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The Parliament of the Commonwealth of Australia

# **Covering Your Arts**

**Art Indemnity in Australia**

House of Representatives

Standing Committee on Communications, Transport and the Arts

August 2001

Canberra

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## **Membership of the Committee**

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# Recommendations

## Recommendation 1

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

## Recommendation 2

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

## Recommendation 3

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

## Recommendation 4

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

## Recommendation 5

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

## **Art Indemnity in Australia**

- 1.1 During the course of this Parliament we have visited national, State and regional art galleries to discuss issues of concern to those working in this important sector of the arts industry.
- 1.2 A common theme that developed in our discussions with representatives of the galleries was art indemnity. Art Indemnity Australia (AIA) is the Commonwealth's program and some States have indemnity schemes of their own. We discuss the Commonwealth and the State art indemnity schemes further in this Chapter.
- 1.3 Two issues of concern were raised with us by the State galleries. Firstly, some galleries were anxious to have direct access to the Commonwealth scheme and not be required to negotiate with one of the two managing organisations. In Chapter 2 we expand on this issue.
- 1.4 Secondly, some galleries were critical that they were not having Commonwealth indemnified major exhibitions visiting their venues as frequently as they would like. We discuss this issue in Chapter 3.

### **The Commonwealth scheme**

#### **Purpose**

- 1.5 The Art Indemnity Australia (AIA) scheme was established in 1979. Under the AIA, the Commonwealth insures for compensation in the event of loss or damage to objects touring within Australia as part of major international exhibitions.
- 1.6 By indemnifying an exhibition, the Commonwealth removes the burden of the insurance and the cost of premiums from galleries and museums.

Therefore, AIA makes possible large, costly and time-consuming exhibitions. It assists in bringing major cultural exhibitions to Australia. The Department of Communications, Information Technology and the Arts (DCITA) stated that the purpose of the program is to:

- provide wide access by Australians to the most significant international and Australian cultural treasures; and
- promote bilateral cultural relations with other Nation States.<sup>1</sup>

## Managing organisations

- 1.7 An essential feature of AIA is that access to the indemnity is restricted to two Managing Organisations (MOs): the National Gallery of Australia (NGA) and Art Exhibitions Australia (AEA). This limitation is on the basis that they are national organisations which operate a nation-wide program of exhibitions.
- 1.8 Following a review of AIA in 1990-91, the Commonwealth felt that by limiting AIA to two MOs, it could control and minimise the risk.<sup>2</sup> A further government review of the AIA in 1997 resulted in maintaining the limits to the two MOs.
- 1.9 The funding arrangements for the two MOs during an AIA exhibition differ. The financial arrangements of NGA managed exhibitions are based on shared risk-shared profit agreements with participating venues; costs are divided between the NGA and the other participating venues with each venue determining its own revenue arrangements through admissions and merchandise. Each venue works collaboratively for sponsorship for the national event.<sup>3</sup>
- 1.10 AEA is a self-funding body. It does not receive any money from the public sector, rather it relies on sponsorship from the corporate sector, admissions to exhibitions and remuneration from retail outlets. The AEA has raised \$35 million from sponsors, had 15 million visitors to exhibitions and had a total turnover of \$120 million.<sup>4</sup> Of 48 exhibitions managed by AEA up to July 2000, 31 ran at a loss and 17 resulted in a profit. According to AEA, the successful exhibitions cross-subsidised the less popular exhibitions.<sup>5</sup>

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1 DCITA, *Submission No. 1*, p. 2.

2 Mr Marsden, DCITA, *Transcript*, 25 July 2000, p. CTA 3.

3 Mr Froud, NGA, *Transcript*, 25 July 2000, p. CTA 8.

4 Dr Edwards, AEA, *Transcript*, 20 July 2001, p. CTA 9.

5 Dr Edwards, AEA, *Transcript*, 25 July 2000, p. CTA 5.



- 1.11 All AIA exhibitions provide State galleries with the following benefits:
- profits for State and Territory venues, which receive at least 20% share of admission charges even if the exhibition makes a loss;
  - shop revenues;
  - flow-on benefits to local economies (*Van Gogh* exhibition contributed an estimated \$23.6m to the Victorian economy);
  - extending marketing;
  - encouraging education programs and scholarships;
  - widening the range of gallery visitors; and
  - developing specialist skills of museum personnel.

## Guidelines

- 1.12 DCITA is responsible for developing and enforcing the AIA's operational guidelines. Guidelines exist for policy, procedures, security and publicity. These guidelines have been developed over the course of the scheme (since 1979) with input from the MOs and the Australian Protective Service (APS). According to DCITA, they represent the world's best practice in art handling, exhibition security and management.<sup>6</sup>
- 1.13 The policy guidelines outline the criteria for the eligibility and suitability of an exhibition under the AIA scheme, including:
- the access objective - to provide the people of Australia with wide access to significant international and Australian cultural exhibitions;
  - the exhibition must be of cultural, diplomatic and national significance;
  - an exhibition must travel to at least two States or Territories;
  - each venue must comply with AIA standards and procedures;
  - the maximum indemnity limit is \$2 billion (as of 1 July 2001);
  - the minimum exhibition value is \$20 million; and
  - individual consignment is limited to \$70 million, except in exceptional circumstances.<sup>7</sup>
- 1.14 DCITA takes advice from the APS in order to form a view and provide advice to the Minister on the security risks for every exhibition. Every
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<sup>6</sup> DCITA, *Submission No. 1.04*, p. 1.

