the committee secretariat until close of business on Friday, 17 July 1998.

I remind colleagues that the Finance and Public Administration Legislation Committee is continuing its inquiry into the format of the *Portfolio budget statements* and the *Portfolio additional estimates statements*. As we go through the documents, you may wish to put on the *Hansard* record any comments about the format or contents of these documents.

I welcome the minister—Senator the Hon. Richard Alston—and officers from the Communications, the Information Economy and the Arts portfolio. Departmental officers will not be asked to comment on the reasons for policy decisions or advice they may have tended in formulation of policy or to express a personal opinion on matters of policy.

I wish to indicate that the committee had a private meeting yesterday and appointed Senator Eggleston Acting Chairman for a couple of hours because I have a responsibility to chair

another meeting. He will be chairing the committee hearing until I return. I would like to thank him and hand the chair over to him.

Program 1—Arts and heritage

Subprogram 1.4—Australia Council

Senator SCHACHT—First of all, I have a couple of questions which I will read out—but you may wish to take them on notice. Does the agency have any public relations or promotional campaigns under preparation or currently under way? If so, for which program or policy? What is the timing of the campaign start and finish; the cost of the campaign; the source of funding; from whom was the request for the campaign—for example, was it from the minister, the government or anyone else; names and costs of consultants; ministerial involvement in timing and content; tendering for consultants and advertising agencies; and whether or not the campaign was arranged through OGIA?

Does the agency own or lease any property with vacant space? If so, what is the location of the building and the vacant lettable space; the cost per square metre of that space; the contract terms; and what attempts have been made to sublet or make alternative arrangements or renegotiate? Those are points which you can take on notice, if you wish, you can give me any information you have at the moment and partly take it on notice.

Mr Lynch—The answer to the second question, I think, is just no, we do not.

Senator SCHACHT—You do not have any vacant space?

Mr Lynch—We do not have any vacant space. With regard to the first question, there are a number of campaigns that we are running at any one point in time. The only one that I am aware of that I can give an answer on at this stage is the 30th anniversary of the council, which takes place on 8 July this year. It will involve a range of activities throughout the balance of 1998. Those plans have not yet been made public but we will certainly be doing that. I would certainly need to consult with my officers with regard to the other questions.

Senator SCHACHT—Thank you. A report appeared in yesterday's newspapers saying: Australia's leading performing arts companies face extreme financial vulnerability and have run at an aggregate loss each year since 1992, according to a landmark study. . . 'The seriousness of the situation should not be underestimated,' said the Australia Council report, released yesterday.

Do you have a copy of that report available for the estimates committee?

Mr Lynch—The report is in draft stage, but I do not think that there is any objection to—

Senator SCHACHT—But the report said it has been released; is it just a draft?

Mr Lynch—Yes, it was released yesterday to the companies and to the states on Friday—so I would have no hesitation in providing it to the committee.

Senator SCHACHT—Okay, thank you. Do you have a copy here today?

Mr Lynch—Yes, I think we do have a copy here.

Senator SCHACHT—How many pages is it? The secretariat might be able to photocopy it.

Mr Lynch—It is a substantial report running to 33 pages.

Senator SCHACHT—Mr Acting Chair, perhaps Mr Lynch would not mind providing that report to the secretariat during the morning so enough copies could be run off for the four members of the committee—to start off with.

ACTING CHAIR (Senator Eggleston)—I am sure they could do that.

Senator SCHACHT—Thank you very much, Mr Lynch. The newspaper report said:

Twenty companies recorded cumulative losses of \$12.3 million from 1992 to 1997 and in four of those years most of the 20 recorded a deficit.

I presume the report lists those 20 companies, does it?

Mr Lynch—Yes, it does.

Senator SCHACHT—The report continued:

Last Friday, representatives of the MOF—

which I presume is the Major Organisations Fund—

Mr Lynch—Yes.

Senator SCHACHT—It continued:

. . . symphony orchestras, opera companies, federal Arts Minister Richard Alston . . . State funding bodies and the Australia Council met to discuss the report.

Is that correct?

Mr Lynch—That is right.

Senator SCHACHT—What was the outcome of the discussion?

Mr Lynch—A representative of Richard Alston was there, not Richard Alston.

Senator SCHACHT—So the arts tsar of Australia, Mr Neville Stevens, was representing the minister?

Mr Stevens—No, I think it was probably Mr Palfreyman on this occasion.

Senator SCHACHT—My God! Mr Palfreyman—a well-known arts and cultural devotee, as I understand is Mr Stevens.

Mr Stevens—I am informed that I inadvertently misled you. It was Mr Neilson who represented the department at that meeting.

Senator SCHACHT—I would have thought that you would have been absolutely enthusiastic to attend such a meeting, Mr Stevens, knowing your full interest in all matters cultural, your tastes, et cetera.

Mr Stevens—It is not a question of that; it was a question of competing priorities.

Senator SCHACHT—So a meeting of some interdepartmental committee on dealing with access regimes for mobile phones from space took priority over this issue.

Mr Stevens—I have read the report with some interest; the issue is of some interest to us.

Senator SCHACHT—Is Mr Neilson present?

Mr Stevens—Yes.

Senator SCHACHT—Mr Neilson and Mr Lynch, can you both outline to us the outcome of the discussion about the financial weakness of so many companies?

Mr Lynch—There is no outcome from the discussions. The process has been going on for some time; it was partly dealt with through the Cultural Ministers Council and the work they have been doing on looking at the MOF companies. This was a report that the Australia Council has been working on for the past six months in looking at some of the issues and the pressures on those companies.

The intention of this meeting was to bring together the federal and the state funding bodies and the companies at their board level and at their executive and artistic director levels to address some of the issues, to get feedback from the companies and the states in regard to the report. A working party of organisations and state funding bodies has been set up to look at some of the other issues, particularly the relationship to venues, to look at issues in regard to funding and to look at issues in regard to the range of the competing demands now on those companies. It is an ongoing project.

Senator SCHACHT—Mr Neilson, did you on behalf of the minister explain how the Australia Council will be able to help these companies with their financial situation when funding in the budget outlays for the next four years, including this year, for the Australia Council declines from \$71.8 million to \$63.9 million in the year 2001-02?

Mr Neilson—If I focus on the last part of your question, the decline in the forward estimates is related to the cessation of a number of programs that had a finite life in Arts for Arts Sake.

Senator SCHACHT—Can you give me a list of those arts programs that have had a finite life and that are going to come to an end in the next four years? You might have to take it on notice.

Mr Stevens—A finite life does not mean they will not be renewed by the government; it simply means that the forward estimate cover is not available at this point in time.

Senator SCHACHT—So the forward estimates are meaningless, Mr Stevens?

Mr Stevens—I am not saying that at all; I am simply saying that the forward estimates reflect the government decisions of the day. There will obviously still need to be consideration at the appropriate time as to whether those programs may or may not be renewed—as happens in a range of programs.

Senator SCHACHT—Are any of those programs that have a finite life, that run out and have not yet been renewed by a policy decision of the government either directly or indirectly providing funds to these various performing companies?

Mr Lynch—The four programs are the contemporary music export fund, the regional arts fund, the major festivals fund and the emerging artists fund. The only program that is related to the major organisations that were the subject of the report and of the meeting on Friday is the major festivals fund. A number of the major organisations have received funds from the major festivals fund.

Senator SCHACHT—When does the major festivals fund—

Mr Lynch—I am sorry, there also have been some grants given to those companies under the emerging artists fund.

Senator SCHACHT—What are the totals that both of those funds have provided to the companies?

Mr Lynch—I would have to take that on notice.

Senator SCHACHT—Do you know, Mr Neilson?

Mr Neilson—No, the Australia Council is responsible for the allocation of those moneys.

Senator SCHACHT—They are separate funds, they are separate programs which have a finite life, but when the amount of money for those funds is provided to your council there is no indication given as to how much of that would go to the major companies—that is up to the council to decide. Is that correct?

Mr Lynch—They exist alongside the other programs of council. They are programs in regard to the major festivals and the emerging artists funds. They are subject to agreements between a range of companies. We would need to break down what has actually been given out to those companies.

Senator SCHACHT—Obviously, by definition, when emerging artists funding goes to a symphony orchestra or something like that, it is to be used for ‘encouraging and employing emerging artists’. Is that correct?

Mr Lynch—That is correct.

Senator SCHACHT—That is the definition, but you, in conjunction with the symphony orchestra, pick which emerging artists get it.

Mr Lynch—Yes, we make the decisions in consultation with the artform funds.

Senator SCHACHT—So you cannot give me at the moment how many millions of dollars or hundreds of thousands of dollars in total are available to these?

Mr Lynch—They are not the significant funders of the major organisations companies.

Senator SCHACHT—Is it a million? Between both?

Mr Lynch—Off the top of my head, the Black Swan company and the Company B Belvoir company were given \$200,000 for the production of *Cloudstreet* from the major festivals fund, and the Meryl Tankard dance theatre was given \$70,000 from the major festivals fund. I think they are the most significant ones. In regard to the emerging artists fund, there were grants to the Western Australian Ballet and to Musica Viva for supporting individual activities by those companies with emerging artists, and those would amount to only about \$25,000.

Senator SCHACHT—Which company was the one with the \$200,000 for a production?

Mr Lynch—Black Swan Theatre Company in Western Australia and Company B Belvoir in Sydney.

Senator SCHACHT—If they do not get another equivalent amount to \$200,000 next year—or whenever it is—their ability to put on productions will be proportionately reduced?

Mr Lynch—The programs were limited to three years. The final year is 1998-99. We were obviously pursuing the idea of the extension of those programs, particularly in regard to that major festivals fund. We see it as a major way of supporting new Australian work and the possibility of Australian work that may ultimately be able to go overseas.

Senator SCHACHT—I may return to this in a moment, but you have taken it on notice to give me the breakdown of that funding. Mr Neilson, you just reiterate that you had an interesting discussion but there was no outcome from the discussion last Friday?

Mr Neilson—There was certainly an outcome in the sense that the Australia Council and the companies and the states and us are going to take the matter forward in the sense—

Senator SCHACHT—Forward to where?

Mr Lynch—The basis of the report is to look at the ongoing stability of the performing arts sector across Australia. We were looking at a range of pressures that had built up certainly over the last five years, looking at things that we might be able to do in concert with the companies in looking at the relationship between the various levels of government.

Senator SCHACHT—So, in Mr Neilson’s point, in going forward you identified a number of things that could be done?

Mr Lynch—Yes, there are a number of things.

Senator SCHACHT—Is that available to the committee?

Mr Lynch—We have asked the companies to provide direct feedback over the next two weeks to the draft report.

Senator SCHACHT—Does the draft report make recommendations?

Mr Lynch—The draft report proposes some issues to be investigated. We have got a copy of it for you to look at, and I think it has been given to the secretary.

Senator SCHACHT—To be photocopied. As I have just got it, it is a bit hard to ask you questions while trying to read it at the same time.

Mr Lynch—I understand that. I refer you to page 22 onwards of the report. We look at options that we have proposed. We are now looking for a response from the companies and from the other funding bodies to a range of issues that have come out of the report.

ACTING CHAIR—Senator Allison is looking for a copy of the report.

Senator SCHACHT—Who?

ACTING CHAIR—Senator Allison.

Senator SCHACHT—Sorry. Were they run off?

Mr Lynch—I have just given you the one copy.

Senator SCHACHT—That is the problem. Other members want to look at it as well.

ACTING CHAIR—Could we borrow Senator Schacht's copy?

Senator SCHACHT—I will give it back to you. They can go and photocopy it.

ACTING CHAIR—You might like to pursue another line of questioning.

Senator SCHACHT—Yes, until that comes back. But any of those recommendations or suggestions include—I did not have a chance to read all the four pages in 32 seconds—requests to state and federal governments for increased funding?

Mr Lynch—They do highlight the fact that funding to these companies has been static over the last five years and that there is an issue for both state and federal governments to address.

Senator SCHACHT—Does it identify whether any state or federal government had actually reduced funding?

Mr Lynch—It does. In a couple of states there are reductions that have taken place.

Senator SCHACHT—Which states have been cultural barbarians and reduced their funding?

Mr Lynch—I may have to take that on notice or come back to that after resorting to my notes.

Senator SCHACHT—The funding from the federal government has been static over this period?

Mr Lynch—Yes.

Senator SCHACHT—So, although there have been the normal increased costs, even though we have low inflation in Australia, there has not been an increase to account for even that from the federal government budget?

Mr Lynch—That is correct.

Senator SCHACHT—So, in real terms, there has been a slow decline in the funding to the major organisations?

Mr Lynch—Yes, that is right.

Senator SCHACHT—Minister, I understand you were in Singapore last week, so you were not able to represent yourself at this discussion that took place. Does the government take any note of this report which identifies the financial difficulties more and more companies are finding themselves in?

Senator Alston—I think it is a very valuable report. It certainly spells out a number of the factors that are impinging on the activities of the major organisations, a number of which are essentially beyond their control—globalisation, the increasing tendency of international acts to come here and compete, the extent to which companies that have traditionally operated in their own squares are finding that they are competing directly with other artforms. There is a lot there that is food for thought and it certainly does not suggest that there is any one single solution.

It does, for example, explore the possibility of more infrastructure sharing between companies and, certainly in the last few years, the whole purpose of the Major Organisations Fund has been to enable the companies to see whether they can cooperate more effectively in exploring sponsorship opportunities, making sure that they have their business plans well articulated and properly tested. It seems to us that there is certainly a case to be made that, probably going back more than five years, there has been quite a significant change in the overall environment which does make life difficult.

From memory, I do not think it says that this is principally a function of lack of government funding; it is simply pointing out that in many respects there are pressures to which the companies respond. They will not necessarily be solved by additional funding, particularly if it is just a general purpose grant. There needs to be a lot more attention given to the structural difficulties.

Senator SCHACHT—Mr Lynch, does the report identify declining audiences across the board for these organisations?

Mr Lynch—One of the disturbing aspects is the inability of companies, particularly those outside Sydney and Melbourne, to grow their audiences.

Senator SCHACHT—Not ‘grow’. To start off with: are they audiences—

Mr Lynch—In some parts of the country they are declining. There is some detailed information—

Senator SCHACHT—Does that identify why they are declining?

Mr Lynch—There are the issues that Senator Alston has just raised. There are no significant contributing factors.

Senator SCHACHT—Competition?

Mr Lynch—Competition from other forms of entertainment is obviously a major issue, but there is also the issue of globalisation.

Senator SCHACHT—The reason the ones based in Sydney and Melbourne are better off is that the marketplace is bigger; there are just more people to draw from. Is that the argument?

Senator Alston—One of the things they point to is, for example, the unintended consequence of touring exhibitions. We inherited that from you. We expanded it to some extent—we thought quite sensibly. They make the point that, in themselves, these are very positive initiatives. We included an intrastate touring component. But the end result is that places in regional Australia that did not otherwise have access to high quality works or, if you like, the best available on a national basis and were therefore content to patronise the local

version suddenly found that they were getting high quality groups coming into town from Sydney and Melbourne. Naturally enough, that can lead people to say, 'Well, we've just seen the best. Why should we go to the local?'

Senator SCHACHT—When you say 'regionally', does that also include the smaller state capitals vis-a-vis Sydney and Melbourne?

Mr Lynch—In terms of the touring question?

Senator SCHACHT—I do not know how often the Australian Opera or the Australian Ballet, et cetera go to Adelaide, go to Perth, go to Brisbane—

Senator Alston—Oz opera, for example, is now making a major push to travel around all the capital cities and a number of the major regional centres.

Senator SCHACHT—Does this mean, for example, that in my own state of Adelaide, the Australian Opera, by now touring more to Adelaide—if it is the case that they are—is putting more pressure on the State Opera of South Australia to survive?

Senator Alston—To the extent that they do, it would. I am not sure that the Australian Opera has recently gone to Adelaide, but the point is valid, I think.

Mr Lynch—I think competition, whether it comes through the touring program, through festivals or through a range of other work, is creating much greater competition, particularly outside the Sydney-Melbourne markets. So there is some real pressure in those other states.

Senator Alston—And impresarios are bringing in these major international spectaculars, which can mean that people do not see as much of the local works as they used to.

Senator SCHACHT—But is it mainly in the area of opera and ballet that impresarios are bringing in international events, et cetera?

Mr Lynch—It think it operates across the music, theatre, dance, opera and ballet areas.

Senator SCHACHT—Are you saying that in theatre it is things like *Phantom of the Opera* which have an impact?

Mr Lynch—That is right, yes.

Senator SCHACHT—But impresarios have been bringing in those sorts of events for decades, haven't they?

Mr Lynch—Yes.

Senator Alston—But a lot of the festivals are beefed up. The Melbourne International Festival has gone up a couple of rungs in recent years. Sydney, if I may say so, has made some fairly significant changes in recent years. There is a lot more pressure from bringing in international acts. The Adelaide Festival has, I think, been very successful over a long time, but again they are bringing in a number of international performers.

Mr Lynch—The report actually outlines that there has been a nine per cent increase in the level of both state and federal government support for festivals when all the other areas are either static or declining. So the festivals are posing one significant level of competition to companies existing in each of the state capitals.

Senator SCHACHT—I now have the full report in front of me, Mr Lynch. Going back to pages 23 to 25 where you have the list of things that could be done, many of them are directed to the companies themselves. 'The way forward,' to use Mr Neilson's remarks: who handles implementation? You have got two weeks for these suggestions to be responded to by the

companies, subject to the companies accepting some of them or most of them. What then happens? Who is in charge of driving the program on?

Mr Lynch—We fund the 17 major organisations companies, but we had broadened it out beyond the major organisations companies for this meeting and for the distribution of the report. That group included the opera, the state opera companies and the six symphony orchestras which are either funded directly by state governments or through the Department of Communications and the Arts. So, from our point of view, we will be looking at—

Senator SCHACHT—So you can say to the companies that you fund, ‘These are the suggestions we make. We want a decent response from you as to how you’re going to adopt them and put them into place, and if you don’t respond positively to these suggestions’—and I do not blame you for saying this implied threat, I have to say—‘you may actually lose more funding.’ I have to say that I am not saying that in a critical way.

Mr Lynch—We look at this as a constructive way rather than as a punitive way.

Senator SCHACHT—Of course, but in the end in being constructive it is always useful that they know that, in the back of the cupboard, there is a bit of stick that you can pull out, which in this case is the funding.

Mr Lynch—We are coming to the end of the first three-year agreements with the MOF companies, and part of the agenda for the meeting was to advise the companies as to how we would be renegotiating those agreements over the balance of this year. On the basis of council having received its training or funding agreement from government, we would then be in a position to enter into new training or funding agreements with the major organisations companies. That will take place over the next three or four months. We look at the relationship between the companies as being a positive relationship.

Senator SCHACHT—I am not decrying that. So it will be the council rather than DOCA that will drive the consultation process to make sure that these issues are taken up and are addressed constructively?

Mr Lynch—We see a genuine response from all of the groups. It runs parallel to activities that have already taken place within the Cultural Ministers Council.

Senator SCHACHT—Who is going to drive it? Will only you be driving it?

Mr Lynch—We will be driving it in regard to the outcomes of the MOF report.

Senator SCHACHT—Minister, what role will DOCA have? Presumably, Mr Neilson will be in various discussions to oversee, from your point of view, that the report is being implemented?

Senator Alston—We will obviously take a very close interest in the outcome. We will be having discussions with the Australia Council as well. I have already had discussions with Dr Nugent about it.

Senator SCHACHT—You have had discussions yourself directly with the chair of the Australia Council?

Senator Alston—With the chair of the major organisations funding it.

Senator SCHACHT—Apart from what the Australia Council provides, is there any direct funding from the government to any of the major organisations?

Mr Stevens—There is the Australian Opera of course.

Senator SCHACHT—Yes. I have not had a chance to read this report. Is Australian Opera one of the companies that is under some stress financially?

Senator Alston—They lost two-and-a-half million last year.

Senator SCHACHT—I have not had a chance to read the report. Is it covered in the report, Mr Lynch?

Mr Lynch—Yes. We are looking at it up to end of the calendar year 1997.

Senator SCHACHT—Even though you do not fund the Australian Opera because it gets its own, direct one-line budget allocation, does that mean that it is a matter for DOCA to have discussions with Australian Opera if they are taking up the report?

Senator Alston—Yes, I think that is right.

Mr Lynch—Yes.

Senator SCHACHT—Who in DOCA is in charge of that—Mr Neilson?

Mr Neilson—Yes.

Senator SCHACHT—I see. Assisted considerably by Mr Stevens?

Mr Stevens—Yes.

Senator Alston—He gets the tea!

Senator SCHACHT—Is Australian Opera the only one that gets direct funding—the only one with a one-line budget allocation?

Mr Lynch—The symphony orchestras receive funding through Symphony Australia.

Senator SCHACHT—I presume a number of symphonies, particularly in the smaller states, have probably got some stress as well. Mr Neilson, is that correct?

Mr Neilson—I am not concerned with the funding of the symphonies.

Senator Alston—I have just recently launched a couple of them as they have corporatised. I think the last thing on their minds is that they are under funding pressures; they are really celebrating the fact that they have got their freedom at last.

Senator SCHACHT—You would always say that anyway. You would say that is because they get freedom from the ABC, I suppose.

Senator Alston—I think there have been a number of reports that have recommended that over the years.

Senator SCHACHT—There have been two. Before I move on to something else, I just want to know if other senators have questions in this area because I want to move on to some other area.

Senator ALLISON—I do not have any, except to make the comment that it would have been interesting if we had had this document a little earlier. I note that Victoria has an extraordinarily low level of spending on the arts compared with the other states.

Senator SCHACHT—It is all going into the casino, I think.

Senator Alston—Mr Kennett would be very quick to point out to you that over the last six years he has spent close to \$1 billion, largely on capital works.

Senator SCHACHT—For the casino?

Senator Alston—No. It is from a variety of sources. That is one source.

Senator SCHACHT—But on the casino, not from it.

Senator Alston—No, not on it.

Senator ALLISON—I am talking about state government here, Minister. I am not going to be challenging the federal figures, you will be pleased to know.

Senator Alston—I am just pointing out that the state government's funding has been in large measure directed to capital rather than recurrent funding for organisations.

Senator ALLISON—Yes. My question to Mr Lynch was going to be: are those differences in funding base levels reflected in attendances? What is the significance of those very different levels of spending?

Mr Lynch—Which section is that?

Senator ALLISON—I am looking at page 11: 'Major Performing Arts Companies—State Government-based grant', exhibit 4.

Senator SCHACHT—Victoria certainly comes last.

Senator ALLISON—If that table were rejigged to be per capita, that would be even more extraordinary.

Mr Lynch—I would not particularly wish to comment on breaking up the figures and what the consequences of that are.

Senator ALLISON—I note that you have got tables of attendances per state and so on. I have not had time to look and see how they compare. It is just a useful piece of data to examine to see whether that has had any effect.

Mr Lynch—There has obviously been some stress in Victoria for a range of companies. That has been public knowledge for some time. It also means the demise of the State Opera of Victoria, which is no longer there as a purely Victorian company.

Senator SCHACHT—Hang on! When was the demise of the State Opera in Victoria?

Mr Lynch—Two years ago.

Senator SCHACHT—This figure goes back to 1992-93, long before its demise.

Mr Lynch—Sorry, the end of 1996.

Senator SCHACHT—These figures show Victoria back in 1992, 1993, 1994 and 1995 being below every other state. I notice that Tasmania does not even get on the graph. You haven't forgotten the island, have you?

Mr Lynch—There are no major performing arts companies there with the exception of the Tasmanian Symphony. These are the MOF companies that we are talking about.

Senator ALLISON—I would invite you to expand on this table.

Mr Lynch—Certainly I can provide that information in terms of the background. I do not wish to make the analysis from this seat at this moment. I am quite happy to provide that to senators.

Senator ALLISON—I will read this report and, if any questions arise from that, I might put them on notice.

Senator SCHACHT—Acting Chair, because members of the committee have not had a chance to read the report—we have just received it today—if we have got further questions on notice out of the report, can we have an opportunity to lodge them by, say, the close of business on Friday?

ACTING CHAIR—I would have thought so.

Senator SCHACHT—That would give us reasonable time to read the report.

Senator SCHACHT—Can I now go back to the program itself. You had better take this on notice, Mr Lynch. Could you give the committee a breakdown of the council's \$71.8 million expected outlays for 1997-98, including a separation between running costs and one-off outlays for the financial year as well as identifying administration costs?

Mr Lynch—Yes, we will take that on notice.

Senator SCHACHT—Could you explain the \$429,000 savings from the Australian artists creative fellowships as identified in table 4.14 on page 48 of the PBS?

Mr Lynch—The program was abolished in the budget in 1996 but the commitments to the existing fellowship holders were maintained. The final commitments run out in 1998-99.

Senator SCHACHT—So it will end in this coming financial year.

Mr Lynch—It ends this coming financial year. There is \$297,000 to be expended in 1998-99 and one fellowship to be expended in 1999-2000.

Senator SCHACHT—The government has ended this program; what did they institute in its place, that you are aware of?

Mr Lynch—Some new programs came in. The emerging artists program was one of the programs that replaced the Australian artists creative fellowships.

Senator SCHACHT—Do you administer the emerging artists program?

Mr Lynch—We do.

Senator SCHACHT—And how much is that for 1998-99? This document I have in front of me does not mention it at all.

Mr Lynch—It is a three-year program; it is \$1.5 million in the 1998-99 financial year.

Senator SCHACHT—Could you provide us with a list of those people who have received emerging artists grants for the year just ending, 1997-98?

Mr Lynch—Yes, we can.

Senator SCHACHT—If I ask any questions that have been asked at a hearing earlier this year or late last year please point it out to me. Would you be able to provide a list of those expected to receive the grants for 1998-99?

Mr Lynch—Not at this point. Those decisions will be made over the balance of this year.

Senator SCHACHT—Do any of the grants flow across one year into the next?

Mr Lynch—No. We assisted 26 individuals and 43 groups under the emerging artists program in 1997-98. We will be able to provide a report on that and the information will be incorporated in our annual report for 1997-98.

Senator SCHACHT—How much per annum was the Australian artists creative fellowship fund running at at its height? What was the expenditure on the fellowships before the program was wound down?

Mr Lynch—It was \$1.7 million per annum.

Senator SCHACHT—Emerging artists are getting about \$1.5 million.

Mr Lynch—Yes.

Senator SCHACHT—Minister, you announced that the emerging artists grants would replace the creative fellowships. In a sense you have also cut \$200,000.

Senator Alston—There are a lot more people and organisations, particularly deserving ones, getting money under our approach than under the Keatings where simply a few high profile and relatively well-off individuals got fellowships. That is the essential difference.

Senator SCHACHT—Who was well off?

Senator Alston—John Olsen, Reg Livermore, Don Burrows—

Senator SCHACHT—I also saw plenty of examples where some of the people who got them were not exactly rolling around in it, or what you in the Liberal Party would accept as well heeled.

Senator Alston—Tozer could have almost been a millionaire on the strength of two separate grants. If you combined the two Tozer grants you came close to \$600,000 or \$700,000 or even a \$1 million.

Senator SCHACHT—Over how many years?

Senator Alston—Over about a six-year period.

Senator SCHACHT—Minister, you say you are giving money to more people; they get it for one year as emerging artists. The funding in the area overall as a result of one program being replaced by another has been reduced. You might say it is only \$200,000, but it is still \$200,000.

Senator Alston—There are other programs—the contemporary music export fund and the expansion of the touring programs, including festival Australia. You cannot just look at replacing one program with another; we replaced a number of programs with a number of other programs.

Senator SCHACHT—That is just an excuse to cover the fact that you have actually reduced some funding.

Senator Alston—No. Basically we did not like the idea of handing out money to a few high profile and often relatively well-off individuals so we scrapped that. Instead of it we do a number of things across the board. The emerging artists fund is one of them—it was not necessarily designed to be a straight replacement because we did not like that concept.

Senator SCHACHT—Mr Lynch, this coming year the emerging artists fund will have been going for two years.

Mr Lynch—The final year is 1998-99.

Senator SCHACHT—So people will be coming up now who have had a year's funding—their funding is ended. Do we have any assessment that, after their funding is ended, their economic circumstances have improved and that they are now in a better position to earn income in the commercial world?

Mr Lynch—Obviously it has had some impact. As an occupational group, artists are the least well paid people across the country. I cannot say whether that is going to change on the basis of that program.

Senator SCHACHT—The program runs out at the end of next year and then it is up for government consideration to be renewed. Will there be an independent evaluation of the program to see whether the funding given to these emerging artists has led them to go on to bigger, better and brighter things in terms of their performance, capability and earning capacity once the funding is stopped? Do they just go back to being dirt poor or has the funding meant that their income has actually got better?

Senator Alston—Can I answer that, because it is almost a quasi-philosophical debate. The Keatings were essentially handouts to people who were in mid or even late career. Don Burrows was 70-odd. They were well-established people and, on our judgment, they did not really need the money. We thought it made sense for the government to give money where it makes a difference. If you give it to emerging artists—people who are young and coming through the system; although Emily was a classic example of someone in late life emerging as an artist of renown—you cannot ask after 12 months if the person has made a big leap forward. It is seed funding. It may or may not result in a better quality output, but you are essentially taking a risk in the hope that you are backing a winner rather than simply handing over what we thought were very large amounts of money to people who did not need it.

Senator SCHACHT—You say a year is too early; that is fine. Has the program got three years to run?

Mr Lynch—The program has run for two years and we are now going into the final year of the program.

Senator SCHACHT—Normally, under the budget process, the central agencies—Finance at the very least—would ask, if you were putting up a bid to continue the program, what evaluation has been taken of the program and whether it has achieved its objectives. Even after three years you will have to put some information forward. Will that include an idea of where people ended up, what advantages they got out of the year's income and whether they have gone on to bigger, better and brighter things? I would think that would include, first, their performance ability—whether the quality has gone up and everyone is clapping louder—and, second, whether they are now being hired to perform, whether they are earning more money out of the private sector and, therefore, whether they are financially better off.

Senator Alston—My understanding is that the bulk of the funds has not gone to individuals in any event. It has gone to organisations to provide raw materials, performance spaces and inputs, which would make it inherently more difficult. But you are right to say that, when we are seeking an extension or an expansion, we will have to make a case and that will involve an assessment of how effective the program has been.

Senator SCHACHT—Mr Lynch, the minister has said that the money goes in bulk to groups and organisations. Do you have some say as to whether the money is allocated to buy materials that assist artists or whether it goes as income to artists?

Mr Lynch—It is not going as income to artists. They are competitive projects. We are looking at work that is being exhibited or recorded. The artists are developing either profile exposure or expertise. We are about to report back to the minister on the first two years of the program, and we will then be evaluating a range of outcomes of the program in our bid to try to ensure that the program is extended beyond 1998-99.

Senator SCHACHT—The title of the program is Australian artists creative fellowship. Is that correct?

Mr Lynch—No, that is the one that has been abolished. It is the emerging artists program.

Senator SCHACHT—‘Emerging artists’ actually implies individuals. That is why I am trying to compare the two, and now the minister has said that the money goes more to organisations.

Senator Alston—There are 43 organisations and 26 individuals, but Mr Lynch is making the point that even the money that goes to individuals is not given as an income—

Mr Lynch—It is not income supplementation. It is looking at programs in terms of exhibitions or recordings—a whole range of activities that are undertaken for relatively new entrants into the various artform areas.

Senator SCHACHT—But you would be able to identify, in your records, that artist X got so much money to help with putting on an exhibition of his or her paintings.

Mr Lynch—All of our grants are identified in terms of where they go. They all have to be acquitted in line with—

Senator SCHACHT—And that will be in the next annual report?

Mr Lynch—Yes.

Senator Alston—It is project funding for individuals.

Senator SCHACHT—I just wanted to get that very clear. I do not know whether any other members of the committee have questions on the emerging artists or the Australian artists creative fellowships.

Senator ALLISON—I would like to go back to the table on state government base grant for major performing arts companies. Beneath that is a table of the federal government's spending over the same period. Is it possible to get that \$17 million for 1997 broken down into states and to top up this table with that information?

Mr Lynch—The breakdown of the table?

Senator ALLISON—Yes, for the federal government base grant. How is that spent statewide?

Mr Lynch—I could get that information for you. I cannot break down the federal government grants now. The \$12.2 million that goes to the MOF companies is included in our annual reports and the other information in regard to the DOCA funding is readily available. I can get you a breakdown.

Senator ALLISON—It would be good to have that table expanded to include the federal if it is possible.

Senator LUNDY—Will there be any rolling over of funds from your 1997-98 allocation to 1998-99?

Mr Lynch—Across the whole of the budget?

Senator LUNDY—Yes, across the whole of the budget.

Mr Lynch—Under the terms of the training or funding agreement, we can roll over, but at this stage I think, other than committed funds in agreement for either fellowships or grants that run over from 1997 to 1998, there will be less than \$1 million rolled over from 1997-98 to 1998-99.

Senator LUNDY—Where do you expect those funds being spent and will they be spent to supplement pre-existing programs? Can you describe in a bit more detail how you will expend that rollover?

Mr Lynch—We are starting a new triennium in 1998-99. The balance will be the parliamentary appropriation for 1998-99 plus anything that we are able to roll over from 1997-98, the final year of the first triennium.

Senator LUNDY—When you roll over funding like that, do have an internal process which makes it a requirement that you spend it in the same area from which it came, or is it up to you to redistribute it?

Mr Lynch—In the budget process that the council has just gone through for 1998-99 and the next two years, commitments are met that roll over from 1997-98 to 1998-99, but any unspent funds are reallocated by the council in the budget process, with the exception of those four designated policy areas that we have just been talking about. Those funds are earmarked to those programs.

Senator LUNDY—And that money stays within that program?

Mr Lynch—That is right.

Senator LUNDY—What proportion of that money would be allocated in that way? Is it more than half? Can you give me a rough idea?

Mr Lynch—I think the indication at this stage is that there will only be about \$1 million. It will be split across the range of activities. We are still grappling with some of those budget issues for 1998-99, and they will not be resolved until the council meeting in July.

Senator LUNDY—If you could perhaps take that on notice to give the committee an indication of the proportional split between that roll over when that occurs. Were there any funds rolled over in the 1996-97 allocation to this financial year?

Mr Lynch—To 1997-98?

Senator LUNDY—Yes.

Mr Lynch—Yes, there were.

Senator LUNDY—What was it from? Was it allocated to the same areas, or did council redistribute it in a way that differed from where the actual money came from?

Mr Lynch—No, other than commitments we have entered into, our process is that we look at the budget at the beginning of each financial year and set a budget based on the demands before us. I would have to come back to you in regard to specific detail as to where that money went. It went into the consolidated budget for 1997-98.

Senator LUNDY—If you could take that on notice, that would be great. Referring to the Australia Council's press release of 14 May this year, what sort of impact will cuts to arts funding, particularly those in the budget out years, have on the Australian arts community generally and, in particular, on Australia's international standing with respect to arts?

Senator Alston—Which particular cuts did you have in mind?

Senator LUNDY—This particular press statement refers to an overall funding figure dropping from \$71.8 million in 1998-99 to \$64.6 million in 2000-01—the final year of the triennial funding arrangement. That is the cut I am referring to, Minister.

Mr Lynch—The issue is still on the table in regard to those discussions. It is either the continuation or not of those four program areas that finish in 1998-99. If the government agrees to extend those programs, the council would hope that that will make a substantial impact in terms of building back that figure. There are also impacts in regard to efficiency dividends across government that take that figure down.

Senator LUNDY—Minister, perhaps you could just clarify whether that drop is in fact going to take place, and what contingencies are attached to perhaps the maintenance of that funding. What decisions do you have to make for that funding not to diminish so significantly over the next three years?

Senator Alston—We have to decide at the end of the next financial year whether to extend, expand or replace programs such as Playing Australia, Visions, Festivals Australia, Emerging Artists, Contemporary Music Export Fund—and there may be others. In other words, that press

release—I am sure for effect—posits a worse case scenario. In other words, if you were to assume that all of those programs were allowed to expire and were not replaced or extended, then that would become a new baseline. But, quite clearly, it is hypothetical at this stage.

I have already said publicly that, as far as I am concerned, I would regard all of those initiatives as being ones that have been very effective. Certainly I would be keen to see them continue, but that judgment is made at the end of the normal funding program. That is really the only time at which you can look at what the bottom line will be in the out years. The forward estimates simply assume, as they did with all the Creative Nation initiatives. They were four-year programs. They expired and it was assumed that they were not replaced. In fact, we did replace a number of things. We extended SBSI, for example. It does not tell you anything about what is going to happen in the real world; it just makes a linear assumption.

Senator LUNDY—With respect to the triennial approach to funding, how does that degree of discretion or future consideration impact upon the concept of triennial funding, which I understand is supposed to provide that security in out years allocations? Can you explain to me how, on the one hand, you can allocate a triennial budget but, on the other hand, save up a package of initiatives for further consideration which can impact upon the broad triennial budget?

Mr Lynch—Under the terms of the first agreement, which we negotiated between the various departments and the minister, there was express provision that the exception to the base level of funding was new policy that government might want to put into the triennium at any point. We have not finalised the negotiation of the second triennial funding agreement, but we would be looking at certain exceptions in regard to the agreement which did enable us to seek or get access to funds over and above the base level.

Senator LUNDY—That is in the positive sense, but what about in the negative sense? Is the government insisting upon retaining options to actually cut programs post the finalisation of that triennial agreement?

Mr Lynch—I do not think I can answer that.

Senator Alston—It is not only the current government; any government reserves the right at the end of a specific program period to review it. If you think it has been a dog, then you would not just keep it going for the hell of it; you would look at what else you thought might offer better opportunities. To some extent, it might be a function of the budgetary climate but, in general terms, you would be looking at how you could be most effective.

My starting point, at this stage, would be that each of those programs has done a very good job. We may decide down the track that you can do an even better job with a different type of concept, but they are entirely hypothetical judgments at this stage. In other words, it does not imply any reduction in funding beyond the expiration of the period.

Senator LUNDY—What figures actually appear in the out years in the forward estimates?

Senator Alston—The forward estimates assume that they drop dead.

Senator LUNDY—I would say then, Minister, that it was a reasonable assumption on behalf of the Australia Council to assume the worst case scenario, given that is what the budget statements say, wouldn't you?

Senator Alston—No—no more than you would have done after any of those Creative Nation programs. If they are time limited by definition, there is nothing there to replace them until you have reached the point of decision making, and that is at the end of the period. It is probably something that Finance has devised over many years. It would be quite speculative

to somehow put in another figure on some assumption that the government was likely to come up with a roughly equivalent program, even if it did not extend the existing one. The only safe basis, they would say, is to assume that, because no decision has been made, there is no funding commitment at this point. But the real world tells us—going back over many years—that you simply do not have a bunch of programs expire that are not replaced, unless there is some fundamental change in the environment, and that is not the case here. The arts, in many ways, is under more pressures, not less.

Senator LUNDY—Minister, going back to my original question about Australia's international standing and reputation with respect to the arts, given that such a cut has been identified in the budget and the anticipation of significant cultural events relating either to the Olympics and the year 2001 centenary of Federation, surely the government can see the merit in presenting the out years budget for the arts in the most positive light, as opposed to the most negative light. I do not want to enter into a debate with you, but I suppose the point is that reasonable assumptions about worst case scenarios are being interpreted by the arts I think in a highly reasonable way in a climate where the community is genuinely looking for some positive commitment, given the cultural events coming up.

Senator Alston—I think that is right, and I can certainly give them a general assurance that we are very committed to the arts, and we recognise the need for ongoing funding levels. I would not, for a moment, countenance the prospect of simply having these programs run out and not be replaced. But if you ask me about our international reputation, I have done interviews with a number of international magazines and met with arts writers here and abroad, and the general view would be that, over the last decade, funding has been cut back quite dramatically, certainly in places such as the US where there is hardly any government funding now. And Australia has done remarkably well. Given that we had that \$10 billion budget deficit and the difficult times we have been through, they would—I know, you can roll your eyes—generally say that the arts has been able to weather the storm pretty well. That is because of a strong commitment on the part of governments—and we can include your government in that, if you like—so they do not see Australia as somehow suffering.

I think the more interesting question internationally is that, if you accept that governments are always going to be under pressure and that there are, by nature of the arts, companies coming and going and evolving and all the sorts of risks and pressures that the MOF report identifies, how can we try to expand the contribution from the private sector through philanthropy and elsewhere? That is really where the debate has been, rather than whether or not governments are pulling their weight. I would have thought Australia has done very well, by international comparison, over the last decade.

Senator LUNDY—Can I ask the Australia Council to take a question on notice. Could you provide the committee with a list of arts organisations and individuals who have received funding from the Australia Council in the 1995-96 and 1996-97 financial years but have since had their funding cut. Of those organisations, for example theatre companies, which ones have had to close or stop operating since the funding cuts? Does the Australia Council compile that sort of information?

Mr Lynch—Each year is competitive so there are many companies that are funded on an annual or project basis that are not funded on a repeat basis. We have obviously moved to triennial funding with regard to a significant range of companies. We can give you an attempt at that, but I would draw your attention to the fact that we give about 1,500 grants a year, and there are I think 6,000 applications a year, but they are not necessarily one and the same group of people. So we could provide some of that information. I think there are some restrictions

on what we are able to divulge of those that are unsuccessful. We can certainly give you the information with regard to the companies.

Senator LUNDY—Sure. I can take on board the qualification that a loss of funding is not necessarily a result of budget cuts but of some merit assessment of the particular project for a given organisation. I will certainly keep that in mind when looking at the information.

Senator Alston—Can I just add to that. I think you are right. The Australia Council has had to make some very tough decisions in that regard, and people do not often accept that the judgment is a merits based one. It does involve some very difficult calls, and I think they have generally handled it pretty well.

Senator LUNDY—Is it true that the arts are really struggling to compete for private sponsorship over sport, in particular, in the lead-up to the 2000 Sydney Olympic Games? What is the Australia Council's experience with this?

Mr Lynch—In the report that we did in 1996 on corporate support, we documented that the arts were losing ground. It was not only to sport; it was to education and to the health and welfare sectors. In that report, which was looking at the previous four years, there were some disturbing trends. It did not take into account the significant amounts of money that have been committed to the Olympics from Australian companies. The evidence, through both some of the work done in the MOF report and in a range of other material coming to us through non-MOF companies and other arts organisations, is that they are under a significant pressure by virtue of the large amounts of money that have been taken out for the Olympics. I think that is admitted even by the Olympics.

Senator LUNDY—Minister, do you think that these pressures in the context of the cuts to arts funding in the budget out years will result in a lost opportunity for what I suppose is quite a confined area worthy of government support in the lead-up to the Olympic Games? Do you make your assessment in the context of these types of pressures with respect to funding and how you fund the arts?

Senator Alston—You make an assumption that they will be cut in the out years. I think a more valid point to make is that, given the pressures that there will be in the lead-up to the Olympics, it is important to generally maintain the overall level of arts funding, and I would accept that proposition. I think it is more a matter of assessing programs on an ongoing basis but also looking to see whether there are any particular impacts that flow from poaching of funds by sporting organisations. Obviously we will be sensitive to that if we get specific advice. I do not know that I have had particular cases brought to my attention but, certainly, a number of companies have expressed the general concern.

Senator LUNDY—I just want to get a feel for whether the context in which you are contemplating your funding decisions includes that area of sponsorship pressures. You have confirmed that, so thank you.

Senator Alston—I think I would still be of the view in any event, even if the Olympics were not being held, that there are increasing pressures on the arts community, and therefore the overall level of funding is one that ought to be maintained rather than simply the opportunity taken to let programs expire and not be replaced.

Senator LUNDY—What sort of assessment has the government or your office done in terms of the opportunity that the Olympics represents for Australian arts?

Senator Alston—There are lead-up cultural functions—I think four in all.

Mr Lynch—Yes.

Senator Alston—Mr Lynch might be able to give you more detail, but certainly it has been the practice over recent Olympics to have parallel cultural olympiads. I think it is a pretty big opportunity; certainly Leo Schofield thinks so.

Senator LUNDY—Is the federal government contributing funding to the cultural activities as part of the Olympics?

Mr Lynch—We contributed funding to the first of the cultural festivals, the Festival of the Dreaming, through the Aboriginal and Torres Strait Islander board and through council itself. We have contributed some support to projects that are incorporated in the second program. The major issue I think for us at the moment is the third cultural festival, Australia to the World in 1999, which is, from council's perspective, the one that provides the greatest opportunity to take advantage of the Olympics other than what is happening in Sydney at the time.

At this stage, we are still struggling a bit with how we are going to deal with that program. The Olympics have indicated that there is much less money to expend on that program than was originally intended or people had assumed. I think that has thrown the onus back on bodies like us and onto the state governments to fund that activity so as to take advantage of the opportunity. I am not sure at this stage that we are in a very good situation to be able to take advantage of that opportunity.

Senator LUNDY—Minister, can I follow that up with you. If in fact a proportion of the Australia Council's triennial budget is being allocated towards this specific Olympics cultural program, have you made the appropriate adjustments in their triennial funding to ensure that that does not in turn bleed other sectors that the Australia Council funds? Is there any special allocation for this Australia to the world initiative?

Mr Lynch—You may have misunderstood me. We allocated to the festival that happened last year. We have funded some indirect activity, but we have not at this stage funded any activity for 1999.

Senator LUNDY—Would that have to have been identified in this year's budget?

Mr Lynch—No. We are obviously looking at the options in regard to how we might fund that activity.

Senator Alston—If what you are asking is whether the federal government specifically earmarked funding via the Australia Council for the cultural festivals, I think the answer is no. It has been a matter of discretion on the part of the council in each year, and presumably they will continue to look at those opportunities.

Senator LUNDY—Or funding challenges. I suppose have just one more question on that. Minister, in terms of all of the arrangements for Olympic funding, what scope do you have as minister for the arts to support the Australia to the World cultural program? This is a very open question obviously, as I am not aware of the funding arrangements on the question of the cultural program between the federal and New South Wales governments.

Senator Alston—Maybe Mr Lynch can supplement this. My understanding is that there has been an infrastructure in place now for at least a couple of years. I think SOCOG might have made the appointments of people to the cultural organisational board, and they essentially are deriving funds from a range of places, presumably the private sector as well. We have not been asked to date to put in any particular level of funding. If you ask what the options are, if there comes a time when someone puts a specific proposal to us, then we would look at it. But that has not occurred to date.

Senator LUNDY—Would that go through the Australia Council though? Would that be the way you would direct such applications to be made?

Senator Alston—You would have to wait and see at the time what the shape of the proposal was, but I think planning is proceeding on the basis that that is not necessary.

Mr Lynch—From our point of view, the concerns are that, having had the budgets divulged to us of what is going to be spent on it, we see it as an opportunity which we do not believe the Australian arts should miss. That is an issue that we have been pursuing in pre-budget discussions and other discussions with government, but at this stage the federal government have made it quite clear that they are not there funding the specific cultural program as a discrete part of the federal government's support for SOGOC or the Olympics.

Senator LUNDY—Was there any expectation in the arts sector that the federal government would be playing a role in funding the cultural program?

Mr Lynch—There are always expectations in the arts sector as to what the federal government does.

Senator Alston—The decision was made a couple of years ago that SOGOC would make the running on all this.

Mr Lynch—Very much. The cultural program was part of the bid process and is totally determined by SOGOC. The input of the outside world has been minimal.

Senator LUNDY—So the role of the federal government would perhaps be over and above—

Mr Lynch—I think they would like the federal government to pay for some of it.

Senator Alston—I am not aware of any direct representations to me about any particular projects or even about an increased level of funding. They may always live in hope but, as far as I am concerned, they are running their own race on most of that.

Senator ALLISON—I have now had a chance to skim through two chapters of the report that was tabled earlier. Minister, have you read the report?

Senator Alston—Yes, but a couple of weeks ago.

Senator ALLISON—Was there anything in there that you disagreed with significantly?

Senator Alston—Off the top of my head, there may have been a few things but I cannot recall them to date. What did you want to direct my attention to?

Senator ALLISON—The second last paragraph on page 20 says:

The seriousness of the situation—

this is in relation to the major performing arts—

should not be underestimated. A heavy toll is being extracted on the heartland of the performing arts in this country in a way that was clearly not contemplated by state and federal governments when they made the policy and funding choices they did in relation to venues, festivals, 'Playing Australia' and the companies' base grants.

That is quite a damning statement to make.

Mr Lynch—I have to take responsibility for the statement, Senator.

Senator ALLISON—Yes, well, I am asking Senator Alston for his response to it.

Senator Alston—Maybe Mr Lynch takes the credit for the next paragraph, which says:
. . . there is little room for going back on most of these initiatives.

The fact is that you can point to unintended consequences, but in themselves those initiatives were very important ones and I think the arts community welcomes them. Certainly the direct recipients have done so in no uncertain terms.

Senator ALLISON—What do you mean by ‘unintended consequences’? Do you concur then that you did not intend that this would be the effect on those major performing companies?

Mr Lynch—Perhaps I could comment in regard to—

Senator ALLISON—I would sooner the minister reply, if you would not mind, Mr Lynch.

Senator Alston—There are a number of matters contained in this report that go to demonstrating the range of pressures on arts bodies, and that is simply one of the lesser ones in the scheme of things. It points to how high fixed costs and limited potential for productivity gains, technology in many respects overwhelming the sector as well and long lead times are matters that make it very difficult to plan ahead; and we can get dramatic changes in the environment. All it is saying is that, in the scheme of things, other initiatives were taken which are supported and which do have, to some extent, the effect of exacerbating the pressures on local community performing arts groups.

Senator ALLISON—Yes, but, Minister, the main pressure is the lack of base funding from governments, state and federal.

Senator Alston—That is not what it is arguing at all.

Senator ALLISON—I think it is.

Senator Alston—You point to it.

Senator ALLISON—Let me ask you about the fact that four of the six companies in—

Senator Alston—It says the—

Senator ALLISON—It is a common thread throughout the whole report that government funding—

Senator Alston—Well, you could say that.

Senator ALLISON—It says:

. . . Australia’s major performing arts companies depend to varying degrees on government funding. From 1992 to 1997, government grants represented an average of 27-28 percent of the total revenue for the major companies . . . The five largest Australian theatre, dance and opera companies stand now at 20% . . .

The report goes on to talk about how the overseas experience in UK and Canada indicates that Australian companies are operating efficiently by international standards, with lower levels of grant revenue, that is, from governments, state and federal, at 20 per cent compared with international standards of 35 per cent. It is pretty clear from the outset that this is a report about how the major performing arts companies are scrambling around trying to get it right, but their basic problem is that they do not have sufficient support from government.

Senator Alston—It does not follow at all. If you were to throw the same amount of money at a number of companies, you would get very different outcomes because they are subject to a whole range of different pressures. As it says:

. . . the impact on the companies of these initiatives, together with increased global competition in both the ‘mechanical’ and ‘live’ performing arts . . . has been profound.

There are a number of structural changes that have occurred which, in some respects, are beyond the control of these companies. To merely give them more money does not overcome

those problems. If a small theatre company is being overwhelmed by competition from major commercial international artists, giving them a bit more money will not help.

Senator ALLISON—We cannot even give them as much as the international standard, 35 per cent; ours is at 20 per cent.

Senator Alston—I do not know the validity of any international standard. There may well have been a disparity for very many years. But the fact is that this report does not identify the current level of funding, which has not changed dramatically over the last decade.

Senator ALLISON—Let me read another section.

Senator Alston—Where are you reading from?

Senator ALLISON—This is page 11:

The increases in core costs coupled with static core government funding are eroding the traditional balance between government base grants and core costs. In many cases, companies can no longer cover core costs from government grants and must rely on marginal surpluses from their production activities, as well as private sector support, to bridge the gap.

Right throughout the whole report, the theme of inadequate government support is running very strongly.

Senator Alston—That is how you may choose to read it, but I do not. The fact is that you are talking about both state and federal governments. Even if you were to boost the core grant or what you might call the base funding level, it does not follow that they are then immunised from a number of other pressures that in many respects are inexorable.

Senator ALLISON—I am not arguing that, Minister.

Senator Alston—If you are not arguing that, what is the point of saying that more money ought to be given for core grants if you are still going to be overwhelmed by tidal waves on a number of other fronts?

Senator ALLISON—With your argument, why not break it down to 10 per cent? Why rely on 20 per cent? We are trying to establish, I would have thought, what is an appropriate level.

Senator Alston—I am not accepting that there is a single straight-line percentage figure that somehow achieves the target that you might want to aim for. What this is trying to do is have a much more sophisticated analysis of a whole mix of pressures and to work out ways in which you can alleviate those pressures. You do not just do it by throwing money at organisations.

Senator ALLISON—You do not just do it by keeping the money static, either, while the costs are rising. It seems to me that that is problematic.

Senator Alston—I know you choose to ignore \$10.5 billion budget deficits. You just think it is a matter to be laughed off, do you?

Senator ALLISON—No, Minister, it is just that your answer always comes back to that when you run out of proper arguments.

Senator Alston—You think that is irrelevant, do you, and that somehow all your favourite causes ought to be quarantined and that someone else ought to bear the burden of redressing a very significant budget imbalance? No-one else thinks that. If the Democrats want to go around picking out particular areas where they say people ought not to have to share in that burden, then spell it out on paper and we will have a good laugh about it in due course. The fact is that—

Senator ALLISON—We will have that wider debate some other time, Minister.

Senator Alston—governments around the world have been subject to very significant pressures, and most of them have not coped as well as we have in the arts sector. This report highlights, I think, the fact that there are a whole range of factors that need to be addressed in depth. It is a very simplistic answer to say, 'Well, give them a bit more money.' We had that argument with the ABC. The ABC has managed to cope with \$55 million in reduced revenue by no significant change in the level of output. It simply does not follow that by giving more or less money you contribute to the quality of the output or to the level of efficiency. There may be a whole range of factors in relation to each different arts organisation that need to be addressed separately.

Senator ALLISON—Minister, what if the major performing companies cannot manage to scramble a little more saving from their administration or make themselves a little more competitive? Already in 1997 we have annual results from four out of six companies returning a deficit. I quote from page 20 of the report:

The position in Western Australia has also weakened further, with two of the three companies in that state returning deficit results. Many of the companies based in Perth, Adelaide and Brisbane lack the critical mass of companies based in Sydney and Melbourne and find it difficult to compete in their local market with 'national' and 'global' competitors.

Is it just too bad? In a couple of years time, if those companies continue to return deficits, do we just close them down and say, 'That's bad luck. There's the black hole we had to worry about. Too bad.' At what point, Minister, are you prepared to intervene and say, 'Well, this is not good enough'?

Senator Alston—Take the theatre sector, for example. If you went back 18 months, I think four of the five state theatre companies, from my recollection, were in the red, some of them quite seriously, with accumulated losses of close to \$1 million. Generally speaking, that situation has been turned around by a mix of prudent changes—not necessarily instigated by government. Bell Shakespeare was going through some pretty tough times 12 or 18 months ago. It has managed to turn around. In other words, the arts companies themselves recognise that there is a need for them to move with the times, to restructure, to look at opportunities for more professionalism and to get the balance in a number of areas right.

Senator ALLISON—So they are inefficient at present. Is that what you are saying?

Senator Alston—No, I am not saying that. I am saying that because of all these factors that bear on them they have to adapt to those changed circumstances. I read you a portion of the editorial in the *Australian* of 9 June:

Beyond the immediate crisis, the managers of our operas, theatres and orchestras must look at their own performance and devise means of attracting more corporate sponsorship and boosting box office takings. It is a job which must balance the need for artistic integrity and risk-taking with commercial considerations—never an easy task. But using popular performances to subsidise experimental, less accessible works is a strategy which appears to have worked well for some companies over the past year. Governments and corporations can sometimes be persuaded to come to the party, and should do so. But, ultimately, the responsibility lies at the feet of those who are running the show.

So, from the government's point of view, we have a role to play. We are not somehow saying, 'You are on your own. Sink or swim.' We are saying, 'We want to be able to provide assistance where it will make the difference, and we want to work closely with you to identify ways in which changes can be made to your overall structure that will enable you to work through any difficulties that might be experienced.'

The fact is that some companies actually do go to the wall. Their product might become outdated. A key principal might move on. The company can disintegrate overnight. So the arts

by its nature is more precarious in some respects. To simply say, 'One group is in trouble. We will give them money,' may exacerbate the problem, because they will not make the necessary structural changes, they will not replace a non-performing accountant, they will not bring in a new artistic director, they will not look for a smaller venue, they will not go out and get more sponsors; they will simply rely on the government handout. This has been said by a number of people—Hilary McPhee is probably the most high profile one that comes to mind. But certainly, increasingly, a number of leading people in the arts sector have recognised the need for the organisations themselves to address their own problems. We want it to be done in conjunction with government. That is why we are very supportive of this report. I think it throws a lot of new light on some of the underlying problems, and we are very keen to work with them and work through. But you do not just solve it in one hit by somehow conjuring up another few million dollars and adding it to the budget deficit.

Senator ALLISON—What about Perth, Adelaide and Brisbane, Minister? The report says they lack the critical mass of companies based in Sydney and Melbourne. Does the Australia Council's allocation of funds for the major performing arts reflect that? To what degree are you concerned that those states miss out in this new environment of finding commercial ways to increase revenue?

Senator Alston—I think it has always been a fact of life in Australia that it is more difficult to survive in more remote areas with smaller potential market audiences. Tasmania's difficulties were probably more chronic than those in Western Australia and South Australia in that regard. What we would expect to come out of this current exercise is advice from the experts themselves about how to cope with that problem. There may come a time when there is a rationalisation of performing arts groups—I am not advocating it for a moment—but it may well be that the economics of the 21st century are such that you cannot maintain the current structures. I do not want to prejudge that. We stand ready to assist but, again, to simply say that because companies in one or more states are having difficulties the solution is to hand over more money is, I think, likely to court the ultimate disaster, because you are just making sure that, in due course, they lose a lot more than they would otherwise have lost. So we want to know what the community itself thinks is the way ahead.

Senator ALLISON—How does the funding go at present in terms of the major performing arts—state by state?

Mr Lynch—A number of the major organisations' companies are national companies but we fund a state theatre company in each state other than Tasmania and Western Australia, where we do fund a theatre company but it is not nominally the state theatre company.

Senator LUNDY—Does that include the ACT?

Mr Lynch—With apologies, Senator, no—there is not a MOF company in the ACT. With regard to the dance companies, there are dance companies in Queensland, Western Australia and South Australia in addition to the two New South Wales companies and the Australian Ballet. With regard to the state level of funding for the theatre companies, the state level of funding in Queensland and South Australia is higher than the Australia Council funding. The funding for the Queensland Ballet is much higher from the state government than from the federal government. In the national companies, the majority of the money is coming from the federal government.

Senator ALLISON—Which are the two or three companies in Western Australia returning deficits?

Mr Lynch—The Black Swan Theatre Company and the Western Australia Ballet.

Senator ALLISON—Are there any other—

Mr Lynch—Those are the only two MOF companies in Western Australia.

Senator ALLISON—So there are only two and both of them are returning deficits? Is that right?

Mr Lynch—Yes, for 1997.

Senator LUNDY—Could I ask a couple of questions with respect to the ACT's status? You mentioned that the ACT obviously does not have a federally funded theatre company, and there is some history relating to that. What mechanisms exist within the Australia Council to rectify that situation, if any—or is it a straight up funding issue about allocation of funds?

Mr Lynch—There is a critical mass issue. To gain entry to the MOF, you have to be turning over more than a million dollars a year. That is one of the starting selection criteria. I do not think any of the Canberra companies come close to that.

Senator LUNDY—Returning to Senator Allison's issue of the state and federal funding split to these companies, do you, Minister, engage in any discussions with your state arts ministers about the changing proportions between state based arts funding and what the federal government provides, in the context of wider COAG arrangements or anything like that?

Senator Alston—There are regular Cultural Ministers Council meetings. We obviously have the opportunity for informal discussions at various art functions around the country. Certainly, if you take the orchestras as an example—from memory, the Western Australia government provides something like 45 per cent of their level of funding and I think the New South Wales government provides around 10 per cent—it might be a bit more. At times we do raise those issues about how the states themselves decide on the level of funding and what their ultimate commitment is to having a state based organisation. For example, in Western Australia I can think of three or four theatre companies that were all of quite good quality but which were probably jostling for support. State governments have to make some hard decisions. It is not really up to us to play favourites. It may well be not sensible for us to give any additional funding to a particular state based company if it is chronically in the black.

Senator LUNDY—Minister, page 10 of the report—under a section entitled 'Static base funding'—makes reference to the total state government base grant funding for companies. This is either static or declining in real terms in all states except Queensland and Western Australia. Obviously the examples you have just used give an indication as to why. However, in your capacity as federal minister, have you ever expressed concern about this decline in funding from the state governments and the relative pressure it will inevitably bring to bear on your budget allocations to supplement state shortfalls? If, as you say, those harsh budget decisions may inevitably have to be made, couldn't it possibly make the difference between a company failing or succeeding in a given centre?

Senator Alston—I am not sure that I have gone out and berated anyone in particular, but I have certainly taken the opportunity to have discussions with state counterparts about how serious they are in achieving levels of funding. Going back to Senator Allison's point, you will find much higher levels of government support for opera in Europe than you do here, for example. That is not necessarily a good or a bad thing; it may simply reflect the fact that some governments have historically regarded opera as such an important area that they treat it as a universal service obligation, whereas in other places these companies have wanted a greater degree of independence from government and have relied much more on the private sector.

So you can have quite significant gaps in the level of government funding without necessarily implying that the quality of output is any different. That is why I think it is simplistic to simply look at how much money governments are giving. But, if you do take the global approach, I think we have managed to hold the line better than most other countries.

ACTING CHAIR—We have been on this program for an hour and a half, so perhaps if we could—

Senator LUNDY—I can put on notice a series of my questions that go to information about various applications, approvals, et cetera. I am certainly happy to do that to facilitate the time, but I do have some questions that I would like to ask now with respect to current issues.

Senator ALLISON—I have not quite finished on this.

ACTING CHAIR—Senator Allison can complete her line of questioning, if we can do it fairly expeditiously, and then we will come back to Senator Lundy. We do have a lot of programs to get through.

Senator ALLISON—Mr Lynch, what sort of time frame is there for the two companies you talked about in Western Australia to be able to do other than return a deficit, to turn that around? At what point do you need to say, 'We can't retrieve this problem. We have dealt with the efficiencies in administration. We have tried the "Can't beat them join them" approach'? At what point do you say, 'We can't fund them any more'?

Mr Lynch—In regard to both of those companies, the Australia Council is the junior funding partner and the major funding partner is the state government, so we work quite closely with the state government of Western Australia on those issues in trying to turn that around. I suppose the report looks at the totality of those issues affecting both individual companies and the performing arts sector as a whole to try to work out where those issues are.

Senator ALLISON—So are you saying that, if the deficits continue, it is not a choice that you would have but that the state government has to decide?

Mr Lynch—In essence, in regard to those two companies, the decision would largely be determined by the state government.

Senator ALLISON—Who picks up that deficit now?

Mr Lynch—I do not have the specific figures. The companies ran up deficits for 1997. The companies are both structured as companies limited by guarantee.

Senator ALLISON—So they just owe the bank.

Mr Lynch—They are not for-profit organisations. There are obviously limits. I think neither of the companies have reserves. The issue of their continued trading would be a matter for the boards of the companies and then, ultimately, the funding bodies if the boards decided that they did not feel that they could continue to trade—which is the case with most of the companies we are talking about. A few of them are still set up as statutory authorities or have structures that are related to the nature of differences between the states, but in essence most of them are companies limited by guarantee with boards, some appointed by state governments, some of them appointed by the companies themselves.

Senator ALLISON—So the board would make a recommendation to the state government?

Mr Lynch—The board would make a decision in terms of their directors' liabilities as to whether the company was able to continue to trade. The state government, I assume, under many of the circumstances, is playing a quite detailed and involved role in those decisions.

Senator ALLISON—This is a hypothetical question and you probably will not answer it. In your view, without naming any of them, how many of these companies are seriously in that category of facing closure?

Mr Lynch—The issue, from our point of view, which is brought out in the report, is that only three of the companies have reserves. I think the situation of concern to the MOF itself and to the companies themselves is that they are effectively operating a high risk business from year to year on the basis of what happens in that year. Many of those companies need to look beyond one year in their planning and their lead times. It is an issue that they are continually monitoring.

We have a number of perspectives on it: one is what they are actually doing. You can certainly cut back the output of those companies in the numbers of people employed, the sort of work that they are doing and the artistic quality of the product. We are trying to juggle the various outputs of the companies to ensure that they have long-term viability. We are also concerned that there be some basic infrastructure around the country, that it all should not be based in either Sydney or Melbourne.

Senator ALLISON—Winding back the number of performances is not an option you canvass in the chapter entitled 'Creating options for the future', is it? Maybe I have not read that as thoroughly as I might have.

Mr Lynch—I think it is in there. Obviously, the companies themselves have the option to cut cast sizes, cut dancers or move from being full-time organisations. Many of them have already explored some of those options.

Senator LUNDY—Can you give a run-down of the major findings in the KPMG report that was commissioned by the council into the impact of a goods and services tax on the arts?

Mr Lynch—I assume you have a copy of the report.

Senator LUNDY—Yes. Can you give us the general concerns? There have certainly been some reported.

Mr Lynch—I suppose one of the highlighted issues that is of general concern is the fact that some of the economic modellers have indicated that the cultural sector is likely to be affected quite severely, and I think that has been discussed quite broadly in the press. The issue of the application of a VAT or a GST to grants is causing us concern at the moment, and obviously we are endeavouring to find out what the situation is in regard to that.

Senator LUNDY—How are you finding out? Who are you asking?

Mr Lynch—The submissions have gone to government. We have had ongoing discussions with government. We understand that the minister has written to the Treasurer on that as one of a number of issues related to the issues raised in our report and a number of other reports. On the broader issues, we are doing further work on impacts, but it is obviously difficult at this stage until we have the details of the package as to what the impacts are going to be.

Senator LUNDY—With respect to that particular study, can you outline very briefly what the impact of a GST has been in countries such as New Zealand, Ireland, et cetera.

Mr Lynch—At this stage there is not a lot of information. The information in the UK is now 25 years old, so it is not particularly helpful. The New Zealand experience I suppose is the one that is most relevant, but the problem in New Zealand is that there are very few companies. As we can divine, and from the work that was done, the impact was felt in the first three to four years of implementation of a tax reform package. It is very difficult at this point to be conclusive as to what those impacts are going to be.

Senator LUNDY—Has the council done any estimate of the extra funds that would be required to compensate—compensate is probably the best word—artists and organisations if a GST was in fact imposed?

Mr Lynch—We are trying to do work on that at the moment, but there are some real difficulties until we know what the details of it are going to be. We are able to look at individual companies in terms of some basic assumptions, and look at those impacts, and we are providing some advice to government on that at the moment.

Senator LUNDY—Have you received any complaints or representations from individuals or organisations with respect to concerns about the imposition of a GST and its impact on the arts?

Mr Lynch—Complaints?

Senator LUNDY—Yes, or queries.

Mr Lynch—There is obviously concern about some of the issues associated with the introduction of tax reform. We tried to canvass in the report both the impacts or the likely impacts of a VAT on the arts as a whole, but also to look at other taxation measures that might be able to be implemented at the same time to offset some of those impacts.

Senator LUNDY—I note that there was a committee established to look at the taxation regime surrounding donations to the arts. Is it possible, Minister, that you will contemplate setting up a similar type of committee or consultative mechanism to allow the arts community a more direct and effective way of assessing the impact, with government support?

Senator Alston—I am not sure that has been asked for.

Senator LUNDY—I am not saying it has. I am just asking if the government is going to facilitate the various sectors in making these analyses, once your package is released.

Senator Alston—We obviously want to work closely with as many of the arts bodies as possible to identify their concerns and then take them into account as much as we can. So it will probably be an ongoing process rather than simply trying to have a mini-summit to resolve all issues in one go.

Senator LUNDY—Does the Australia Council keep any statistical record of complaints or queries about issues such as this that you receive?

Mr Lynch—We keep records of all complaints and obviously all queries that are either made through a formal government process or whatever else. I do not think at this point we have a strong level of knowledge about the complaints.

Senator LUNDY—Would you take it on notice to provide the committee with whatever analysis you have about the complaints that you receive from artists' organisations and individuals with respect to government programs or proposals, if indeed you have that information.

ACTING CHAIR—Wouldn't it be true that in the theatre world, as in all sorts of spheres of activity, there would be a very wide range of sales tax paid on various items used and services given within the theatre, so a GST would bring some uniformity to that?

Mr Lynch—Unfortunately, there is not a lot of sales tax in it. The major input for most of the performing arts companies, and one of the issues in the performing arts sector, is that labour is the major input cost.

ACTING CHAIR—But you also use paint and materials and film and all sorts of other things which are sales taxed, aren't they?

Mr Lynch—Yes. Obviously, there will be some offsets. There is no question about that.

ACTING CHAIR—Thank you.

Senator LUNDY—With respect to the Copyright Amendment Bill 1997 relating to moral rights, has the Australia Council received any complaints, queries or any representations from artists or organisations about the waiver for moral rights and the impact on artists?

Mr Lynch—The Australia Council has not been involved in the recent public discussions in that they tend to be in the film and broadcasting sector. The Australia Council, I think, started the argument about 23 years ago in regard to moral rights, so we have always taken a strongly supportive view of the artists.

Senator LUNDY—Perhaps I could leave that question with you: if you have received any and you have records of those, perhaps you could provide an analysis.

Mr Lynch—We have had approaches from the Australian Writers Guild in terms of support. There is a strong level of support for the concept of moral rights.

Senator LUNDY—From the council?

Mr Lynch—The more detailed issue of waiver is really sitting outside any direct impact on our activities.

ACTING CHAIR—Senator Lundy, we have now been going on this for 1¾ hours.

Senator LUNDY—Yes. It was not all me, Senator Eggleston, as you know.

ACTING CHAIR—No, but I was just wondering if we might move a bit more expeditiously to end this program.

Senator LUNDY—Yes, Senator. I have just a few questions now on assistance to the music industry. You provided an answer to a question taken on notice during the last round of estimates with respect to assistance provided to contemporary music from the music fund. Have you completed your second round of funding?

Mr Lynch—In regard to the contemporary music export fund?

Senator LUNDY—Yes. Part of your answer to a question on notice was that an announcement was expected to be made about 22 April this year.

Mr Lynch—I think we have now finished the allocations for 1997-98 from the contemporary music export fund. The next round will be done in 1998-99 when there is a further amount directed towards that program.

Senator LUNDY—Perhaps you could take this on notice: could you provide details of the funding provided in the last financial year and in this financial year—as separate categories—by the music fund to contemporary music in the same subcategories as you provided in the answers to questions on notice from the last hearing? That was a very straightforward presentation. With respect to the answers to the questions taken on notice about the music fund, contemporary classical music receives a very large proportion of those funds compared to contemporary rock and other categories. Can you provide an explanation as to why there is that disproportionality and whether or not it is a reflection of the assessment criteria favouring contemporary classical over other categories?

Mr Lynch—In terms of the contemporary music export fund, its support is really geared towards the contemporary rather than the classical.

Senator LUNDY—Sorry, I am talking about the music fund.

Mr Lynch—The fund itself?

Senator LUNDY—Yes.

Mr Lynch—There are demands from the music area. It has to cover every area from jazz to classical to contemporary.

Senator LUNDY—Yes.

Mr Lynch—I guess the issue there is that there are not enough funds to deal with the substantial number of requests across every area.

Senator LUNDY—Your answers to questions on notice show total support for contemporary popular music and country music as being \$34,800, and I think it is to three different initiatives. It shows just over \$400,000 for contemporary jazz and \$889,000 for contemporary classical. Do you see what I mean about those proportions? Are they based on the proportionality of applications received or are they reflective of the criteria?

Ms Gardener—The grants given in any particular round will be dependent on those applications that are received, which could be a completely open process, and depending on their competitiveness against a standard set of criteria.

Senator LUNDY—Is that proportionality a general feature of most allocations under that particular fund?

Ms Gardener—I could not say off the top of my head. We would have to look at each one.

Senator LUNDY—Could you provide some comparisons—going back, say, three years—of the different proportions? I think I asked for that in my previous question anyway. Also, perhaps you could provide the criteria so I can have a look at them?

Ms Gardener—We can certainly provide the criteria, yes.

Senator LUNDY—Thank you. I have a couple of questions about the government's proposed parallel importation of CDs, and changes to copyright too. Has the council undertaken any research or done an assessment of the impact that parallel importation of music CDs would have on the Australian music industry?

Ms Gardener—The Australia Council itself has not, no.

Senator LUNDY—Has the council received any complaints or representations from individuals or organisations raising their concerns, either formally or informally, over the plans by the minister to make changes to the Copyright Act?

Ms Gardener—I would have to check.

Senator LUNDY—If you could take that on notice. Is the Australia Council taking the opportunity to express a view about the impact upon the protection of the intellectual property of Australian artists of the implications of that bill? Perhaps you could just take that on notice? That would be most useful.

Mr Lynch—Sorry, Senator. I have a bad case of flu.

Senator LUNDY—Perhaps if I could direct that last question and then I will conclude. I was just asking whether or not the Australia Council was in a position to take or express a view with respect to the implications of the downgrading of the intellectual property rights of Australian music artists in the context of the Copyright Amendment Bill (No. 2).

Mr Lynch—We fund the Copyright Council and rely on the Copyright Council to provide us with advice or provide advice on behalf of artists. From our point of view, that is really all I could say at this stage.

Senator LUNDY—All right, thank you. That is all I have for the Australia Council, but I will be placing some questions on notice.

ACTING CHAIR—Thank you, Senator Lundy. I thank the Australia Council staff for being here this morning and providing such interesting answers. The next subprogram is 1.5—the Australian National Maritime Museum. I have some questions for them.

Senator Alston—Mr Lynch is labouring under severe personal difficulties at the moment.

ACTING CHAIR—We can see that, and we hope you recover soon.

[11.06 a.m.]

Subprogram 1.5—Australian National Maritime Museum

ACTING CHAIR—I read in the paper the other day that there is some controversy about the return of *Australia II* to Western Australia. Could you tell us what the difficulties are?

Ms Williams—Controversy? No. I think the matter has been settled. We were very keen to have the yacht at the National Maritime Museum at the time of the Olympic Games, and the minister has kindly helped us along that path. It looks now as if we will have the yacht until after the games. We are working with the department now to work out a program. It is very complicated getting the yacht out of the building, as I am sure you appreciate, and it will take some time and some resources, but we are working towards that at the moment.

ACTING CHAIR—*Australia II* was actually loaned by the Western Australian Maritime Museum, I think, to the National Maritime Museum.

Ms Williams—It is actually owned by the Commonwealth, so we have it on loan from the National Museum of Australia at the moment.

ACTING CHAIR—That is a very basic misunderstanding that a lot of Western Australians are suffering from.

Senator Alston—There is a lot of misinformation over in the West on this issue.

ACTING CHAIR—There was a question in the press that, if arrangements or an agreement was not reached soon, the yacht would not be returned to WA at all. Is that the case or not?

Ms Williams—We are certainly working toward the removal of the yacht from the National Maritime Museum.

Senator Alston—I do not think anyone has ever put that statement publicly.

ACTING CHAIR—I did read that in a newspaper the other day, in fact, and that is why I am seeking clarification of it.

Senator Alston—As I say, there have been some semi-hysterical articles written in the West on this issue. I would have to say that once it reached the level of negotiation with the Premier, particularly through the department and Rob Palfreyman, it was handled very professionally. We have reached an outcome now which, I think, is generally to the satisfaction of all parties, which is a tribute also to the maritime museum and Dr Cottee. Clearly they had a preference which could not be met, given earlier undertakings, but I think we have now managed to reach a position that is a good outcome for all.

Senator LUNDY—Would you give the committee a breakdown of your estimated outlays for the financial year 1998-99 and include in it a reference to any major one-off expenditures—adding cost and recurrent expenditure items—and how it compares with the current financial year's outlays?

Ms Williams—The total budget for next year would be \$17.915 million, but that does exclude a one-off project which we are entering into next year, which is the refurbishment of Wharf No. 7—which is adjacent to the museum—as a collection display facility.

Senator LUNDY—Could you just cross-reference for me the *Portfolio budget statement* with those figures? You mentioned \$17 million.

Mr Howarth—The portfolio figures, the outlay figures, are the budget appropriations that I assume you are reading from.

Senator LUNDY—Yes.

Mr Howarth—I think it is a figure of the order of \$14.289 million. That is the government appropriation that the museum receives. It also raises a considerable amount of funding from revenue sources, which contributes to the total outlay of \$17.915 million.

Senator LUNDY—Thank you, I am looking at the right page now. I am sorry; please continue.

Ms Williams—Do you want me to identify any major areas of expenditure?

Senator LUNDY—Yes. You mentioned the refurbishment. What is the cost of that particular expenditure?

Ms Williams—The total cost is \$19.5 million. We have commenced the demolition of the shed, and the building costs will come to around \$14 million. We hope to have that completed for a move-in by May of next year.

Senator LUNDY—So you have a development-construction timetable prepared for that project?

Ms Williams—Yes, we do. We are pretty well along the way to that now.

Senator LUNDY—Who is doing the work? Whom have you contracted?

Mr Howarth—If I could explain: we are not quite at the stage of actually finalising a contract with a builder. We are almost in a position of actually finalising a contract with a builder but we are still just within the program.

Senator LUNDY—Perhaps you could provide a brief table or a description of the construction timetable?

Mr Howarth—Certainly.

Senator LUNDY—On page 50 of the *Portfolio budget statement* under ‘Variations to Subprogram underlying outlays 1997-98 to 1998-99’ there is a reference to:

Reversal of previous year’s one-off funding from DOCA for Learning Centre and back adjustment of superannuation supplementation

Could you explain that item to the committee please?

Ms Bock—The adjustment for the learning centre refers to \$5,000 given to us by the federal government for a development that we have going at the moment called the Peter Doyle Learning Centre. The superannuation back adjustment is because we received an amount of about \$30,000 for a previous year. Basically we received supplementation, it was not quite enough and they have withdrawn that now because of the ongoing years.

Senator LUNDY—Is the learning centre project continuing?

Ms Williams—Yes, it is. In fact, we have just recently had a major fundraising campaign for the centre. We are pleased to report that we have done quite well with that, so we will be

able to go ahead with the development of the learning centre in conjunction with the Wharf 7 project.

Senator LUNDY—So the learning centre previously attracted government funding and now you are in a position to supplement it with donations? Can you explain a little bit of the background of how you funded it?

Mr Howarth—The minister very generously supported the museum with a one-off grant in relation to seeding funding to assist the museum to develop a funding program for the Peter Doyle Learning Centre of \$5,000.

More recently, we held a very large fundraiser in relation to that. In conjunction with other funds raised, the museum has now raised in total something of the order of \$180,000. The process that we are involved in with regard to the Wharf 7 project has given us the opportunity to allow the two builders who are presently vying for that particular contract to also vie for the development of the Peter Doyle Learning Centre. We believe that we can, therefore, have this construction undertaken within the range of dollars that we have available to us at this point.

Senator LUNDY—I see. In terms of that proposed development, the inclusion of that learning centre has become quite a focus of their tender?

Mr Howarth—A minor focus, yes. But we are very close to the wire in relation to establishing a contract with a builder at this point.

Senator LUNDY—How will you fund recurrent costs relating to that learning centre?

Mr Howarth—We presently run a series of education programs. This centre will now provide us with a place to actually hold them within the facility of the museum. Previously we ran the programs from a demountable building, which was entirely unsuitable for the task. We will now have an appropriate place to conduct them. So it will not make any variation to recurrent cost.

Senator LUNDY—Has there been any assistance provided for regional history projects under MMAPSS in 1997-98?

Ms Williams—We have recently released the grants that will go out to organisations throughout Australia for that particular year. All states will benefit from that scheme.

Senator LUNDY—How do this year's allocations compare with last year's?

Ms Williams—It was a similar amount of money.

Senator LUNDY—How much was that?

Ms Williams—It is \$15,000 contribution from the department and \$15,000 from us, so the program totals \$30,000.

Senator LUNDY—Can you take on notice to provide information on whom the grants are provided to, for what and how much?

Ms Williams—Of course. We have the list with us so I will pass it on.

Senator LUNDY—Thank you. Are they contained within the annual report?

Mr Howarth—They are, but it is a different year—it is the previous year, 1996-97. The next annual report will have 1997-98 and we are just about to go to 1998-99.

Senator LUNDY—Could you provide the 1997-98 information?

Ms Williams—Of course.

Senator LUNDY—What are your expectations with respect to these grants in the next financial year? Do you have the same amount of money to expend on these grants?

Ms Williams—We hope so. We find it a hugely important program. There are relatively very few programs available to very small historical societies and museums who research maritime history. It gives us good connections, it develops a very good collaborative community between us and other states and smaller museums and it is mutually beneficial and opens up a range of partnerships that we can then develop. I would really like to see it continue in future years.

Senator LUNDY—Have the government provided their cut, their \$15,000, in this year's budget?

Ms Williams—Yes.

Mr Howarth—Yes.

Senator LUNDY—What is the museum's revenue target for 1997-98 and will you reach it?

Ms Williams—I think we are about seven per cent behind schedule on that. The total revenue to date remains slightly below target at \$2,334,892 compared with a budget of \$2,510,000, so we are not that far behind.