<sup>7</sup> DCITA, *Submission No. 1*, Attachment (Draft AIA Policy Guidelines, 9/4/01).

venue that shows an indemnified exhibition must be inspected by the APS. The security guidelines of the AIA include requirements on:

- the APS and MOs in ensuring the physical safety of the exhibits;
- vetting and professional expertise of personnel and organisations involved in exhibitions;
- regular assessments of exhibition venues;
- security assessments of each exhibition;
- procedures during transportation; and
- standards for storage and exhibition facilities.<sup>8</sup>

1.15 Every exhibition arranged under the auspices of the AIA is subjected to this thorough, well documented and long established security assessment and control process.<sup>9</sup>

## The application process

1.16 To qualify for the AIA indemnity, each of the MOs are required to submit to the DCITA a 5-year schedule<sup>10</sup> of exhibitions annually and also to submit applications for each exhibition individually.

1.17 The DCITA reviews the applications, takes specialist advice from the APS, Interpol and ASIO on the transport and security arrangements, and advises the Minister on the priorities to be attached to the proposed schedules.

1.18 According to the AEA, ideas for exhibitions come from the galleries, museums, overseas institutions and the general public. When a proposal is forwarded to the AEA it is circulated to the major galleries to evaluate whether those projects would be of interest to their respective communities. When the galleries have determined whether they feel it is suitable, AEA looks at the feasibility of whether it can be carried out.<sup>11</sup>

1.19 The NGA described its exhibition development process as involving collaboration and consultation with state galleries, AEA and the DCITA.<sup>12</sup>

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8 DCITA, *Submission No. 1*, p. 3.

9 Dr Edwards, AEA, *Transcript*, 20 June 2001, p. CTA 12. See also Alan Froud, NGA, *Transcript*, 20 June 2001, p. CTA 13.

10 Mr McKay, Deputy Chairman of AEA referred to the life cycle of an exhibition which can be up to five years long in order for negotiations with lenders, curators and galleries to take place. *Transcript*, 8 August 2001, p. CTA2.

11 Dr Edwards, AEA, *Transcript*, 25 July 2000, p. CTA6.

12 Mr Froud, NGA, *Transcript*, 25 July 2000, p. CTA 7.

1.20 A flowchart of the application process is at Appendix B.

## Cover

1.21 The indemnity limit in 1979 was \$100m. This has been progressively increased over the ensuing years to \$2 billion in July 2001.

1.22 The Commonwealth had always provided a guarantee against loss or damage under the AIA scheme. This self-insurance process meant that no premiums were paid and any successful claim would have been paid by the Commonwealth out of consolidated revenue. The loss of a significant indemnified work may have cost the Commonwealth many millions of dollars.

1.23 In 1998, the Commonwealth Government determined a general policy position to apply to all areas of government activity (not just the AIA), that it would identify and insure against all significant exposed risks. As a result Comcover was established within the portfolio of the Minister for Finance and Administration to coordinate the provision of insurance to cover the Commonwealth's exposed risk.<sup>13</sup>

1.24 Within the requirements of this general policy framework, the DCITA negotiated with Comcover to provide insurance for the AIA scheme starting on 1 July 2001.

1.25 DCITA stated that the new Comcover arrangements do not affect the administration or management of the scheme, nor the nature of cover offered to lenders.<sup>14</sup> Comcover representatives confirmed that they had no intention of interfering in the very effective day-to-day management of the scheme.<sup>15</sup>

## Premiums

1.26 The exemplary record and reputation of the two MOs has enabled Comcover to negotiate a good deal for premiums to be paid for the AIA scheme. Further, Comcover, as the insurance provider for the Commonwealth, can go to the world market and obtain premiums that are very competitive compared to individual organisations.

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13 Comcover was established in 1998 following a government decision that it would be proactive about identifying and insuring against exposed risks. All agencies in the general Commonwealth government sector are protected against major loss by Comcover. This means the overall budget is not subject to major fluctuations. See also [www.dofa.gov.au/comcover](http://www.dofa.gov.au/comcover).

14 Karen Gosling, DCITA, *Submission No. 1.04*, p. 5 & *Transcript*, 8 August 2001, p. CTA 6.

15 Mr Knapp, Comcover, *Transcript*, 8 August 2001, pp. CTA 8-9.

- 1.27 Comcover calculates its premiums by assessing the forward schedule of exhibitions provided by DCITA every year; the value of works, the duration of exhibitions and transit arrangements. Comcover operates on a cost recovery basis - with its premiums covering the cost of buying the insurance and its own administrative costs.
- 1.28 Premiums are to be paid by DCITA to Comcover annually. DCITA is currently being supplemented through the budget process to pay the premium. In the year 2001-2002, DCITA was supplemented \$1.1 million for the AIA premium. DCITA claimed that the current information from the Minister for Finance is that on-going supplementation of \$1.5 million will be provided in future years.<sup>16</sup>
- 1.29 The invoice from Comcover for the 2001-2002 financial year was \$877,000. The premium for the 2002-2003 financial year is estimated to be \$1.165 million, based on exhibitions totalling \$2.6 billion.<sup>17</sup> Undoubtedly, in the event of a major incident involving damage to works of art, premiums would rise. However, the DCITA stated that at the current premium rates it expected to be able to cover \$2 to \$3 billion in total exhibitions per year.<sup>18</sup>
- 1.30 In the event of a claim, Comcover itself meets the first \$1 million. An excess, calculated on a sliding scale of between \$50,000 and \$500,000 depending on the value of the damage, is paid by the relevant MO.<sup>19</sup> Anything in excess of this would be covered by commercial insurance.
- 1.31 The Deputy Director of AEA was concerned that in the future the cost of premiums will be passed on to the galleries and AEA. This, he claimed, would destroy the scheme because neither the AEA nor the galleries could sustain such costs. Also, he claimed that this would undermine the reputation of the scheme because exhibitions previously planned could not go ahead:

Our fear is ... that, as it now becomes an item in the department of art's budget, the user-pays principle may cause that premium to bring about a change in government policy. Our fear is that if the government policy of the past 21 years were to change and charges were to be made then we believe that will destroy what has been built up over the last 21 years. The economics of the industry cannot carry the cost.<sup>20</sup>

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16 Karen Gosling, DCITA, *Transcript*, 8 August 2001, p. CTA 10.

17 Mr Shepherd, Comcover, *Transcript*, 8 August 2001, p. CTA 20.

18 DCITA, *Submission No. 1.05*, p.2.

19 DCITA, *Submission No. 1*, Attachment (Draft AIA Policy Guidelines, 9/4/01).

20 Robert McKay, AEA, *Transcript*, 8 August 2001, p. CTA 22.

## Comments on the new Comcover arrangements

- 1.32 We understand the reasons for the Government's policy decision to identify and explicitly provide insurance cover for all its exposed risk. Generally, it is a prudent approach to financial management.
- 1.33 In the particular instance of AIA, the move to insure against the risk of loss or damage to works of art in touring exhibitions does mean that the financial consequences of any catastrophic loss can be met without impact on the Commonwealth's budgetary position.
- 1.34 However, the move from self-insurance to purchased insurance for the AIA is not without cost to the Commonwealth and, potentially, to the scheme itself.
- 1.35 The AIA has operated with great success over the last 21 years, bringing exhibitions of extraordinary art to Australia – exhibitions which otherwise would not have been seen in Australia. The professionalism of those involved in the scheme is demonstrated by the fact that there have only been two, relatively minor, instances of damage to touring art works over the years, resulting in claims on the indemnity to the value of just \$382 000. Amortised over the 22 years in which the scheme has operated this represents a direct cost to the Commonwealth of only \$17 300 per year.
- 1.36 This admirable track-record, produced as a result of the expertise and professionalism of the MO's, suggests that self-insurance has worked to the Commonwealth's advantage.
- 1.37 The move to purchase insurance means that the Commonwealth will now be paying \$1.5 million per year to achieve what it has achieved at no direct cost (other than the cost of prudent management) over the last 20 years. In our view, it is very difficult to assert confidently that this represents good value for money for the Commonwealth.
- 1.38 Of greater concern, however, is the fact that the insurance premium to be paid by DCITA could, potentially, be exposed to the vagaries of the Commonwealth's annual budgetary process.
- 1.39 Although DCITA is currently receiving budget supplementation to cover the cost of the AIA insurance premiums, the processes of government are such that it is inevitable that there will be pressure in future years from the central budget agencies to review the level of supplementation and to seek cost recovery from the users of AIA – that is, the two managing organisations.

- 1.40 Seeking to recover the cost of insurance premiums from the managing organisations would dramatically increase the cost of bringing major international works of art to Australia, undermining the viability of such exhibitions and, ultimately, defeating the original purpose of AIA (which was to ensure that Australians have access to exhibitions that would otherwise be too expensive to bring to Australia).
- 1.41 In our view, the new purchased insurance arrangements place the continuing successful operation of AIA in jeopardy.
- 1.42 The Commonwealth should not risk the collapse of the scheme by exposing it, on annual basis, to the over-zealous application of the user-pays principle.
- 1.43 A clear distinction can be drawn between the risks of claim against AIA and the many other exposed risks the Commonwealth is now seeking to cover by commercial insurance. For example, the AIA:
- has operated with great success and at almost no cost to the Commonwealth for over 20 years;
  - the risk of claim has been managed extremely carefully and professionally, the two MO's in particular have demonstrated an extraordinary degree of diligence and expertise in applying the strict guidelines of the scheme, in managing safely and securely the transport, storage and display of the priceless art works in their care; and
  - is directed at achieving an important cultural policy objective, that is to provide wide access to art works of international and national significance.
- 1.44 As identified by the Auditor-General, in his *Audit Report No. 47, 1997-98*, the vast majority of other Commonwealth indemnities relate to either:
- the business operations of government enterprises; or
  - Defence acquisition programs.
- 1.45 Moreover, the exposure that some of these indemnities present to the Commonwealth cannot be specified and is therefore unlimited. We accept that it is appropriate to seek commercial insurance for these business-related risks. They are, however, very different from a risk that has been assumed for cultural policy reasons (that is, to provide wide access to art works of international and national significance) and in respect of which highly regarded and proven management expertise is in place.

- 1.46 Accordingly, we consider that the former self-insurance arrangements should be restored and we call on the Minister for Finance and Administration to exempt AIA from the Commonwealth's general policy of taking commercial insurance to cover exposed risk.