Senator LUNDY—How does that compare with last year's revenue?

Mr Howarth—It is below. Last year—1996-97—we achieved our target.

Senator LUNDY—That was the \$412,000?

Ms Bock—Excuse me, Senator, you are reading from our annual report which gives our accounts on an accrual basis. We have given you cash reports. Those accrual basis accounts include a lot of funds given in kind so they are much greater than the figures we are reporting now. We do not collate those figures until the end of the year when we do our accrual accounts.

Senator LUNDY—Take me back to the figures for the revenue for 1997-98. What is your target?

Mr Howarth—The museum's total revenue target for 1997-98 is \$2,707,900 on a cash basis.

Senator LUNDY—You are running about seven per cent below that at this time?

Mr Howarth—In that order, yes.

Senator LUNDY—How does that compare with last year's revenue, given that you reached your target last year? What was your revenue last year?

Mr Howarth—I cannot give it to you on a cash basis here. I do not have that material. I will take that on notice.

Senator LUNDY—Yes, take that on notice, please. What is your forecast for the next financial year?

Mr HOWARD—Our revenue forecast for 1998-99 is \$3,696,000.

Senator LUNDY—In terms of the increase between this financial year and the next financial year, what are your main mechanisms to boost the revenue to that degree?

Ms Williams—We are embarking on a program of sponsorship and hope to get extra sponsorship support for the museum's programs in the years leading up to the Olympics.

Senator LUNDY—Has the impact of the Wharf 7 proposal been factored into that revenue forecast increase?

Mr Howarth—It is unlikely to have any major impact on revenues for that year, perhaps with the exception of the final month, when we may get some rental income because it is due for completion in May.

Senator LUNDY—I know this is getting into the out years now, but do you anticipate another jump in potential revenues as a result of the opening of Wharf 7?

Ms Williams—It coincides with the Sydney Olympic Games, so we are hoping, like everybody.

Senator LUNDY—What sort of boost are you planning for?

Mr Howarth—We anticipate a significant increase in rental income as a result of the development which will assist the museum's overall budgetary position.

Senator LUNDY—So that revenue will be used to boost your promotional activities?

Mr Howarth—It will help pay off the shed, in the first instance, and then it will assist us in our budgetary requirements elsewhere as well.

Senator LUNDY—I will leave that one alone. I could ask questions about what is happening in two years time for the next hour, but I will restrain myself. In your 1996-97 annual report you identified some operational problems in maintaining visitor numbers compared to previous years. What strategies have you put in place to address this problem?

Ms Williams—It is an experience which I think most cultural institutions in Sydney are having at the moment. We are about seven per cent down on our visitation, and other organisations are experiencing 12 to 17 per cent down. There is a general downturn in the number of tourists visiting Sydney, which is of concern to all organisations. We are looking closely at our public programs and exhibitions programs to make sure we have an appropriate balance and that we appeal to a wider market. We are constantly trying new ideas and programs to attract more people in a different market to the museum.

Senator LUNDY—Does your budget provide for access to international tourist markets for direct promotion of your facility?

Ms Williams—We are quite lucky in that sense, being in Darling Harbour, and a reasonably high proportion of our visitors come from overseas. As I said, it has gone down in the last 12 months.

Senator LUNDY—You have noticed the proportion of international visitors decline quite specifically?

Ms Williams—Yes. At one stage it was around the 48 per cent mark, which is incredibly high. I have not seen figures recently but I would imagine that it would be way down, to about the 30 per cent mark.

Senator LUNDY—If you could provide the committee with a breakdown and perhaps a yearly comparison, that would be very interesting. We have the 1996-97 rates, your anticipated visitation rates for 1997-98 and also your projections for the following year. I appreciate that once you are in the year 2000 it is a way off, but just over this three-year period.

Ms Williams—Certainly.

Senator LUNDY—Thank you. Has there been a reduction in your expenditure on the museum's collection in this financial year compared with the previous financial year?

Ms Williams—No, there has not. We have been fortunate, as we get older as an institution, to attract sponsorship support to the museum. As a young institution we must get known in the market and within the community, and that certainly is happening. We have stronger support each year for gifts and for recognition of the collection. So whilst at the moment our priority is with the shed, we obviously have to consolidate the collection to protect it and to make sure that we have good conditions for its care and management.

Senator LUNDY—In terms of a decline in actual expenditure, are you saying that there has been a decline in your paying money for material but a corresponding rise in donations or bequests to the museum?

Ms Williams—I think that would be fair to say, yes. We could give you the exact figures on that.

Senator LUNDY—Yes, if you could take that on notice, and just show that shifting proportionality. I certainly appreciate the issues. Do you have the necessary funds to manage the museum's collection material properly? You were making a point about curatorial staff, expertise and other particular difficulties that you may confront as a maritime museum.

Ms Williams—I think that question is a constant struggle for most collecting institutions, especially now that there is pressure for public programs over the management of the collections. Wearing my hat as assistant director responsible for the collections, I would say, 'Yes, we need more money!' With my other hat on, as director, I am very cognisant of the fact that we have to balance our needs. It is a dreadful thing to do to a person! I am aware of the needs the organisation has in the next two to three years but, at the same time, we do have a management plan for the care of the collection and we stick to that. We upgrade that each year as we see fit, so I hope that answers your question.

Senator LUNDY—Yes. Thank you for that response. With respect to your web page, what degree of success are you having with it? What measures do you have in place?

Ms Williams—The number of hits?

Senator LUNDY—I suppose the number of hits is the base port of call in terms of how successful it is but, more so than hits, do you gauge the degree of interactivity that occurs with those hits to your site?

Ms Williams—It is very early days, of course, for most of us.

Senator LUNDY—How long has it been up?

Ms Williams—We have had ours up for about 18 months, and we certainly have lots of compliments, which is very nice.

Senator LUNDY—I am pleased to hear it; it is a marvellous site.

Ms Williams—As we become more skilled at using it and developing the web page, we add more information to it and interact with other sites. I could not tell you today how many hits we have had. I have not had a report for some time, but I could provide that information.

Senator LUNDY—Yes. Any analysis you have about its success, effectiveness and acceptance in educational institutions would be very interesting.

Mr Howarth—It has been somewhat disappointing in relation to its impact with New South Wales schools utilising it as a booking mechanism. We provided a booking mechanism within the process and it has proved somewhat disappointing.

Senator LUNDY—Have you analysed the lack of use of it in that regard?

Mr Howarth—I anticipate it is because teachers in schools do not have much time to get onto the computers within the schools, particularly primary schools.

Senator LUNDY—I suspect that is probably a reasonable analysis. Do you maintain it in-house or do you use a contractor?

Ms Williams—We maintain it in-house.

Senator LUNDY—Congratulations. Excellent. That is all I have. Thank you very much for travelling all the way down here.

Ms Williams—Thank you.

ACTING CHAIR—That concludes subprogram 1.5. Thank you very much for attending.
[11.29 a.m.]

Program 2—Film and Intellectual Property

Subprogram 2.2—Australian Film, Television and Radio School

Senator LUNDY—Perhaps you could start by giving the committee a breakdown of your expenditure for this financial year, identifying any significant one-off items and giving an explanation of the major variations.

Ms Hissey—Our expenditure breakdown for 1997-98 is expected to be about \$6.9 million for salaries, \$5.7 million for our operating costs and about \$1 million for minor capital repairs and maintenance.

Senator LUNDY—Are there any major one-off expenditure items?

Ms Hissey—Not in this year.

Senator LUNDY—In the table of variations, there is an amount of \$4,000 for savings realised from whole of government in telecommunications. In what form did that arrive?

Ms Hissey—That is a saving estimated by, I think, the Treasury. They simply deduct it from our appropriation on the basis of savings they estimate we will make by joining into the whole of government Telecom arrangements for the school's telephone and ISDN lines. They make that estimate and they reduce it from your appropriation accordingly.

Senator LUNDY—They tell you what you are going to save?

Ms Hissey—That is right.

Senator LUNDY—At this stage, have you had the opportunity to peruse the school's role in participating in the whole of government telecommunications plan, or is that something that will become apparent over the next financial year?

Mr Bishop—I understand that is something that will become apparent.

Senator LUNDY—Have you had any communication with the Office of Government Information Technology in relation to that saving to be achieved?

Mr Bishop—No.

Senator LUNDY—Are you anticipating one shortly?

Mr Bishop—Yes, I would expect one shortly.

Senator LUNDY—For you to be able to achieve that level of saving, if it is not achieved, are you required to find that saving from elsewhere?

Mr Bishop—Yes.

Ms Hissey—Yes, we are.

Senator LUNDY—I am just trying to get it clear in my head about the implications of such whole of government initiatives on organisations or subprograms such as yourself. If you did not engage in the discussion or liaison with the Office of Government Information Technology until very late in the financial year—through no fault of your own but due to the lack of coordination, perhaps, on behalf of the Office of Government Information Technology—where does that leave you in achieving those savings, given, arguably, it is not under your control?

Ms Hissey—We have to make up any shortfall difference between what we actually save and what they estimate we save. That is what we have been told.

Senator LUNDY—That is very interesting. Sorry, I got a bit sidetracked there. Are there any major differences in your funding for recurrent expenditure, particularly between this financial year and next financial year?

Mr Bishop—What are they?

Senator LUNDY—Yes. Are there any differences and what are they?

Mr Bishop—Yes, there is a sum of \$411,000 that is a partial repayment of a loan from the Department of Finance and Administration which was given as part of the review of the school's activities in 1994. It was designated for entrepreneurial activity, particularly in relation to new technologies, and we have used that loan to establish a digital training centre at the school. The school engages in a large number of short-course programs for the industry, and the digital training centre is aimed at absorbing that demand from the industry for that kind of digital training. Having set that digital training centre up, we are in the process of repaying that loan.

Senator LUNDY—Looking at my figures, there seems to be, I think, a \$350,000 cut in funding for 1998-99. Am I reading that correctly?

Ms Hissey—That is the net result of the Telecom saving we discussed before. The \$411,000 being the first instalment of the loan repayment and a plus of \$60,000 which is the net indexing for CPI and the efficiency dividend. The net effect is the reduction of about the figure you just mentioned.

Senator LUNDY—As a result of all of those variations?

Ms Hissey—Yes.

Senator LUNDY—What has been the participation level of people in the AFTRS courses during 1997-98 compared to last financial year?

Mr Bishop—The numbers?

Senator LUNDY—Yes.

Mr Bishop—It is estimated this year to be 4,000 in short courses and, from memory, the year before was 3,700.

Senator LUNDY—Do you have targets for 1998-99?

Ms Hissey—I would imagine it would be fairly consistent with this year's figures.

Senator LUNDY—So you have not published a target as yet?

Ms Hissey—We have a targeted revenue figure for short courses which indicates a level of attendance consistent with this year.

Senator LUNDY—In the light of the budgetary pressures and cuts to the Australian film industry and television production, have you undertaken, or do you plan to undertake, any review of employment prospects in the associated industries for graduates?

Mr Bishop—We have done a large amount of research into industry demand and employment. Currently 96 per cent of our graduates find employment in the film and television industries. Nothing that we have done in any of the recent graduate surveys has suggested a decline in potential opportunities. That is not to say they do not exist, but nothing that we have uncovered has suggested that.

Senator LUNDY—What about the recent High Court decision with respect to Australian content?

Mr Bishop—Blue Sky?

Senator LUNDY—Yes, in the same context—an analysis of the impact on employability and industry opportunities.

Mr Bishop—The staff in the school have been very concerned about the Blue Sky verdict, and we have written to the minister expressing the views of a number of the staff about the likely decline in employment opportunities for Australian film and television workers occurring because of the opportunity for New Zealand to become part of the quota.

Senator LUNDY—You have obviously written to the minister. Is it possible for you to provide that to the committee and any other material that you have prepared as a school in relation to that issue and its impact? Have the government cuts to the film industry, the ABC and SBS et cetera had an impact on the collaborative activities that you undertake with those organisations?

Mr Bishop—No.

Senator LUNDY—Have the cuts impacted on your relationships and activities with related organisations?

Mr Bishop—No, none that comes to mind.

Senator LUNDY—Could you take on notice to provide a description of the collaborative activities you engaged in that were undertaken by the school in the 1997-98 year.

Mr Bishop—Yes.

Senator LUNDY—Have there been any cutbacks to the school's indigenous program initiatives during the last two financial years?

Mr Bishop—No, there has not.

Senator LUNDY—Do you expect any in the 1998-99 budget?

Mr Bishop—No, in fact what I have heard in the last week was that there may be a rise.

Senator LUNDY—What have you got to back that up? Have you got an indication from the minister's office?

Mr Bishop—We have an indication from an officer from DEETYA, who was at the school during the last couple of weeks.

Senator LUNDY—Did DEETYA provide the funding for that particular program?

Mr Bishop—Yes, this is in relation to individual scholarships for indigenous people who attend the school. They have been in the vicinity of \$25,000, but the officer at the school who handles this program has apparently argued successfully that the relocation expenses for indigenous people attending the school are far higher than for the rest of the student base and has argued for greater funding in that area.

Senator LUNDY—It is good to hear that that will possibly increase.

Mr Bishop—Yes, we were very pleased. We have an indigenous student at the school at the moment who just last week won the Dendy award at the Sydney Film Festival. She is not even 20 yet and she has four children. These sorts of situations tend to occur more with the indigenous students than they do with others.

Senator LUNDY—That is remarkable; please pass on our congratulations. I would appreciate some more information about those awards and her success. Have there been any reductions to the industry training fund for women during the last financial year?

Ms Hissey—The budget looks consistent from last year to next year.

Senator LUNDY—And do you anticipate any reductions in the next financial year?

Ms Hissey—No.

Senator LUNDY—As a general question following on that point about the awards, do you, as an organisation, compile the successes of your graduates?

Mr Bishop—Yes, we do. Do you want to know them? This is our 25th anniversary here, so I have all these figures on the top of my head if you want to hear them.

Senator LUNDY—Please.

ACTING CHAIR—Put them on the record.

Mr Bishop—As of two weeks ago—it would have gone up by now—the school had won 303 individual awards in over 200 film festivals around the world. Amongst those awards, the two most distinguishing ones would be Jane Campion winning the Palme d’Or for *The Piano* and Shirley Barrett winning the Camera d’Or for *Love Serenade* a couple of years ago. No other film school in the world has produced graduates for both those awards at Cannes. So it is something that we are pretty proud of.

Senator LUNDY—Congratulations, it is a remarkable achievement. Can you give the committee an update on any further developments with online education and training that you are involved in following Professor John Bird’s report of last year?

Mr Bishop—Yes, this is an area we are taking very seriously in terms of distance education, and a number of other international film schools are also taking it very seriously, particularly the British school and UCLA in California. In September I will be running a conference at UCLA on distance education, where the three film schools come together to present our findings over the past 12 months in terms of developments in software technology that would lead to this kind of education.

It is being driven in England by David Puttnam, who is probably well known to the committee as a famous English film producer and a one-time somewhat partially successful runner of an American studio. He believes that, in the English context, intellectual property, as it resides in the university arena, has the same potential as special effects did for the British industry in the 1970s as part of the film and television industries in England. He believes that, by harnessing the film and television instruction in an online mode, the English would be able to capitalise on it in a way that they have done with open learning through their university systems.

I believe that, since the international grouping of film schools represents the world’s best practice film schools, we should be regulating the delivery of that kind of education on an international basis. Rather than go into competition with each other at the outset, we should, through the international organisation select, find ways to regulate that sort of delivery.

Senator LUNDY—Is there an international regulatory or standard setting forum for schools of your type that is in a position to in fact set standards of that nature?

Mr Bishop—There is a body select which is in a position to set those standards and as yet has not done so. But it is very early days, and there are a number of us who are driving that agenda to make sure that that occurs.

Senator LUNDY—That takes me to my next question. Who from your school participates in that particular body?

Mr Bishop—I do as director, and John Collett, who is the head of technology at the school.

Senator LUNDY—On the issue of intellectual property and how it relates to all manner of things with respect to your school, has your school expressed a view with respect to the government's proposed amendments to the Copyright Act and the waiver to moral rights?

Mr Bishop—Not as such. There has been a feeling from a number of the staff in the school that they are very strong in their support for screenwriters in their quest for moral rights over their intellectual property, but that is as far as the school has gone in that area.

Senator LUNDY—Has there been any reduction in the school's national screenings or recruitment seminars during 1997-98 compared with the previous financial year?

Mr Bishop—No. We do the screenings and the seminars in every state. We usually take it to one non-capital city—last year we took it to Alice Springs; this year we took it to the Gold Coast. So, no, all those screenings took place with the same regularity and in the same numbers as last year.

Senator LUNDY—Are you anticipating a reduction in the next financial year?

Mr Bishop—No.

Senator LUNDY—One final question: how do you intend to monitor the impact of the Blue Sky decision on your operations over the next 12 months?

Mr Bishop—The clearest way for us to do that is through our graduate tracking surveys, which occur, obviously, when the students graduate, and they are followed up a year, two years or three years later. If we see a decline in that high figure of 96 per cent and all other factors appear equal, we would assume that it was the lack of opportunities coming through from the Blue Sky decision.

Senator LUNDY—That is all the questions I have. Thank you for coming along.

ACTING CHAIR—Thank you for appearing. That ends your performance, if you like.

[11.47 a.m.]

Subprogram 2.4—Australian Film Finance Corporation

ACTING CHAIR—Senator Lundy has been called away. In her absence, I might ask you, in a general way, what percentage of Australian films you are providing finance to?

Ms Hughes—FFC in this financial year has committed to the financing of 13 Australian feature films. That would represent the bulk of Australian films made in the country, but in addition to there being Australian films there would also be what we call offshore productions, which are made in Australia with non-Australian creative control.

ACTING CHAIR—Like Warner Bros and Fox?

Ms Hughes—Like *Matrix*, for example, which is shooting in Sydney.

ACTING CHAIR—What percentage of the total finance of the films are you providing on average, and where is the other finance coming from?

Ms Hughes—We would invest on average probably 60 per cent, and in some cases it is lower. We tend to put more in when it is a first time director, risky material, unknown cast, et cetera. The bulk of the co-finance would come from distributors like Roadshow, sales agents like Beyond and Southern Star and from broadcasters. Also, now and again, from international sources of finance, and generally from sales agents, distributors and broadcasters.

ACTING CHAIR—Do you have a policy of a reducing percentage grant as a director becomes more experienced and his product becomes more successful?

Ms Hughes—We would expect that as the director and the creative team has track record then the overall percentage and deals would improve from our point of view.

ACTING CHAIR—You work also with the state film finance boards, I gather?

Ms Hughes—Yes, there are state agencies in Queensland, Victoria, New South Wales, South Australia and Western Australia. They will put small but strategic investments in projects that generally have a relationship to their state for one reason or another.

ACTING CHAIR—Thank you very much.

Senator LUNDY—Thank you. I hope I do not traverse any of the ground that you have just covered. At the last estimates hearing you outlined the number of projects you expected to provide financial assistance for during this financial year. Could you update those figures for the committee?

Ms Hughes—Yes, these are our approved projects. Our annual slate is determined by not just the approved projects but the approved projects for which we can fully contract. At present I think the target is pretty well the same—13 feature films, four adult television dramas, six children's television dramas and 35 documentaries.

Senator LUNDY—How do you expect the numbers to vary from that in the next financial year, in 1998-99?

Ms Hughes—I think the figures will be pretty similar. It depends a lot on what comes to us. We estimate in our guidelines that around 50 to 60 per cent of our appropriations will be committed to features, around 30 to 40 per cent to television drama and 10 to 15 per cent to documentary.

Senator LUNDY—How do this year's and what is anticipated for 1998-99 compare with 1996-97? It is probably in your annual report. Perhaps you could refer me to the page.

Ms Hughes—In 1996-97, we had 39 documentaries, 12 feature films and a combined television slate of 11 dramas.

Senator LUNDY—I am sorry, 11 adult dramas or 11 children and adult dramas?

Ms Hughes—There were seven adult and four kids dramas. Obviously, there are differences in budgets and differences in formats in that. So you could have one children's drama, which would be say 26 half hours, and another one which would be half that. The numbers of dramas do not necessarily indicate the bulk of the program.

Senator LUNDY—Can you say justifiably that that fluctuation or reduction in the number of adult dramas from seven to four can be attributed to those sorts of differences between the types of projects, or are there other pressures which have reduced the numbers of adult dramas?

Ms Hughes—There is often a fluctuation in drama. Over the years there have been ups and downs but, if you take a three-year snapshot, there is a balancing out.

Senator LUNDY—As a result of that fluctuation, will you look more specifically towards adult dramas next year? Are you able to make those sorts of adjustments?

Ms Hughes—We have a few in the pipeline that we are aware of. We are at 36 in our combined drama this year, so we would probably expect to be at the top of our range, which is the 40 per cent, for next year.

Senator LUNDY—We will watch with interest. What was achieved through the private sector participation in the FFC during 1997-98?

Ms Hughes—We have not quite got the figures because they depend on those projects that we manage to contract; we do it post 30 June. We would expect it to be around 37 to 38 per cent.

Senator LUNDY—How does that compare with the year before?

Ms Hughes—It was 37 last year.

Senator LUNDY—So it is the same.

Ms Hughes—It is a pretty static figure. It increases if we, for example, do one large budget international co-production where investment is small and everyone else's is greater. Then obviously just that one project can increase the overall level.

Senator LUNDY—Do you anticipate the same sorts of percentages in the next financial year?

Ms Hughes—Yes.

Senator LUNDY—And you are budgeting according to about a 37 per cent contribution?

Ms Hughes—Yes.

Senator LUNDY—Could you outline how the FFC's new policy on auditing sales agents and distributors is working?

Ms Hughes—It is a general business practice of all sales agents and distributors to audit returns and accounting statements. It is part of everybody's business plan, so to speak. It is an effective check, and we will now just bring it in as part of our normal practice in tracking our entitlement to revenues. It is really not a major policy initiative in that sense.

Senator LUNDY—Are there any results as a result of that new process?

Ms Hughes—We have a number of audit claims that we are in that we will be in negotiation on. It takes a bit of time for those results to come through, but we would hope that we will see some additional adjustments in the statements as a result, yes.

Senator LUNDY—What sort of imposition has that had on your staffing resources and allocations?

Ms Hughes—We do it out house. We use expert international auditors and they are paid for the service. That is what all companies in the world do.

Senator LUNDY—Are the costs of you engaging that service contained within your budget allocations?

Ms Hughes—Yes, and also in some distribution contracts there is a discrepancy provision whereby, if there is a discrepancy, the cost of the audit will be borne by the distributor. Sometimes that clause is negotiated and sometimes it is not; it is obviously a good one to have.

Senator LUNDY—You get it where you can.

Ms Hughes—Yes.

Senator LUNDY—Can you outline the costs incurred by the FFC as a result of being involved with Project True Blue?

Mr Malouf—In total it was \$13,000. We shared that cost half and half with the AFC.

Senator LUNDY—Does that include legal costs incurred with the appeal court action?

Ms Hughes—I would have to take that on notice.

Senator LUNDY—Would you also take on notice any other related legal costs associated with the Blue Sky case. Does the High Court's recent decision on the Blue Sky case have any implications for the FFC and, if so, what are they?

Ms Hughes—I think the implications will become clearer when we see the ABA's discussion paper and also have a feel as to the way they are going to be drafting their new standard. That is when we will have the most informed comment.

Senator LUNDY—Are you in a position to provide input to the ABA in the preparation of their discussion paper? Or are you in a position to be consulted?

Ms Hughes—We will be consulted, as will the industry, when the ABA releases its discussion paper.

Senator LUNDY—I suppose that was my question: before or after they release their discussion paper?

Ms Hughes—After. We would have informal discussions with the ABA, but it is their responsibility to produce that paper and we will comment on it when we receive it.

Senator LUNDY—What is the time frame for that, Minister? I heard you saying something about it on the radio this morning.

Senator Alston—You were only half awake, were you? It was a bit early in the morning.

Senator LUNDY—That is right. Perhaps you could provide the committee with the media release you put out today or yesterday or whenever it was.

Senator Alston—The discussion paper will be out for public comment by the end of June.

Senator LUNDY—Thank you, Minister. Can you provide a copy of that press release, just for information?

Senator Alston—Yes, certainly.

Senator LUNDY—Because I am making consistent references to the Blue Sky case. It will probably save a bit of time.

Senator Alston—Yes.

Senator LUNDY—Is it likely that the FFC will require more funds for funding Australian production to support the Australian industry as a result of the Blue Sky decision, if it is to maintain your current level of productions?

Ms Hughes—No, I do not think so. The implication of the Blue Sky decision is that others—that is, New Zealand—may be eligible for the quota. We finance projects that are eligible for quota, not for projects non-eligible for quota.

Senator LUNDY—Is it likely that Blue Sky will provide the government with some justification or reasoning for reducing the level of funding to the FFC?

Ms Hughes—I do not believe so at all, no.

Senator LUNDY—Minister, have you given that any consideration, or can you provide assurances that Blue Sky will not result in your reducing funding allocations to the FFC?

Senator Alston—I would not have thought there was any reason why it should.

Senator LUNDY—Has the FFC undertaken any study of the impact of cutting the film fund?

Ms Hughes—The film fund was a creature that was introduced in the early stages of the FFC's life to achieve a number of results, one of which was to, for example, build an Australian based international sales infrastructure. That goal has been well achieved. In reflecting on the films that we financed through the film fund—generally being those with first-time directors—it became clear that we were funding so many first-time directors through our normal slate that there could be no real justification for the continuation of the fund.

Senator LUNDY—Did you receive any complaints as a result of the cutting of the film funds? Did you document those?

Ms Hughes—I think that by the time it ended most people realised it would end. There is always the odd comment, but we did not get a barrage of comments about it.

Senator LUNDY—If you do have any on record or did do any analysis of the reaction to those cuts, could you provide those to the committee.

Ms Hughes—We just allocated the funds to feature films; we did not remove the money from the feature film allocation.

Senator LUNDY—Has the FFC undertaken any study or research in relation to the impact that a goods and services tax would have on the Australian film industry?

Ms Hughes—No, but when we get the information we will at that point press all our buttons to research the impact.

Senator LUNDY—So you will engage a consultant to undertake that work on your behalf?

Ms Hughes—Yes.

Senator LUNDY—Are you aware of any experiences overseas with film industries where there has been a GST?

Ms Hughes—I am aware that in the UK and New Zealand they would have produced reports on it, but I have not personally looked at them yet.

Senator LUNDY—Have you received any complaints—or have any individuals or organisations raised their concerns—about the imposition of a GST and the impact on the industry?

Ms Hughes—No-one has raised those concerns with the FFC—perhaps elsewhere but not with us.

Senator LUNDY—There is certainly a range of avenues for them to do so. That concludes my questioning of the Film Finance Corporation. Thank you.

ACTING CHAIR—Thank you for appearing this morning.

[12.04 p.m.]

Subprogram 2.5—Film Australia

Senator LUNDY—I have a reasonably standard opening question. Can you provide the committee with a breakdown of your outlays for 1997-98, including any significant one-off expenditure items?

Ms Connolly—Our appropriation of \$6.4 million for the national interest program is spent on production of a slate of national interest program titles, essentially documentary and factual programs. The remainder of our businesses are self-funding within the company. There are no extraordinary items in 1997-98, to our knowledge at this point.

Senator LUNDY—It seems fairly straightforward. There does not seem to be a lot of variation in the funding between the previous and the next financial year. How many programs commissioned from independent producers did Film Australia deliver during 1997-98?

Ms Connolly—It will be 21, as far as I know. It will be either 20 or 21, depending on completion dates of certain programs. All of the programs produced under the national interest program are commissioned from independent film makers.

Senator LUNDY—How does that figure compare with those of previous financial years?

Ms Connolly—It is essentially the same. We are required by the contract under which the national interest program is awarded to Film Australia to deliver 80 titles over a period of four years, which averages out at about 20 a year, so it is always in that range of 18 to 22.

Senator LUNDY—What are the costs involved in running your Lindfield site? Can you provide the committee with any information on its usage by the production industry?

Ms Connolly—Can I take the latter part of that question first. The Lindfield site is a studio complex owned by Film Australia Ltd. It comprises some basic post-production facilities which are operated by Film Australia for the benefit of independent producers who are producing both under Film Australia's national interest program and with funding from other sources. It essentially caters to the low budget section of the production industry—that is, the documentary makers and low budget drama producers.

In addition at that site we have a range of private sector companies at that site which are tenants of Film Australia. They are operating specialised facilities in the areas of sound post-production, film laboratory work, negative matching and so on. They range from the housing of outside broadcast vans through to more complex things like sound post-production. In addition, of course, Film Australia's own headquarters are at that site, so a proportion of the site is also occupied by our offices. There is also a sound stage, which is a small film and television studio, which is hired out by Film Australia Ltd to producers wishing to use it. The costs of the site are rather complicated to work out from what we have here. I might have to take that one on notice.

Senator LUNDY—Yes, if you would not mind. Do you keep records of the utilisation of the various facilities which are hired out such as the sound studio, et cetera?

Ms Connolly—Yes, we do. We also, obviously, keep a close eye on occupancy levels because the costs of the Lindfield site that you referred to before are substantially defrayed by the income we receive from the hiring of facilities and also from the leases to our tenants.

Senator LUNDY—Could you provide perhaps a fairly succinct statement about those utilisation rates and the cost offsets that can give a clear picture of that offset?

Ms Connolly—I can tell you that between now and the end of this calendar year we are close to 100 per cent occupancy of the facilities at Film Australia—which is a first, I think, for some time.

Senator LUNDY—Congratulations. That is good to hear. Can you also provide a list of the companies or individuals who utilise the facilities that are available?

Ms Connolly—Certainly.

Senator LUNDY—I am not sure if I am tracking back over covered ground, but I want to double check whether there were any cuts to the national interest program during 1997-98.

Ms Connolly—No.

Senator LUNDY—That was because of the broad based funding we discussed earlier being part of the funding figures, was it?

Ms Connolly—No. The \$6.4 million received in this financial year is pretty much what we have received in earlier years, off the same contract.

Senator LUNDY—Have there been any reductions in funds or services provided by the corporation in support for the documentary sector during 1997-98 compared to last year?

Ms Connolly—No.

Senator LUNDY—Do you anticipate any in 1998-99?

Ms Connolly—No, the reverse would be true. I would hope that our complementary businesses in the distribution facilities and archiving areas would, in fact, be offering increased levels of support to the documentary sector.

Senator LUNDY—How will you do that with the same levels of funding?

Ms Connolly—This will be, essentially, by the provision of services rather than funding. Our distribution arm acts as a distributor for independent producers of quality Australian documentaries, just as it distributes Film Australia productions themselves. Our facilities, as I said before, are provided to independent producers and our archive also sells stock shot material to independent producers. I think we will increase our level of service by improving efficiency and access in all of those areas, so I would hope that that would result in an increased level of support.

Senator LUNDY—The 1996-97 annual report mentions, on page 11, that the board decided Film Australia would no longer be involved in providing commissioned production services. What is the impact of that decision?

Ms Connolly—Commissioned production services refers to what are commonly called 'corporates', which are training or information programs we made for a variety of clients, including government and some limited private sector clients. Essentially, in 1991 I think it was Film Australia lost its monopoly under which government departments had to commission their programs through Film Australia. Since that time, we have seen a steady decline in moneys flowing to that area. I would also say that, generally, less money is probably being spent in that area in any case, whether it comes to Film Australia or not.

The impact of that decision on the company has been that some staff were made redundant at that point and it certainly has a small flow-on effect in that in the corporate service areas adjustments will have to be made as there is a lesser workload in those support areas of the company.

Senator LUNDY—So does that mean that Film Australia Communications has gone?

Ms Connolly—It no longer exists, no. The company is now purely focused on documentary production, distribution, archiving and facilities provision.

Senator LUNDY—Were the redundancies voluntary redundancies or mandatory?

Ms Connolly—In that particular area, people were made redundant and their redundancies were subject to the provisions of the Film Australia enterprise agreement.

Senator LUNDY—Right. So they were not voluntary.

Ms Connolly—No.

Senator LUNDY—It is very unfortunate. Have you received any complaints from clients with respect to that decision?

Ms Connolly—Not to my knowledge, no.

Senator LUNDY—Can you take on notice whether you have had any negative feedback and what the nature of it was and provide that answer to the committee. Why did Film Australia decide last financial year not to invest resources in the development of new investor-financed children's television drama?

Ms Connolly—The investor finance program had been a very successful operation of Film Australia for some years, resulting in programs which have succeeded in achieving distribution, often around the world, of high-quality children's drama programs. However, when Film Australia first entered into this area of production, it did so at a time when there was relatively little children's drama production activity in the country as a whole, and therefore it considered it appropriate to be involved in that area. Increasingly, we have found that the private sector is undertaking that kind of production and doing it very well, and it seemed unnecessary for Film Australia to be involved in that, given the level of private sector activity.

Senator LUNDY—Have you undertaken any analysis or surveys to assess the impact of the decision beyond what you have described as a 'qualitative assessment' of the private sector's ability to take that up?

Ms Connolly—Our surveys have been based purely on internal matters, not external ones.

Senator LUNDY—If you do not do that level of analysis, and I can understand why you would not do it, whose role is it?

Ms Connolly—To undertake analysis?

Senator LUNDY—Yes, perhaps to make an assessment about the decisions that you might make in that particular sector on the production of such children's television drama.

Ms Connolly—I do not know that I can completely answer that question. I am sure that the Australian Children's Television Foundation would have views on that question. Certainly the AFC production survey may show any variations that arise, but it would not necessarily be directly attributable to our decision to get out of that area. Funds for those productions very often came from a range of investors, including the FFC, for example, which I do not believe is spending less in the area of children's drama since we got out of it. I suspect that those funds are now simply going to private sector producers who are engaged in the same kind of activities.

Senator LUNDY—Okay. Thank you for that. Again, have you received any complaints, representations, from people who have concerns about that decision?

Ms Connolly—No.

Senator LUNDY—What have Film Australia's sales and marketing results been this year, and how do they compare with last year?

Ms Connolly—This current financial year it looks like we will achieve gross revenue targets, and possibly exceed them. They are in excess of \$5 million gross for 1997-98 at this point.

Senator LUNDY—How does that compare with last year?

Ms Connolly—It is slightly above what we achieved last year, which was also a very good year.

Senator LUNDY—Did you exceed your target last year?

Ms Connolly—Yes, I think we did exceed the gross revenue target last year.

Senator LUNDY—By how much?

Ms Connolly—I may have to take that on notice.

Senator LUNDY—I am just curious; it is a great result. Have you set your targets for the 1998-99 financial year?

Ms Connolly—Are you specifically talking about marketing figures?

Senator LUNDY—Yes, sales and marketing figures.

Ms Connolly—Yes, we have. The targets in the coming financial year will be considerably lower than in previous financial years owing to the decision to not be involved in children's drama production and distribution any longer, which will inevitably decrease the amount of money flowing to the marketing department. The sale of children's drama series of considerable numbers of episodes is obviously more lucrative than the sale of documentaries which are notoriously difficult to achieve commercial levels of return on, particularly in the kind of area in which we work, which tends to be what is called 'social issue documentary' under the national interest program.

Senator LUNDY—What impact will those reduced gross revenue targets for the next financial year have on your overall revenue and your capacity to supplement your income?

Ms Connolly—It will certainly decrease our overall revenue, and that is being offset by a number of overhead savings that we are planning to make in the forthcoming year. These operate on a number of fronts, including operating costs, which we believe have generally been brought down to a more realistic level. That is the main thing. However, we are still managing to accommodate some new initiatives in spite of that loss of revenue, including the establishment of a Melbourne office.

Senator LUNDY—The establishment of a Melbourne office?

Ms Connolly—A small Melbourne office, which will be the first Melbourne presence for Film Australia.

Senator LUNDY—Are there likely to be any more redundancies as a result of reducing your overheads?

Ms Connolly—Yes, there will be.

Senator LUNDY—How many?

Ms Connolly—We are still negotiating that at the moment. I would say that we are likely to see another five to six redundancies.

Senator LUNDY—What percentage of your work force does that represent?

Ms Connolly—As of June 1997, roughly 10 per cent.

Senator LUNDY—Were those redundancies anticipated when the decision was taken to cease the children's television distribution area?

Ms Connolly—Not necessarily. That is not the only factor to which they relate; there are a number of other factors. The loss of positions that I indicated is five, but, for example, the decision to establish a Melbourne office assumes a reorganisation of resources in the production area of our activities which may result in more redundancies, for example, where people do not wish to relocate.

Senator LUNDY—What is the business justification for opening the Melbourne office?

Ms Connolly—Twenty-eight per cent of the film and television industry is located in Victoria, and we estimate that a similar percentage of the documentary sector is also located there. We frequently work with producers in Victoria who are very keen to see some on the ground representation of Film Australia. It has been a long held view of Melbourne producers, and one which we believe now, given the size and the experience of the documentary sector in Victoria, is absolutely justifiable and, indeed, necessary.

Senator LUNDY—Putting aside the loss of revenue from children's television drama, what revenue increase for documentaries, in terms of sales, do you anticipate coming about through the opening of the Melbourne office?

Ms Connolly—The Melbourne office will not be involved in distribution activities. The Melbourne office is purely there to facilitate the commissioning of programs from independent film makers under the national interest program.

Senator LUNDY—Why wouldn't it be involved in distribution? I understand your processes, but is there a specific reason why or is there no point in having that as a film distribution point?

Ms Connolly—We would not regard it as worth the investment. I do not think there is actually a need for that. Essentially, our distribution operation deals with, at a domestic level, distribution of Film Australia and independently produced titles to schools, domestic television broadcasters, and we do that around the country from one place. Increasingly, for example, a lot of it is done via our Web site and on the Net, which makes location less relevant. Also, our major returns come from international markets, so it is irrelevant where we are in that sense. Certainly, the Melbourne office would provide an advice and information point as well for people wanting to know more about Film Australia distribution, but there will not actually be distribution staff in that office.

Senator LUNDY—What is the revenue burden on a recurrent basis of the opening of the Melbourne office?

Ms Connolly—The overhead cost of it?

Senator LUNDY—Yes.

Ms Connolly—I would probably have to take that on notice to give you the exact figures. What I can say is that we are increasing staff by two positions that did not previously exist.

Senator LUNDY—Does that mean there are going to be possibly seven redundancies, but then you create two new positions?

Ms Connolly—That is possibly so. It is a complex set of figures. But, yes. And there is a very small cost of rent obviously for that office. However, we are almost at an arrangement with the National Film and Sound Archive to share their premises in Melbourne, so we will be able to keep that overhead quite low as well. That will be offset by certain savings in existing travel expenses between Sydney and Melbourne, to an extent.

Senator LUNDY—Are there any establishment costs?

Ms Connolly—Yes, minor ones to do with the appointment of people, the relocation of possibly two people—those sorts of minor expenses—and small fit-out costs for the space that we are going to lease from the NFSA.

Senator LUNDY—What about things like computer hardware and other bits and pieces?

Ms Connolly—We will be able to transfer most of the fittings and furniture from Sydney, hopefully.

Senator LUNDY—What is the time frame for this move?

Ms Connolly—We hope to have the Melbourne office operational by the end of August.

Senator LUNDY—What stage are you at in consultations with staff over redundancies?

Ms Connolly—We are in the middle of negotiations at the moment with staff and their representatives.

Senator LUNDY—How are they proceeding?

Ms Connolly—Constructively, I would say.

Senator LUNDY—What was the initial prompt for the establishment of the Melbourne office, given that it seems to go back a little way?

Ms Connolly—It does go back some way. There has been a feeling, as I said earlier, in Melbourne for some years now that there should be more of a Film Australia presence, particularly in relation to commissioning of the national interest program. Over the last five years it is fair to say that there have been increased levels of production activity being commissioned in Melbourne. In a general sense, it goes back that far.

During the period of review which commenced late in 1996 and ended about November last year, and went through several stages, a number of significant Melbourne based producers also aired their views on this in a more public sense. We already had commenced planning for some sort of Melbourne presence and that really just added fuel.

Senator LUNDY—Did you get any directive from the minister's office to set up the Melbourne presence?

Ms Connolly—No.

Senator LUNDY—Minister, what do you know about this?

Senator Alston—It sounds like a good idea to me, but I do not think I can claim much credit for it.

Senator LUNDY—Were you involved in initiating this move in any way?

Senator Alston—No, I do not recall having discussions about it, but I would be aware of the general sentiment in Melbourne.

Senator LUNDY—Have you been lobbied about it?

Senator Alston—Only in a broad sense. Mr Kennett is never shy on these matters.

Senator LUNDY—Does Mr Kennett have a specific view on this matter?

Senator Alston—He has a general view that Melbourne suffers badly by comparison with Sydney.

Senator LUNDY—What representations has Mr Kennett made to you about this issue specifically?