### **Recommendation 1**

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

## **State indemnity schemes**

- 1.48 All States have insurance arrangements in place to provide cover for the display of objects of material culture. Most States (NSW, WA, SA, QLD, VIC, TAS) have established specific programs for the insurance of touring art exhibitions. The ACT and NT provide indemnity for touring art exhibitions on an ad hoc basis.
- 1.49 The larger States (on a per capita basis) have large or no coverage limits, whereas the smaller States have reduced coverage limits. Most of the schemes cover exhibitions drawn from local, interstate, or international sources. Generally, insurance is provided for intra-state touring only.
- 1.50 A summary of State and Territory indemnity schemes is at Appendix B.

## **Access to Art Indemnity Australia**

### **The issue**

- 2.1 Currently, a State gallery must work with one of the two Managing Organisations - the National Gallery of Australia or Art Exhibitions Australia - to be eligible to receive Commonwealth indemnity for an exhibition.
- 2.2 Some State galleries, particularly the Art Gallery of New South Wales (AGNSW), were opposed to the limited access to the Commonwealth indemnity scheme.

### **Arguments for limiting access to two Commonwealth agencies**

- 2.3 DCITA maintained that ‘the excellent record of AIA is the direct result of stringent Commonwealth guidelines and administration, and at least in part the limitation on access to highly reputable MO’s with a proven record.’<sup>1</sup>; In support of the current limitations the department pointed to:

- the need to maintain control and protect the Commonwealth from risk:

With an increased number of managing organisations, it is our view that we would be managing a higher level of risk, because

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1 DCITA, *Submission No. 1*, p. 5.



we would have a higher number of players in the scheme and a higher number in how it operates<sup>2</sup>;

- the excellent record of AEA and the NGA which have secured Australia's international reputation as a safe destination:

... over a very long period of time now this has been an extremely successful scheme. It has put this country amongst the best in the world in terms of a destination for these wonderful world treasures<sup>3</sup>;

- the stringent Commonwealth guidelines and administration:

These extensive guidelines ... represent the world's best practice in art handling, exhibition security and management. The Department seeks to continually monitor and upgrade the high standards required by the guidelines<sup>4</sup>;

- the need to ensure the ongoing viability of the scheme:

It is part of the fundamental principles upon which we work that, in order to maintain the scheme for the benefit of as many Australians as we can, our fundamental purpose is to ensure the underlying viability of the scheme, which means some very close control<sup>5</sup>; and

- the necessity for the Commonwealth to manage international relations:

The State galleries clearly may not know about global political terrorist or other destabilising activity which may impact on the potential threats to an exhibition and if damage was done, the embarrassment to the Government. Or, in extreme cases, the potential damage to trade or other relations.<sup>6</sup>

2.4 Not surprisingly, the two MOs are satisfied with the current arrangements. AEA observed that State galleries have different strengths, experience and priorities. Also, the States do not always have access to the funding and resources required to show major exhibitions.<sup>7</sup> State galleries had more demands and responsibilities, such as conserving and exhibiting State collections.<sup>8</sup>

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2 Ms Gosling, DCITA, *Transcript*, 20 June 2001, p. CTA 4.

3 Mr Wohlers, DCITA, *Transcript*, 25 July 2000, p. CTA17.

4 DCITA, *Submission No. 1.04*, p. 1.

5 Mr Wohlers, DCITA, *Transcript*, 25 July 2000, p. CTA13.

6 DCITA, *Submission No. 1.01*, p. 1.

7 Dr Edwards, AEA, *Transcript*, 20 June 2001, pp. CTA 5-6.

8 Dr Edwards, AEA, *Transcript*, 20 June 2001, p. CTA 20.

- 2.5 In contrast, AEA are specialists in risk management of exhibitions:  
AEA's national perspective and role are unique and bring benefits that no State organisation can offer.<sup>9</sup>
- 2.6 The NGA also stressed that the two MOs have an understanding of the parameters for operating within the Commonwealth scheme and the States do not:  
... the guidelines and the obligations on agencies are quite strenuous, ... we have an understanding of the detail, and the states do not yet have an understanding of that detail<sup>10</sup>;
- 2.7 State galleries wishing to develop smaller exhibitions are able to apply for funding under the Commonwealth's Visions of Australia program, which aims to make exhibitions of cultural material accessible to more Australians. It provides grants to cultural and community organisations to develop and tour exhibitions of historical and scientific material, visual arts and craft, multimedia and Aboriginal and Torres Strait Islander culture throughout Australia.
- 2.8 Also, a State gallery has the option of seeking State indemnity if it wishes to show a major exhibition without the involvement of the AEA or NGA. Most larger States have developed indemnity or insurance schemes of their own to cover such exhibitions (see Chapter 1).
- 2.9 AEA acknowledged that the AGNSW has staged some excellent major exhibitions with the assistance of the NSW State indemnity scheme. However, these type of State exhibitions tend to be developed to suit the interests of audiences within State boundaries. Therefore, such exhibitions are not managed on the basis of the Commonwealth's broad access policy.<sup>11</sup>
- 2.10 In contrast to State motivations, AEA has no shareholders and no motive to make profits. Its motivation is to manage major art exhibitions for all Australians, with the objectives of the Commonwealth's art indemnity scheme of utmost consideration.<sup>12</sup>

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9 Robert McKay, AEA, *Submission No. 2*, p. 1.

10 Mr Froud, NGA, *Transcript*, 20 June 2001, p. CTA 13.

11 Dr Edwards, AEA, *Transcript*, 20 June 2001, p. CTA 20.

12 Dr Edwards, AEA, *Transcript*, 20 June 2001, p. CTA 8.

## Opening up access to the States

- 2.11 Some States were positive about the management of the AIA. The National Gallery of Victoria supported the current scheme as having operated in a reasonable way.<sup>13</sup> The Art Gallery of Western Australia agreed that the scheme should be managed at the national level.<sup>14</sup>
- 2.12 However, other States had a negative attitude to the access limitations to Commonwealth indemnity, claiming that there should be another way for State galleries to apply for indemnity without involvement of the two MOs.<sup>15</sup>
- 2.13 This view was partly due to the State indemnity schemes offering a much lower value of indemnity for exhibitions than the Commonwealth. The Director of the Art Gallery of South Australia stated that the State galleries are capable of initiating their own great high-value shows, but they require access to the Commonwealth indemnity:

Our schemes are very limited. The federal scheme is very generous—it is \$1 billion or more. The state schemes are all different, but they are very limited. There is not a problem moving an exhibition from one state to the other, providing it is a low insurance value.<sup>16</sup>

- 2.14 The State galleries were confident about their capacity to manage major exhibitions without the overarching control of the NGA or AEA. For example, the General Manager of Exhibitions of the AGNSW referred to their proven record to manage large and complex exhibitions, such as *Cezanne* which was worth \$750 million.<sup>17</sup> In fact, the States claimed that it is the galleries which take much of the responsibility in making exhibitions happen, from the organisation of transport to the issuing of catalogues.<sup>18</sup> The Director of the AGNSW stated:

We are all very conscious that our exhibition programmes depend upon our ability to secure significant loans and that in turn is dependant upon our reputations - thus the capacities of the State

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13 Dr Vaughan, NGV, *Transcript*, 25 July 2000, p. CTA 22.

14 Mr Dodge, AGWA, *Transcript*, 25 July 2000, CTA 26.

15 Ms Flanagan, AGNSW, *Transcript*, 25 July 2000, p. CTA 31.

16 Mr Ron Radford, AGSA, *Transcript*, 25 July 2000, p. CTA 30.

17 Ms Flanagan, AGNSW, *Transcript*, 25 July 2000, p. CTA50.

18 Mr Dodge, AGWA, *Transcript*, 25 July 2000, p. CTA25.

Art Galleries to legitimately manage major exhibitions, under the AIA Scheme is beyond question.<sup>19</sup>

- 2.15 AEA agreed that the galleries assume a bigger responsibility once an exhibition is static in their gallery. However, it is the assembly, transport and security requirements under the Commonwealth indemnity guidelines which require a supervisory role. AEA stressed that, as the MO for a national touring exhibition, it is ultimately responsible for the transport, handling and security of works throughout the whole tour. After all, it is the Commonwealth which is liable throughout the whole exhibition.<sup>20</sup>
- 2.16 The Director of the National Gallery of Victoria stated that he had been delighted in the past to work in partnership with AEA and to make use of their experience and professional abilities. He also had complete confidence in the management expertise of his staff to manage exhibitions.<sup>21</sup>

## Conclusion

- 2.17 The goal of the Commonwealth Art Indemnity Scheme has been to indemnify the major international exhibitions coming to Australia for the benefit of as many Australians as possible.
- 2.18 Since the AIA was established in 1979 many major exhibitions have been viewed around Australia by over 20 million people. The high quality of works entrusted to Australia, such as the *Rembrandt* exhibition in 1997-98 valued at \$900 million, demonstrates the high international standing of the program.
- 2.19 We acknowledge that this international reputation is due to the highly professional management standards of the scheme, specifically the specialist experience in transport and security developed by AEA and the NGA over many years.
- 2.20 As we discussed in Chapter 1, Comcover's ability to negotiate reduced premiums to insure the Commonwealth's indemnity risk is partly because of the professional standing of the two managing organisations.

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19 AGNSW, *Exhibit No. 2*, p. 1.

20 Dr Edwards, AEA, *Transcript*, 25 July 2000, p. CTA 49.

21 Dr Vaughan, NGV, *Transcript*, 25 July 2000, p. CTA51.

- 2.21 As the Commonwealth indemnity scheme is a risk borne by the Commonwealth, we believe it is in the best interests of the scheme that access be limited to the current two MOs.
- 2.22 If State galleries wish to develop exhibitions of major international art, and to seek the Commonwealth indemnity, we believe it appropriate that they continue to do so through one of the two MOs.
- 2.23 Alternatively, State galleries can, and do, access the various State Government indemnity arrangements or funding under the Commonwealth's Visions of Australia program for inter-State touring exhibitions.
- 2.24 State galleries are currently closely involved in developing exhibition proposals through the MOs. This is an arrangement which appears to work well and we encourage AEA and the NGA to continue to consult with State galleries in the development of exhibitions. In this regard, we note that representatives of both the AGNSW and the NGV are on the AEA's board of directors.
- 2.25 The reality is that the indemnity available through AIA is limited. This means that not all exhibition proposals will ultimately be endorsed. Selecting the exhibitions to be covered by AIA is a matter for the judgement of the MO's, DCITA and the Minister. This judgement is informed by considerations of cultural significance, public interest and commercial viability.
- 2.26 However, we do consider that there is scope for an increase in the number of one-venue events to celebrate special events of State significance, particularly those involving Australian cultural treasures. As argued in the following chapter we consider that as a general rule, AIA exhibitions should follow the two-venue pattern within Australia. However there are circumstances (such as a State sesqui-centenary or a Commonwealth Games) where a one-venue exhibition of internationally or nationally significant works of art may be appropriate. Accordingly, we make the following recommendations.