Senator Alston—I do not think anything on this issue.

Senator LUNDY—Has Mr Kennett ever made a public statement about this issue specifically?

Ms Connolly—Not to my knowledge, no. It is fair to say that this is an issue that has been around in relation to a number of agencies and broadcasters for many years—a presence in Melbourne—and the ABC has taken steps, as we know, to ensure that certain commissioning

editors are placed in Melbourne, for example, and so on. When 28 per cent of the industry exists in Victoria, that has to be acknowledged in some way or other. Our own steps are in response to exactly the same kinds of pressures and also in recognition of the fact that there is a very viable sector there which we could be tapping into perhaps more productively than we currently are.

Senator LUNDY—That is all the questions I have. Thank you.

ACTING CHAIR—Thank you very much. It is now half past 12. We are scheduled to break for lunch at twenty to one. What do you have for the next program, Senator Lundy? Would you like us to call the next program or break for lunch?

Senator LUNDY—Call the next program.

ACTING CHAIR—Okay.

Senator LUNDY—It is fairly consistent timing in respect of questions, so 15 minutes—

ACTING CHAIR—We will move on to subprogram 2.6, then—the Australian Film Commission.

[12.30 p.m.]

Subprogram 2.6—Australian Film Commission

ACTING CHAIR—We will begin the questioning of the AFC, but we will still stick to the schedule and break for lunch at 12.40.

Senator Alston—At 12.40?

ACTING CHAIR—That is what is scheduled.

Senator Alston—Right. What—you are going to stick to the program! Righto.

Senator LUNDY—That is always an option, Minister.

Senator Alston—Of last resort.

Senator LUNDY—Perhaps we could start with you outlining to the committee how the Australian Film Commission is going to survive and effectively undertake its functions in 1998-99 when it has lost half its budget.

Ms Robinson—The commission has not lost half its budget. The reduction in funding for the next financial year is, in fact, as a consequence of the cessation of the commercial television production fund, so I do not anticipate that the commission itself will do things much differently than is currently the case.

Senator LUNDY—Your general operations, then: can you provide the committee with a general breakdown of your expenditure in 1997-98 and how that compares with the previous financial year?

Ms Robinson—In response to a question in estimates earlier this year we provided some information up to, I think, the end of February. Can I take the difference between then and now on notice, please?

Senator LUNDY—Certainly. I have asked this question of all the other subprograms: how does that compare with expenditure in the 1998-99 financial year? Are there any anticipated reductions or anticipated cuts in services and activities as a result of the budget at this point?

Ms Robinson—As I said in answer to your first question, as far as the commission itself is concerned at this stage, I would answer no to that question. But obviously the issue of the

television production fund ceasing at 30 June will result in our not funding that area in the future.

Senator LUNDY—Does the cessation of the fund have any implications for resourcing, staffing, within the Australian Film Commission?

Ms Robinson—Within the commission itself?

Senator LUNDY—Yes.

Ms Robinson—No.

Senator LUNDY—Okay. Last time, we dealt with the commercial television production fund: have you done any study of the impact the cutting of that fund has had or will have on the industry?

Ms Robinson—No, we have not.

Senator LUNDY—Is it your intention to?

Ms Robinson—It had not been our intention to, no.

Senator LUNDY—Minister, perhaps I could ask you if you think it is a worthy expenditure to analyse the impact of the loss of that particular fund on the industry, particularly with respect to employment prospects either directly or indirectly?

Senator Alston—I think you need to put the origin of the fund in context. It was introduced at a time when hardly any profit was being made by the free to air networks, probably at a time when the film industry itself was in general need of a fillip. It was always a time-limited program, and the commercial television industry is now making profits of \$430 million a year. In the sense that this was always a time-limited form of assistance to a sector that needed a bit of help at the time, that is no longer the case.

If you are talking about the wider film and television industry, I would have thought that in recent years it has been highly successful. It may well have leveraged to some extent off the CTPF, but that in itself is not a reason to continue it if, in our judgment, it has moved to a higher level. It is certainly at a point where the networks themselves could be expected to continue funding because they have already been able to establish the success of a number of these programs. What effectively happened was that they were given the ability to take risks in the early stages to determine what programs would work and what would not. Having been through that four-year learning process and now being in a much healthier financial position, they have got the capacity to continue that investment, but not at taxpayer expense.

Senator LUNDY—When was the decision made by government?

Senator Alston—I point out that Australian television exports have trebled over the last five-year period as well.

Senator LUNDY—When was the decision made, Minister?

Senator Alston—When was it made?

Senator LUNDY—Yes.

Senator Alston—In the last budget.

Senator LUNDY—Yes, but was it before or after the High Court decision on Project Blue Sky?

Senator Alston—Before.

Senator LUNDY—Before?

Senator Alston—Yes.

Senator LUNDY—Does the High Court decision give reason for you to reconsider your decision to cut?

Senator Alston—There is still a long way to go before we play out the implications of that decision. We obviously have to see what the ABA discussion paper throws up and what the industry input and response is, and we will make a judgment at that time. But it is essentially the status quo at the moment, so there is no impact. As I understand it, Project Blue Sky accepts the timetable that we have outlined, so it would be premature to start making assumptions about the impact until we know precisely what the impact might be.

Senator LUNDY—So you are prepared to keep open consideration of reinstatement of that as part of that review, part of that impact study, of Blue Sky?

Senator Alston—The ABA will put all the options on the table and we will obviously take a keen interest in the outcome of that. I think there are some matters of concern to the industry that will be addressed in that process, particularly the extent of the relevant per capita subsidies between Australia and New Zealand and the use of backlog catalogue material which would otherwise be regarded as first run in Australia even though it is effectively second run. I think all of those need to be taken properly into account to ensure that there are not any unfair advantages that might be thrown up by any premature change in current arrangements.

Senator LUNDY—Are you getting feedback from industry about the importance of that particular fund in the context of Blue Sky?

Senator Alston—Of the CTPF?

Senator LUNDY—Yes.

Senator Alston—No, I do not think anyone has really done so. I certainly got lobbying at the time in the lead-up to it. I do not think I have had much since. I might have had a letter from Steve Vizard about it, but beyond that I do not think there has been much.

We renewed the SBI Independent one and I think the reasons we spelt out, as I have indicated in part today, are acknowledged to have some validity by the industry itself. They would obviously prefer to maintain that level of funding for ever and a day if possible but, given that programs have to have reasons for continuing existence, I hope we have generally made the case to them and they will accept that. That is not to say they will not come back with other, more targeted proposals, but it seems to me that there has been a general level of acceptance that at least there was an argument to be made; it was not just a sort of budget funding decision.

Senator LUNDY—Have you prepared any estimates on what sort of reduction in numbers of Australian made productions will result from what I would describe as this short-sighted decision?

Senator Alston—I am sure you would. Again, I think it is premature until you see what the long-term reaction of the commercial television sector is. If they take my advice that they have been able to make some risk-free decisions over the last four years and that they are now in a good position to maintain funding at their own expense, there really should not be an issue when it comes down to it.

Senator LUNDY—Will you monitor the expenditure of the commercial television networks?

Senator Alston—I am sure others will do it for me, even if I do not.

Senator LUNDY—Who does?

Senator Alston—The industry will have a keen interest in that for a start. Certainly I am sure we will track it.

Senator LUNDY—Do you intend to monitor that particular issue as a result of your ministerial responsibilities of keeping the checks and balances, making sure the investments are carried out and protecting jobs in the industry?

Senator Alston—I am not sure that I will be doing a sort of CTPF specific monitoring but what we will do is keep track of overall expenditure in the industry and of the health of the film-television sector. If there are areas where we think the government can and should make a difference, we will obviously be amenable to further consideration of proposals. You really do not just do it for the sake of doing it: you do not say, 'We're cutting it out now but, as soon as we possibly can, we will bring it back irrespective.' If indeed the industry takes up the challenge, there will not be much need for it.

Senator LUNDY—Are you prepared to give an indication as to your government's intention if the industry fails to deliver or to maintain the level of investment in commercial television production?

Senator Alston—I just think that is all hypothetical. I am sure you are aware of the genesis of this decision.

Senator LUNDY—I appreciate that, but it is about a commitment.

Senator Alston—You are aware of how this decision came to be made in the first instance, aren't you? The networks wanted licence fee reductions and this was Mr Keating's way of keeping them happy for a couple of years until they recovered. They have effectively recovered, so to that extent the bargain has been delivered on. They were never—I do not think at the time anyway—saying that they ought to get a permanent hand-out, nor was the government of the day suggesting that. It was a means of getting them through tough times.

Senator LUNDY—Could you update the committee on the numbers of applications and approvals for AFC programs for 1997-98 and how they compare with last financial year?

Ms Robinson—Again, can I do what I did with the previous question—that is, take on notice the difference between the information we provided to the last estimates and now, through to the end of the financial year. We have got one more board meeting which will sign off on those numbers.

Senator LUNDY—Yes. Is there any indication that it will vary greatly from the last financial year?

Ms Robinson—I think the numbers we have provided already have suggested that in some areas there have, in fact, been significant variations, but I would want to hold my fire on that score at this stage.

Senator LUNDY—When you respond to that question on notice, can you respond to it holistically by comparing full financial years?

Ms Robinson—Yes.

Senator LUNDY—What Australian initiatives to explore the creative potential of multimedia has the AFC assisted financially or otherwise during 1997-98?

Ms Robinson—The commission has been involved in a number of initiatives. We produce a catalogue, which we regularly update, of Australian multimedia projects. We invest in the development of projects and we also completion-fund projects on application—and those numbers will be included in the numbers that you get about the rest of the organisation—and

we have been involved in providing financial assistance to put on tour around Australia a number of programs of Australian and other multimedia, mostly CD-ROM based material.

Senator LUNDY—Are your expectations in respect of this area going to increase in 1998-99 or do you envisage them remaining steady?

Ms Robinson—We would expect to spend about the same amount of money next year as we have this year. We always hope that we are able with our money to provide a platform for people to leverage additional funding. We will work with applicants on that score. But, as I say, we would expect our expenditure, our commitment, next year to remain constant.

Senator LUNDY—What activities has the AFC been undertaking in this financial year to develop and expand domestic and international markets for Australian productions?

Ms Robinson—Apart from our usual activity of attending the major film and television markets—the Cannes Film Festival, the American film market, MIP-TV and MIPCOM and MIFED and the Clermont-Ferrand International Short Film Festival—which we do annually, we have done a number of other things. We have had a major retrospective in South Africa as a potential developing market. We are in the process of developing a project that will take us into South America, which market we have paid no attention to thus far. We are also in the process of negotiating an initiative in Spain.

Senator LUNDY—Some of those initiatives will obviously take you into 1998-99.

Ms Robinson—They will. These kinds of initiatives have a long lead time. Some times they take up to two years to develop. They are as much about developing relationships with local agencies, buyers, distributors and audiences as they are about getting the projects and the programs. The other thing that we do on an annual basis is a festival of Australian cinema in the UK, which is probably one of the most toughest theatrical markets in the world. We have been doing that annually for about five years. We generally find that one to three of the titles that we select gets picked up for distribution in the UK as a consequence of that event, so we will continue that into the future.

Senator LUNDY—Have you looked at similar strategies in other markets?

Ms Robinson—We have similar strategies in other markets. We just do not do them as consistently because the UK is the only foreign territory in which we have an office.

Senator LUNDY—Do you have any increased funding for these types of activities during 1998-99?

Ms Robinson—We seek sponsorship on a project by project basis.

Senator LUNDY—Do you have any targets set that boost the degree of support you are looking for in this area over the next financial year?

Ms Robinson—Not targets in a general sense. The targets are initiative specific. We will always cover the initiatives, but we hope to reduce our financial commitment to them by offsetting it by participation from either Australians who are interested in the territory that we are interested in or local providers who are interested in participating with us because they have an interest in developing the market for Australian programs.

Senator LUNDY—What you are describing is almost an ad hoc process. If a sponsor comes out of the woodwork and says, 'I'm interested in helping you out in Brazil,' then you will do something in Brazil.

Ms Robinson—No, it is the other way around: we target the territory and then look for sponsors. If we find them, great; if we do not, then we pay for it ourselves.

Senator LUNDY—So you set your overall plan and seize what opportunities arise?

Ms Robinson—Yes.

Senator LUNDY—How many scripts did the AFC invest in in 1997-98?

Ms Robinson—Can I take that question on notice, please.

Senator LUNDY—Sure. Again, could you provide the relevant comparisons with the previous year and the next financial year?

Ms Robinson—Yes.

Senator LUNDY—What assistance did the AFC provide to the Australian Film Institute's research and information centre in 1997-98?

Ms Robinson—The AFC provides an annual grant to the Australian Film Institute and of that grant the institute makes an allocation to its research and information activity. I will have to provide on notice this year's current spend by the AFI as a percentage of their overall grant.

Senator LUNDY—Has that assistance from the AFC to the AFI remained steady?

Ms Robinson—In the last two or three years it has been reasonably steady—if anything it has declined.

Senator LUNDY—What about the level of assistance for 1998-99? Do you anticipate another decline?

Ms Robinson—We fund on a calendar year basis. So we will not be making our decisions until December this year for the 1999 calendar year.

Senator LUNDY—Doesn't that give them rather short notice?

Ms Robinson—We introduced that process when the federal government's budget process was in August, so the decision was made in advance of the financial year rather than after it. We have worked out a set of arrangements between ourselves and the organisations that receive funding under this program that works. The decisions are made in December. They know in advance of the beginning of their financial year, which they work on a calendar year basis. They do therefore get some notice. The December decision is a commission decision. Lengthy negotiations take place before the recommendation actually goes to the commission, so there are really no surprises on either side, because we hope in the negotiation process to have ironed out all of the difficulties.

Senator LUNDY—Could you outline the research type projects that the AFC has been involved in and the associated costs?

Ms Robinson—To give you an accurate account of that, could I take that question on notice.

Senator LUNDY—Yes. Could you add to that what, if any, targets you have for research related activities for the next financial year? Thank you for your time.

Proceedings suspended from 12.51 p.m. to 1.45 p.m.

Subprogram 2.3—National Film and Sound Archive

CHAIR—We will start without the minister and, if it is a policy question, we will hold it. I welcome officers from the National Film and Sound Archive. I would like to thank Senator Eggleston for chairing the committee this morning while I was busy with the Conference for Older Australians on the International Year of Older Persons, and I thank the committee for its indulgence in appointing him.

Senator LUNDY—Perhaps you could start by giving the committee a breakdown of your expenditure for 1997-98, particularly any significant one-off expenditure items.

Mr Brent—It is difficult to work out exactly what level you would like that breakdown. We have breakdowns at every level, but perhaps I will just run through some major categories and you can tell me if you want more or less detail. For 1997-98, we spent about \$6.4 million on salaries and superannuation related expenses. General administrative costs, which is basically all of our machinery, equipment and supplies, were about \$3.2 million. Property operating expenses of a recurrent nature—repairs, maintenance, rent and so on—were about \$1.7 million. Property operating expenses of a capital nature—capital improvements and so on—were about \$0.8 million.

There are three other categories of expenditure I should list. Program expenditures—which is the direct delivery of services from the archive—were about \$0.9 million, and development of our new building was about \$1.3 million. Separately I should also note that earned revenue equated to about \$1.9 million, which should be added to our total running costs to match that number.

Senator LUNDY—Did that represent a decline in overall funding from last financial year?

Mr Brent—No, it actually reflected a reasonably large increase, for three separate reasons. First, there was an increase in relation to our earned revenue; second, we got substantially increased funding for our new building; and, third, there were minor decreases in funding for things such as efficiency dividends or whatever but the minor adjustments for inflation, et cetera, offset those figures.

Senator LUNDY—Did the figures you gave earlier—I think, \$1.7 million and \$0.8 million for capital expenditure—relate to the new premises or is there a separate allocation?

Mr Brent—No, those first two did not. The separate figure of \$1.3 million relates to the new premises. Those figures related to the running of our existing properties.

Senator LUNDY—There are some quite significant variations in the variations table. Could you provide an explanation as to the running cost variations located on page 66 of the PBS?

Mr Brent—Yes. The superannuation supplementation is an adjustment that has to do with various levels of superannuation. It has probably been reflected in a number of other agencies. It simply has to do with the lower rate of superannuation that is being paid in relation to newly recruited employees compared to the more generous levels for longstanding employees. The supplementation for payroll user charging is a minor adjustment to do with the way that money is being allocated and paid in terms of costings.

The reversal of the 1996-97 carryover is a larger item. We deliberately underspent last year's budget and carried over a substantial sum of money. This represents an adjustment to make sure that that is not consistently fed into our appropriations—that is to say, we cannot have that adjustment every year; it is only after we have underspent by that amount. That large underspend reflects the fact that we were tuning up to the building of the new premises and we were adjusting our expenditures to make sure that we could best accommodate the lumpy expenditures that relate to the building of the new premises.

Senator LUNDY—So what happens to that?

Mr Brent—Essentially, we run back to our standard appropriation, but the carryover we have is in our budget as a one-off rather than as an ongoing amount. That is an adjustment that reflects that.

Senator LUNDY—What is meant by a transfer from program 1 to program 5?

Mr Brent—That is essentially the money that we have from the general funding for the portfolio that has been shifted into our appropriation for the new building. The net effect of price indexation and efficiency dividends are the standard parameter adjustments.

Senator LUNDY—With respect to improving preservation and the safe storage of collection material, what new strategies or targets do you have for 1998-99 and what are the associated costs?

Mr Brent—The new strategies focus largely on our new building. We are installing some major new equipment in our film printing and processing laboratory, and that we are doing now because it fits into the new building and it is an appropriate time to make that major change and capital upgrade. We are also looking at strategies that continue to refine the extent to which we focus on materials at risk rather than just starting at one end of our collection and copying or repairing everything. We are identifying the materials that are most at risk, targeting them and singling them out for priority treatment.

In addition, we are looking at a range of other new technology solutions—that is, looking at using digital technologies increasingly. We have done that for some time in sound restoration, although we have also had to continue with a substantial amount of old analog technologies because we cannot be confident about all aspects of the digital technologies. Increasingly, we are looking at ways that we can rely more exclusively on digital technologies, and we are looking at introducing more digital technologies in our video facilities. But some of those technology reforms actually carry a great cost with them in terms of capital, and the timing of some of those changes will take a lot longer.

The last area that we are focusing on is improved storage conditions. We are putting a lot of energy into improving our principal storage vault, which we call Mitchell 1—our prime facility in our Mitchell suburb facilities. That will help us to ensure the long-term safety of the collection without expensive treatment.

Senator LUNDY—You have pre-empted my next question, which related to the new technologies that you are using. What sort of outlays were required to implement them?

Mr Brent—To fully digitise our video lab would probably cost us close to \$1.5 million, and that would only be for the equipment. Then there is the training costs, the staffing costs and the material costs of transferring our analog tapes onto digital tapes. To do the same in film is not yet viable, and I will give you a single example to highlight that. A few years ago the film *Snow White* was fully digitised, restored and then turned back into film for re-release. That project cost \$7 million. So, for film, clearly digital technologies are still out of reach. In audio technologies, we are going to be spending in the coming year probably close to \$500,000 on various aspects of our equipment to upgrade it and maintain it and to buy supplies for the digitising of materials in our collection.

Senator LUNDY—As that proceeds, your aim is obviously to do that all on site yourselves.

Mr Brent—We outsource a substantial amount of work. We outsource anything we can if it is cheaper than doing it ourselves. But one of the problems is that our field is a unique field, that is, there are not facilities anywhere else in Australia that can do much of the work that we do. An example of that is that, until we were able to sell our services to the Australian War Memorial, they were sending their film material over to England to have it copied because that was the cheapest alternative; there was nothing else in Australia that could do it. Having said that, we do outsource a substantial amount of work and will continue to do so if it is cheaper than doing it ourselves.

Senator LUNDY—To follow that, what other institutions or organisations are using your services on a commercial or semi-commercial basis?

Mr Brent—A large number, and it varies from year to year. They range from the University of New South Wales to the Antarctic Division of the Department of the Environment to the Australian War Memorial. We have just recently done some work for the Australian National Gallery. We have done work for the private sector, private film distribution companies. We have done work for Indonesia, the Philippines and Singapore. We have basically done work for people inside and outside Australia, in the private sector and the public sector all over the place, again because our facilities are unique not only in Australia but in fact in this part of the world.

Senator LUNDY—Do you have, as part of your business plan, an expansion of that type of commercial service?

Mr Brent—Yes, we do, although we have to be very careful about it because of two constraints. The first is that we need to make sure that the revenue covers the cost of running those sorts of services, particularly when they are not for sister institutions. Secondly, we also have to be conscious of the fact that it is not just investing money in capital and then returning that investment; it is also investing in a lot of staff training which only we can do. We can have a certain sized pool of skilled staff but we cannot just expand that indefinitely and still expect to be able to deliver the same quality of service. So we need to be careful. But, yes, we are certainly looking to provide more of that service outside the organisation.

Senator LUNDY—Is any revenue raised from such a venture—perhaps I should best direct this to the minister.

Mr Brent—I can probably answer the question for the minister.

Senator LUNDY—I will put it to him anyway. I am interested in your response, Minister. The National Film and Sound Archive has indicated that obviously they are making some very interesting progress in the area of getting some revenue returns on commercial activities. Is your government inclined to look at those returns and start to adjust the government allocations accordingly, or is it your intention to allow these institutions to foster and develop and to use that money to reinvest in their own operations?

Senator Alston—We certainly have not cast our greedy eyes over any additional revenue they might be able to derive from commercial activities. It is not something that has ever been discussed.

Senator LUNDY—I do not want to give you any ideas, Minister.

Senator Alston—I suppose you would say we did not need any help in that regard. From my own point of view, it has never been raised with me and is not something I have ever thought of. I would certainly encourage them to do it without fear of it being clawed back in due course.

Mr Brent—I would add two comments. The first is that we actually have a threshold of \$10 million that we can raise in revenue before there would be any question of negotiating revenue sharing arrangements with the Commonwealth revenue fund. Given that our current revenue is less than \$2 million, it leaves us a fair buffer. The second point is that there is not a huge amount of money to be made in this field. Most of the customers are people like other cultural institutions. So we will certainly try to more than recover costs, but the margin for making a significant profit is not great. The major outcome is actually to share our expertise to a broader range of heritage material.

Senator LUNDY—Thank you for that. What is the current size of the archive's collection? Has there been any increase during 1997-98?

Mr Brent—The size of the collection is a bit hard to define because it depends on how one measures it. It is four large warehouses full in Mitchell, or it is 1½ million items, or it is over 100 million feet of film, which I think is enough film to reach from here to Perth and back about 10 times. Those numbers probably don't help, and perhaps more relevant is to say that we have a very large collection of audiovisual materials, certainly by far the largest in Australia. In addition, we are collecting most of the output of the major cultural formats that we cover, sound and film, except in relation to television and radio, where we can only collect a small sampling. At the other end of the spectrum, our collection actually declined in size last financial year and again this financial year because we are removing from the collection substantial amounts of material that were collected incidentally in the past when we were trying to draw together a good sound collection. In collecting Australian sound recordings we got a lot of international material that was sort of swept up in the process, and that material is now being disposed of. We are disposing of a large volume of material of very low heritage value.

Senator LUNDY—In asking that question, I was not quite sure what measure you would reach for. Do you expect that that decrease because of that sifting through the material will continue?

Mr Brent—Not for much longer. I think that we will probably see a further decline in the total size of the collection next financial year, but at that stage then we will have dealt with the large volumes of surplus material that we can get rid of. Any further reduction in the collection will be at the margins and the collection will start to grow again.

Senator LUNDY—Taking that particular example out of the equation, by what sort of proportion does it grow per annum?

Mr Brent—Again, it is a little difficult to say, but in very rough terms the growth would be at the rate of perhaps two per cent a year in total. It varies a lot depending on the types of materials we collect, but in some areas that growth is greater in terms of numbers of items and less in volume. For instance, collecting audio-CDs can add quite a bit in the number of recordings but not so much in storage demand. The second thing in relation to film is that it is much more a direct linear growth—a new film has as much bulk as an old film. I should also note that most of our collection growth is based on donations, so the cost to us is not of the acquisition but of the storage.

Senator LUNDY—Minister, did you go and see the *Real Wild Child* exhibition at the archive?

Senator Alston—I remember where I did come across it. I remember launching the CD, and I think I was taken on a quick virtual tour. It was one of a number. I am sure we did. Yes, I do recall it now.

Senator LUNDY—It was fantastic, wasn't it!

Senator Alston—We did have a few representations about some aspects of it, as I recall.

Senator LUNDY—I think it is highly relevant in the context of your current campaign to import CDs and demolish the local music industry, but we will come to those points later I am sure in the portfolio. How is the archives database proceeding?

Mr Brent—The database is going along extremely well. I should say there are two aspects that are particularly important. Firstly, we are marketing the database internationally. We

developed it here with a local firm, and it is indisputably the best in the world for audiovisual archives. We have now sold it to Europe and to the Library of Congress in North America. So the database itself is going very well. The loading of data onto it is also moving along very quickly. We have added probably another 30,000 items onto the database this year, which is roughly a 10 per cent increase in the total amount of stuff we have recorded on the database.

Senator LUNDY—When does it date back to at this point?

Mr Brent—The collection, and the material therefore represented on the database, dates back to 1896. The range of material we have put on is probably biased towards a lot of the earlier material because it will be in the highest demand. I should also note that the database has been upgraded recently. We have brought out a new updated version, which we are now also marketing around the world.

Senator LUNDY—It will be interesting to keep track of its success. You mentioned before that you collect CDs. Can you describe your criteria for the collection of CDs?

Mr Brent—Yes. We collect every CD put out by any member of ARIA, the Australian Record Industry Association, which comes to us automatically on donation—that is, as an Australian production with Australian creative input. We collect any CDs put out by other Australian artists not represented by the companies that are members of ARIA to the maximum extent we can, some CDs being published on a very low level and are very difficult to either track down or find out about. We also collect some international CDs where they have a particular Australian relevance.

Senator LUNDY—Let us hope you continue to see strong growth in that collection. How have the visitor numbers been to the headquarters here in Canberra over the last financial year?

Mr Brent—The headquarters have seen a slight overall increase in visitor numbers and, given the state of the tourist market in Canberra, we are quite pleased with that. However, as long as we still have only very limited exhibition space and limited on-site parking, it is going to be difficult to improve that. I would be predicting probably a decline in visitor numbers until our new building is completed and the disruptions of that are resolved, and then I would like to look forward to a significant increase.

Senator LUNDY—So you will embark on a strategy to boost your numbers at that point?

Mr Brent—That is right.

Senator LUNDY—What is the completion date again for your new building?

Mr Brent—The new building itself will be completed in November, but the related works on the headquarters building—which will open up nearly twice as much public space—are not due for completion until March of next year. Therefore, we will not be able to exploit the space until probably April.

Senator LUNDY—Was the archive planning to replace its automated human resource management system?

Mr Brent—Yes.

Senator LUNDY—Could you give me an update on where that is at, please?

Mr Brent—Yes. We are installing a new system called Aurion in place of the old system called Nomad. We have just about finished all the data entry for that—I think that is due to be completed today—and we will be trialling the use of the new system in parallel with the old system over the next two years and hopefully it will be running live or solo, whatever the phrase is, on the system by the beginning of next financial year. It has been a major task

simply because of the shifting of data onto the new system. We have used that opportunity to check all of the personnel data of all of our staff so that we get it right when we start.

Senator LUNDY—Excellent. Have you implemented a new workplace agreement in the last financial year?

Mr Brent—No, we have not. Negotiations for a certified agreement are in their final stages. I would hope to have the agreement finalised in the next one to two weeks, although we are waiting for some reactions from staff and union members to a couple of key provisions. We effectively have completed all the difficult negotiations, and we should have a certified agreement as soon after that as the processes allow.

Senator LUNDY—Have you experienced any staff fluctuations in the last financial year or are there any anticipated that could result in redundancies?

Mr Brent—We will not be having any redundancies as a result of staff fluctuations. Up until now, the archive has not used redundancies to deal with staffing numbers variations, only to do with particular circumstances of individual staff for whom there is no longer a suitable position in the archive. Some of that may continue, although I do not know of any cases that are pending where that may apply.

Senator LUNDY—I know we have spoken a little about the construction of the new building, but is there anything else you would like to add about where it is at, how it is proceeding and milestones?

Mr Brent—I should say, firstly, that we are very pleased and grateful to all of those who supported the funding for the new building. It is an exciting project. It is now at the stage where the concrete structure is complete, the remaining external work to enclose the new building will be completed over the course of the next three weeks. Therefore, it will start to look like its final self very soon. The project is on time, despite a little bit of rain recently—it did not slow the completion date at all. So far, it is coming in within budget and on time, so we are absolutely thrilled. We have been taking staff on tours of the new building and I would say all of the staff of the archive are really thrilled about the progress.

Senator LUNDY—Thank you very much. That is all I have.

CHAIR—Thank you for appearing today. I have had a request from the National Science and Technology Centre for us to deal with them after the next group. We will try to fit the National Science and Technology centre in as soon as possible to enable them to commit their commitments.

Senator LUNDY—Chair, I would like to advise you that I am happy to place all the questions I have for the National Science and Technology Centre on notice.

CHAIR—Thank you, that is very helpful.

[2.11 p.m.]

Subprogram 2.1—Film and intellectual property policy

Senator LUNDY—I am interested to find out where you are up to with respect to your strategy for an information campaign on sound recording prices.

Senator Alston—That is still an option available to the government.

Senator LUNDY—What is still an option?

Senator Alston—Was your question: where are we up to in terms of an advertising campaign?

Senator LUNDY—Yes. The whole strategy involved an advertising campaign and other things. What have you done so far?

Senator Alston—As you know, we undertook some research. The results of that research indicated—although I am not about to release the document—that 66 per cent of consumers surveyed believed that they paid full price for CDs, 83 per cent believed that CDs are overpriced, 67 per cent believed that the proposed legislation would cause CD prices to fall, and the majority believed that CD prices will fall and consumers will have greater choice as a result of the proposed legislation. One in two adults recalled the music industry campaign. It was regarded as ineffective. There was cynicism about the choice of artists for the campaign. There was no recall at all of the inserts placed in CDs and there were only vague impressions of the content of the campaign. It had not affected the attitude of those surveyed. In those circumstances, we do not feel that it is necessary at this point to expend those funds on an advertising campaign, but we reserve our right to do that if we judge that there is any disinformation in the marketplace that might need correction.

Senator LUNDY—What is your judgment to date?

Senator Alston—I think we are well in front. So we do not need to spend the money at this point.

Senator LUNDY—You have just made the comment that you would make a judgment based on how much misinformation—

Senator Alston—I am saying that to date the campaign run by ARIA has been so inept and so amateurish that it has actually reinforced our starting point view, and that is that the bulk of consumers believe the CD prices are too high and that they believe the industry is utterly self-interested. If that is the general impression, it seems to us that we have already got our message across. If, however, industry embarks on a further more successful attempt to try to mislead the Australian public, then we may feel the need to do something about it.

Senator LUNDY—Who prepared the survey questions?

Senator Alston—Jigsaw Strategic Research.

Senator LUNDY—Did they ask questions about the impact on industry development issues, particularly the potential of new and emerging Australian artists in the context of the survey questionnaire?

Senator Alston—I cannot tell you precisely what they asked, but they would not have needed to dig too deep to discover people who, I think, would still vividly remember the promises made by ARIA prior to the last election on which they comprehensively welshed subsequently. So, in terms of impact on industry support programs, there has never been a genuine industry support program put forward by the industry in this context.

Senator HARRADINE—What do you mean by ‘comprehensively welshed’?

Senator Alston—I think that 16 months before the election they promised to spend in the order of \$270 million over four years on so-called industry developments—supporting the local industry and the like. They basically never got around to doing it. After the election, of course, it was all too late and they did not have to bother. It was a promise that the previous government took in good faith. I think it felt very let down as well. But the end result was that the government of the day was induced not to proceed with its CD reforms on the clear understanding that the industry would provide a very significant package. We always had some reservations about the extent to which it was actually over and above what they were already spending, but it was put forward as though it were new money. As I say, having got the

government to back down, they simply did not deliver the goods. That action may well stick in the craw of a number of people who have been surveyed and may explain why there is clearly a significant degree of cynicism about not only the motives but the actions of the major record companies.

Senator LUNDY—Minister, you keep making subjective comments and giving a subjective analysis regarding the response to this survey, and yet you are refusing—

Senator Alston—They were not subjective comments. I was giving you quotes.

Senator LUNDY—It is your political perspective on the result.

Senator Alston—No, it is not.

Senator LUNDY—Why don't you provide the results to the committee and we can make our own assessment?

Senator Alston—I am. You can make your own judgment.

Senator LUNDY—Why don't you provide us with the information?

Senator Alston—I am providing you with the information from that report. They are all facts; they are not my opinions—

Senator LUNDY—Can you provide us with the questions?

Senator Alston—And you can make your judgment about why you might think the consumers responded in the way they did. They are the facts. It has been a very useful exercise for us to have commissioned that research—so satisfactory that at this point in time we do not judge that there is a need to go further in terms of educating the public.

Senator LUNDY—With respect to the survey—

Senator Alston—We would if we thought there was a need to do it.

Senator LUNDY—You keep saying that, Minister. Can I ask my question, please. Given that you are prepared to discuss the contents of the report arising from the survey in that research, why can't you provide it to the committee along with the questions that were asked in the first instance?

Senator Alston—Because it was not commissioned for the purpose of enabling you to do with it what you will; it was commissioned in order to enable—

Senator LUNDY—But, Minister, you are using it to justify policy.

Senator Alston—We commissioned it in order to give the government a basis on which to make a decision about whether there was a need for an advertising campaign. It has served that purpose. We have made the decision. As far as we are concerned, that is as far as it needs to go.

Senator LUNDY—The timetable in the original draft strategy for an information campaign on sound recording prices spans a period of some six months. At what point did the government decide to proceed with their policy that has subsequently been contained in Copyright Amendment Bill (No. 2)? At what stage did you decide to proceed with the policy you have to remove restrictions on parallel importation?

Senator Alston—Prior to the last election we said we would consult with all interest groups to see whether we should go down that path. As you probably know, we were inclined to do it prior to the last election. Mr Candi said to me, 'Don't do it ahead of the election, because there are some important issues we want to put before you. If you give me 10 minutes after the election, I will persuade you that you should not go ahead with the campaign.' Over a

period of many months, we heard all they had to say, we saw the level of analysis that they put forward, and we became more and more convinced that they simply did not have a tenable argument. Indeed, the more they resorted to broad scare statements like, '55,000 people's jobs will be at risk,' the more we knew that they really were on very shaky ground.

I suppose over that period of perhaps 12 months following the last election it became apparent to me that this was simply an exercise in defending the indefensible. They made it clear that they thought this was a holding exercise, in the sense that the Internet would inevitably overtake current arrangements and that all they were really interested in doing was making sure that the status quo prevailed for as long as possible. And given the high level of profits that they consistently made, their total lack of interest in assisting the local industry despite noises they might make from time to time in the context of possible legislation, it seemed to me that we should go ahead with it. I think there was a time when I took the matter to cabinet and cabinet approved it.

Senator LUNDY—Was that January this year?

Senator Alston—That sounds about right. The cabinet decision was in October.

Senator LUNDY—When was the decision for cabinet to approve this draft strategy for an information campaign on sound recording prices taken?

Senator Alston—My memory is being jogged to the extent that I am advised that the cabinet decision was in October. Several months later we considered the options—one of which was to conduct an advertising campaign—and it was decided at that time to commission research to determine precisely what segments of the general public might need to be particularly addressed. It has really been in line with that decision that we have proceeded subsequently.

Senator LUNDY—Minister, I can recall your statement on the public record that you were going to proceed with the information campaign and the advertising campaign.

Senator Alston—I know you have consistently said that in your public statements, but I do not think that I have ever said anything that would have given you the basis for saying it. I think I have said that it was an option but that we were awaiting the results of the research. I may have said we had the research to hand; you may have then assumed that we had gone ahead with the campaign—but we had not.

Senator LUNDY—No, I actually distinctly recall you saying—although I cannot remember where—that it was the government's intention to proceed with the \$75,000 campaign and that had in fact—

Senator Alston—The \$75,000 campaign? Well, \$73,000 is close enough, I suppose.

Senator LUNDY—Yes, that was the research—and that you were proceeding with the rest of the campaign as it had got cabinet approval. Has the funding for the rest of the advertising campaign ever received cabinet approval?

Senator Alston—The authority is there to proceed with an advertising campaign if it is judged to be necessary. I hope I did not mislead you, but the position has always been that the need for proceeding with the campaign would be dependent upon the findings of the research.

Senator LUNDY—So cabinet has authorised that expenditure but, with this added contingency of the results of the research, cabinet has now decided not to proceed?

Senator Alston—No. The authority was to empower me to proceed with a campaign if it were judged to be necessary once we had seen the results of the research. Having seen those

results, it has been my judgment that we are well in front in terms of public awareness and that there is not a need to spend that money at this time.

Senator LUNDY—Minister, would it be a fair assessment to say that you have reconsidered your decision to expend taxpayers' money on a political pre-election campaign supporting one of your policies?

Senator Alston—No, no—quite the opposite. As I keep saying to you, we would be more than prepared to spend it right now. So I am not running away from it. I am not somehow saying that, no, we can spend this money in other areas or that we have decided to give it away. I am saying that we stand ready to spend the money if it becomes necessary, but to me the research is overwhelming. Unless there is a change in the public attitude on the issue, I think the public well and truly understands the total phoniness of the campaign mounted by ARIA. They are very much in sympathy with what has been said by the Consumers Association, the Australian Competition and Consumer Commission and a number of other objective bodies. They have not fallen for the self-interested line of the record companies and their record profits.

Senator LUNDY—Minister, given that the total strategy proposes to expend three-quarters of a million dollars—

Senator Alston—Something of that order, yes.

Senator LUNDY—What is the exact figure?

Senator Alston—I thought it was \$650,000, but I am told it is \$750,000.

Senator LUNDY—Your justification or otherwise for expending that three-quarters of a million of taxpayers' money hinges completely on the contents of this survey and the research that you have conducted. On what basis then can you claim confidentiality of that survey?

Senator Alston—It was only ever commissioned for a particular purpose and that was to enable the government to judge whether it was necessary to go further and mount an advertising campaign. Now it has fulfilled its purpose; it has, I think, come up with some very stark and helpful findings.

Senator HARRADINE—It is puzzling to me that you would not provide that information to the committee.

Senator Alston—As I am saying, it was not intended to be a public document. It was really there for the purpose of enabling the government to make a decision.

Senator HARRADINE—But, similarly, Minister, wouldn't it also enable others involved in the decision making process to consider aspects of it?

Senator Alston—I think the results of it have been communicated informally to some of the parties in the Senate—by parties, I mean those other than the ALP. I assume that you would have been made broadly aware of those findings.

Senator HARRADINE—We are talking, I suppose, about the need in these committees for sufficient information and as much information to be made available as is possible. I have always been intrigued about these sorts of surveys and why they should not be made more publicly available, for analysis, for example, just as an indication. I am not particularly pointing to this portfolio; it also happens in other portfolios.

Senator Alston—I suppose we would always be prepared to reconsider that decision, but it seemed to me that it was not likely to persuade certainly those people who have a vested interest in the opposite point of view and—

Senator HARRADINE—Are you saying the results of that survey do not affect the policy principles that have influenced the cabinet on this particular issue?

Senator Alston—Not influenced, but I think it would be fair to say that they have confirmed the reason for the original decision that we took in favour of lower priced CDs. In other words, to the extent that the public have had that view for a long time and that that led to our decision being made, we have now had, if you like, official confirmation of the fact that the public shares our view.

Senator HARRADINE—That is to say that the cost of CDs is too high?

Senator Alston—Yes.

Senator HARRADINE—But won't the expected benefit to the consumer be virtually dissipated because of the drop in the value of the dollar?

Senator Alston—It seems to me, if that is a valid argument, that means you have got nothing to fear because they are not about to import any significant quantities. To the extent that a disparity once again emerges, you will still have the valid argument that Australians are entitled to cheaper CDs.

Senator LUNDY—Can I just take up that point. You are saying that, if there is no pressure to import, then the issue is one of irrelevance.

Senator Alston—If the object of the exercise is to achieve cheaper CDs and the argument goes—

Senator LUNDY—Is that still your objective?

Senator Alston—Yes, absolutely.

Senator LUNDY—If the decrease in the value of the Australian dollar will mean that fewer CDs are imported, what will be the prevailing pressures on local retailers to reduce their prices anyway? Are you not undermining your own argument?

Senator Alston—The argument would be that, to the extent that there is a significant price differential, there is an incentive to import product. If that price differential disappears, then there is less incentive and therefore the policy would not have the same short-term effect as it might have over the longer term.