## Recommendation 2

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

**Recommendation 3**

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

## Distribution of exhibitions

### The Issue

- 3.1 Under the Policy Guidelines of the AIA, the MOs are required to ensure that an equitable distribution of exhibitions among the States and Territories is achieved over time.<sup>1</sup> Also, all AIA indemnified exhibitions must travel to at least two States or Territories.
- 3.2 The State galleries claimed that the exhibitions indemnified by the Commonwealth scheme were being shown mainly in the large centres on the east coast. This, they maintained, was inequitable because a national scheme should be enjoyed by as many Australians as possible.

### Distribution history

- 3.3 From 1979 to 2000, there were 85 Commonwealth indemnified exhibitions with 18 million visitors. Of these exhibitions, 87% were shown in more than one venue, including one or more State galleries.<sup>2</sup> The distribution of exhibitions to States was as follows:

State	VIC	NSW	QLD	ACT	SA	WA	TAS	NT
No. of exhibitions	42	41	26	21	21	20	6	2

1 DCITA, *Submission No. 1.02*, Attachment 2, p. 7.

2 Of the 13% balance, 7% have been single venue tours to one State gallery, and 6% have been single venue tours to the NGA.

- 3.4 AEA stated that of its own 48 exhibitions, 36 went to Sydney, 34 to Melbourne, 21 to Brisbane, 17 to Adelaide, 18 to Perth, six to Hobart, four to Canberra, two to Darwin and three to other centres. AEA claimed that they endeavour to provide reasonable distribution while considering the feasibility in attendance at exhibitions. It also arranges with airlines and regional bus operators to make access easier to people in regional areas.<sup>3</sup>
- 3.5 Melbourne and Sydney have been the NGA's two major partners. However, the NGA also takes exhibitions to South Australia and Western Australia, such as with the recent *Monet in Japan* exhibition.
- 3.6 Other Commonwealth programs also assist in taking exhibitions to States and regions of Australia. DCITA indicated that the AIA is part of a broader Commonwealth strategy to provide a range of programs to support the States in developing and providing arts and culture. In particular, the Commonwealth's Visions of Australia program funds exhibitions that tour outside the State of origin and to the regional areas of Australia. Since 1993, the Commonwealth has spent \$12.8 million on 381 projects under the Visions of Australia program.<sup>4</sup>
- 3.7 Also, the NGA has a travelling exhibition program which is directed at satisfying its obligations to provide access to the national collection of works of art. The NGA visits every State and Territory every year and claimed to have a strong commitment to providing access to the nation's collection.<sup>5</sup>

## Is distribution equitable?

- 3.8 Some smaller States were concerned that they were disadvantaged as the majority of big AIA exhibitions were being confined to Melbourne, Sydney and Canberra.<sup>6</sup>

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3 Dr Edwards, AEA, *Transcript*, 25 July 2000, p. CTA 7; Ms Henry, AEA, *Transcript*, 20 June 2001, p. CTA 14.

4 DCITA, *Submission No. 1.05*, p. 2.

5 Mr Froud, NGA, *Transcript*, 20 July 2001, pp. CTA 9-10.

6 Mr Radford, AGSA, *Transcript*, 25 July 2000, p. CTA 31.



- 3.9 While acknowledging that the States with the biggest audiences deserve greater access, the Director of the Art Gallery of South Australia maintained that smaller audiences still require some access:
- If other States do not get access to this federal indemnity, if it is just three cities, then it is no longer a national scheme.<sup>7</sup>
- 3.10 Although we are sympathetic to this view, we are also aware that overseas lending institutions place short time restrictions on the release of their art works. Major overseas art institutions are often reluctant to have their works travel for a long period of time. The NGA claimed that typically the major overseas art institutions restrict the release of their works of art to a seven month period.<sup>8</sup> Therefore, touring AIA exhibitions are often constrained to two venues only. AEA and NGA explained that this is why exhibitions are received more often by the larger capital cities: to maximise the exposure within the limited time period.<sup>9</sup>
- 3.11 Another reason that AIA exhibitions have been largely confined to the larger States is that it is difficult to attract a sufficient number of patrons to exhibitions in the smaller States to cover the costs of an exhibition.<sup>10</sup> The NGA stated that due to the population concentration of the east coast, it remains necessary that the majority of opportunities will go to the east coast States.<sup>11</sup>
- 3.12 AEA is a self funded private organisation. Its motive is to survive and to continue to successfully manage AIA exhibitions. Therefore it must break even financially and take into consideration the viability of where exhibitions tour. The Director of the AGNSW expressed concern that the commercial viability of an exhibition project has come to overshadow the original responsibilities of the scheme to bring major art exhibitions to a wide Australian audience.<sup>12</sup>
- 3.13 However, the Deputy Chairman of AEA referred to its aim of developing programs of exhibitions which can be seen by as many Australians as possible:
- AEA differs from other exhibition organisations in that it seeks a break even financial result and is thus able to act as an “honest”

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7 Mr Radford, AGSA, *Transcript*, 25 July 2000, p. CTA 35.