Senator LUNDY—So you accept that the decline in the Australian dollar is going to mean that your formula for delivering—

Senator Alston—I am not accepting your proposition; I am simply responding to the argument.

Senator LUNDY—Please let me finish. Does that mean that your formula for how your removal of intellectual property protection from Australian music artists will actually lead somehow to a reduction in CD prices can be triggered if the pricing reduction pressure does not come from imports?

Senator Alston—I am actually getting advice on a tangential aspect of this. Would you like me to volunteer it and then re-ask your question? Otherwise, please ask it again if you would.

Senator LUNDY—Following the logic that underpins your argument as to how the removal of intellectual property protection for Australian music artists from the Copyright Act will result in cheaper CDs, if the price pressure from cheaper imports is removed, what is the logical flow in your argument that will result in pressures in the domestic market to reduce those prices?

Senator Alston—That would not generally occur. The whole purpose of the exercise is to allow parallel importation, in other words, to subject the local industry to price pressure from abroad. To the extent that that price pressure from abroad does not occur, then, by definition, there is not the impact on the local industry. But my earlier point was: if there is no differential, why do you bother having the protection? The answer is: even if it does not make a difference in the short term, we still believe it will make a difference in the longer term.

In addition to that, other countries in the region have experienced changes, fluctuations, in their currency. My advice is that New Zealand has experienced a greater devaluation than we have, so to that extent there may well still be a significant incentive in favour of the imported product.

Senator LUNDY—In what capacity?

Senator Alston—New Zealand has just taken a decision to allow parallel importation. So they have gone down our track, they have looked very closely at what we have done, they have embraced it, and I think it has gone through the parliament. But, even if they did not do that, I am saying that, to the extent that their dollar has devalued to a greater extent than ours, there would still be a comparative advantage to us in importing product from that region.

In addition, the Supreme Court of the United States has made a decision which is in favour of a more liberalised regime. So there are arguments in favour of freeing up the system in any event. But if you are just simply talking about price parity, then you simply cannot assume in a floating exchange rate world that any particular level is going to be the basis for a decision.

Senator LUNDY—Minister, with respect to the pricing argument, you have just basically acknowledged the failure of your particular mechanism in the context of the current economic climate. I would like to ask you a specific question about the evidence that emerged through the Senate inquiry about the other side of the impact of this decision. The government's presentation of its arguments specifically rotates around the price differentials, the price pressures and the arguments of Allan Fels, but overwhelmingly the evidence presented before the inquiry, and certainly that which is circulating as people work to have their position heard, relates to the industry development impact and the structures through which new and emerging artists and existing Australian artists are invested in and supported through the various recording companies.

At what point are you going to acknowledge the relevance of the arguments relating to the support and sustainability of Australian artists in the context of this debate, and when will you acknowledge that this side of the equation not only should have been factored into your survey of community opinions but will genuinely have the potential to impact on the nature, structure and opportunity afforded to our artists?

Senator Alston—I assume we have changed the subject from currency fluctuations to industry support.

Senator LUNDY—No, the two issues are hand in hand in this argument; it is just that you, Minister, and your government are refusing to acknowledge the impact of your copyright bill on the other side. You choose to look at half the argument and structure your views around that. You are refusing to acknowledge this other side. Specifically, were issues of industry development asked in your survey?

Senator Alston—That is yet another question. If you want to deal with the exchange rate changes, most countries in this day and age have floating exchange rates, so you will never

be able to say at any particular point in time or for any length of time that Australia has a particular currency relationship with another regime. We have just seen a recent example of that with the US dollar. We may well have appreciated against other currencies, so, depending on where you choose to import the product from, there can be very significant differences. Irrespective of whether our exchange rate changes, if others appreciate or depreciate against us, it can make them more or less attractive.

Senator LUNDY—Minister, you are the one who has said that your policy will deliver a reduction in prices of CDs. You are the one that has asserted that and now you are qualifying that in the light of the particular economic circumstances between us and various other nations.

Senator Alston—No, no.

Senator LUNDY—It is your argument, not mine.

Senator Alston—If you do not accept the broad economic principle that lower tariff barriers and greater pressures from imports are likely to depress local prices then there is no point in having a discussion, but I would have thought that was very widely accepted. If you ask me about industry support arrangements let me make it very clear: I have never been persuaded that ARIA and its mates have done the slightest bit for the local industry. It has creamed off all the profits. It puts nothing back in that it would not have taken in any event.

A lot of those emerging artists—and Savage Garden is one example of a group that was wanting to make a name for itself and was completely ignored by ARIA, and indeed found great irony in ultimately being given some ARIA awards—have independent local producers. Most of them will tell you, even if they are not game to say it publicly, for fear of retaliation, that they regard ARIA and its mates as leeches on the industry that certainly do not provide any level of industry assistance. If ARIA were fair dinkum it would have provided it prior to the last election. It has shown not the slightest interest in doing anything other than maximising the commercial returns from artists that by and large succeed on their own merits. We have already put in place a contemporary music export fund to try to assist artists going offshore. We have indicated that we would still be prepared to consider further industry support schemes—

Senator LUNDY—But failed to provide any.

Senator Alston—but we do not concede for a moment that greater price pressure on ARIA would somehow disadvantage the local industry. All the evidence is to the contrary.

Senator LUNDY—Minister, the general public could be excused for thinking, listening to this hearing, that your policy is motivated more by antagonism against ARIA than the issue at stake.

Senator Alston—No, ARIA are the ones protecting a monopoly. They are defending the indefensible. Other countries around the world are increasingly acknowledging this. That is why New Zealand has recently taken the decision it has taken and we are simply—

Senator LUNDY—How do you justify disregarding the arguments of every other organisation, be they the artists themselves—

Senator Alston—I have told you; I do not believe that is the case.

Senator LUNDY—or the advocates of intellectual property rights?

Senator Alston—That is a separate argument.

Senator LUNDY—No, it is not, because you are proposing to change the Copyright Act.

Senator Alston—Industry support is not a copyright argument.

Senator LUNDY—You are proposing to change the Copyright Act.

Senator Alston—Industry support is about assisting artists to basically get on their feet and providing them with ongoing assistance where it might be necessary. It has nothing to do with royalties.

Senator LUNDY—Minister, do you understand the relationship between intellectual property and the payment of royalties?

Senator Alston—One is very closely linked to the other, but I am saying neither of them have much to do with industry support schemes, except to the extent that you argue that copyright might be declining and you want to make up the gap.

Senator LUNDY—Do you agree that the payment of royalties is a way through which investors recoup their investment?

Senator Alston—Investors? No, it is usually the creators.

Senator LUNDY—Whoever invests in and creates the particular product.

Senator Alston—They are entirely different people.

Senator LUNDY—Do you acknowledge that royalties are a way for people to recoup their investment, be they the creators or the production companies?

Senator Alston—They get separate royalties.

Senator LUNDY—Yes, but royalties generally—intellectual property. You do acknowledge that?

Senator Alston—Do I acknowledge what?

Senator LUNDY—Do you acknowledge that royalties are a way by which creators or production companies recoup their investment?

Senator Alston—It is not necessarily an investment. If you are a creator, all you are doing is getting a reward.

Senator LUNDY—It is certainly your own intellectual property, and the way you spend your life—how you earn money.

Senator Alston—No, you are getting a reward for an idea that someone else might otherwise appropriate and commercialise without acknowledging your contribution, but it does not necessarily mean you have made any investment in it; although it may.

Senator LUNDY—It depends on how you classify investment. I would argue that if you spent your life writing songs, then that constitutes a degree of personal investment. My point, Minister, actually goes to the heart of this issue, which is that the protection of intellectual property is essential for industry support and for industry development. Were questions of this nature asked in the survey about the relationship between intellectual property rights and investment in new and emerging artists?

Senator Alston—The purpose of this survey was not to find out questions of fact; it was to find out community attitudes. In terms of fact, the facts are that, overwhelmingly, Australian artists are released in Australia at least three months before there is any foreign release. It is only in the event of a foreign release of their own recording that they might suffer differentially between a lower royalty being earned in another country as opposed to Australia.

Overwhelmingly, local artists are not affected unless there is a simultaneous release, and that would be of their own choosing because they decide where they want the work to be released. In most instances they have a bigger following in their home country. The industry

takes the view—I forget the precise figures—that something like 80 or 90 per cent of sales occur in the first three months, so you what you do is maximise returns from the local market and you then hope to get a bit of cream offshore.

Senator LUNDY—Who maximises the return in the first three months, Minister?

Senator Alston—The artist. To the extent that the artist is earning royalties, then the artist maximises their own returns.

Senator LUNDY—Who promotes the record in the first three months to maximise those returns to the artist?

Senator Alston—The industry.

Senator LUNDY—Who in the industry?

Senator Alston—All those who have responsibility—producers, directors, record companies.

Senator LUNDY—Not ARIA members?

Senator Alston—Sorry?

Senator LUNDY—Do you mean ARIA members?

Senator Alston—Yes, the record companies.

Senator LUNDY—I think I have just made my point.

Senator Alston—No, you have not. They will choose to release in Australia overwhelmingly because that is where the market is. So, by definition, during that window of three months when they are selling 80 or 90 per cent of their product, there can be no challenge from a competing release of their own record. Therefore, they cannot be at risk of getting lower prices from an imported record.

Senator LUNDY—Do you understand what deleted stock is?

Senator Alston—I think it is just stock that has basically passed its use-by date in terms of first release, isn't it?

Senator LUNDY—It could also mean a failure of a given product in an overseas market.

Senator Alston—Yes, that is the same thing.

Senator LUNDY—So if the time frames are consecutive then deleted stock could be brought back into this country?

Senator Alston—It can happen now. All that is happening is that, instead of getting nothing, you are getting a little bit extra from having a second go at it. Why does that disadvantage an artist?

Senator LUNDY—Because there are differentials in the royalty payments.

Senator Alston—No, they would only be disadvantaged if that so-called deletion were occurring simultaneously with the first release in Australia. In other words, if you were able to—

Senator LUNDY—But that is what you are advocating.

Senator Alston—No, we are not. What we are saying—

Senator LUNDY—You cannot predict what is going to be a success or a failure overseas.

Senator Alston—You may choose to ignore the marketplace reality, but the way in which records are released is that overwhelmingly Australian artists are released in Australia well ahead of any subsequent offshore release. To the extent that that is the case, then they cannot,

by definition, be at risk from a cheaper version of their own recording being released at the same time.

Senator LUNDY—Who invests in venturing overseas with an Australian product?

Senator Alston—Who invests in it? The record companies would normally be the ones that would do it, but they would pay the artists.

Senator LUNDY—But they do not have a role in industry development, you say.

Senator Alston—It depends what you mean by industry development, whether you mean any money that they spend in Australia, building their own factories or assisting retail outlets—

Senator LUNDY—Or promoting Australian artists.

Senator Alston—is somehow industry development. I would have thought industry development was providing assistance to artists over and above the straight commercial investment, otherwise everything is industry development. What we mean by the term and what ARIA presumably meant by offering to spend another \$270 million is that this is money that would not otherwise be expended by the record companies and therefore available to promote and encourage new artists who might not otherwise get a look-in. If it does not mean that, if it simply means they promise to spend what they have always spent, I would not call that industry support.

Senator LUNDY—What did you provide in the budget to specifically address these issues of industry development in the contemporary music area?

Senator Alston—I have said to you that we have an ongoing contemporary music export fund—

Senator LUNDY—No, new initiatives to offset the negative effects of your policy.

Senator Alston—We do not concede there are negative effects.

Senator LUNDY—So you did not provide anything?

Senator Alston—No.

Senator LUNDY—So you disregarded the evidence from everybody?

Senator Alston—No.

Senator LUNDY—Let us exclude ARIA from the equation for a minute.

Senator Alston—You say ‘everybody’—

Senator LUNDY—You disregarded the evidence from everybody else who prevailed upon you to change your policy?

Senator Alston—Who are these everybody elses?

Senator LUNDY—Certainly there are a significant number of artists and independent players in the music industry who have expressed exactly the same view. Minister, I have a couple of specific questions, again about the survey. Are you willing to provide the questions that were asked in that survey so the committee can at least make an assessment of the validity of the methodology contained within that survey, given so many decisions of your government have been based upon it?

Senator Alston—Been what?

Senator LUNDY—So many decisions by your government have been based upon it.

Senator Alston—Do you mean the single decision not to proceed with an advertising campaign at this stage?

Senator LUNDY—Whatever you claim, Minister, yes.

Senator Alston—I will have another look at it and see if there might be anything further we can do.

Senator LUNDY—Could you please provide the committee with information as to exactly what amount of money has been expended on the strategy to date, if it is just an assert?

Senator Alston—Apart from the \$73,000, that is basically it.

Senator LUNDY—That is it?

Senator Alston—Yes.

Senator LUNDY—The budget contained within the strategy refers to qualitative research and quantitative research, including benchmarking. Was the survey work done inclusive of both those elements?

Senator Alston—Yes.

Senator LUNDY—At what point will you reconsider embarking on the whole campaign?

Senator Alston—I think I have already said that several times, but on what we believe to be the public's understanding of our proposal we do not currently see a need to embark upon an advertising campaign. That might change in the event that there is a need to counter any disinformation which might—

Senator LUNDY—So you do not believe there is any misinformation circulating at the moment?

Senator Alston—Yes, I do, but I am saying that the public sees through it. They have not been at all persuaded; indeed, they are very cynical about the record companies and, indeed, the artists that they have made use of for their purposes. I am saying that to date—

Senator LUNDY—How many backbenchers have approached you with concerns about your policy in this area, Minister—

Senator Alston—How many backbenchers? I think you have asked me this question before.

Senator LUNDY—Given they are targeted in your strategy.

Senator Alston—I would take the matter through a backbench committee, which I did. Apart from people exploring what it involved, no-one that I can recall has come to me and expressed concern about the direction we are taking.

Senator LUNDY—Did you provide them with a copy of this draft strategy?

Senator Alston—I think I told our party room that we had these results and that we were well satisfied that our position was understood.

Senator LUNDY—The strategy itself contains a number of initiatives that do not require any funding or any allocation, including the targeting of editorial staff in both the national and regional press. Has your office or the department released any package of information or specifically targeted any editorial staff or journalistic staff at any of the newspapers listed beyond your standard ministerial press release type of approach?

Senator Alston—I cannot speak for my office staff, particularly the press officer, but I would imagine they would be at pains to ensure that anyone who is minded to write or speak about the subject from a media perspective would be fully aware of all the information that we have at our fingertips. In other words, we would be out there doing our best to persuade them of the overwhelming validity of our case.

Senator LUNDY—Given your shameless criticism of bias in respect of the ABC in not presenting the government's arguments in the way that you want them to, have your approaches and the discussions of your press officer in any way been interpreted as applying editorial pressure to these organisations? Have you had any complaints to that effect?

Senator Alston—By whom?

Senator LUNDY—By staff of your office.

Senator Alston—Has my office said that I am—

Senator LUNDY—No, I am asking you if anyone in your office has sought to apply editorial pressure to the organisations that have been specifically listed in here, particularly Triple J, the ABC and talkback.

Senator Alston—Have we been out there trying to bring pressure to bear on various organs of the ABC?

Senator LUNDY—Yes.

Senator Alston—Not to my knowledge; no.

Senator LUNDY—Have you made approaches to programs like *Recovery* and *The 7.30 Report* to have your viewpoint aired on their programs on this issue?

Senator Alston—It is possible that my press officer might have asked them whether they were interested in hearing the other side of the issue, but that should in no way be construed as accusing them of bias.

Senator LUNDY—No, I am not saying you are accusing them of bias. But in the context of your willingness to accuse organisations of bias, you can appreciate the pressure you could bring to bear as minister.

Senator Alston—It is not pressure brought to bear if you ask a media organisation whether they are interested in hearing your side of a debate, is it?

Senator LUNDY—That depends on how you couch it.

Senator Alston—All I am saying is that my bloke is very professional and I do not believe he would do anything other than make an opportunity available if they wanted to explore the issue further, as a number of them do. I have knocked back a number of requests from media outlets to debate some of these issues. What does that mean? They have intimidated me?

Senator LUNDY—Is it possible for you to provide information to the committee about the extent to which you have implemented elements of this strategy for an information campaign that do not have a dollar figure attached to them?

Senator Alston—I will check and see if anything does fall into that category, but nothing springs to mind.

Senator LUNDY—Has OGIA been approached in respect of this campaign?

Senator Alston—I did meet with them some months ago, but nothing in recent times.

Senator LUNDY—What issues were discussed? Was one this campaign?

Senator Alston—About the nature of any proposed campaign, yes. I think you were at great pains to wave around a document which I thought was a submission from the department to OGIA.

Senator LUNDY—At the time—and I can refer back to *Hansard*—you went to great pains to tell me that, in fact, it was a strategy being managed within the department and had no relationship to OGIA. Has your position changed? I will see if I can find the reference.

Senator Alston—You will have to refer me to what you have got in mind. My recollection is that the difference between us was about whether this was an actual strategy or a proposed strategy. We were maintaining that this was something that we were wanting to generally explore and, if necessary, get authority to pursue—and that is essentially what happened.

Senator LUNDY—What was the nature of your discussions with OGIA and when did they take place?

Senator Alston—I do not know whether it is normal to disclose the contents of the discussion but I saw them in January.

Senator LUNDY—Is that the only consultation you have had with them on this matter?

Senator Alston—I think a member of my staff subsequently met with them. We may have had other telephone discussions with them, in particular setting up meetings and things.

Senator LUNDY—In terms of any activities on behalf of OGIA in relation to this, did they comment on the strategy, provide you with any feedback on the strategy or engage in any work in relation to the strategy?

Senator Alston—I think the decision to have a two-stage approach—in other words, decide whether to proceed with an advertising campaign after you have looked at the research—was something that evolved from discussions with them.

Senator LUNDY—Sorry, can you say that again?

Senator Alston—As a result of meeting with OGIA, I think we decided on the two-track strategy. Whether that was something that they themselves proposed or whether it struck us as a sensible way to go about it as a result of discussions with them, I cannot be sure. I think we actually agreed on it with them, so to that extent we were ultimately in agreement about the way ahead.

Senator LUNDY—I will just take a moment to review the *Hansard*.

CHAIR—While we are waiting, I have been advised that Senator Allison does not have any questions for the National Science and Technology Centre and that Senator Lundy will put her questions on notice, so the officers from the National Science and Technology Centre may leave. Thank you for your attendance.

Senator LUNDY—*Hansard* records you, Minister, making the statement that, until there is a campaign which incurs further funding, the research and funding of it is to be paid for through the department and that there was, by implication, no involvement of OGIA at that time, despite me having asked on no less than three occasions whether there was any involvement with the Office of Government Information and Advertising at the time.

Senator Alston—The department did pay for the research.

Senator LUNDY—I am just giving you the context of the question.

Senator Alston—I think you would have to refer me to a question of yours about the extent of OGIA's involvement and then to an answer of mine which you say implies that I was claiming that they did not have any involvement. I would be very surprised if I had said anything along those lines.

Senator LUNDY—I will let you have a look at the *Hansard*, Minister. I am sure it will provide good entertainment for you.

Senator Alston—It has been drawn to my attention that your questions about OGIA were more in the context of whether Finance or OGIA were paying for this.

Senator LUNDY—Not in the first instance. Certainly later, yes.

Senator Alston—All right. If you come back with something, we will respond to it.

Senator LUNDY—Now we know OGIA was involved.

Senator Alston—Yes.

Senator LUNDY—And they were involved in the assessment process about the point at which you decided to proceed with the full expenditure of the campaign as opposed to the research. We also know—tell me if I am wrong—that it was OGIA who offered input into actually staging the process and basing the decision to proceed on the outcomes of the research. Are there any DoCA officers currently working on an information strategy of this type?

Senator Alston—No.

Senator LUNDY—None at all?

Senator Alston—No.

Senator LUNDY—Is there anyone at OGIA working on it?

Senator Alston—I would be very surprised.

Senator LUNDY—Will you take that on notice and provide us with that information?

Senator Alston—Yes.

Senator LUNDY—At what point would officers of DoCA work on this strategy?

Senator Alston—If we decided to reactivate it, then I would expect them to be working night and day until it was completed.

Senator LUNDY—So no officer of DoCA would work on this until you had a cabinet decision to reactivate it—or is it a ministerial decision?

Senator Alston—It is a ministerial decision.

Senator LUNDY—I am going to move on to the moral rights issue—copyright bill No. 1. Can you give the committee a run-down on where you are up to with the discussion paper on performers' intellectual property rights and on other issues such as from whom you received comments?

Dr Stretton—Submissions closed on 29 May. I am told that 13 submissions have been received. If you are interested in who put in submissions, we can take that on notice.

Senator LUNDY—Are there no officers here who can provide information as I proceed through my questions?

Dr Stretton—Not really. The closing date for submissions was only 29 May. We have not done a lot of work on them since then. We will start work on those reasonably soon.

Senator LUNDY—What was the nature of the feedback provided?

Dr Stretton—We would have to take those sorts of questions on notice.

Senator LUNDY—What is the timetable for this process to be finalised, if you have not started looking at it yet?

Dr Stretton—The responses go the Attorney-General's Department and we will obviously consult with them on analysing the content of those submissions. Once the various officers

have analysed those reports, we would brief the two ministers who would take a submission to cabinet. If that was agreed, we would then prepare draft legislation, which we would probably again release for discussion. That is the standard way we have worked for copyright amendments.

Senator LUNDY—Have you taken advice from the Attorney-General's Department with respect to moral rights waivers and the Copyright Act?

Dr Stretton—We work with them closely on that, yes.

Senator LUNDY—What is the structure of your consultative mechanism with Attorney-General's? Do you have a joint committee or are you liaising with a particular officer within Attorney-General's? How is it working?

Dr Stretton—I did not get the middle of that question, I am sorry.

Senator LUNDY—I am just trying to get a picture of how you are consulting with the Attorney-General's Department. You made the statement that you are working together on these issues.

Dr Stretton—As you would appreciate, there is a range of intellectual property matters on which we work jointly and closely with Attorney-General's. We have a formal consultative meeting once every couple of months but, more importantly, officers often talk daily and as required. That ranges across the whole range of intellectual property issues that we jointly work on.

Senator LUNDY—What has been the Attorney-General's view with respect to moral rights waivers and the Copyright Act?

Dr Stretton—I imagine their view is the same as the government's, just as ours is.

Senator LUNDY—Do you care to share that with us, Dr Stretton?

Dr Stretton—If it is a question of what the government's position is on moral rights, I presume that is a question the minister would prefer to answer.

Senator Alston—If you are asking where we are at this point in time, the answer is that we are still considering our position.

Senator LUNDY—Minister, do you plan to insert a clause in the Copyright Amendment Bill that will facilitate an up-front blanket waiver of moral rights?

Senator Alston—That is precisely what we are considering at the present moment.

Senator LUNDY—Does the advice you have received from Attorney-General's concur that it is in fact necessary to have such an up-front waiver?

Senator Alston—I am not sure whether we have received advice from A-G's that it is necessary. I doubt that they would couch it in those terms. Certain consequences flow from inserting an up-front waiver. It would only be necessary if you assumed there was a particular purpose that you wanted to achieve, but I do not think they would be saying, in the abstract, that it was essential you had an up-front waiver.

Senator LUNDY—The reason I ask is that at previous estimates we have discussed the opportunities that exist within industry for such a waiver to be negotiated in the context of a contract, making it unnecessary for you to legislate for such a waiver, and the merits or otherwise of allowing the industry to determine the existence of a waiver.

Senator Alston—This was an industry consent clause, wasn't it?

Senator LUNDY—Yes, which is currently available, as I understand it, in the legislation. It is possible for a consent agreement to be established with respect to the moral rights waiver. But what you are considering is where you put this up-front blanket waiver of moral rights in the legislation?

Senator Alston—There are a number of alternatives. As I understand it, you could have a statutory waiver, you could have a general waiver—in other words, all matters produced by a particular individual could be subject to waiver—you could waive certain elements of a particular project or you could waive all of a particular project. They are all different models and there are varying degrees of support for each of them, but, as I understand it, there was not general industry agreement on the consent clause approach, which would have specified a number of matters that could have been separated out in the first instance.

Senator LUNDY—In previous estimates you spoke about the intent of any potential amendment your government was considering being one of facilitating the scope of industry to negotiate such waivers. Are you still convinced, as you seemed to have been then, that this clause would not be abused by the industry in terms of extracting a waiver of moral rights?

Senator Alston—There are very subjective and sometimes heated debates on either side of the issue. In other words, if a writer agreed to waive his or her moral rights on a particular contract, it might later be said that he or she only did it under duress and that was an improper exercise of power by the film producer or director. On the other hand, they might heatedly deny that and argue that they have already taken it into account and there has been some additional recompense that recognises their moral rights.

The last time around it seemed to me desirable in principle, as much as possible, to determine these things on their merits, but at the end of the day you obviously have to see what is workable in the marketplace as well, and that is really what we are looking at at the present time.

Senator LUNDY—You have expressed the view that each situation does require some subjective or merit based assessment as it arises and that it is very hard to generalise in the application of such a waiver without imposing some inequities, particularly with respect to the writer's rights.

What is it about the current legislation and the provision for a consent agreement that does not satisfy the view that you have expressed—that is, a waiver that has a highly subjective, merit based, party negotiation type process?

Dr Stretton—There were a couple of letters to the editor in the *Sydney Morning Herald* of Tuesday, 9 June.

Senator LUNDY—I thought I was supposed to quote the newspaper clippings.

Dr Stretton—One letter was from the ABC and, in a sense, it refers back to your previous question. It says:

While the ABC does seek inclusion of an up-front waiver provision in any moral rights legislation, the ABC has indicated that it is not its policy to request blanket waivers. The ABC believes that the consent and waivers to be sought from varying creative contributors should be considered on a case-by-case basis, according to the type of programming and having regard to the creative contributor's input.

A second letter which has many signatories—SPA, Australian Subscription Television and Radio Association, SBS, Fox, Village and a few others—says:

The proposed moral rights legislation already allows moral rights to be waived.

That is, as you know, the Copyright Amendment Bill that is currently before the parliament. The letter continues:

Film and television producers and broadcasters simply want to negotiate moral rights when all other negotiations for a film take place, that is at the start of the production. Producers, broadcasters and distributors are not seeking a 'compulsory waiver'. Many producers and broadcasters already use the consent clause negotiated with writers and directors. However, it is not suitable for all types of production, which range from game shows to feature films, and was not negotiated as being suitable for inclusion in legislation.

The consent clause was initially negotiated to be part of a contract, and it was not negotiated initially to be part of a clause of legislation. I suppose both of those letters, which are taken from one side of this debate, are saying that the up-front waiver is necessary but they would not expect it to be used as a blanket waiver or a compulsory waiver or any of those slightly loaded adjectives which are being used.

Senator LUNDY—But they are both constructed as arguments against your current consent waiver in the Copyright Amendment Bill.

Dr Stretton—Sorry, Senator?

Senator LUNDY—In the Copyright Amendment Bill, you have articulated a consent waiver arrangement.

Dr Stretton—No. The bill, as it stands at the moment, allows authors to waive their rights after a work is completed.

Senator LUNDY—Yes. Were you saying that these organisations are arguing against the current drafting of the bill?

Dr Stretton—Yes, they think we need to be able to negotiate—

Senator LUNDY—Just to clarify this: are they lobbying the minister to have the consent waiver at the start of production or are they arguing for a blanket waiver at the start of production?

Dr Stretton—No-one that I am aware of is arguing for a blanket waiver. They are saying that it should be possible to negotiate an waiver up-front on a case-by-case basis when all other negotiations are conducted. They are saying that, in many cases, they would expect that the consent clause would be what would appear in the contract between, say, the producer and the writer or the director but that they would have the potential to negotiate that on a case-by-case basis. In some cases, they would use the consent clause. If it is Baz Luhrmann, there may be nothing there at all—he retains it all. In other cases, they may want, for whatever purpose, a waiver of all rights.

Senator LUNDY—Hence the minister's position that he does not perceive the consent waiver as being abused by the industry. Can I get a copy of those letters?

Dr Stretton—Sure.

Senator LUNDY—The signatories to that particular letter are advocating for a consent waiver up-front. Are you aware of any of those signatories currently utilising an up-front waiver of moral rights in their contracts?

Senator Alston—There are no moral rights at the moment, Senator. It is under way.

Dr Stretton—Yes, exactly. What they are saying is that, despite the fact that the legislation has not come in yet, in a number of cases producers, distributors, et cetera are looking at and using the consent clause as best practice.

Senator LUNDY—At the moment?

Dr Stretton—Yes.

Senator LUNDY—And are they doing that when they negotiate the contract or are they doing it as is provided for in your bill in dealing with the issue post-production?

Dr Stretton—No, they are doing that when they negotiate the contract.

Senator LUNDY—So they are doing it now?

Dr Stretton—The consent clause is literally a clause in the contract.

Senator Alston—So it is up-front.

CHAIR—Senator Lundy, we are actually going over time, and these questions are just straying from being direct estimates questions. If we want to have a committee briefing on moral rights and copyright, I think that would be an appropriate thing to do, because it is a very complex topic, but I do not think it is appropriate to have the departmental officers sitting there while we do that. If you can confine your questions to direct estimates questions about expenditure, that might assist us a bit.

Senator LUNDY—Minister, doesn't the fact that some of these producers are currently utilising an up-front waiver clause undermine the intent of your bill as it currently stands, given that your bill seeks to put in place moral rights and then provides a path through which the parties can negotiate a waiver to those moral rights? Isn't what is happening now in the industry in conflict with what you propose in your bill?

Senator Alston—If you are saying—

Senator LUNDY—The answer is yes, by the way.

Senator Alston—Perhaps you do not need to ask the question, then.

Senator LUNDY—I am seeking your response. Please continue.

Senator Alston—I am not sure you are. If you are saying that the bill as currently drafted does not provide for an up-front waiver then we are looking at the merits of that approach, and that may mean that the legislation is amended. Essentially, as I understand it, there is a choice. One option is guaranteeing moral rights to the point where they cannot even be waived, and many of the groups who oppose the Writers Guild say that that would be a gun at their heads because the moral rights could always be asserted at the 11th hour and hold up the whole proceedings. What they are generally therefore in favour of is an up-front waiver, but it may also be on the basis of an industry consent clause, and wherever that is possible they will adopt that approach. But it is essentially a case-by-case individual approach rather than a blanket, across the industry approach or one that effectively requires all writers to forsake their moral rights not just for a particular project but for any subsequent work. If the bulk of the argument is in favour of a case-by-case up-front waiver then one can understand the attractions of that approach, if it provides much more flexibility.

Senator LUNDY—If companies such as Fox are currently inserting an up-front waiver into their contracts and you have a bill before the parliament which provides for a post-production waiver, why are you contemplating acquiescence to the industry's view? Is it because they have been so bold as to proceed with their preferred policy, and does that make it harder for you as a minister to say to this sector, 'You can't put an up-front clause in. Change your practice.' Don't you feel like you have been put in a bit of a spot by the industry in relation to this matter?

Senator Alston—I do not think anyone pretends this is an easy issue, but what we are trying to achieve is the best possible outcome. It may ultimately be that you have got competing irreconcilable views at the respective margins and that will involve an element of compromise. But, as I understand it, there are essentially two groups who are arguing for one position and the bulk of the rest of industry is arguing for variations on another position, which is the up-front waiver. If that is the overwhelming view of the industry, we would not rule out the legislation ultimately reflecting that. If that involves amendments, so be it. It is better to get it right.

Senator LUNDY—Minister, doesn't the fact that at least one of these companies, and probably more than one, has shown that they are inserting a standard up-front clause waiving moral rights undermine your view that each case should be considered on its subjective merits?

Dr Stretton—That is not quite right. What these letters are saying is that a number of producers are currently using the consent clause. They are not requiring up-front waiver.

Senator LUNDY—I do understand the distinction. When I say 'up-front', I am talking about an up-front consent clause negotiated at the start of the production when obviously the producer has far more leverage than the writer. Post-production—

Senator Alston—It is the other way around.

Senator LUNDY—It is arguable that in fact the writer has fractionally more leverage than they would have had pre-production. I think that is the issue. It is one of how you can best protect the integrity of the writer's work through the production period as being a case in point. I am couching my questions in relation to the minister's response where he has used phrases like 'an industry clause' as a way of expressing what is currently being advocated by the production companies. That obviously is anathema to his previously expressed view about the subjective merit assessment about consent waivers post-production anyway.

Senator Alston—Can we take the extreme case of a blanket waiver whereby an author agrees to waive rights in all current and future works, irrespective of whom he might be working for at the time. To me, that does not allow any discretion at all. It does not allow for any case by case. You are effectively signing away your rights, giving a blank cheque. An industry consent agreement presumably can be varied from time to time anyway, but on each occasion when you enter into a new project you have the ability at that point to decide whether to sign an industry consent clause, whether to waive your rights specifically in that project. That seems to me to give you a much greater degree of flexibility than simply signing away your rights in the abstract. That is the only point I was making.

Senator LUNDY—Minister, are you concerned that these production companies are advocating the position of a pre-production consent waiver as a way of establishing an industry practice—a norm in the industry—as a way of getting around your legislation?

Senator Alston—I am not really looking at their motives.

Senator LUNDY—Why not?

Senator Alston—Because it is irrelevant. People might have highly impure motives, but if they act properly then it does not really matter, does it?

Senator LUNDY—But how will you know?

Senator Alston—I am not interested in their motives; I am interested in their practice and behaviour.

Senator LUNDY—If the end result is that there is no effective implementation of moral rights for, say, screenwriters, how can you make that assessment?

Senator Alston—If there are hard choices to be made, and at either end of the scale one side thinks that the balance has been tilted in the opposite direction, that side will say, ‘I’ve effectively been forced to give up my rights.’ From the writers’ or producers’ or directors’ current position, if they do not have any rights at all—even on an up-front waiver basis—that is surely giving them more than they have now. So you are then arguing about how much further they ought to be entitled to go, and if you say that they do not have to exercise a judgment until the very end of the process or, indeed, they have the right to enforce moral rights at the eleventh hour then in terms of the attitude of the various stakeholders in the industry I think you would have to say it would be two players about a hundred.

Senator LUNDY—I would say that any intent on your part to introduce moral rights for writers will be effectively undermined if you acquiesce to the views of the sector—

Senator Alston—What do you advocate?

Senator LUNDY—That an industry clause providing for a consent waiver up-front or pre-production is put in place.

Senator Alston—So you are arguing for no up-front waiver and no industry consent clause; that you should simply be able to have the right exercised in a year’s time?

Senator LUNDY—I am not arguing anything. I am asking you about how you have made value judgments on the effectiveness of this policy in achieving your outcome.

Senator Alston—Then there is no point in us having a discussion. If you are not suggesting that there is a credible and plausible alternative, I do not see what the discussion is meant to achieve. Are you arguing a contrary view that you say ought to prevail?

Senator LUNDY—Whether you like it or not, you are making the decision. I am trying to ascertain whether or not it is going to be effective in its aims and your stated intent, which is introducing a moral rights protection for writers.

Senator Alston—If I say it is, do you want to say it isn’t? If I say that in an imperfect world you can reach an outcome which may not be entirely one that satisfies all parties but goes along way towards doing that, do you say that that is not an acceptable outcome? What are we arguing about?

Senator LUNDY—I am not passing any subjective comment at all. I am questioning the effectiveness of your policy, given that you have made all the political capital out in the world on the introduction of moral rights and what a good thing that is in terms of intellectual property law, although you are inconsistent in other policy areas like CDs, music, et cetera. You have made a lot of political mileage on this issue, yet now when the crunch comes and the pressure is put on you are putting in place, or seem to be considering measures, that will completely undermine the original political intent.

Senator Alston—That is what I say: you are arguing that to allow an up-front waiver—

Senator LUNDY—I am not arguing anything; I am observing.

Senator Alston—You are. You have just used the term that it would completely undermine a moral rights regime. You cannot put it to me as an argument and then say that that is not really what you meant to say. If your position is—

Senator LUNDY—You’re the minister.

Senator Alston—That is not the issue, otherwise there is no point in me responding to a question of yours couched in those terms. You are saying to me that if we go down the path of an up-front waiver then we are completely undermining the integrity of a moral rights regime, and you are asking me why I would want to do that. If that is your position, I am interested to hear it.

Senator LUNDY—At this stage, what we have is the companies themselves such as Fox inserting these clauses into their contracts now before you have even put your names in the actual group.

Senator Alston—So are you saying that that is fundamentally undermining, are you?

Senator LUNDY—I am saying that it should be an issue of concern in your considerations when you are promoting this.

Senator Alston—And indeed it is.

CHAIR—I think we have pursued that issue to its logical end.

Senator LUNDY—I think you are right.

Senator Alston—Well, as far as we could go, perhaps.

CHAIR—And if we had not we would have. There being no further questions on that area, thank you very much, Dr Stretton.

[3.36 p.m.]

Program 3—Broadcasting, online and information services

Subprogram 3.6—National Office for the Information Economy

Senator LUNDY—Referring to page 96 of the Portfolio Budget Statements, the running costs variations cite the funding for raising community awareness of online services. Can you describe the nature of this particular initiative?

Mr Field—That was the funding announced in the investing for growth statement in December, which is why this is in as a variation. There have been a number of announcements on how those funds will be expended. Do you want me to go into the detail of those?

Senator LUNDY—Yes, please.

Mr Field—The minister made an announcement on 4 May which outlined that initially at least there would be four main elements of initiatives which fit under the funding. Firstly, there will be an information economy day which will be on 5 September. Secondly, there will be up to 15 regional summits dealing with information economy issues. There will also be an awareness campaign targeted at small and medium enterprises. Finally, there will be a focus on CEOs of large companies.

Senator LUNDY—What expenditure can be attributed to each of those initiatives?

Mr Field—It is difficult to say at this point, although we have some nominal figures which we can give you. For example, we have gone out to tender for a company to manage the information economy day. But we anticipate that day will be in the order of, say, \$400,000. The regional summits could cost something similar or possibly up to \$500,000. The focus on SMEs is a bit difficult at this stage because we are talking to other departments to ensure that we all do not go off on tangents.

Senator LUNDY—Who are you talking with?

Mr Field—Industry, Science and Tourism mainly and Foreign Affairs and Trade also, with their focus on trade policies. That could cost, for this coming year, in the order of \$100,000 or \$200,000. That is a very nominal figure because we need to see what the resources are. The focus on large company CEOs will probably be very low cost because it will involve either our CEO or other CEOs from companies giving presentations to small groups of senior people. So there will not be large costs associated with that. There might be some small travel expenses, for example, but that would be all. All that adds up to around \$1.2 million. Against that as part of our organisation, particularly of the summits and information economy day, we have formally gone out and sought expressions of interest from sponsors. We will be going through those. If that goes well, that will help defray those costs.

Senator LUNDY—Have you advertised for consultants to run both of those events?

Mr Field—The day and the regional summits, yes.

Senator LUNDY—Can you provide the committee with the tender briefing and any associated information?

Mr Field—Yes.

Senator LUNDY—And also a copy of the approach you are making to the corporate sector in terms of sponsorship. Are those efforts to secure sponsorship being made by NOIE or is that element of the consultancy included in the tender?

Mr Field—What we have done initially is gone out and sought expressions of interest from consultants to manage the event—a straightforward tender—as well as then sought expressions of interest to NOIE and from sponsors. We will then hand those to the IE day consultant. Part of what they have to do is come up with a sponsorship plan based on expressions of interest. Depending on what the sponsors are proposing, we will then go through a process of how we select the sponsors. If, for example, there is a competitive environment, we may go out to a formal tender or it may fit together where there is not a need to do that. We just need to await the response.

Senator LUNDY—Expressions of interest from sponsors could in fact influence your tender process. Is that what you are saying? I did not quite follow that last bit.

Mr Field—What we will do is get expressions of interest from sponsors, and they are still emerging. We will then give those to the consultant to develop a sponsorship plan.

Senator LUNDY—The consultant who won the tender for the project?

Mr Field—Yes, for organising the event.

Mr Stewart—Those tender documents are also on our web site, Senator.

Senator LUNDY—I will still get you to provide them to the committee. In fact, I have them right here, from the web site. With respect to the regional and rural summit consultancy, you mentioned about 15 would occur.

Mr Field—Yes.

Senator LUNDY—On what basis are you selecting where these forums will occur?

Mr Field—As part of the facts and the tender brief we have a set of selection criteria, which we will refine. They comprise the need for the area to demonstrate support from various players in the community in terms of interest in the issues. There is also a need for support in terms of organisation of the events and finally we need to ensure a good geographic coverage so that if, for example, we get lots of expressions of interest from Victoria and none

from, say, South Australia, we would need to be active in going into South Australia and generating some interest.

Senator LUNDY—So part of the request for tender is for the consultant to determine and assess those criteria?

Mr Field—No.

Senator LUNDY—Or is that your job?

Mr Field—For the IE day, the consultant will manage, by and large, the whole event. They will be the project managers. For the regional summits, the role of the consultant is far more limited, because we will be selecting the locations, and we also want to put a lot of work in up-front before the summits so the regions can articulate what the issues are for them and they can be addressed at the summit, rather than just having a travelling road show that comes in and does the standard presentations. Therefore, the role of the consultants for the summits mainly will be on the ground organisation—a bit of local media, the arrangements for the event. So that is a far more limited role. Initially, what we will do is just pick someone to do a couple of summits and see how it goes before we then roll out the full number.

Senator LUNDY—So you will limit the tender that is out at the moment to a couple of summits?

Mr Field—Yes, I think that is our current thinking, because we do not want to impose or get locked into a model right across these summits. It would be good to try a few, see how they go and see whether that model works.

Senator LUNDY—In NOIE's processes of determining where the summits will occur, you have mentioned that obviously you want it to have some local relevance and to consult with local regions. What departmental infrastructure, such as department of regional affairs or local government, will you be liaising with to support you in that task?

Mr Field—We are in the process of writing to a whole range of community organisations, regional development organisations, relevant state government agencies, and I think we have already written to relevant Commonwealth agencies, and we will be getting together a small group to ensure that we are coordinated. So it is very much a coordinated effort. It would be absolutely silly for us to go off independently. A number of state governments are either active or planning to be active in this area. Therefore, it is eminently sensible that we deal directly with the whole range of players.

Senator LUNDY—Does the minister have to tick off where you are going, which places you ultimately choose? Or is that something that will be handled within NOIE?

Mr Field—My understanding is that we would be doing that within NOIE.

Senator LUNDY—Has NOIE got to the point where you have established any sort of priority zones within the regions where this sort of information needs to be distributed?

Mr Field—No, we have not, and that touches on a good point in the sense that if a region is so well developed our going into it and organising this sort of operation is not going to add a lot of value. We have to try to take that into account as well so we are actually adding something, yet there is something there to build on. It is a question of how we do that at this stage until we start getting back expressions of interest from people.

The other thing I would say is that there is a fair amount of knowledge and street-wise understanding of what the lie of the land is. There are people within NOIE who have a good feel. Also, we are dealing on a very close basis with the staff who are operating the networking

the nation program within the department. That is a source of information also on what is out there and where the likely areas are. So out of this whole process of direct approach and drawing on the knowledge of other agencies we will then decide where the best places are to go.

The other thing we might find too is that if we can gain good sponsorship we can extend the number within the given budget.

Senator LUNDY—Say that again, sorry.

Mr Field—If we get either good local sponsorship or larger sponsors coming to the party, we may be able to have more than the planned 15 summits and therefore we can get a greater spread. The other thing we have been doing is talking to people who are planning their own conferences in rural and regional areas. In some ways, we can piggyback on those as well.

Senator LUNDY—What is NOIE's concept behind the information you are likely to present in these forums?

Mr Field—It is a mixture. It is trying to do a number of things. One is general awareness to the general public.

Senator LUNDY—Of what?

Mr Field—Of the advantages and possibilities, I suppose, of on-line technologies. The other is, as I said, drawing on the pre-summit processes to try to home in on what the concerns and potentials are in a particular area and trying to bring real examples, case studies and experience to bear on that.

One of the other aspects is to try to act almost like a broker. If, say, a small business in a local area is someone inspired by what they hear and they want to get involved, one of the things we need to be able to do—and we plan to do this, for example, through our web site—is to provide a list of people and bring together the suppliers of training or technology with those who are interested. One of the aspects through this is working with the various industry associations, professional organisations.

Senator LUNDY—Just going back to your earlier point about networking the nation and utilising some of that data backdrop, given that the series of projects have been funded through networking the nation, is it your intention to analyse the nature of those projects and use that information in preparing your particular brief for a given region? Is it that sort of coordination?

Mr Field—The types of projects that are funded in a particular area will obviously be just one of the variables in this area. So, yes, to an extent it would come in, but I do not think it is a direct link. Clearly, we would hope that, if we decide to move in that area, the funded organisations would be contributing strongly to that end of the summit itself. So there will be a link, but it is hard to say precisely what it is until we get into the detail.

Senator LUNDY—But you will use that as part of your database?

Mr Field—Yes.

Senator LUNDY—Obviously, this decision was made and announced pre-budget. Was this announced pre-budget—this particular regional one?

Mr Field—It was 4 May.

Senator LUNDY—Just pre-budget—essentially, it was a budget initiative?

Mr Field—No, the funds came from the Investing for Growth industry statement which was announced last December.

Senator LUNDY—That is what I thought you said. With respect to this particular concept—the rural and regional summits—when was that particular program initiative decided upon? Was it very much a part of the budget considerations or did it emerge back in December, when the—

Mr Field—No, I do not think it was part of the budget considerations. I think it was a separate decision making stream and it happened close to the date of announcement. Basically, the funding was provided in December. Work was then done on a program to put in the detail. Some of these things were announced quite early. I think the information economy office was announced back in February.

Senator LUNDY—And what is the time frame for this particular initiative?

Mr Field—The summits?

Senator LUNDY—Yes.

Mr Field—We are working towards having the first two in July or early August. That will depend on the response we got to the tender and our ability to identify areas that can move within that time frame.

Senator LUNDY—How will you select those two regions in the first instance?

Mr Field—Again, subject to those broad criteria, I would think—given the time lines, if we are going to do it in those time lines—we would want areas that have got a reasonable level of development and interest so that we can build on that quickly.

Senator LUNDY—I have not had a chance, obviously, to read through the detail of the tender documents. What requirement is there upon the consultant to either establish a relationship with the region prior to going in, or to have a pre-established knowledge of the given region?

Mr Field—For the summits, because the consultancy—and I have not got a copy here either—is quite a narrow task, which is almost like an events management task, I do not think there is a requirement to have a prior contact. Clearly if that is there we must have asked for it, but I am sure we did not ask for it as it is more the skills for those sort of events because we want to put a lot of—

Senator LUNDY—So hiring the venue, getting the lights and technology together—

Mr Field—Yes. For those summits, it is more that we will do the bringing together of the various players in the area and getting them to focus on what the strategies for the region are, prior to the summit. So we will be doing a lot of the management of each summit.

Senator LUNDY—Is it your intention to trot the minister out at each of these rural and regional summits?

Mr Field—To chop the minister?

Senator LUNDY—Trot. Is he going on show?

Senator Alston—Did you say chop or trot?

Senator LUNDY—Trot—it is okay.

Senator Alston—I thought you said chop!

Senator LUNDY—Minister, is it your intention to participate in each of these summits?

Senator Alston—It is very kind of you to offer. I am not sure that we have had that discussion as yet.

Mr Field—No, we have not got to that—

Senator Alston—There are something like 15 proposed, so it may be a trifle onerous.

Senator LUNDY—You may only get two in.

Senator Alston—We may have to pick out some selected highlights, yes.

Senator LUNDY—We will watch with interest as to which of the two regions you select prior to the election, by the way. Just moving on to the other operations of NOIE. Can you perhaps give me an update as to where you are at with your staffing resources, the changing relationship between NOIE's staff and the department and any other changes that have occurred in relation to your arrangement structures—such as chains of command, who you are responsible to and all that sort of stuff, please?

Mr Blewitt—The arrangements with the department are now fairly settled to the extent that the group that came across from the department are now well established in NOIE and the funding arrangements have been settled. We have, just in the last few weeks, finalised the appointment of a number of general manager positions—most of whom you see here. They will be leading teams on a bunch of key initiatives, including international, legal and regulatory and the whole of government delivery of services. These are some of the key positions that the chief executive has been anxious to get in place. We can now move on and operate with full capacity—certainly from 1 July 1998.

We anticipate that next financial year NOIE will be operating with something approaching 30 staff. We currently have about 18 staff on board and we are seeking to recruit to a number of key project positions to support some of those initiatives that you have just heard about, and also to give us some support in terms of corporate activities to ensure that we maintain our accountability and other processes. The relationship with the department is that we are a separate office within the department reporting direct to the minister—

Senator LUNDY—Where are you located?

Mr Blewitt—We are currently located in the Department of Communications and the Arts building in Forrest. We will be moving to separate accommodation—probably in the next month or so—in a building adjacent to that called the Burns Centre. Effectively we will seek to maintain links with the department—obviously to link to their key operational systems, to the extent that they will allow that—to ensure that NOIE's prime effort goes into its program activities with a minimal amount of administration. We are negotiating that with the department now. I think there is good agreement on the process there.

Senator LUNDY—On that point about the relationship with the department—I never get right the status of the heads of separate bits of departments—but where does NOIE sit in relation to Mr Stevens? Is anyone in NOIE answerable to Mr Stevens or are they answerable to the minister?

Mr Stevens—Dr Twomey, as the head of NOIE, reports directly to the minister, so there is no direct relationship between NOIE and the department.

Senator LUNDY—It has obviously been a long evolution of NOIE's to get these things sorted out. Minister, what is the logic behind your decision to separate NOIE so distinctly from the department?

Senator Alston—It is no reflection on the department, but we wanted to ensure that it had the necessary contact with a range of departments as well as an ability to become involved in the private sector, and therefore it needed maximum flexibility. We thought that was best achieved by structural separation.

Senator LUNDY—So, in the same way that OGIT and OASITO are structured under the Department of Finance, NOIE is similarly structured?

Senator Alston—Yes, it is, as far as I know.

Senator LUNDY—I am just trying to get my head around how you have structured it. The board of NOIE has been in existence practically since you made the announcement; the first public announcement was about the establishment of the board. Can you describe the board's role with respect to NOIE, particularly its relationship with the minister's office and how that relates back to the chief executive? Is that how you describe the head of the office, Paul Twomey?

Senator Alston—Yes, he is the CEO. Essentially, they are people who are active in the community and, therefore, in a position to give us forward advice on issues of concern, looking ahead to what might be happening in other places. So they are a very good contact point, they are people who have varying degrees of expertise, but essentially they are all computer literate. I suppose that is understating it; they are people who have a keen interest in the area, even though they might not have been technology specialists. We think that positions them very well to give general advice, which may mean matters being put before the ministerial council, which may result in initiatives being taken by government, and which may mean discussions across various departments. It seemed to us to be a good private sector point of reference for high quality advice.

Because Dr Twomey is on the board, the office itself would work to the board in delivering outcomes. It is currently looking at an overall strategy for ensuring that Australia is achieving world's best practice when it comes to the information economy, and is giving us advice on the appropriate legal and regulatory framework. It will be making representations in international forums—Dr Twomey is in Sabara at this moment, I think. There have been a number of contacts with the US administration, particularly over domain names, and that then feeds back into the advice that they give us.

Senator LUNDY—While we are on that point, so I do not spend all afternoon finding out what your international involvement is, perhaps I could ask Mr Dale, as the appropriate officer, to provide the committee with a description of all of the international boards, authorities, committees—

Senator Alston—Nice of him to call in, actually.

Senator LUNDY—that NOIE is participating in on behalf of the Australian government. It is a very important area of work, after all, if we are to be a player.

Mr Dale—Certainly. Contrary to the minister's observation, I do spend most of my time here rather than around the world. As you say, there is a great deal going on. The work in international e-commerce issues across the board is being overseen or coordinated by NOIE, but there is certainly no capacity or intention on our part to replicate the great deal of work that is already going on across a number of agencies.

In the key multilateral fora you have the WTO, for example, which is developing its own work program, which started earlier this month, on e-commerce. That is clearly an ongoing function for DFAT, but we have a great deal of liaison with it. Similarly, the work on a legal framework for e-commerce, for example, which is being developed within UNCITRAL flows logically to the Attorney-General's portfolio. There is a linkage there to the recent experts group—

Senator LUNDY—So you liaise with all of these different departmental groups?

Mr Dale—Yes, we do. There is a senior level officials committee on international matters convened by NOIE and chaired by Dr Twomey which, I guess, at its most basic level ensures that all those agencies are aware of each other's activities because, as I said, it covers a very wide range. We have a more direct involvement in the work of bodies such as the OECD where the issues are as much analytical and research based as regulatory, and we are developing our involvement there in work such as their working party on the information economy.

Those are a range of multilateral activities. In electronic commerce there is a view held by a number of countries that bilateral initiatives, or perhaps joint statements of intent, serve some useful function in terms of building business and consumer confidence, and we are pursuing a number of activities there. The minister announced today, or perhaps yesterday, the outcome of some meetings with his Malaysian counterpart earlier in the week, and we will be pursuing some intensified consultation and coordination with the Malaysian authorities. We will also be following up on the visit from Mr Magaziner earlier in the year for the e-commerce summit. We are having discussions with the US administration concerning closer cooperation on e-commerce activities there as well. That is a fairly quick overview, but we could provide more information if you wanted it.

Senator LUNDY—Thank you. What is NOIE's involvement with respect to—is it the South-East Asia Region Computer? I am trying to work out the remainder of the acronym.

Mr Dale—Is it the SEARC conference in Darwin?

Senator LUNDY—Yes, in July.

Mr Dale—Mr Stewart might be able to give you more information.

Mr Stewart—A number of NOIE staff may be in attendance at that particular session. There is a regular Commonwealth-state senior officials meeting which supports the online council, which has been scheduled to meet in Darwin on Monday and Tuesday of that week, 6 and 7 July, so there will be a number of Commonwealth and state officials up there. We will probably be staying on to participate in some of the conference. Senator Alston is a speaker at one of the sessions at that conference. I think that is probably about the limit of our involvement. We are taking an active interest in it and probably we will be attending it.

Senator LUNDY—That is good to hear. Are there any international delegations in Australia at the moment that NOIE is involved in looking after?

Mr Dale—None that I am aware of that we are directly responsible for, although most official visits are coordinated by the Department of Foreign Affairs and Trade. If there is an e-commerce or an information economy dimension to those visits, they normally contact us for assistance with meetings or direct consultations. I am not aware of any major delegations as such at the present time.

Senator LUNDY—I might come back to that point. But, Minister, back to the relationship that the board has with your office and the Chief Executive of NOIE. You mentioned that the Chief Executive works to the board's agenda. Given that the construct of the board is very much one, as you said, of current industry participants, what checks and balances have you got in place to ensure that the agenda to which they are working is in fact your agenda and satisfies issues of probity with respect to their prioritisation?

Senator Alston—At the end of the day they are an advisory board.

Senator LUNDY—But that is precisely my point. If they are an advisory board but they have a chief executive working to them, how does that work?

Senator Alston—He reports to me, though. So, ultimately, if the arrangement is to function effectively, and it certainly has to date, then you would expect regular contact between the major players, so that you are all singing from the same song book, as they say. That explains why Mr Mercer, who is the chairman, rang me at lunchtime today to brief me on a particular aspect. I think he also wanted advice on his golf handicap but I could not help him. Similarly, Dr Twomey is in regular contact with me and my office, and I have found that it works effectively. Whilst they want to make sure that we are aware of particular issues, they are not really straining against what we have in mind because we are essentially wanting to achieve the same objectives. There may be differences of priorities from time to time, but certainly we have not noticed any problems in that regard today.

Senator LUNDY—I am trying to get my head around the board's role, given from what you just said the implication is of course that the board are political appointees because they are working to the same tune as you are, which is obviously quite a specific policy agenda. But you have described their strength as being the fact that they are independent players out in the private sector, and that is what they bring to the board. I am just having difficulty reconciling their effective operation unless there is a very close relationship between the board and your own office so you can continually express your view and give them policy direction.

Senator Alston—It is not unusual to appoint people on merit because of their involvement in the community and their awareness of the issues. Each of these people is a proven performer.

Senator LUNDY—I am not challenging their credentials in that respect.

Senator Alston—When you say running a political agenda, I certainly would not regard the work that they are doing in any shape or form as party political. They are really trying to inform the government of the day, whoever it might be, about what is going on out in the marketplace. It is then a matter for the government to take that advice or to ask them to pursue issues to a greater extent. At the end of the day it is our call what we do with that advice. But, beyond that, they are really people who are there because they deserve to be. We have deliberately tried to avoid having people on because they represent particular segments. They are overwhelmingly chosen because they have personal qualities that we think make them very well qualified in that regard.

Senator LUNDY—On that basis, would you, for example, have any objection to a committee such as this having access to the minutes of their board meetings and information like that? Do you know what I am saying? They are not tight in a policy sense. They are there for their expertise but it is essentially a non-partisan operation. It is about progressing issues and concerns relating to electronic commerce.

Senator Alston—I think the board itself might find that a bit exquisite because they are not really wanting to see their advice debated in the public arena. They are not calling public meetings and passing on the minutes. They are having in-house discussions which may involve dealing with areas of sensitivity. It may reflect on particular players in the industry. At the end of the day they do their best; they offer their advice to the government. If the government accepts or rejects it, it should not compromise what they are doing.

CHAIR—Is that the end of that portfolio?

Senator LUNDY—No.

Senator Alston—I do not think I have got anything to add to that.

Senator LUNDY—I accept that. I am not trying to get any information that will compromise their considerations. I certainly understand that some of it might be sensitive. What I am more concerned about is establishing what your checks and balances are on issues of probity, given that many of the board members do have a current and direct interest in the issues being discussed.

Senator Alston—By probity, do you mean declaring any potential conflict of interest?

Senator LUNDY—Declaring interests—that sort of thing. It is about the public perception of the operation of this board too.

Senator Alston—It is a perfectly legitimate concern. I would certainly expect any member of the board to declare a conflict of interest, to abstain from voting if a matter came up and probably to bring it to the attention of the minister if a board member was involved in a decision that directly or indirectly affected a personal interest. Beyond that, I suppose we would simply exercise our own scrutiny. If we had any basis for suspecting that any one or more board members were offering advice that might not be arms-length because of their commercial activities, then we would no doubt raise it with them and ask them why this did not constitute a conflict of interest.

I have no reason at all to think the board will not be scrupulous in volunteering any situation that might arise, but similarly we will also be very careful to ensure that we do not overlook any apparent conflict. You have got two levels of sensitivity. Beyond that, you do your best, don't you? You appoint people because you think they do have integrity. Certainly I know each member of the board. Apart from the most recent appointee, I have known—

Senator LUNDY—Who is that?

Senator Alston—Mr Veeneklaas. I have known all the others in other manifestations whilst I have been in the parliament. If I had any hesitation about their personal integrity, I would not be wanting to appoint them. So you start off on a basis of trust and you assume that they will be very concerned. I suppose they read the newspapers about conflict of interest issues too and they would be pretty careful to avoid finding themselves in the middle of a public brawl. I think there is likely to be little concern on that front, but we all remain eternally vigilant.

Senator LUNDY—What opportunity therefore exists for public scrutiny or parliamentary scrutiny of those issues, apart from directly questioning you—or is that the only process?

Senator Alston—I suppose until governments take decisions on the area—so any decision affecting the information economy—you could legitimately ask me whether NOIE had an input into that process. But beyond that I think it is probably a matter of them offering private advice and government accepting or rejecting it. You do not normally scrutinise private advice.

Senator LUNDY—The way in which Finance dealt with such questions of a conflict of interest was interesting. It was quite a different circumstance relating to contracts, but they engaged a probity auditor to try to inspire confidence. But I accept that you—

Senator Alston—To try to inspire confidence?

Senator LUNDY—To inspire confidence in the industry.

Senator Alston—If there were any basis for concern in this area, I imagine we would be doing the same. But we have got no reason at all to think that there are any problems.

Senator LUNDY—With respect to the board's appointments, what sort of remuneration is payable to board members, if any?

Senator Alston—Basically, it is all approved by the Remuneration Tribunal. There are different levels and salary packages. We can provide the details, if you want them, but they are all effectively on the public record.

Senator LUNDY—If you could take that on notice.

Mr Blewitt—We will take it on notice.

Senator LUNDY—Thank you. What appointments to NOIE occurred before you separated from the department and which ones occurred after?

Senator Alston—I think every one except the last would have been appointed prior to formal separation.

Senator LUNDY—What was the process of those appointments to NOIE, in a general sense: for example, recruiting strategies? Did you advertise the selection criteria?

Senator Alston—You are talking about the members of the advisory board, aren't you?

Senator LUNDY—No, I am not now.

Senator Alston—Staff members?

Senator LUNDY—I am talking about staff and appointed officers within NOIE.

Senator Alston—Mr Blewitt can help you there.

Mr Blewitt—The staff from the department were, I guess, chosen because of the area that they were working on before, which really was a carry-on of the work that they started there. They brought a lot of that across to NOIE. As I mentioned earlier, about 10 staff were involved in that. The next layer of staff, including the chief executive, was recruited on the basis of public advertisements and we are still doing that. We scan the broadest possible range of people, both in the public sector and in the private sector, to engage. They are all employed under the Public Service Act, ultimately. Dr Twomey is employed under section 67 of the constitution but with Public Service conditions. That is the process we have gone through.

Senator LUNDY—How many current employees of NOIE were from the department and how many came in new?

Mr Blewitt—I think about 10 came from the department.

Senator LUNDY—How many are there altogether?

Mr Blewitt—We have got eight others on board at this stage and we will be seeking to recruit probably about 10 or so additional staff over and above that 18.

Senator LUNDY—Minister, was your office involved in recruiting any of those eight officers?

Senator Alston—No, I do not think so.

Senator LUNDY—To your knowledge?

Senator Alston—I think a few names might have been run past me at a late stage but more by way of information than seeking any advice.

Senator LUNDY—You are not aware of anyone within your office actively recruiting?

Senator Alston—No.

Senator LUNDY—Or approaching people for positions within NOIE?

Senator Alston—No, I do not think so.

Senator LUNDY—Do you want to take that on notice?

Senator Alston—Yes.

Senator LUNDY—That might be an idea. There has been some re-advertising of some of the lower level positions within NOIE. Why is that?

Mr Blewitt—Essentially to ensure the processes are open for access to people in the department, to people in the Public Service and to external people.

Senator LUNDY—I do not understand.

Mr Blewitt—Pardon?

Senator LUNDY—Sorry, I do not understand why.

Mr Blewitt—Essentially to try and get the skills that we need to actually promote the key programs we have talked about.

Senator LUNDY—So you might move people from NOIE back to the department and bring in other people?

Mr Blewitt—That has happened on a couple of occasions. Secondly, NOIE is established for three years, so at the end of that period some of those staff will return to the department because they are essentially seconded to NOIE during that period.

Senator LUNDY—Are any currently on secondment?

Mr Blewitt—Sorry?

Senator LUNDY—Are any in NOIE currently on secondment from the department?

Mr Blewitt—I think the permanent employees of the Public Service who originated from the department would regard themselves on secondment for a three-year period to NOIE.

Senator LUNDY—Are they the people that are going to be asked to apply for these positions that are advertised?

Mr Blewitt—No, they would come across in established positions as a transfer of that particular function from the department to NOIE, and that would comprise the 10 personnel that I mentioned.

Senator LUNDY—Will these advertisements bring more people into NOIE?

Mr Blewitt—Yes, they will.

Senator LUNDY—How many?

Mr Blewitt—About eight or 10. We have got 18 staff. We expect to come to the ultimate establishment of NOIE in the next two or three months and that will be up to 30 people.

Senator LUNDY—Minister, was it always the intention for you to have NOIE around that size—about 30 people?

Senator Alston—Yes. It might have been a bit less. I have a figure of 23 in my mind.

Senator LUNDY—I just recall earlier discussions about it being a much tighter unit like a secretariat style setup working to a board.

Senator Alston—Yes, I think it is pretty much on target. Maybe they have all halved their own salaries so we can employ twice as many!

Senator LUNDY—Would you provide the committee with a graphic explanation of the positions within NOIE, including these new positions that are coming on board, and a description of their classification, the types of work they are doing and the projects, as identified, that they are working to if they are allocated to specific projects.

Mr Blewitt—Certainly.

Senator LUNDY—That would be most useful.

CHAIR—Is that all of your questions in that area?

Senator LUNDY—No, I have some more but I need a minute or so to have a think.

CHAIR—I cannot give you time to think. It is just that we are now getting very behind time.

Senator Alston—I am sure Senator Schacht will enable us to speed up.

CHAIR—What's that?

Senator Alston—I am sure Senator Schacht will help us catch up.

Senator SCHACHT—Do you want to be provocative, Minister?

CHAIR—If you two would just stay out of it.

Senator SCHACHT—We have all day tomorrow, too.

CHAIR—I can hardly wait.

Senator LUNDY—What is the involvement of NOIE with the Australian delegation to APEC?

Mr Dale—Is this to the APEC e-commerce task force?

Senator LUNDY—Yes, that is the one. CommunicAsia? Is that different? To APEC and CommunicAsia. Are there two different ones?

Mr Dale—The function I think you are referring to concerns events last week in Singapore. Is that correct?

Senator LUNDY—Last week? It must have been. I am referring to a press release from the minister's office. In terms of Australian delegations to anywhere relating to the information economy, is it NOIE's charter to look after that in conjunction perhaps with DFAT or some other agency?

Mr Dale—To ensure consistency and coordination across those, yes.

Senator LUNDY—What about issues relating to the social implications of new information technologies? Does that come within NOIE's charter?

Mr Dale—Do you mean at a domestic or an international level?

Senator LUNDY—I mean at any level.

Senator Alston—Not specifically, but you would fairly expect them to bring the social implications to your attention.

Senator LUNDY—My question goes towards how broad is NOIE's reach in policy involvement with information technologies per se, as opposed to the information economy and electronic commerce.

Senator Alston—We would regard the term 'information economy' as embracing IT, on-line services, the Internet, electronic commerce and any other manifestations, so it is broad.

Senator LUNDY—So issues of access and equity to the Internet that we have debated many a time would all come under the auspices of NOIE?

Senator Alston—Absolutely. Yes, very much. It is a deliberately very broad term to cover not just—

Senator LUNDY—I would argue that it is deliberately narrow, but I am just exploring further your definition, so please keep going.

Senator Alston—What would your broader definition be?

Senator LUNDY—It would relate more than just to the information economy. It would embrace in some symbolic way or expressive way the social implications, but that is just my view. Please continue with your definition.

Senator Alston—So we understand each other: we saw it as covering all of the areas—not just the hardware side, not just computers and not just IT issues but indeed all the areas that economic policy covers, which of course has to take account of social implications. All I can say is that it was intended to be a very broad description.

Senator LUNDY—Thank you. Was the electronic commerce summit held in Canberra funded through NOIE's budget?

Mr Field—NOIE contributed to the cost of it.

Senator LUNDY—How much?

Mr Field—About \$53,000.

Senator LUNDY—How much did it cost all up and who paid for the rest?

Mr Field—Telstra paid for the rest. I do not know what the total cost was. That was borne by Telstra as part of their overall marketing.

Senator LUNDY—Whose initiative was it—Telstra's or the government's?

Senator Alston—It was a joint venture.

Senator LUNDY—But you do not know the overall cost of it. You were not advised of the overall budget.

Senator Alston—I personally was not. It was not a matter of particular concern to me. I simply wanted to make sure it went well and it exceeded my wildest expectations, and indeed the community's.

Senator SCHACHT—It got bagged in a few places. It was run by the usual suspects from the bureaucracy, including yourself.

Senator LUNDY—Minister, how much did it cost?

Senator Alston—I do not know.

Senator LUNDY—Will you please take that on notice, and also the nature of the partnership or joint venture between Telstra and NOIE?

Senator SCHACHT—Were any people who applied to come to the conference refused an invitation?

Senator LUNDY—Only you, Senator.

Senator SCHACHT—I got an invitation but I could not attend for legitimate reasons—like looking after my electorate in South Australia.

Senator Alston—I can well understand the need for that. It was by invitation only. We started out with a guest list. We may have added one or two who may have approached us but it was generally not meant to be open slather.

Senator SCHACHT—The criticism—and this is second hand so I am cautious about its veracity—was that the conference invited a lot of people from overseas and from within the

public sector to speak, but there was not a proportionate number from the private sector within Australia who may have had interesting views or ideas to put.

Senator Alston—You have to concede that the US is leading the pack and therefore it is pretty relevant to know what the President's principal adviser thinks. It is also relevant to look at case studies of organisations like FedEx and IBM which have some very interesting examples of how electronic commerce has transformed their businesses. There was an opportunity on the second day for small business presentations and I think there were some Australian ones there. We had Telstra and the tax office making presentations. I think people found that illustrative of the wider point because in some ways they are also at the cutting edge—more so than a number of businesses.

Senator SCHACHT—Was anybody from Customs there? Customs have been a leader in electronic systems and electronic commerce, particularly abolishing the paperwork that is required with importing and exporting—particularly importing material. As a former customs minister I know that that is something they could rightly take pride in. They actually briefed APEC at several conferences during the mid-1990s. They were asked to do it because they were world leaders. Were they invited to give a briefing about where they were leading in e-commerce? As minister I was invited one day to attend an advisory board meeting that comprised industry, themselves and relevant people advising on the uptake and the development of electronic commerce to assist in the reduction in cost and time for businesses in importing and exporting.

Senator Alston—The three principal examples of the success of electronic lodgment in the public sector are Customs, Medicare and Tax. Although I did not make the decision, I imagine that they simply selected one of those and Tax was it. I also have a recollection that my opening speech referred to the fact that there had been some world-class examples of lodgment in Customs and Immigration.

Senator SCHACHT—Is the conference a one-off special or will it be revisited in one form or another?

Senator Alston—There has been a lot of popular demand for a repeat but we have not yet taken that decision. We have instead decided to focus more on raising awareness amongst large corporations on the one hand and SMEs on the other, on 15 regional conferences and on IE day. Once all of that has been achieved we may well look at another conference or seminar. There are a lot of interesting examples that keep coming forward. We may have quite a different agenda to the one we had only a few months ago.

Senator SCHACHT—Thank you.

CHAIR—Thank you to the officers from the National Office for the Information Economy.
[4.37 p.m.]

Program 1—Arts and heritage

Subprogram 1.1—Arts and heritage policy

Senator LUNDY—Referring to the running costs variations outlined in table 4.5 on page 37 of the Portfolio Budget Statements, could you outline the expenditure with respect to last year's budget initiative of the regional touring fund?

Mr Palfreyman—I think regional touring is covered in 1.3—Cultural development assistance.

Senator LUNDY—So why is it in 1.1?

Mr Marsden—Subprogram 1.1 contains the running costs and 1.3 is the program fund, under the cultural development program.

Senator LUNDY—Could you draw my attention to where it is itemised in 1.3?

Mr Marsden—It is not itemised to the degree you are looking for. It is part of the cultural development program on page 44.

Senator LUNDY—Because it is not itemised in 1.3 and it is itemised in 1.1, can I still ask questions about it or can you bring an officer to the table who can provide the information?

Mr Palfreyman—Playing Australia or regional touring in program funds in 1.3: spend was \$3.6 million last financial year and we are looking at just over \$4 million for this financial year.

Senator LUNDY—What is it?

Mr Palfreyman—What do you mean?

Senator LUNDY—What is the regional touring fund for?

Mr Palfreyman—Regional touring is commonly known as Playing Australia, which helps Australian performing arts companies tour throughout the country. I should explain the reason we have split the two programs—1.1 and 1.3. Subprogram 1.3 is simply all cultural development programs and grants that go out. It does not include any running costs. The cultural development program, by and large, is administered by the Arts and Heritage Division, and its running costs are included in 1.1. The reason we separated that out goes back some years when a previous Senate estimates committee wanted to have our grants and contributions separated out from running costs, and we did a program split.

Senator LUNDY—Thank you for that explanation. I may come back to it in 1.3. I have just one more question on that. Given that it is in the variations table, does that mean there has been a substantial increase in the expenditure on that item?

Mr Palfreyman—It is the running cost component of Playing Australia, which is included in 1.3.

Senator LUNDY—Is that running cost component—\$43,000—over and above Playing Australia?

Mr Palfreyman—The funds that I mentioned under 1.3, yes. The moneys that I mentioned previously—the \$3.6 million and just over \$4 million—are the moneys that go out to particular companies to undertake the tours.

Senator LUNDY—So it is over and above that money?

Mr Palfreyman—Yes, it is.

Senator LUNDY—What proportion of the total figure for the cultural development program is being spent on Playing Australia?

Mr Palfreyman—I am sorry, could you repeat the question?

Senator LUNDY—Of the total budget allocation to the cultural development program, contained within 1.3, what is the monetary figure being expended upon Playing Australia?

Mr Neilson—If you look at the estimated outcome for 1997-98, the Playing Australia estimated expenditure, including regional touring, is \$3.6 million.

Senator LUNDY—Where is that in the Portfolio Budget Statements?

Mr Palfreyman—It is in subprogram 1.3 on page 44, and it is part of the first line in table 4:02—payment to cultural program activities.

Senator LUNDY—So what was that figure?

Mr Neilson—It is \$3.6 million.

Senator LUNDY—So it is \$3.6 million. How do you allocate that money to the various recipients?

Mr Neilson—There is an advisory committee established. There are two calls for applications, and the advisory committee considers the applications against the criteria which are in the guidelines. The recommendations from the advisory committee are put to the minister, and the minister acts on those recommendations.

Senator LUNDY—Can you provide the committee with information on the time frame associated with that selection and approval process, to whom the funds were allocated and for what purpose?

Mr Neilson—Yes, we can provide that.

Senator LUNDY—Could you give the committee an update with respect to the Centenary of Federation national program activities? Am I right in presuming that the same cross-referencing occurs between table 4.5 on page 37 and the table on page 44?

Mr Palfreyman—No, that is not the case. The Centenary of Federation Council is included in 1.1 and makes up part of table 4.4 on page 35 under ‘Running Costs’, and it is included in the 1998-99 budget as part of the \$24.291 million. Of that \$24 million, the actual amount for the Centenary of Federation Council, including its administration and its programs, is \$11.3 million.

Senator LUNDY—So, in the variations table, the \$1.2 million is a reduction in expenditure on those program activities?

Mr Palfreyman—If you actually net out the ons and the offs, funding for the Centenary of Federation for 1998-99 will increase by \$7.3 million.

Senator LUNDY—Does the \$8.5 million take into account the funding for the Centenary of Federation celebratory events?

Mr Palfreyman—Yes, it does. If you have the \$8.5 million and take off the \$1.2 million two lines above, it is \$7.3 million.

Senator LUNDY—So you get a plus \$7.3 million. Why are those two program activities distinct in the Portfolio Budget Statements in terms of variations?

Mr Palfreyman—I think probably for historical reasons. The Federation funding has not normally formed part of the cultural development program. When we were actually putting these tables together, on the advice of the Department of Finance and Administration, we put the whole of the Centenary of Federation—\$11.3 million—into 151.

Senator LUNDY—Into what?

Mr Palfreyman—In subprogram 1.1, page 35, it was put into ‘Administrative—Running Costs’.

Senator SCHACHT—Administrative running costs?

Senator LUNDY—Why would you put a—

Senator SCHACHT—Did you say that you put the program money into the administration costs on page 35?

Mr Palfreyman—It forms part of the \$24.291 million.

Senator LUNDY—What is the nature of the expenditure for the \$11.3 million?

Mr Palfreyman—Perhaps I could ask James Barr, the head of the secretariat for the Centenary of Federation, to give you an indicative split. I am not sure that the council has finally decided on the precise allocation of \$11.3 million, but he will give you an indication of the major components of that.

Mr Barr—The government has made a total allocation of \$35 million over the next three financial years for the activities of the council. The council is meeting in Sydney on Friday of this week to look at the split of those moneys across its various activities. Included in the figures that Mr Palfreyman has been talking about is a sum that the government has allocated for the running costs of the council and the secretariat and, in the next financial year, that amounts to \$2.8 million.

There is also a significant sum that needs to be considered in terms of the activities of the council. At present, that will cover a series of celebratory events, a history and education program and a funding contribution towards the communications strategy of the council.

Senator SCHACHT—How many people are employed in the secretariat to administer the fund?

Mr Barr—At present, 17.

Senator SCHACHT—Are they new people in the department or have they transferred from somewhere else and, when this centenary fund has finished, do they go back or do they stay in the department?

Mr Barr—There is a combination of employment in the council. Some of those people have been seconded from the department, some have been recently appointed as permanent officers and some are on contract.

Senator SCHACHT—And they are all full time?

Mr Barr—They are all full time.

Senator SCHACHT—This has not been a way for a very adept head of the department to arrange ways by which he can maintain his numbers inside the department by putting them sideways into administering the Federation Fund for a while, has it?

Mr Stevens—No, it certainly has not been, Senator.

Senator SCHACHT—It certainly hasn't, Mr Stevens?

Mr Stevens—It has not, no.

Senator SCHACHT—It has not crossed your mind? Seventeen seems rather a large number of people to administer a short-term fund.

Mr Stevens—I think the point is that their role goes well beyond simply administering this particular fund. Mr Barr can explain what their broader role is.

Senator LUNDY—Can I get clarification of something? You said that there is a \$35 million allocation over how many years?

Mr Barr—The next three financial years.

Senator LUNDY—Three years.

Senator SCHACHT—So it is \$11 million a year.

Senator LUNDY—But if you add up what your allocations are in the forthcoming financial year in this budget, there is \$11.3 million plus \$8.5 million.

Mr Barr—No, not plus. The \$11.3 million incorporates the \$8.5 million.

Senator LUNDY—So it is a total of \$11.3 million this financial year?

Mr Barr—Yes.

Senator SCHACHT—Just to remind me again, how much was the administration cost going to be out of the \$35 million over three years to pay for all these salaries and administration costs?

Mr Barr—In the next financial year it amounts to \$2.8 million but over the life—

Senator SCHACHT—Out of \$11.3 million. So that is a 20 per cent administration cost to run the fund. Isn't that excessive?

Mr Barr—Could I just clarify that it is not the fund, it is the activities of the council.

Senator SCHACHT—You are spending over \$2.3 million, I think you said, to administer the allocation of \$11.5 million or something. The \$2.5 million comes out of the \$11.5 million, so that leaves \$8.75 million. By rough calculation, that is an over 20 per cent administration cost. That seems to me excessively high.

Mr Stevens—All the staff are not involved in administering these particular grants.

Senator SCHACHT—What are they doing, then?

Mr Stevens—That is what Mr Barr is about to explain.

Senator SCHACHT—If they are not administering, I hope they doing something else that is useful.

Mr Barr—We certainly are. The council has a prime responsibility to coordinate the celebratory activities that occur in 2001.

Senator SCHACHT—That is administering, isn't it?

Mr Barr—Heavily, that is true, yes. But the point you need to understand, I guess, is that there are a range of activities that we are involved in at the national level and also in terms of coordinating the activities of the state and territory Centenary of Federation committees in administering a particular program which we will be calling the history and education program and in promoting and raising the level of awareness across the Australian community of the process and steps to Federation, the history of Federation and also raising anticipation of the celebrations themselves in 2001.

Senator SCHACHT—I have to say this seems more costly than the actual issue of Federation itself a hundred years ago.

Senator LUNDY—With respect to the allocation of the \$8.5 million in this financial year, what is the process for distribution of those funds?

Mr Barr—The Prime Minister has given discretion to the council itself to decide the split across its activities of that sum. The activities will be the celebratory events, the history and education programs and the communication strategy.

Senator LUNDY—Has the council afforded any more detail on the way it will be allocated within those different groupings? Is it a grants based initiative or are they bequest organisations with projects?

Mr Barr—As I said earlier, the council is meeting in Sydney on Friday to make certain decisions about the allocation of the funds across the range of its activities.

Senator SCHACHT—Based on what advice?

Mr Barr—Based on advice from the secretariat.

Senator SCHACHT—So the secretariat has drawn up a plan already of how the money should be allocated, and it is going to put it to the council?

Mr Barr—Yes.

Senator SCHACHT—Can you give us details of what the secretariat has already advised? Mr Stevens said no, you cannot, but have a go anyway.

Mr Stevens—My point is a very simple one. I think it is a bit inappropriate to canvass publicly those recommendations before the council has an opportunity to look at them as a council. I think they would have a right to expect some confidentiality about the proposals worked up by the secretariat.

Senator SCHACHT—We are not handing out secret money here, are we, Mr Stevens?

Mr Stevens—Certainly not. It is just a question of procedure. I think the council would prefer to be the first people to be able to assess those.

Senator SCHACHT—The council has not met at all yet to give any instructions to the secretariat, or even over the phone some idea of how they think the money should be spent?

Mr Barr—The funding and finance committee of the council has met and considered the initial proposals.

Senator SCHACHT—So the subcommittee has approved it?

Mr Barr—The subcommittee makes recommendations.

Senator SCHACHT—And those recommendations are the ones we are talking about, the ones that go to the council?

Mr Barr—That is correct.

Senator SCHACHT—I have to say I think you are being a bit precious, but the very least you should do is take on notice and provide us with a full list after Friday's meeting.

Mr Barr—Very happy to do that.