8 Mr Frond, NGA, *Transcript*, 25 July 2000, p. CTA 49.

9 Mr Marsden, DCITA, *Transcript*, 25 July 2000, p. CTA 3.

10 Mr Dodge, AGWA, *Transcript*, 25 July 2000, p. CTA 26.

11 Mr Froud, NGA, *Transcript*, 20 June 2001, p. CTA 21.

12 AGNSW, *Exhibit No. 2*, p. 1.

broker aiming to maximise the number of venues for an exhibition. This has enabled exhibitions to tour to the smaller states.<sup>13</sup>

- 3.14 The Director of the Art Gallery of Western Australia agreed that AEA and the NGA have gone out of their way to risk taking exhibitions to Western Australia when they would be better off going to Sydney or Melbourne.<sup>14</sup> He maintained that although the AIA scheme should be managed at the national level, it is still important that the smaller States and Territories receive major AIA exhibitions:

The fact that it should be shared to areas that do not have that critical mass, and that is difficult, needs to be taken into consideration. The indemnity scheme has to be kept and the higher the better ... Territory and state galleries that are smaller really need to be brought in to that scheme. It still needs to be managed nationally<sup>15</sup>

### Working on equitable distribution

- 3.15 Despite the factors limiting distribution, DCITA was conscious of the need to achieve greater geographical equity and acknowledged that there are some genuine concerns by some States about the level of access they were receiving. DCITA claimed that it is working with the MOs to address the issue.<sup>16</sup>
- 3.16 We were advised also that the State and Commonwealth cultural ministers have considered this matter, initiating an inquiry into ways of ensuring broader access to AIA exhibitions for non-Eastern states and Tasmania and the Northern Territory.<sup>17</sup> We endorse this action.

### Conclusions

- 3.17 It is clear that the majority of AIA exhibitions go to the major centres on the eastern seaboard of Australia. We believe that on a per capita basis the statistics on distribution seem reasonable.

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13 Mr McKay, AEA, *Submission No. 2*, p.2.

14 Mr Dodge, AGWA, *Transcript*, 25 July 2000, p. CTA47.

15 Mr Dodge, AGWA, *Transcript*, 25 July 2000, p. CTA26.

16 DCITA, *Submission No. 1.01*, p. 1.

17 DCITA, *Submission No. 1.02*, p. 2.

- 3.18 However, it is essential that AIA exhibitions are also taken to the smaller State capitals. This is one of the major purposes of the AIA scheme - to provide wide access by Australians to the most significant international and Australian cultural treasures.
- 3.19 AEA and the NGA must ensure that it maintains its presence in the smaller States and Territories and regional Australia, not just States with the largest populations.

#### **Recommendation 4**

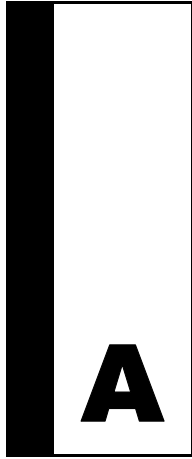
- 3.20 **In considering the five-year exhibition schedules proposed by the two managing organisations, the Minister for the Arts should pay particular attention to ensuring an equitable geographic distribution of Art Indemnity Australia indemnified exhibitions.**

#### **Recommendation 5**

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

Paul Neville MP  
Committee Chairman

22 August 2001



## **Appendix A - Inquiry process & lists of submissions, exhibits and witnesses**

### **Inquiry process**

On 25 July 2000 the Committee resolved to inquire into the Art Indemnity Australia Program. The Committee has the power to examine the Annual Report of the Department of Communications, Information and Technology in accordance with Standing Order 324.

The Committee undertook this inquiry to assess whether Art Indemnity Australia maximises the opportunities for all Australians, particularly those living in regional Australia, to experience the best of the world's cultural treasures.

The Committee had heard from some state galleries that they were unable to obtain indemnity coverage for international exhibitions, thereby limiting their capacity to serve their communities. This was because indemnities under the Art Indemnity Australia scheme are only ever issued to one of two managing organisations: the National Gallery of Australia and Art Exhibitions Australia.

During the inquiry, evidence was received from the Department of Communications, Information Technology and the Arts, the National Gallery of Australia, Arts Exhibitions Australia, State galleries and Comcover. Copies of the submissions and hansard transcripts are available from the Committee Secretariat. Lists of submissions, exhibits and witnesses who gave evidence at hearings are below.

## List of submissions

Submission No.	Organisation
1, 1.01, 1.02, 1.03, 1.04, 1.05	Department of Communications, Information Technology and the Arts
2	Art Exhibitions Australia

## List of exhibits

Exhibit No.	From	Description
1	Mr Robert McKay, Deputy Chairman, Art Exhibitions Australia	Confidential
2	Mr Edmund Capon, Director, Art Gallery of NSW	Paper prepared for Council of Australian Art Museum Directors, 11 September 2000