Senator LUNDY—We will look forward to it. I have a question about the funding for the construction coordination task force. There is a noted reduction in the variations of \$0.5 million. Why is that?

Mr Palfreyman—The \$500,000 mentioned in the variation table on page 37 represents the initial funding in 1997-98 that was provided this financial year. So, in explaining the variation between outlays in 1997-98 and the 1998-99 figure, we actually take it off. But in fact the government, under the future 'budget measures' at the top of the table, will be funding the CCC to the tune of \$1.318 million in 1998-99.

Senator LUNDY—I have a series of questions with respect to the work of the construction coordination task force. I will take your guidance as to whether it is best to deal with that under the National Museum subprogram.

Mr Stevens—We have got someone here who can probably answer the questions so far as they relate to the task force and we are very happy to try to answer them now.

Senator LUNDY—Terrific. I would rather do it now than later.

Senator SCHACHT—About the \$8 million that was left over after administration costs—

Senator LUNDY—This is going back to the previous item.

Senator SCHACHT—You also mentioned a communications promotion strategy.

Mr Barr—That is correct.

Senator SCHACHT—How much approximately is being recommended by the secretariat to be spent on that?

Mr Barr—I would be very happy to give you that answer in responding to the question I took on notice.

Senator SCHACHT—Is ‘communications promotion strategy’ the phrase?

Mr Barr—We just use ‘communications strategy’.

Senator SCHACHT—Does that involve some money being spent on paid advertising?

Mr Barr—It may do. That decision has not yet been taken.

Senator SCHACHT—It has not been taken?

Mr Barr—No.

Senator SCHACHT—Will it be taken this coming Friday?

Mr Barr—No.

Senator SCHACHT—When will it be taken?

Mr Barr—I cannot be absolutely certain about that. The broad outline of the communications strategy is likely to be discussed on Friday, and the details of that will then be developed between the June meeting and the September meeting of the council.

Senator LUNDY—By whom?

Mr Barr—By the secretariat in conjunction with the communications subcommittee of the council.

Senator LUNDY—Is the Office of Government Information Advertising involved in that process?

Mr Barr—We have had advice from them about process but not about substance. We have within the secretariat a small public affairs unit, and it is that area which primarily has carriage for the development of this work to date.

Senator LUNDY—What level of consultation does that small secretariat have with OGIA?

Mr Barr—It has consulted on process.

Senator LUNDY—So it has ongoing contact?

Mr Barr—Ad hoc contact.

Senator LUNDY—Can you provide the memos that associate the contact between this unit and OGIA, something to demonstrate the nature of that relationship?

Mr Barr—It is a very informal relationship, and we consult on the basis of need.

Senator LUNDY—Is there anything in writing?

Mr Barr—Not that I am aware of.

Senator LUNDY—Can you take that on notice to provide any correspondence that has exchanged hands between them.

Senator SCHACHT—Is there any proposal for the unit or the secretariat, if not the council, to employ a consultant to advise on how the money should be spent on communications strategy?

Mr Barr—We have employed a public relations consultant which helped us to develop our logo and has provided us with some advice on sponsorship strategy and merchandising strategy.

Senator SCHACHT—That has already been spent? Someone has already got it?

Mr Barr—Yes.

Senator SCHACHT—How much was that contract worth?

Mr Barr—It was a contract of up to \$1 million, but the actual expenditures would not have amounted to that.

Senator SCHACHT—Say that again—\$1 million?

Senator LUNDY—Where is that in the descriptions you gave of expenditure previously?

Senator SCHACHT—Is that in the \$8 million or in the \$2 million?

Senator LUNDY—Or last year's budget?

Mr Barr—In the 1997-98 funding that was allocated to the council—

Senator SCHACHT—That \$1 million went on a consultant?

Mr Barr—No.

Senator SCHACHT—You said that a consultant had been employed, and I asked, 'How much is the consultant's contract worth?' You said, 'Approximately \$1 million.'

Mr Barr—The contract was drafted in the terms of 'up to \$1 million', but the actual expenditures have been much less than that.

Senator SCHACHT—How much have they been then?

Mr Barr—I will have to take that on notice.

Senator SCHACHT—Was it half a million?

Mr Barr—It would not be half a million.

Senator SCHACHT—So what has happened to the other half that has not been spent? Is that washing around in the system somewhere?

Mr Barr—Yes. It will be available—

Senator SCHACHT—For other consultants to be employed? Or can the unspent amount be used anywhere within the general description or does it still have to be spent on consultants on communication strategy?

Mr Barr—The unspent amount is available for use by the council.

Senator SCHACHT—And you got Finance approval to roll the money over that was unspent from last year's budget?

Mr Barr—It would be within the normal rollover of 10 per cent, yes.

Mr Stevens—It is within the overall departmental rollover.

Senator SCHACHT—If you have spent less than half a million, that means over half a million has not been spent. That is not within 10 per cent; that is 50 per cent.

Mr Stevens—Senator, the point is that the money available for the centenary of Federation group is within the departmental running costs, so the 10 per cent that we are talking about is overall departmental running costs, not the costs of this particular operation.

Senator SCHACHT—You are a smoothie, Mr Stevens. That is a brilliant explanation.

CHAIR—Senator Schacht, that is not an appropriate way to speak.

Senator SCHACHT—I am just congratulating him.

CHAIR—It is still not an appropriate way to talk to an officer.

Senator SCHACHT—Yes, it is. I said he is a smoothie. It is a compliment. He will be down the Commonwealth Club tomorrow night telling all the other blokes that I said he was a great smoothie as a secretary to the department.

CHAIR—I do not think he will be.

Senator SCHACHT—They will pat him on the back and say, ‘Well done.’

CHAIR—Senator Schacht, I do not think he really will be spending tomorrow night talking about what you said.

Mr Stevens—I think I will be here tomorrow night.

Senator SCHACHT—If I give him a compliment he will be. Just the same, over half a million dollars of the \$1 million set aside in last year’s budget for communications strategy has not been spent.

Mr Barr—In terms of the particular public relations consultancy, that is correct, but we are looking at other activities which will involve some measure of expenditure from that total \$1 million.

Senator SCHACHT—But the money was rolled over, so it is—

Mr Barr—It has not been rolled over yet, of course.

Senator SCHACHT—Even using Mr Stevens’s description, you said that you did not have to get Finance approval for this rollover because you used the unspent money as a percentage against the total budget of administration to get around the 10 per cent. As I say, it is a smooth operation.

Mr Stevens—It is not a question of getting around the 10 per cent. The 10 per cent is the overall running costs to which these things applied. There is nothing untoward about this at all.

Senator SCHACHT—There is. If Finance found out that half of \$1 million in the program from last year was not spent, I would be surprised if someone didn’t ask, ‘What happened to the other half a million? Why did you claim \$1 million in the 1997-98 budget, and you didn’t even spend half of it?’

Mr Stevens—The amount of money which has been allocated does not go to that sort of detail. There is a broader appropriation for this particular function. Finance is concerned about the overall allocation for this function; it does not get down to the sort of detail that Mr Barr is talking about.

Senator SCHACHT—With the over half a million not spent, is that in the \$11.3 million now in the budget papers?

Mr Barr—No.

Senator SCHACHT—So that is on top of the 11.3?

Mr Barr—Yes.

Senator SCHACHT—So we are now looking at \$12 million? Is that true?

Mr Stevens—Mr Marsden might be able to throw some light on this issue for you.

Senator SCHACHT—Mr Barr is doing very well. I have struck a rich vein of gold along here—it is half a million dollar and going up!

Mr Stevens—Mr Marsden might have the explanation for you.

Senator SCHACHT—This will have to be very good, Mr Marsden. It is strike 2 and there is a foul ball about to hit you on the head!

Mr Marsden—There is a simple explanation. It is included in part of the 11.3.

Senator SCHACHT—It is in the 11.3?

Mr Marsden—Yes.

Senator SCHACHT—You had better throw that out to Mr Barr because he is about to spend an extra half million he hasn't got.

Mr Marsden—As you know, when the budget papers are put together at the end of April/early May we are projecting what we are going to spend for the current financial year. So it may vary at the margin, but at the moment, as far as this paper is concerned, it is in the 11.3.

Senator SCHACHT—Where do you have the half million in your little yellow book that was not spent in the financial year just ending, Mr Marsden, as going to be spent in 1998-99?

Mr Marsden—If you look at table 4.5 on page 37, go down to the sixth line and there is an amount of \$3.454 million there. That includes a number of underspends and phasings for new moneys as well. The centenary of Federation underspend forms part of that.

Senator SCHACHT—And of that \$3.454 million, how much is the underspend on the Centenary of Federation Fund? That will tell me the exact figure which Mr Barr was having trouble giving me.

Mr Marsden—I do not have the exact amount with me, Senator. I think it is in the order of what James Barr said, but we can take that on notice and provide it to you.

Senator SCHACHT—While you are at it, will you break down the \$3.4 for the Old Parliament House and the Centenary Federation Secretariat.

Mr Marsden—Certainly, Senator.

Senator SCHACHT—I notice it is for the Centenary of Federation Secretariat, so it is in the administration area or this communications strategy. Mr Barr, can you give me a bit more detail about who was the person who got the job to spend up to half a million during 1997-98 for the consultancy to advise you on your communications strategy?

Mr Barr—It was Professional Public Relations.

Senator SCHACHT—Who is the principal officer or CEO of Professional Public Relations?

Mr Barr—The head of that organisation is Mr Richard Lazaar.

Senator SCHACHT—Was this consultancy let by public tender, selective tender or by invitation.

Mr Barr—By public tender.

Senator SCHACHT—Was the public tender for the \$1 million or for the half million of what you have used so far?

Mr Barr—It was, as I said earlier, for a contract over 12 months of up to \$1 million.

Senator SCHACHT—How do you dish out the money to him? Does he know he has \$1 million, does he know he has only half a million or does he have to keep coming up with ideas before you dole it out to him?

Mr Barr—We pay on the basis of a monthly invoice for the actual work he undertakes.

Senator SCHACHT—And you give him instructions for what work he undertakes?

Mr Barr—Yes.

Senator SCHACHT—So you tell him, ‘We want you to do this for us and then, if you do that satisfactorily, we will pay you \$100,000’?

Mr Barr—Yes, on the basis of the invoice.

Senator SCHACHT—Then when that is done and you think of another idea, you ask him to check that?

Mr Barr—Correct.

Senator LUNDY—How many officers did this consultant have working on behalf of the department?

Mr Barr—I could not say what number of his organisation were involved in the exercise.

Senator LUNDY—But surely that would bear a direct relationship on the invoice they provided you and how you paid them as to how many staff were actually doing the work?

Mr Barr—Yes, except of course that they charge on the basis of the actual activity. For example, in the design of the logo there could have been three or four people involved over the period, but then in terms of the advice on sponsorship and merchandising there could have been another three or four people but it would only be part of their task. So it would be hard to say.

Senator LUNDY—So how do you know you are getting value for money?

Mr Barr—I have to be assured that the output is commensurate to the invoice that we are receiving.

Senator LUNDY—How do you make that qualitative assessment?

Mr Barr—It is a qualitative assessment, I agree.

Senator LUNDY—How do you make it? Do you make it or is it a collective decision of a group? What is the process? Do you refer it to the minister’s officer?

Mr Barr—It is largely my responsibility.

Senator LUNDY—If you get a logo and they reckon it is worth \$120,000, how do you decide whether it is worth \$120,000 or \$20,000? How much did you pay for the logo, by the way?

Mr Barr—Roughly \$60,000.

Senator SCHACHT—For the intellectual property for the design of the logo, and you have the copyright now or the trademark in your name, not in theirs?

Mr Barr—Correct—and for the production of a large number of style guides for the use of the logo.

Senator SCHACHT—That cost \$60,000?

Mr Barr—Yes.

Senator SCHACHT—You mentioned merchandising. What sort of things are they designing and merchandising for you?

Mr Barr—They are not.

Senator SCHACHT—They are not?

Mr Barr—No.

Senator SCHACHT—You said that they were merchandising.

Mr Barr—Advice on the merchandising strategy.

Senator SCHACHT—This is T-shirts, caps and pencils or something with names on them?

Mr Barr—And, more seriously, collectables and memorabilia.

Senator LUNDY—Coins and stamps?

Mr Barr—Possibly coins and stamps, but initially at the very high end of the market.

Senator SCHACHT—So it is bottles of Grange Hermitage with labels, and a free one for the department for a job well done?

Mr Barr—All except the latter part of that, Senator.

Senator LUNDY—Is this logo in public circulation?

Mr Barr—Most certainly. It is a stylised map.

Senator LUNDY—There it is.

Mr Barr—It is a stylised map of Australia.

Senator SCHACHT—And that is worth 60,000 bucks?

Mr Barr—Yes.

Senator LUNDY—Interesting.

Senator SCHACHT—We are in the wrong business, Mr Stevens.

Mr Stevens—I think we are, Senator.

Senator SCHACHT—So merchandising has not actually taken place, though the ideas for merchandising are now being put to you from the consultancy?

Mr Barr—Yes, that is correct.

Senator SCHACHT—Have they put any ideas to you for actual advertising material?

Mr Barr—No.

Senator SCHACHT—Are they going to do that?

Mr Barr—Not at this point. As I say, we are working out the communications strategy but more so within the secretariat. That will be a question for consideration at the September council meeting.

Senator SCHACHT—In the September council meeting and in the recommendations going to the meeting on Friday, is there any money set aside indicatively in the budget for paid advertising?

Mr Barr—No.

Senator SCHACHT—Mr Stevens, did you sign off on the \$60,000 logo?

Mr Stevens—No, Senator.

Senator LUNDY—Did the minister?

Mr Stevens—I would not have thought so. I think it would be a matter for the Centenary of Federation Council.

Senator LUNDY—Did they approve the invoice?

Mr Barr—I did.

Senator LUNDY—So the council did not?

Mr Barr—The council endorsed the logo—

Senator LUNDY—Before or after you paid for it?

Mr Barr—Before.

Senator SCHACHT—You will provide us with a list of what has been spent so far on that consultancy on professional public relations?

Mr Barr—The total sum?

Senator SCHACHT—What has been spent so far of the \$1 million. Some of it has been rolled over. Could you take on notice how much of that has been committed.

Mr Barr—I should point out that it is \$1 million for our communications activities, so it will not all be consumed by professional public relations.

Senator SCHACHT—No, but you will indicate to us in an indicative budget whether it goes to principal public relations or somewhere else. You will give us an idea of what you are spending the million on—or what the plan of the council is to spend the million dollars. In this budget for 1998-99, is there any money additional to the million—half of which has not been spent; it has been rolled over—for communications strategy?

Mr Barr—In which year?

Senator SCHACHT—For this coming year, 1998-99, in addition to the rollover of at least half a million dollars, have you already allocated further money for the communications strategy out of your \$11.3 million?

Mr Barr—There is a proposal for consideration at Friday's meeting for expenditure in 1998-99—

Senator SCHACHT—On top of the million. And how much is that?

Mr Barr—That is what I will be providing for you in writing next week.

Senator SCHACHT—Does that extra money provide for any plans for paid advertising?

Mr Barr—Not at this point, no.

Senator SCHACHT—But it could in the future?

Mr Barr—It will most likely do so, but the decisions will not be taken until the September council meeting at the earliest.

Senator SCHACHT—I would appreciate your giving us some idea on notice after Friday's meeting how much extra you are spending on communications—on top of that million.

Mr Barr—Yes, of course.

Senator ALLISON—I would like to go to the national cultural heritage places strategy. I believe that is an appropriate subject for this program. As I understand it, there was an agreement in October 1997 at the heritage ministers meeting to proceed with what is called a national cultural heritage places strategy. I would appreciate it if we could have an update on what has happened to that strategy.

Mr Palfreyman—Yes, Senator.

CHAIR—Would it be appropriate for a particular officer to come to the table?

Mr Palfreyman—Sorry, Senator. I wonder whether, depending on the nature of the questions, we could take those on notice. We do not have an officer who is across all the detail of it, but we would be very happy to provide written answers if we could take them on notice.

Senator ALLISON—Okay. They are detailed questions. It is a pity there is nobody here to answer them.

Mr Palfreyman—We would be very happy to provide the answers. It is just that we do not have the information at the table, I'm sorry.

Senator ALLISON—Is there somebody here who can comment on funding support for cultural heritage?

CHAIR—Under that circumstance, rather than having the 27 July rule, if Senator Allison gives you those questions and you do as much as possible to answer them, I think the committee should allow her to ask any further questions within five days of receiving them, because when you cannot ask the questions backwards and forwards it does limit you. I think it would be reasonable for her to do that. So I suggest that, when she gives you the questions, you try to answer them as quickly as possible—and by that I mean within a week—

Mr Palfreyman—We can do that, Senator.

CHAIR—Then Senator Allison could have questions to the secretariat within five days. If she has not got them there within those five days, then you do not have to reply to them by 27 July. It is a bit fairer that way when you do not have anyone here and she has a series of questions.

Senator ALLISON—Can you draw my attention to where I could find the Commonwealth's funding for cultural heritage activities in the budget papers?

Mr Palfreyman—Yes. They are under program 1.3, Senator.

Senator ALLISON—What page number is that?

Mr Palfreyman—Page 44, table 4.10.

Senator ALLISON—So it is all in the 'Heritage properties restoration program'?

Mr Palfreyman—No, Senator. That is a specific program which covers grants to two churches—St Mary's and St Patrick's. They are actually included in the table of 74.48.

Senator ALLISON—So it is under 'Payment to other cultural programs'?

Mr Palfreyman—That is correct.

Senator ALLISON—What percentage of that figure is used for operations as opposed to specific programs support?

Mr Palfreyman—None.

Senator ALLISON—So it is all programs.

Mr Palfreyman—The administrative overhead, if you like, is included in 1.1. Senator, I explained before you rejoined the committee that, at the request of a previous Senate estimates committee going back some years, we split administration from actual moneys that go out to organisations and programs. So 1.3 is program funds, essentially.

Senator ALLISON—How does that compare? I see that it is a 2.6 per cent reduction on 1997-98. What is the trend over the last, say, 10 years for spending on these programs?

Mr Palfreyman—Could we take that on notice?

Senator ALLISON—Yes.

Mr Stevens—Can I just clarify this: do you mean with regard to heritage issues or more generally an entire program? Because a program covers a range of arts issues as well as heritage issues—it is not just heritage.

Senator ALLISON—Yes. Just in respect to heritage. In fact, in respect primarily to the heritage places. I guess we are talking about built heritage primarily, but if it is possible to divide that up, that would be useful. I guess my next question really needs the minister. It relates to the legislation.

CHAIR—I am just wondering whether it is an estimates question or a question about legislation, because the latter are actually not appropriate to estimates.

Senator ALLISON—No. It relates to the estimates.

CHAIR—Does anyone know where the minister is? Can we get him? In the interim have you any other questions?

Senator ALLISON—I actually do have another question but I have probably missed my opportunity—it was about film.

CHAIR—That has gone. You can put it on notice since you were not at another committee. It is 5.25 p.m. and we are now running an hour and a bit over time.

Senator LUNDY—I would like to make a suggestion. In terms of subprogram 1.3, the questions that I had have largely been canvassed in the context of 1.1, so I will take the opportunity to put the bundle of questions that I do have on notice for 1.3. Perhaps, following Senator Allison's question, that subprogram can actually be ruled off.

Senator SCHACHT—I have one question on 1.3.

CHAIR—That means we can get through that reasonably quickly. I presume, Senator Lundy, you have got questions on the National Gallery of Australia, the library and the museum?

Senator LUNDY—That is right.

CHAIR—How did I guess that?

Senator SCHACHT—Because you come from Canberra, that is why.

CHAIR—Senator Allison is going to put hers on notice. Thank you, that is most useful. Subprogram 1.9 has gone. Senator Lundy, you have a few questions in the interim until the minister reappears?

Senator LUNDY—I have. To get back to Ms Casey, who has been very patiently waiting, they relate, obviously, to the Construction Coordination Council—of which I know you are an active participant. Could I have a very brief update as to the considerations of that council with respect to their proposal to engage in project alliancing for the construction of the National Museum?

Ms Casey—The whole project is subject to approval by the Public Works Committee and we understand that the Public Works Committee may table their report on about 22 or 23 June. However, the Public Works Committee did give us the authority to go ahead and advertise for the builder and services contractor and we have done that. We have advertised for that.

Senator LUNDY—For which contractor?

Ms Casey—The builder and the services contractor to form an alliance and to—

Senator LUNDY—On the basis of alliancing?

Ms Casey—Yes.

Senator LUNDY—Perhaps if I could direct my questions specifically to the alliancing process. I am acutely aware that the Public Works Committee has canvassed this to the nth degree, but if you could, please make reference specifically to evidence and records. Did they take *Hansard* of the Public Works Committee deliberations?

Ms Casey—They did take extensive *Hansard*, and there are draft *Hansard* reports out.

Senator LUNDY—That may narrow my questions down; although I have not read them so if you could just make references to try to keep this process as efficient as possible. In response to a question on notice, you provided the Mallesons Stephen Jaques proposal for project alliancing for the museum. What do you actually call that document?

Ms Casey—It was a paper prepared by Mallesons on behalf of the department covering the issues that needed to be covered in recommending alliances as the way to go for the delivery method. It was prepared in response to Public Works Committee questions.

Senator LUNDY—Thank you. There are some specific issues in that paper which I would like to ask questions about. In the executive summary there is a series of assertions in almost all of the points that refer to ‘the proper checks and balances’. For example, it states:

The proper checks and balances will be incorporated to ensure that the Commonwealth’s interests are protected.

Is there a sample contract that accompanies this paper that can give substance to claims that are made in that summary?

Ms Casey—Yes, we now have a draft agreement that we can provide you with.

Senator LUNDY—Thank you.

Ms Casey—Adhering to what you said initially, there are some further answers in response to questions raised by the Public Works Committee in that paper that I can also provide.

Senator LUNDY—Thank you, that would be most useful. In the description of the commercial arrangement in a project alliance, there is a graphic illustration showing that the first 20 per cent of savings to the project budget are shared on the basis of a split of 40 per cent to the alliance and 60 per cent to the Commonwealth, et cetera. In terms of the concept of project alliancing and the fact that a competitive tendering process is designed and structured to extract cost efficiencies, how is it that the government reconciles the notion of providing for a pre-allocated profit margin when putting this type of work to tender?

Ms Casey—That is a sample being used there. You say that traditional methods are competitive; they are seen to be competitive in terms of ‘You have got a design, and we want you to advise us against this fixed sum.’ Builders put their profits, their overheads and their labour costs into that fixed sum, but, because it is all in a lump sum, you can never distinguish the difference between overheads and profits. You are saying that that is competitive. This method is just as competitive because what we are saying is, ‘Here is the scope of the services and here is the upper limit.’ We say that we have got \$133 million for this construction, and we say, ‘How can you best do this job?’ So it is still being as competitive.

Senator LUNDY—But it guarantees a margin.

Ms Casey—It does not absolutely guarantee a margin; it is saying, ‘Here is the amount of money that we have got to build this. What are your profits? What are your overheads? If you can minimise your overheads and bring the construction in on time and on budget, then what

is the order of probable cost, what is the "business as usual" as per a traditional contract? If you build it as per "business as usual", you get whatever the normal profit is. If you do better than "business as usual", you enhance the building process, you bring improvements, you increase your profit.'

Senator LUNDY—But what about applying the situation, as I understand it here, where you have not predetermined the nature of the construction or the design integrities in the initial contract? From my reading of this, design elements and features of the construction, the structures themselves, are to be determined in a progressive way through the contract.

Ms Casey—That is right.

Senator LUNDY—When you are not working to a predetermined standard, how can you make those assessments, how do you get guarantees of design and structural integrity?

Ms Casey—Going through the process now extensively, my understanding is that you can improve on current practice because what currently happens is: the architects do the design, they have structural engineers advising them and doing part of the design, then builders come in and they, in turn, have design engineers who, because they have got other ideas about how it can be constructed, inevitably duplicate some design work. You can bring the builders and their engineers in earlier to improve on the design because they have got a certain method, a way of doing things.

Senator LUNDY—In terms of the management of the project alliance, I understand the theory behind it is that the principal and all the subbies, or all the alliance partners, get together in a big room and all work out what they are going to do. How are you going to deal with demarcations between those different players if you are shedding duplication of services?

Ms Casey—Shedding duplication of services is one area. The other area is trying to improve on design. You have two levels of decision making. One is getting the managing directors of the big companies or heads of the big subcontracting firms together with representatives of the architectural team as a leadership group who give the general directions. Then you have the implementation team which will work on the project day to day.

These groups do address problems. For example, we found a problem with sand on the site where we thought there was rock, we now need pilings, and we needed to decide the best way to address that. You actually do find that people will address problems because, if they together suggest improvements, in the end they will go away with increased profit. The other thing that the alliance does is pay the direct cost of people, so the subcontractors and those people who are inputting ideas of how to get around problems are paid for that input; they are paid direct cost.

Senator LUNDY—Where is the cost efficiency in that?

Ms Casey—The efficiency is that you do not have the architects in their corner saying, 'This is how we need to address it,' and it depends on a variation to do that. The variation includes a whole range of things including profits. So the fact that you get all the experts together deciding on how best to address these issues is efficient. It is a saving on efficiency.

Senator LUNDY—How are the alliance participants' proportion of the savings or potential savings of 40 per cent to be split amongst the participants?

Ms Casey—We have yet to work out what exactly the savings are; what exactly the profits are.

Senator LUNDY—Will it be an equitable split?

Ms Casey—It will be equitable in terms of how much they have got at risk because the other thing is they do not just make a profit. If their performance is below what is considered to be business as usual, they lose some profits.

Senator LUNDY—On whose measure?

Ms Casey—Together we work out what their measure is. Currently, the component for the builder is \$40 million. The architect's fees and that will be about \$5 million, for example. Obviously, the builder and the subcontractors have got more at risk than the architect in terms of profits.

Senator LUNDY—Have you extrapolated this alliancing model as to the returns to the different partners, including architects, engineers, et cetera, and then compared it to a standard project management based contract of a similar size and nature, to look at where the cost shifting is occurring, how the profit split is proportionally different, et cetera?

Ms Casey—No, we have not done that.

Senator LUNDY—Do you think that would be a useful exercise in assessing the merits of alliancing in providing this idealistic motivation for everyone to get on like great chums?

Ms Casey—It can be very difficult to do, because it is very difficult to ask other people to share what their profits are, for instance. We can do it under this project—

Senator LUNDY—I am sure post project there would be a number of examples that you could turn to for at least an indicative apportionment.

Ms Casey—Based on the advice that we have received, it is very difficult—

Senator LUNDY—For whom? Who did you get advice from?

Ms Casey—We have had advice from Mallesons.

Senator LUNDY—Who wrote this?

Ms Casey—Who wrote that. In discussions with our probity advisers, in talking about the process you would go through for this process, in just asking some of the people who would tender for the project, to ask them to go into their books and tell us what they make, how many do you ask? It takes a lot of time and a lot of money for them to go through their books and advise you what the split—

Senator LUNDY—That is too hard.

Ms Casey—It is not that it is too hard, but do you need to do that?

Senator LUNDY—Ms Casey, do you need to do this? Do you see what I mean? This massive amount of work has been spent by the government trying to justify an alliancing approach. Time is actually being wasted on the whole exercise because of the degree of scrutiny, because it is so new. You have not been able to come up with an example of alliancing operating on a building and construction project like this that we can access as some sort of model or indicator of its relative success or failure. You cannot provide a comparative analysis of the apportionment of profit and the incentive that it creates with a similar project under current project management models. I am quite at a loss as to the ultimate efficiency that the department is actually trying to extract through this process. There are plenty of examples of contracts in the building and construction industry contingent on a time frame and a budget outcome.

Ms Casey—Could I just say there has never been one done in the building industry before.

Senator LUNDY—I know.

Ms Casey—This alliancing has not been done in the building industry.

Senator LUNDY—That is my point. This is obviously a critical government project of national importance, and this is obviously apportioning a degree of risk to the construction of the project in terms of its success or failure that is yet untested—unquestioning perhaps. Minister, you can respond to this: why are you insisting on introducing what appears to be a high risk factor into the whole project?

Ms Casey—If I could just start, Minister, we have provided a paper, and we can provide it to you, about the disadvantages and the advantages of all the project delivery methods. According to Mr Jim Service, who is an expert in the construction industry, there would appear, on the face of all the evidence, to be less risk with project alliancing, but it also incorporates the ability, given that it is the National Museum of Australia, a very complex building—

Senator LUNDY—Is his company an alliance partner?

Ms Casey—No, it is not. Not that I am aware of. I would need to check with Mr Service. He is certainly not involved as a partner in this.

Senator LUNDY—Minister?

Senator Alston—It sounds pretty reasonable to me.

Senator LUNDY—Have you had the opportunity to look at the justifications for why alliancing is such a shining example of project management by comparison with current practice?

Senator Alston—No, but I would have every faith in Mr Service. If he has looked at it carefully and come to that conclusion, I do not think I would be in a position to quarrel with his judgment.

Senator LUNDY—The competitive tendering and contracting guidelines of the Department of Finance and Administration provide for a series of just that—guidelines—about the competitive tendering processes and stipulate quite explicitly for open and equitable participation or opportunity to be presented to different players. Does project alliancing exclude in any way or inhibit the opportunity of all players who are capable of, in their particular area of expertise, participating or at least tendering and participating in this project?

Ms Casey—No, it does not.

Senator LUNDY—So it has an open tender process attached to it?

Ms Casey—The alliancing is an open tender process. What might inhibit people is, in fact, the complexity of the building, but not the Department of Finance and Administration guidelines on competitive tendering.

Senator LUNDY—Have you cross-referenced the alliancing proposal with those guidelines?

Ms Casey—Yes, I am sure that we have. We have cross-referenced our alliancing guidelines and our corporate proposals document with a whole series of government documents. But I can check that for sure.

Senator LUNDY—If you could refer to me to where that evidence has been canvassed previously, either with Public Works or with your own pointers as to how you believe it satisfies those guidelines, that would be useful.

Ms Casey—Yes.

Senator LUNDY—This report states that alliancing has very strong support within the industry. That is not my understanding. On what basis did Mallesons make that assertion?

Ms Casey—Because they are heavily involved in the industry in some major projects.

Senator LUNDY—Mallesons are?

Ms Casey—Mallesons are—around Australia and internationally.

Senator LUNDY—So they took this proposal, distributed it to all the people they are doing work for, asked for their opinion back and then based a qualitative assessment on the feedback that they have?

Ms Casey—No, they are just involved in a number of alliances which they have based it on.

Senator Alston—We have not seen industry support for this project. They have said the concept of alliancing is—

Senator LUNDY—Alliancing has not been done in the building industry before, Minister. That is my point. There are no examples where you can say, ‘Do you support alliancing in the building and construction industry?’ Unless you have a look at the specific proposal, there are no examples that the industry can turn to to make such a qualitative assessment of its merits. I would like to know what Mallesons’ methodology was in making that assertion and what data they based it on.

Ms Casey—We will take that on notice.

Senator LUNDY—The other question I have relates to probity. You mentioned a probity auditor. Have you engaged a probity auditor?

Ms Casey—Yes, we have got a probity auditor and we have got a probity adviser.

Senator LUNDY—Who are they?

Ms Casey—KPMG are our probity auditors.

Senator LUNDY—Have you done a cross-reference to see who within the industry KPMG also work on behalf of to check out their own probity on this matter?

Ms Casey—Yes. Everyone who is participating, including departmental officers, has been asked to sign confidentiality agreements, statements, including Jim Service, all the consultants—

Senator LUNDY—Doesn’t that include probity?

Ms Casey—No, it says that—

Senator LUNDY—Are you saying you cannot—

Ms Casey—No, we are saying that you have got to treat this with the utmost confidentiality.

Senator LUNDY—Okay. Sorry, who was the other one? A probity adviser? Who is that?

Ms Casey—Sorry, they have also been asked to declare conflict of interest because we have got a number of consultants, including architects, already on. It is Mr Mike Butler who is the probity adviser. He was employed by Sydney Water, which is going down the track of alliancing with the tunnel proposal. He had expertise, so we have asked him on as our probity adviser.

Senator LUNDY—I will leave it at that. I am sure the other issues will be contained in the papers you are going to provide to me, so in the interests of the committee’s time I will leave

it at that. I have two more questions on this subprogram, however, before we move on. Have there been any National Audit Office reports into the areas under this subprogram?

Mr Palfreyman—Not that I am aware of. We will double-check, so we will take the question on notice.

Senator LUNDY—Certainly. Have any reports emerged from the Commonwealth Ombudsman in relation to this subprogram?

Mr Palfreyman—Again, I think not, but we will take it on notice just to double-check.

Senator LUNDY—Thank you. That is all I have on this subprogram, Madam Chair.

CHAIR—Thank you very much. Officers of Arts and Heritage Policy, I thank you very much for your attendance. We will move on to subprogram 1.3—National Archives.

Mr Stevens—Madam Chair, does this cover 1.3 as well? I think Senator Lundy was suggesting that—

CHAIR—Yes, 1.3 is finished and 1.1 is finished. Now we will do National Archives and then we have got the National Gallery, the National Library and the National Museum.

Mr Stevens—Thank you.

CHAIR—Senator Lundy, I am just looking at the time. We are working to finish by seven. We have got a complication in that, if we do not finish by seven, we really should finish at 6.30 for a break otherwise officers will not get a meal.

Senator LUNDY—The program does say 7.15.

CHAIR—I know.

Senator LUNDY—I am working to the program.

CHAIR—I know that, but if it is going to ooze over we need to decide whether we are going to have a meal-break or not. That is what I am saying. The staff need to have a meal-break.

Senator LUNDY—If you would like to have a break of half an hour at six, that is fine by me.

CHAIR—No, I do not want to have a break, so if we can finish by seven that would be fantastic.

Senator LUNDY—I am working to that, but I do ask that you do not try to restrict time. The program says 7.15—

CHAIR—I am not, but we actually have lopped a couple off. Let's not get agitated. Let's try for seven.

Senator LUNDY—We can put them back on. We knocked them off because we have spent other time elsewhere. If you are going to continue to restrict time then we may as well have a meal-break and come back after dinner.

CHAIR—Senator Lundy, do not get agitated. All I am saying is that I am trying—

Senator LUNDY—I am being very cooperative.

CHAIR—I am trying to accommodate everyone, but I have to accommodate a meal-break for the staff. If we are going to be finished by seven, that is fine. If we are not and they do not stop there is nowhere for them to eat, so let's go.

Senator LUNDY—Okay. The program says 7.15. Is that a misprint or shall we stop for a meal-break?

CHAIR—We will aim for seven—okay? We might go to 7.15, but let's aim for seven. I am sure you can do it.

Senator LUNDY—Okay.

CHAIR—You might be able to go home for dinner. I do not have anything to eat, so I am interested in that and I think the staff are interested in that. Let's go. Questions. National Archives.

[5.53 p.m.]

Subprogram 1.2—National Archives of Australia

Senator LUNDY—I would like to kick things off with a question relating to the staff cuts at the archives during 1996-97 and 1997-98. Could you tell me how many there have been, if any, during each of those financial years?

Mr Wood—Twenty-nine staff took voluntary redundancy in 1996-97 and an estimated 31 staff will take voluntary redundancy in 1997-98.

Senator LUNDY—Were there any involuntary redundancies?

Mr Wood—No.

Senator LUNDY—What was the cost of these redundancies?

Mr Wood—In each financial year?

Senator LUNDY—Yes, please.

Mr Wood—All up, including accrued recreation and long service leave payments as well as separation payments, in 1996-97 it was \$1,481,000 and in this current financial year, all up, it is an estimated \$1,130,000. I should say in relation to that latter figure that \$117,000 will actually be paid early in the next financial year in respect of officers leaving this month.

Senator LUNDY—Thank you. I note on page 39 of the PBS that the archives are expecting further staff cuts in 1998-99. Could you outline those for the committee and the costs involved?

Mr Wood—At this point there have only been decisions made in respect of four voluntary redundancies in 1998-99. It is too early to say exactly what the incidence and number would be in the financial year, but at this stage only four are programmed.

Senator LUNDY—What are likely to be the factors of change that could increase that number?

Mr Wood—There have been a number of factors governing staff reductions in recent years. One of those has been a change in the orientation of the Archives commencing with new strategic directions in 1994 and a revised custody policy of 1995, which has reduced reliance by the Archives on staff for transfer and lending activities in relation to its repositories.

The Archives has deliberately set a new orientation and direction to manage higher value records—in other words, archives with a small 'a'—and consequently its records handling activities in relation to short-term temporary value records have reduced and the reliance of the organisation on a number of junior staff in records handling activities has consequently reduced.

There have also been organisational reviews in recent years and to some extent these are still being implemented, but largely they have been implemented in the current financial year and the last.

Senator LUNDY—Are there any particular meetings or points within the next financial year that can be used as indicators of when there might be a higher degree of knowledge about potential redundancies?

Mr Wood—I think within the next two or three months the senior management of the Archives will need to address whether, in fact, to reduce some of these junior positions in some of the state offices as the final resolution of former organisational reviews. The organisation may or may not decide to do so. There is a question as to whether the organisation could decide to market test some activities in records handling, for example. If it was considered efficient to outsource, there could be some small measure of outsourcing in relation to those activities. Again, those decisions could happen and would happen in the first half of the coming financial year.

Senator LUNDY—Can you provide on notice to the committee a list of the classifications of the positions lost during the last two years, including the level of the position and the duties connected to each position, like a classification analysis of the positions lost?

Mr Wood—Yes, I can do that. I can actually give you figures now in respect of 1997-98 and the four positions programmed for the coming year. If you would like, I can extend back to 1996-97 as well but I have not got that information with me.

Senator LUNDY—Feel free to provide it now.

Mr Wood—In respect of 1997-98 and the four positions that I have already mentioned in 1998-99, it is 35 positions in all: 14 in Canberra, five in Sydney, 10 in Melbourne, one in Brisbane, two in Adelaide, one in Perth and two in Hobart. By classification: two at the senior officer grade B level, three at the administrative service officer 5 level, six at the ASO 4 level, four at the ASO 3 level, five at the ASO 2 level, nine at the ASO 1 level, one professional officer and five general service officers.

Senator LUNDY—Could you also provide that information for the 1996-97 year? I am happy for you to take that on notice.

Mr Wood—Yes.

Senator LUNDY—Thank you. Could you also provide details of specifically which areas you are looking at for outsourcing? I know you just mentioned records management as one area, but give us any others that you have got earmarked for market testing for potential outsourcing.

Mr Wood—I cannot think of anything specifically, other than that. Following government policy we do market testing from time to time, particularly in my program, facilities and corporate management. For example, in facilities management it is cost efficient to use contractors in a number of functions. We do that now to a significant degree and have always done. But we keep that under review. We similarly keep corporate management activities, some of which are process activities, under review.

Senator LUNDY—Your performance forecasts in the PBS outline that the archives will finalise and promote record keeping standards to all government agencies. Could you outline for the committee the work related to the development of those standards and how you go about coordinating with the various departments on the implementation of them?

Mr Stuckey—There is an Australian standard on records management, AS4390, which is about two years old and which the Archives had a lead role with Standards Australia in writing. It is a best practice standard, not a mandatory standard and the National Archives has endorsed that. We are taking that standard and writing practical guidelines specifically for

Commonwealth agencies to comply with. The ways that we do that will be multiple and varied and we will be producing web site material hyperlinked to other documents. We are cooperating with the state archives around the country, in particular the State Records of New South Wales, in developing policies so that each of us do not reinvent the wheel. We are in the process this year of a major training initiative for our own staff to allow them to go out next calendar year to explain what modern record keeping is all about.

Senator LUNDY—It sounds very interesting. Thank you. Are you doing anything with respect to the archiving of electronic information; for example, web site data and that sort of thing?

Mr Stuckey—The whole reason that there are new record keeping standards is because of the challenges posed by electronic records. Where people would put things on paper files they are now not. They are not generally organising stuff on their desktop—their computers. So that is a major thrust of the Australian standard and it is the major thrust of what we are doing in relation to advising agencies. We have guidelines out already on managing electronic records and email as records. We have just written a guideline with the Attorney-General's Department on the use of electronic records as evidence.

As for archiving web sites, there is an interesting debate in the information profession about whether a web site is a record or a publication. Both the National Library and the National Archives are working together on how you might archive those things. It is really hard to capture a snapshot in time of something—

Senator LUNDY—Absolutely—because of the immediacy of the upgrades.

Mr Stuckey—We are working with the Department of the Prime Minister and Cabinet on attempting to archive the web site from the Constitutional Convention earlier this year, which had a defined life and which is still sitting on the PM&C computers. So we are looking at how to archive that as an example.

Senator LUNDY—Can we get copies of the paper that you prepared in conjunction with Attorney-General's in relation to email management?

Mr Stuckey—Absolutely. It is both printed and on the web site.

Senator LUNDY—And any other discussion paper? It is a fascinating area in terms of the status of the electronic material. You also mentioned a paper about the use of email as evidence.

Mr Stuckey—Yes. We call it 'Managing electronic messages as records.'

Senator LUNDY—In terms of the outsourcing proposals and records management you mentioned earlier, is the management of the electronic records around which you are currently considering all these policy issues featuring in your considerations of what part of your records management you outsource?

Mr Stuckey—No. We have decided, however—and we have advised government agencies of this—that we expect agencies to maintain their electronic records and not transfer them to us. Evidence overseas and investigations that we have done indicate to us that, if you are trying to transfer electronic records from a wide range of operating systems, you have to put them through a filter, in effect, to get them onto a standard machine that the National Archives might run. Otherwise we have to keep every generation of all the hardware and software and every generation of the techies that know how to run them. That is impractical. Our view is that to put those records through a filter to standardise them would mean that you would lose so much functionality that they would not be records any more.

Senator LUNDY—Very interesting. In the context of the government's proposals for, and indeed occurrences of, the outsourcing of the information technology functions of individual agencies or clusters of agencies, have you been consulted as to the archiving requirements for those successful vendors for those contracts?

Mr Stuckey—Yes. We have written a legal instrument pursuant to the Archives Act—a general disposal authority—on outsourcing and we issued that earlier this year. We have guidelines which we have written in conjunction with the Office of Asset Sales and we have written standard clauses into outsourcing contracts.

Senator LUNDY—Do you have a way in which you can engage in a quality control exercise so that you can be assured that the requirements of the Archives Act are not only being adhered to but being put into practical effect within the different agencies? How do you know it is being done to the standards you have provided for in your contract?

Mr Stuckey—We go and look.

Senator LUNDY—And you have access?

Mr Stuckey—Under our legislation we have access.

Senator LUNDY—And that is protected through this standard clause you have provided?

Mr Stuckey—Yes, because the agency that is outsourcing retains control and ownership of the information. The Commonwealth retains ownership of the information, and that means the material is still subject to the Archives Act. We have had discussions with the Australian National Audit Office as the principal auditor of compliance.

Senator LUNDY—What happens down the track with classified information? I am not overly familiar with the processes of the release of archive information or on what basis it can be accessed. But what are the implications of down the track access to these records, given that you as an archive are no longer storing this information but have contractual fingers extending into every agency covered by one of these clauses? How would it work?

Mr Stuckey—We have yet to find out, in the practical sense, how it is going to work. There is a general public right of access to material once it reaches the age of 30 years. Investigations we have done indicate that material created on computers up to about five years ago is not generally the sort of material that we think needs to be retained. It was generally processing material or large aggregations of data. That means that we have 25 years to work out the practical issues. It is something we are looking at because 25 years will go fairly quickly and that is about 50 generations of software. We are trying to put continued accessibility requirements into the software design. We were instrumental in writing some of the criteria for OGIT's records management shared systems suite, and we are working with OGIT on such things as government online, an Australian government locator system that will actually pick up the data requirements that will allow ongoing access. The challenge is going to be maintaining that functionality, and we do not know how we are going to do that yet, to be honest.

Senator LUNDY—I will follow it with interest. It is a challenging area. Thank you for that. Could you explain the item 'Reversal of 1996-97 one-off internal administrative adjustment' in table 4.8 on page 40 of the Portfolio Budget Statements? It is the third point under Running Costs Variations.

Mr Wood—Yes. In 1996-97, the organisation overspent its running costs by \$224,000, so that money needed to be deducted from what otherwise would have been the allocation in this current financial year. That money is re-credited to the base in the forthcoming financial year.

Senator LUNDY—Can you tell the committee how the archives are planning to enhance public access to its collection, as referred to in your performance forecasts?

Mr Stuckey—Through exhibition and through production of finding aids, and we have decided that the Web will be our primary method of delivery. We have a database of individual items in custody, which is now approaching two million individual items, but that is still only about 15 per cent of our total holdings. One of our performance indicators is that we increase that by X per cent per year. We also encourage people to come into our reading rooms and actually use the records.

We have various marketing strategies: for example, we take advantage of anniversaries to go out to people and tell them what we are doing. Within the last two months we have moved into a new national headquarters building at East Block, just down the hill, so being in the triangle enhances our accessibility, by definition.

Senator LUNDY—How many cabinet submissions and decisions from 1967 were released at the beginning of this year?

Mr Stuckey—One hundred per cent.

Senator LUNDY—How many is that?

Mr Stuckey—I cannot tell you. I will take it on notice.

Senator LUNDY—Hundreds?

Mr Stuckey—One hundred per cent of them were released. Nothing was restricted.

Senator LUNDY—I am just curious as to the size or number of cabinet documents that come out per year and whether the number is increasing.

Mr Stuckey—Absolutely. This year we also reached agreement with the Cabinet Office to screen and release the cabinet files in relation to each submission and decision. Up until now we have only released the submissions and the decisions and people have had to—

Senator LUNDY—So we get more information.

Mr Stuckey—Absolutely.

Senator LUNDY—Could you take on notice to provide more detailed information about the numbers of submissions.

Mr Stuckey—Yes. It is about 3,000.

Senator LUNDY—Why have the National Archives had an official name change and were any costs associated with that name change?

Mr Wood—The former name, Australian Archives, was not always understood as the name of a national Australian government organisation within Australia and internationally. So National Archives of Australia was chosen as a name which more readily associates itself with a function of the Australian government. It is also a name akin to names of other national institutions such as the National Gallery of Australia and the National Library of Australia. It was also considered appropriate to time the name change with the occupancy of the national building at East Block. You asked about the costs associated with the name change.

Senator LUNDY—Yes—stationery.

Mr Wood—We are using existing stationery. Obviously the next time we order stationery, business cards and the like—and we are in the process of doing that already—we will use the new name. I think the costs would be minimal and ordinary costs for stationery and the like.

Senator LUNDY—So you did not engage a consultant and get a \$60,000 logo created or anything?

Mr Wood—We have had an associated change of logo. We would need to take on notice the costs associated with that.

Senator LUNDY—Did you engage a consultant to help guide you through this process?

Mr Wood—I think we did engage a consultant. I am sure the cost was economical, but I will need to get the information for you.

Senator LUNDY—If you could take all that on notice—who was engaged, for how much, what work they did and the time frame in which it was done—that would be useful. That is all I have for the National Archives.

CHAIR—I thank the officers from the National Archives. I now call the officers from the National Gallery of Australia.

[6.17 p.m.]

Subprogram 1.6—National Gallery of Australia

Senator LUNDY—What have been the attendances at the two major exhibitions held at the gallery since you took up the position—that is, *Rembrandt* and *New Worlds from Old*?

Dr Kennedy—The attendances at *Rembrandt*, when held in Canberra, were 143,000 people or an average of 2,400 a day, which puts us in the top 20 internationally for the year. The second exhibition, *Esso Presents New Worlds from Old*, achieved 63,000 visitors at an average of just under 900 a day.

Senator LUNDY—How do these figures relate to your anticipated attendances for the exhibitions?

Dr Kennedy—*Rembrandt* was significantly ahead of our expectations and *New Worlds from Old* was a good bit under our expectation. That was disappointing, but it was the only disappointment about that exhibition. It was critically acclaimed. It is now in Melbourne. We did terribly well with the catalogue. We had a very good seminar. It will travel to America. It achieved the *creme de la creme* in the art newspaper internationally, and we were delighted with that, but for a number of reasons, which we have analysed, it did not translate to the strong numbers that we would have expected. But it is still a very healthy number of people.

Senator LUNDY—Yes, it is. Can you give me an idea of what sort of numbers you were expecting?

Dr Kennedy—I can. We thought we might achieve about 1,200 a day.

Senator LUNDY—What is the impact of these lower than expected attendances on the budget for that exhibition?

Dr Kennedy—We have had three exhibitions, two of which have been heavily promoted. The first was the *Wagilag Sisters Show*, which was an extraordinary exhibition. It and *New Worlds from Old* have cost a lot of money, but that is retained within the separate exhibitions funds which have been generated over the years. *Rembrandt* did better than anticipated—and what was anticipated was high enough—so against budget the impact has been considerable but, as a loss, it is about \$150,000.

Senator LUNDY—As a net loss for those three?

Dr Kennedy—In other words, we would have anticipated them making a profit and that profit—whatever that might have been—combined with the loss of \$150,000 is the impact on

the balance sheet. We have been able to contain that. We are still in the black, but it does not help.

Senator LUNDY—How do you contain that sort of loss within your budget?

Dr Kennedy—With the benefit of the reserves built up over time and the previous exhibitions held at the gallery, in particular the previous two major exhibitions—*Paris* in early 1997 and *Turner* which was phenomenally successful before that—generated funds which have been able to contain this sort of exhibition program. However, it is not something that could be sustained over the longer term, and it has meant that we have subjected the exhibition program to review.

Senator LUNDY—As a result of these losses?

Dr Kennedy—Not only that—we are well capable of supporting our exhibitions—but also in the context of the overall review of the gallery and the type of program that we would put into place. It was inevitable that this would happen with a new direction. But also the inherited scheduling of exhibitions was only about six months.

My predecessor had very admirably provided what is a very ample program and a norm of a two-year plan, but, due to the longer than anticipated time, I suppose, in appointing a new director, 18 months of that program were used up, and it did very successfully. That offers us an opportunity also to develop a different sort of program, which would have been in one sense a drawback if you were committed to a program that you had not actually devised. However, it also presents a challenge to come up with things in a hurry to satisfy what is already an enthusiastic audience from the past.

Senator LUNDY—So, in terms of that program, what point are you at in terms of that model of a two-year program? Are you outside the auspices of that time frame now and into the new period in terms of programming?

Dr Kennedy—The present exhibitions are the kick-off of a new period, I suppose. We are nearing the end of a period of serious review of the exhibition program and the building of a new series of exhibitions. We launch that in September, and we are already pretty well scheduled from next May on. The roll-in factor, if you like, starts happening about 18 months or so after I was appointed. Therefore, the gap is actually between now and then. We have a number of ideas in hand but have yet to make a final decision, which will occur by the end of this month.

Senator LUNDY—Going back to your earlier point about the reserves you were able to draw upon, can I take it from your statements that the respective profits or losses are contained within an identifiable budget item within the National Gallery's financial structures?

Dr Kennedy—Yes, which is a non-voted item. Our budget for exhibitions is contained outside of government appropriation and sustains itself, therefore.

Senator LUNDY—Before your appointment, Dr Kennedy, there was an example where foundation funding was used to supplement the construction of the new wing at the gallery. I am just trying to ascertain whether sourcing funding of that nature has been used to supplement the exhibition funding.

Dr Kennedy—No, there has been no need to supplement the exhibition funding.

Senator LUNDY—Or to cover the losses.

Dr Kennedy—No, absolutely not. The foundation exists, as you know, to support the gallery, and the instance that you mentioned occurred to the great benefit of the gallery, that

the foundation had been able to support the building of the new wing. That has been, I think, a considerable success.

Senator LUNDY—Has that been repaid to the foundation?

Dr Kennedy—No, it actually has not been drawn from the foundation yet, but it will be within this year. It was not my understanding that the intention was to repay it. The intention of the foundation was part of the gallery and it was going to help the gallery to build an extension.

Senator LUNDY—It might be worth while having a look at the *Hansard* to see what previous evidence was taken on that. That is not my recollection.

Dr Kennedy—Maybe my views are different in the matter. I would be happy to discuss that further with the foundation, but that is my understanding.

Senator LUNDY—I would like to follow up now on some matters from the last estimates hearing in November. You said that you are going to establish quite quickly a rationalised approach to the development of the National Gallery's collection. Have you completed that process? If so, what approach have you decided on?

Dr Kennedy—I think that the basis of my contribution to the last Senate estimates was to outline a policy based on recognising that the National Gallery belongs to the people of Australia and not all of them live in Canberra, and that there is a very considerable proportion of the National Gallery's collection which is in storage and we have an accountability to the objects. I took a twofold approach to that. One was to stop buying while we reviewed the matter, and we kept that policy in operation for about eight months. It has been gradually lifted now.

Senator LUNDY—So have you bought anything in the last six months?

Dr Kennedy—Within the last two months, yes. We hope to be active in the market, though it is difficult to consider that internationally just at the moment.

Senator LUNDY—I cannot imagine why.

Dr Kennedy—As regards your question about the development of the policy, we have been working hard to elaborate a policy which will be consistent. It will not be revolutionary. In fact, it will seem quite simple, but the implementation of it will be difficult. That takes the notion that we will provide, where we can, works of art to venues which are suitable and which give access to the public. We have had a lot of discussion with institutions and organisations throughout Australia, and we hope to launch that policy as a coherent policy with a series of actions which will take place in the following year.

Already we have started that program by having a number of exhibitions which we generated ourselves travel. There was huge interest in the *Picasso: The Vollard Suite* exhibition when it was in Canberra, and that exhibition will now travel to three venues: to Heide, into Brisbane and then to Sydney. This is a welcome renewal of exhibitions programming with our colleague gallery in Sydney. We are then developing other exhibitions. The Ansel Adams exhibition, which has been on at the same time as *New Worlds from Old*, will also travel in the same way. This is on top of the already established travelling exhibitions program. In addition, we will be sending particular works to venues in the country when we are not actually using them.

Senator LUNDY—On that, has the gallery ever embarked on some sort of loan scheme or something like that before, or is this something completely new?

Dr Kennedy—No, I think there have been instances of it, but this is the coordination of it in a policy term. The day that we all had etched on our foreheads was 6 March, when we opened the new wing. It caused us all to work pretty well together, I think. Part of that was the development of a loan policy and a series of plans. Instead of saying, ‘You can’t have it because we cannot give it to you for a year,’ or introducing policies which would make it more difficult for people to borrow from us, we now have a friendly policy. For example, we have reduced the numbers of pieces of paper from six to two, and generally we have a policy of wanting to give unless we cannot, as opposed to the opposite.

Senator LUNDY—What works have been purchased in the last two months, and what did they cost?

Dr Kennedy—We were very pleased to be able to purchase 10 major Aboriginal barks from Yirrkala in the Northern Territory. They are three metres high. You may have seen some of them in the national indigenous art awards at Old Parliament House. They were, I think, a significant selection from a larger body selected by our Aboriginal art curators and a major edition to the national collections, and they cost approximately \$10,000 each.

Senator LUNDY—How many of them did you get?

Dr Kennedy—Ten.

Senator LUNDY—Is that all?

Dr Kennedy—We had two other items, both prints from the department of international prints, drawings and illustrated books. One was by David Hockney, which is a superb laser print. He concocts theatrical settings in the studio and then photographs them and uses a photocopier technique to produce the most extraordinary images. There were two of these. There were also two works by Richard Serra, who is a major minimalist sculptor who has also worked in print media. These are about two metres square, and they look like the most incredible black concrete. You cannot imagine that they are paper. They are etched in acid over a period of 24 hours, and to get 24 hours in an acid bath actually takes a week because you take them out every 20 minutes. Anyway, they are phenomenal things.

The Aboriginal art barks are major works. The David Hockneys and the Richard Serras, I think, are serious contributions. They are modest, however, in price. It cost \$5,850 for the Hockneys and \$4,500 for the Serras. That is each—so two at \$5,850 and two at \$4,500. We have been actively looking for major works, and we were disappointed recently not to achieve the work that we looked for in New York. There will be major purchases and they will cost a lot of money. If we are going to purchase premium art objects, we have to be prepared to pay what will probably be—because the experience in the past has been different—the highest prices that have been paid for art works in this country.

Senator LUNDY—We will watch with interest. How do these acquisitions fit within your new acquisition policy?

Dr Kennedy—In the case of the barks, the Aboriginal art collection in the National Gallery of Australia has been built up assiduously since the gallery’s foundation. It strives to be representative of the various areas of art making by Aboriginal people. We are absolutely confident that we will be using these works actively over the future of the gallery. As regards the works on paper, they have environmental limitations to their continued exhibition. But they are major works by very major artists—in fact, very senior international contemporary artists. As I say, I am very happy to have them too.

Senator LUNDY—What do you estimate you will expend on acquiring works of art for the financial year 1997-98? You have outlined essentially 12 or 13 items. Are you going to be purchasing any more before the end of this current financial year?

Dr Kennedy—It is possible but I think unlikely that we will have finished negotiations on works of art by the end of the year, and certainly on major objects, unless we purchase at auction. It would be difficult to do that internationally at the moment with the fluctuation in currency. Forgive me, Senator, I cannot answer your question. In the nature of art buying, when you are looking for premium art objects, you buy when they become available, and you may accumulate many millions of dollars before you decide to buy one—and indeed you may have to.

Senator LUNDY—When you do not spend money on acquisitions in a given financial year—for example, you obviously have not had a consistent acquisition program over the last financial year—what happens to that money at the end of the financial year? Is it rolled over? What is the way that the gallery and the department provide those funds?

Dr Kennedy—The gallery's appropriation from the federal government is \$4 million a year for the purchase of works of art and where that is not expended it is rolled over. It is one of those things where we have to ask indulgence—

Senator LUNDY—So you have been saving up?

Dr Kennedy—Yes, we have been saving up. And we would still only be able to buy one-quarter of a Picasso—but I am not saying we are after the whole of a Picasso! We have to be judicious. The federal government's funding is very important, and I think it is significant funding still by international standards. Of course we would like more, but it is significant. We supplement that with private funding which has been made available to the gallery by donors. There have been only a few but a very important few. We anticipate that that will increase, and I hope to be able to announce something important in that regard in the next month or two.

Senator LUNDY—We will watch with interest. Did you report to the gallery council meeting on 26 February on the building refurbishment and access initiatives? What were the building refurbishment initiatives you referred to in that report?

Dr Kennedy—I am sorry; I had difficulty hearing the first part of the question.

Senator LUNDY—I am querying whether or not you reported to the council meeting on 26 February in relation to building refurbishment and access initiatives and, if so, what were those initiatives?

Dr Kennedy—We have those minutes here, Senator. If I recall correctly, what it reported to the council on at that time was a series of initiatives which we had launched in October last year which saw the formation of four teams of staff members within the gallery, and their work was to reach fruition on 6 March. That encompassed on the one hand very considerable numbers of staff and all the curators working on cataloguing the collection and rehanging the entire gallery. That resulted in one-third more works being out on display on 6 March than had previously been on display. It was an entire rehang of the collection and reordering of it along its four constituent parts: Aboriginal, non-indigenous Australian, international and Asian.

The second team dealt with publication, signage, logos, the reorganisation of the foyer space, a new cloak room, brochures and all those sorts of issues. The third dealt with a revised series of loan procedures—I have referred to that. The fourth established electronic access as an

important part of the gallery program in that within the previous six months we had achieved the placing of the entire 109,000 objects in the collection on the Internet in text form where they could be accessed by anybody who has access to a PC anywhere in the world. That had been a major problem for us in that we had not been able to access the collection; we had accessed wonderful collection catalogues as seen in exhibitions.

So those four issues were all delivered. The Prime Minister pressed the button on the touch screen PC on 6 March and the building was presented to the public in a new way. Fortunately for us all, that was very well received.

Senator LUNDY—Can you provide information as to how much each of those four initiatives cost?

Dr Kennedy—In precise figures, I would have to take that on notice. It was approximately \$1 million.

Senator LUNDY—Also, could you itemise the expenditure on each of those initiatives and provide that to the committee, including any expenditure on building refurbishment and access changes, although I presume they are contained within the four initiatives you have described. Did you report to council with respect to capital expenditure for reasons, say, of either deferring it or changing it?

Dr Kennedy—Could you elaborate on that?

Senator LUNDY—Did you report to council with respect to deferring capital expenditure?

Dr Kennedy—The entirety of the changes which were put in place on 6 March were contained within the gallery's budget. To do that we reorganised our priorities and achieved some savings during the year in terms of energy costs and the like. Also, we deferred a number of proposed system changes within the gallery which will be taken on board within the present budgetary discussions which are happening at the gallery now.

Senator LUNDY—What do you mean by that?

Dr Kennedy—I mean that I took the judgment that it was more urgent to do the things we actually did than to do some of the things that had been scheduled to do.

Senator LUNDY—So you did defer some capital expenditure items?

Dr Kennedy—Yes. Specifically, there had been proposals to revise the management system within the gallery. It was not something that could not wait for a period of time. Secondly, there was a proposal to introduce a more elaborate ticketing system than we actually have. They added up to a very considerable amount of money and that amount of money in considerable part helped to pay for all the changes.

Senator LUNDY—Can you itemise any other expenditure that was deferred?

Dr Kennedy—As I said, if I can take that on notice, I will be able to give you further information. Straight off now I cannot recall any further—

Senator LUNDY—Yes. If you could provide that information to the committee, that would be great. Last time you were before the estimates committee you mentioned that you believe development had not been coordinated at the gallery and you were giving priority to developing sources of funding such as sponsorship donations, endowment and bequests, et cetera. How is that going?

Dr Kennedy—It is going pretty well. By our 16th birthday, my intention is that we will have another six months of work put into place which will revise our structures of funding and staff. Regarding funding, we hope to establish those areas of our expenditure which we

would anticipate that the government on behalf of the people would continue to pay for and those that we would like to develop which private funding could support, whether corporately or through our foundation and private benefaction. To do that, we have had to look very carefully, with the council, at reviewing the foundation and its specific purpose and the efficacy of its present capacity to deliver, and we have done that. That has been going well. I have recently been in America with the American Friends of the Australian National Gallery—AFANG—and we have been doing the same thing. I anticipate that we will soon be able to plan forward vigorously.

The first two new posts—and the only two new posts that have been established since I joined the gallery—which were advertised recently are head of development and head of marketing. I did flag those two senior posts when I was here last. They are to cover a range of activities which I believe the gallery should do that are not presently covered by staff. The interviews for those posts will take place within the next month. The arrival of somebody specifically responsible for development in the senior management team will be a significant support to us. Added to the fusion of the foundation with the existing membership—which is 30,000 members all told—that will provide a very strong foundation vehicle for the gallery into the future.

Senator LUNDY—Are those two new positions going to add two more managerial positions to your general managerial staff or have you restructured other managerial positions to allow for them within your budget and your proportion of management to everyone else?

Dr Kennedy—As I referred to at the last meeting, we had contracted the overall executive staff in the gallery from four to three. That position has not been filled. It was previously called ‘Assistant Director for Corporate Services’, and that had been handled differently in the new structure. Our Assistant Director Collections has recently been made inaugural director of the National Portrait Gallery, so you are looking at the executive staff—Alan Froud and me. We will be looking to the curatorial area, because this is fundamentally what we are about. In addition we will be introducing two new jobs, but I did not say that they would necessarily be at executive positions. So it will be a question of horses for courses.

Senator LUNDY—So you will apply your discretion to the status of those positions, depending on applicants, or do you have a pre-existing structure that the applicants will fit into?

Dr Kennedy—It will be pre-determined as to what we want them to do. But, as we have advertised, the salary packages are negotiable—and they will be contractual. They are very important positions.

Senator LUNDY—I am not providing any subjective view on the status or importance of those positions; I am just trying to ascertain the process by which the applicants will be employed and allocated an appropriate level of remuneration.

CHAIR—Senator Lundy, how are we going? We still have the National Library and the National Museum.

Senator LUNDY—Slowly. But in the interests of facilitating the progress of the committee I can place my questions for the National Library on notice.

CHAIR—That would be of great assistance. Officers from the National Library can leave. Thank you for coming.

Senator LUNDY—I am sorry for any inconvenience to those officials. It is purely a time contingency matter.

Senator LUNDY—I have seen references in the press to an audit by Coopers and Lybrand of the extension project and, at the last estimates hearing, you mentioned a review of the project that you had commissioned. Are the audit and the review you commissioned the same thing? Were you alluding to the audit report, or have you conducted your own review of the project?

Dr Kennedy—I am sure it is the same thing. We have had only one review. That was a very precise one at a particular moment in time during the construction of the extension to determine whether we needed to take any remedial action at that time to make sure that the extension opened on 6 March.

Senator LUNDY—Can you provide a copy of that report to the committee?

Dr Kennedy—Yes, we will send that to you.

Senator LUNDY—Thank you. Did the council consider the issue of financing of the extension at its meeting on 26 February?

Dr Kennedy—The council did discuss, naturally enough, the progress of the project as it came towards 6 March. That was only 10 days away at that time. At that stage, of course, the building was nearly complete. In fact, they were walking around it on that day, and they were delighted. I was very pleased that my chairman kept winking at me and that he was very happy.

Senator LUNDY—That is good to hear. Was the full cost of the project reported to the council at that meeting? And what was it?

Dr Kennedy—In as much as it could be at that time. All the costs we were aware of at that time were of course reported at that time.

Senator LUNDY—What were the costs?

Dr Kennedy—The original anticipated cost was \$9.2 million.

Senator LUNDY—Were there any additional costs associated with ensuring that it was finished by the 6th?

Dr Kennedy—Yes, I had said to you at the last meeting with you that they would be marginal. I am pleased to report that they were. There was a 3.2 per cent increase, and the total cost of the building was just over \$9.5 million. The way that has been provided for is: \$4.8 million from the federal government; \$2 million from the ACT government—from that total sum of money, \$400,000 was generated as interest; and \$2.3 million came from the gallery. That added up to \$9.5 million. Of the gallery contribution, half a million dollars came from the foundation earlier referred to, and \$1.8 million came from the gallery reserves. We still have our head above water but, as I say, we are in a tight squeeze.

Senator LUNDY—Those additional costs—was that \$0.3 million the increase from \$9.2 to \$9.5 million? To what degree of specificity was the council advised of those additional costs and what they comprised?

Dr Kennedy—I think it is fair to say as a council member that the council was fully assured that the project was being well handled and that all the figures were being provided to them. The major cost was actually the display wall cost. That was \$177,000 worth. There had been acceleration costs involved in the overall project which had been agreed at the time of the review you referred to. But that was contained within the \$9.2 million. The display costs could

be handled as an exhibition cost or could be handled as provision in the first instance. It is not very helpful to provide the building with just two huge rooms. Of course, display walls were always considered. So the total cost is just over \$9½ million.

Senator LUNDY—With the additional \$0.3 million you mentioned, \$177,000 was for a display wall. What was the other \$123,000 for?

Dr Kennedy—There was an additional cost for acceleration of the project.

Senator LUNDY—That was the \$123,000?

Dr Kennedy—Yes, and a few things like chairs and cabling. There was a security wall underneath the building that we needed to build because it had not actually been provided for. It would have given access from the fern garden under the new building which was just the undercroft. And this was one of the best things about the new wing: it is actually empty and awaiting a good idea, of which the gallery has plenty, I am sure.

Senator LUNDY—The introduction of those elements into the construction budget seems to be a bit unusual. Were those items contained within the original specification of the extension?

Dr Kennedy—In terms of the display walls, and faced with the deadline of 6 March and the agreement of the Prime Minister to open it on that date, it was considered very wise—and certainly cost effective—to employ the existing contractors to actually provide the display walls. That is what happened. So, if you like, given that it was provided from the gallery funds, we were just asking them to make sure that it was done—which they did, very effectively.

Senator LUNDY—And the council knew of that expenditure going in those areas—they were advised of that?

Dr Kennedy—Yes, absolutely.

Senator LUNDY—Have you bid for any additional Commonwealth funding for the project?

Dr Kennedy—No. I beg your pardon. If the question is ‘Have I asked?’ the answer is no. If the question is, ‘Has the gallery asked in the past?’, the answer is yes.

Senator LUNDY—Please take my use of the personal as the gallery.

Dr Kennedy—Excuse me. Before my time, an application was made for additional funding of \$2 million. However, there had been an intention that private support would be found for the new building and it was not found. In that context, I have agreed that we would not proceed with that. We understand that it is not forthcoming anyway, but that is the understanding that I have.

Senator LUNDY—So you have withdrawn that application?

Dr Kennedy—Well, it may be still active—but it is moving very slowly.

Senator LUNDY—Okay. Could you provide the committee with the information as to the current status of that, if it is still being actively considered.

Dr Kennedy—It is over. We have a new building which we have paid for and we are not in debt.

Senator LUNDY—But the foundation is not going to get their money back?

Dr Kennedy—The foundation is not making money to keep the money. It is making the money to give us the money so we can make the building and provide the gallery.

Senator LUNDY—Let me refer you to previous *Hansards* about that issue because, as I said, my recollection is that it was the intent of the gallery to resupplement the coffers of the foundation with respect to that loan.

Dr Kennedy—Could I ask the deputy director just to comment further on that?

Senator LUNDY—Yes, please.

Mr Froud—I think I have a recollection that at the time we were making some comment to the committee, we were feeling quite optimistic about the possibility of raising funds from the private sector by the sale of naming rights to elements of, or the whole of, the extension. It was in that context that the gallery provided an underwriting—one element of which was from the foundation. It was assumed that we would have been successful in our bid to have private sector funding secured for the extension and that we would have returned the underwriting, or any call on any funds from the foundation would be returned. But our efforts to secure funding from the private sector have not been successful, so the situation has changed.

Senator LUNDY—Yes, I was aware of that background. I am just not sure what the foundation thinks of it. Can I put a series of questions on notice with respect to other audits? First of all, have there been any other special audits carried out over the last nine months?

CHAIR—Is this on notice?

Senator LUNDY—No, sorry—this is a question.

Dr Kennedy—We have an ongoing internal audit situation which occurs every couple of months.

Senator LUNDY—Is that run by a committee?

Dr Kennedy—An accountancy firm has been hired in to do that; and we have also had a review of our fundraising capacity and activities conducted which has been very helpful to the foundation in its restructure. I think that is it, but if there are any others, perhaps I can come back to you.

Senator LUNDY—Does the gallery have an audit committee for your internal audit plans?

Mr Froud—The whole council constitutes the audit committee. That is the wish of the current chair.

Senator LUNDY—Can you provide the committee with your internal audit plan and any information of that nature?

Mr Froud—This committee? Yes.

Senator LUNDY—Probably the best thing for me to do at this point is to put the rest on notice so I can have 15 minutes with the National Museum. Thank you very much for your time this evening, Dr Kennedy.

Senator SCHACHT—I was invited to see the gallery's exhibition of late 19th century American-Australian—

Senator LUNDY—'New worlds from old.'

Senator SCHACHT—Thank you, Senator Lundy. Was that as successful—

Senator LUNDY—We covered all of that.

Senator SCHACHT—Did you? Okay. Whenever you want to provide *Bushy Park* to a member of parliament in Canberra to hang on his wall for a while, as I grew up near that area I would be more than happy to hang it on my wall for a long time.

Dr Kennedy—We are very pleased you enjoyed the show.

CHAIR—Thank you very much, Dr Kennedy and Mr Froud.

[7.01 p.m.]

Subprogram 1.8—National Museum of Australia

Senator LUNDY—Predictably, my questions will focus on the development of the new National Museum of Australia on Acton Peninsula. As we previously canvassed with Ms Casey, the project management is proceeding, but my questions will go more to the design integrity aspects—I am not quite sure of the terminology—of what is proposed for the museum as it relates to the original brief for the architects and the selection process. I understand that the elements of the design and the original specifications for the floor plan have been adjusted to try to fit within the parameters of the budget and of the time frames, et cetera. Can you provide information to the committee on the degree of flexibility that exists for the museum now, and how you, as the head of the National Museum, have a say in those decisions for change? I know it is a very longwinded, stilted question, but I think you understand what I am getting at.

Dr Jonas—I will take the second part first. We are in constant contact with the department—which, as you know, is actually the client which is actually building the museum—sometimes with the architects through the department, and sometimes directly with the architects. We set up a team which developed the functional brief that the architects designed to as part of the design competition. After the design competition there was, as there inevitably is, an iterative process where the larger spaces got tested: ‘Is it better to have the theatre on this side of the main hall or on that side of the main hall?’, and so on. We have done that by dealing, as I have said, directly with the architects, directly with the department and through the department to the architects.

A series of workshops were held involving Dawn Casey, the consultants to the architects, who were in New York, the architects and myself. One of the things that came out of that—and this is leading on to the first part of your question—was the development of a mezzanine treatment which will run right throughout the permanent gallery spaces and into the gallery of Aboriginal Australia, which gives us an enormous amount of flexibility which we did not have before. That has slightly increased the square meterage of exhibition space, but it has greatly increased the exhibition volume. So we are probably now able, in design terms, to exhibit a lot more of our collections visibly than would have been the case before.

Senator LUNDY—If you are not extending your floor space, your meterage, how can you extend your exhibition space?

Dr Jonas—No, the exhibition volume has increased.

Senator LUNDY—As opposed to how many things you put on walls, or more walls?

Dr Jonas—As opposed to how many things you put on walls or in addition to what you can actually put on floors—which you can see looking at them, but now you will also be able to look down on them. For example, let us say we have a case with objects in it; you can see those at eye level, but now we can put things on top of those cases and you can also look down on them from the mezzanine level. So we have now actually increased the volume of visibility.

Senator LUNDY—Why have you gone to a mezzanine treatment solution? It is obviously to increase your exhibition volume. Is that an innovative way of addressing a shortfall in exhibition space?

Dr Jonas—No, it is an innovative way of providing the visitor with a more holistic experience and with more and different experiences.

Senator LUNDY—It sounds very interesting. Can you assist me here: I recollect, from deliberations of the Public Works Committee, some concern about a reduction in the overall exhibition space from that original functional brief to what is currently proposed. Am I right in that recollection?

Dr Jonas—I am a little bit uncertain about that. Can I provide you with that answer later? We are actually quite satisfied with the exhibition space that we have finished up with.

Senator LUNDY—I appreciate that. I am not really asking for your assessment; it is just a practical question in the sense of how much it differs from the original functional brief. Can you respond to that question on the basis of each individual gallery, rather than giving an overall figure?

Dr Jonas—Certainly.

Senator LUNDY—I have a couple of questions with respect to the children's gallery. Are there any proposals which provide for a change from the functional brief with respect to what is now proposed for the children's gallery?

Dr Jonas—Not at this stage. One of the things that we learned when we were overseas, and we have also had other advice on this, is that children's museums seem to function very well as stand-alone museums, but as part of other museums they do not appear to function as well. I think what happens is that, rather than adults going with children into the children's museum, they take the children into the other type of museum which has got a children's museum in it, and that tends to function as a child minding facility rather than them getting the sort of total museum experience. What we have done is let a consultancy which will investigate children's facilities in the National Museum of Australia. The results of that consultancy are not to hand yet.

Senator LUNDY—Surely these issues were determined in the preparation of the functional brief. Why are you engaging in a reassessment at this point?

Dr Jonas—It is just part of the process. A certain number of assumptions are used to develop a functional brief, but as part of the ongoing process of getting the best museum that you can get you test those assumptions, and that is an ongoing process.

Senator LUNDY—Is it normal to test those assumptions in the context of the preparation of tender documentation for the construction of the museum though?

Dr Jonas—Sorry.

Senator LUNDY—I am questioning the time frame. Once you embark upon a construction phase—a tender process—my experience tells me that is not the time to be engaging consultants to test assumptions about the merits or otherwise of components of that functional brief. Do you know what I am saying?

Dr Jonas—I think I know what you are saying and I do not see anything wrong with that taking place. If you have got the time to be making things better, why not take advantage of the fact that you have got that time?

Senator LUNDY—In terms of this particular consultancy, what was the brief?

Dr Jonas—For the children's consultancy? To examine, in the context of Canberra and in the context of what direction the National Museum of Australia is taking, what might be the

best way to provide facilities for children in the National Museum of Australia. That is not the exact wording of the consultancy, but that is basically it.

Senator LUNDY—Can you provide the exact wording to the committee?

Dr Jonas—I certainly can.

Senator LUNDY—And when that consultancy is completed, provide that information to the committee?

Dr Jonas—I certainly can.

Senator LUNDY—Are there any other consultancies you have taken up to reassess elements of the functional brief?

Dr Jonas—No.

Senator LUNDY—As a result of the various budget pressures that inevitably come about with functional briefs and designs, putting aside the alliancing issue for the moment, are you finding the museum and the council are in a position of having to make compromises with respect to the integrity of the design to suit the government's budget and timetable?

Dr Jonas—No.

Mr Stevens—Senator, can I interrupt for one second? Ms Casey tells me that there may be one or more consultancies that she is aware of that Dr Jonas may not be aware of. I might ask her to come up to the table if that is satisfactory.

Senator LUNDY—Yes, please.

Ms Casey—There are a number of consultancies that are testing the assumptions of the brief. There is a consortium made up of CSIRO and museum experts in terms of testing the requirements for air conditioning. There is a library consultant brought in to look at the library areas in both the National Museum and AIATSIS. So it is not a matter of a cost cutting exercise but rather, 'Here we have the opportunity to improve on areas, can we get expert advice?'

Senator LUNDY—What scope within the general budget is there for a proliferation of consultancies to improve the functional brief?

Ms Casey—There is scope for fees for various consultancies. A functional brief is just a guide and when people sit down with a functional brief it is like, 'Here are the areas that we think we need.' You do need to get advice on it.

Senator LUNDY—But my experience—certainly with the National Museum it goes back some years—tells me that within the museum organisation they had developed their requirements to a very high degree of specificity, based on their existing collection, conceptually what they were looking for in the presentation of that collection, and issues going to the very heart of the whole thematic approach to the museum. To what degree are all those concepts that I am familiar with from the past relevant to what is going on currently in all these reassessments, consultants, changes, budget pressures, alleged reductions in floor space?

Ms Casey—Certainly, the museum has not changed its themes and, as far I know, people have thought about how you would exhibit those things. But air conditioning, for instance, is an ongoing area that is being tested nationally and internationally.

Senator LUNDY—Sure.

Ms Casey—You need to get the latest advice so that you make sure that you build in the latest, if we are going to get indemnified exhibitions, for instance, so that has been tested. They were saying, ‘Is this the right level of air conditioning for these levels of spaces currently?’

Senator LUNDY—My comments are more relevant with respect to what Dr Jonas said with respect to the children’s museum. The prominence of the collections for those of the younger generation was a critical area, as I recall, for the museum in the way it presented its material generally.

Ms Casey—That is right, and that is what people are asked to look at. This is based on the advice that Dr Jonas, along with some members of the council, received overseas. It is asking, ‘Do you have a separate space allocation for children? How do you incorporate the children’s experience in the rest of the museum, and not only in the exhibition areas? How best do you incorporate the experience for children in the retail areas, including the restaurant areas?’ And it changes over years.

Senator LUNDY—Yes, I am sure. I have to say I cannot help being a tad cynical that what I am hearing is elaborate justification for the scrapping of the children’s gallery. I hope I am wrong in that. I just wonder where it is going with these consultancies and the advice you are getting.

Ms Casey—There is a range of pieces of advice. We have got a certain allocation and, within that, one of the other areas that we looked at was the main hall. Originally, in the functional brief it was 1,500 square metres. When we looked at that we asked, ‘Is that the best use of 1,500 square metres?’ No, it was not. But we have increased the exhibition areas.

Senator LUNDY—Okay, it is fluid. The children’s gallery: are you going to keep it?

Ms Casey—It is up for discussion. The museum council are still discussing it, based on what sort of advice they receive and based on their own views.

Senator LUNDY—What else is up for discussion? Maybe you have core and non-core elements?

Ms Casey—They will look at a range of areas. They have yet to work out the spatial requirements for functions—what sort of performance space is allocated.

Senator LUNDY—What about educational areas? Briefing rooms for students? Are they core or non-core?

Dr Jonas—They are there.

Senator LUNDY—They are?

Dr Jonas—Yes.

Senator LUNDY—Are they being inquired into through a consultancy?

Dr Jonas—This particular children’s consultancy?

Senator LUNDY—I am sorry. I am employing some sarcasm, and I apologise for that. But the point I am making is: how can we or how can the public be assured that those elements of the museum will remain in what appears to be a very fluid consideration of the features and aspects?

Dr Jonas—We are absolutely committed to children in that museum. We are absolutely committed to both the education of schoolchildren who come and the museum experience of everybody who comes, irrespective of their age. We are absolutely committed to that. What we are working out is: given that there is conflicting evidence—and evidence is mounting

overseas, as I have said—we are interested in finding out the best way of maximising that experience for children. That is what our aim is at the moment.

In terms of whether we are going to keep the children's gallery or not, the consultancy is being let now. I come from an academic background where I prefer not to answer the questions before I have actually asked them. We will have to wait and see what comes up there.

Senator LUNDY—Okay. That is all I have. Thank you.

Dr Jonas—Thank you.

CHAIR—I would like to thank the officers from the National Museum for their attendance. Mr Stevens, would you thank the staff for all their help today? I thank Hansard. I thank Senator Lundy for her cooperation in ensuring that we finished 2½ minutes over time, which has to be a record. I appreciate that, Senator Lundy. Thank you very much.

Committee adjourned at 7.18 p.m.