## List of witnesses at public hearings

### Tuesday, 25 July 2000 - Melbourne

#### **Art Exhibitions Australia**

Dr Robert Edwards, Chief Executive

#### **Art Gallery of New South Wales**

Ms Anne Flanagan, General Manager of Exhibitions, Building and Security

#### **Art Gallery of South Australia**

Mr Ron Radford, Director

#### **Art Gallery of Western Australia**

Mr Alan Dodge, Director

#### **Department of Communications, Information Technology and the Arts**

Mr Lennard Marsden, General Manager, Cultural Development Branch

Mr Kevin Wohlers, Manager, Cultural Property & Institutions

**National Gallery of Australia**

Mr Alan Froud, Deputy Director

**National Gallery of Victoria**

Dr Gerard Vaughan, Director

**Queensland Art Gallery**

Mr Alan Wilson, Assistant Director, Management and Operations

**Tasmanian Museum and Art Gallery**

Mrs Patricia Sabine, Director

**Wednesday, 20 June 2001 - Canberra****Art Exhibitions Australia Ltd**

Dr Robert Edwards, Consultant

Ms Carol Henry, Deputy Chief Executive and Director

**Department of Communications, Information Technology and the Arts**

Ms Karen Gosling, General Manager, Cultural Development

Ms Laura Dawes, Indemnity Officer

**National Gallery of Australia**

Mr Alan Froud, Deputy Director

Ms Erica Persak, Head of Collection Services

**Wednesday, 8 August 2001 - Canberra****Art Exhibitions Australia**

Mr Robert McKay, Deputy Chairman and Non-Executive Director

**Comcover**

Mr Robert Knapp, National Manager

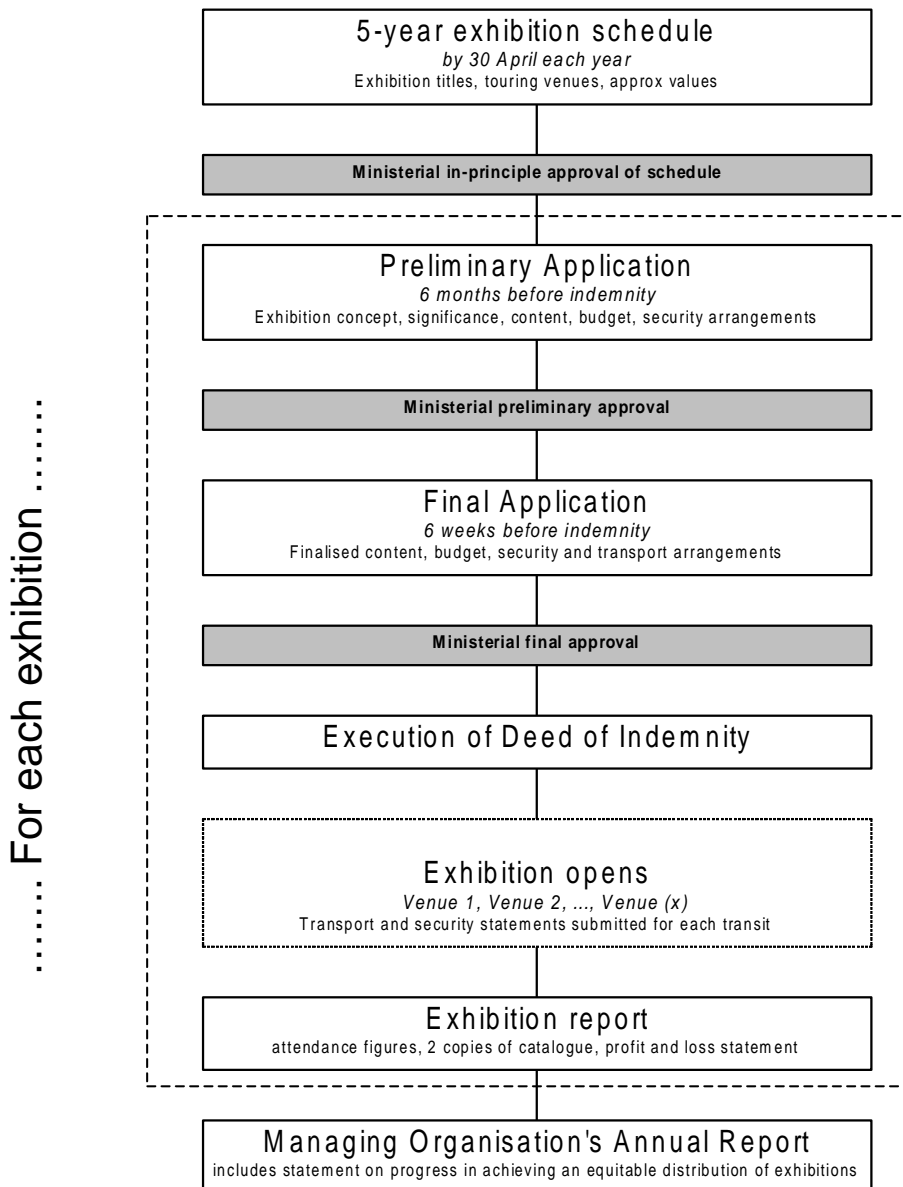
Mr Colin Shepherd, Insurance Manager

**Department of Communications, Information Technology and the Arts**

Ms Karen Gosling, General Manager, Cultural Development

# B

## Appendix B - Applications to AIA





## Appendix C - Summary of State and Territory Indemnity Schemes

State	Description	Coverage limits	Premiums	Deductible/ Excess	Exemptions/ Restrictions
NSW	<b>Treasury Managed Fund</b> - Extension of institutions' regular NSW government insurance policy. All NSW Budget agencies may become members.	None	Membership fees (calculated annually on level of coverage required)	None	Illegal operations, wear and tear, pollution, death/personal injury/workers comp (only excluded from liability cover). Otherwise unlimited cover.  No touring restrictions - TMF may cover interstate or worldwide depending on arrangements made by agencies.
QLD	<b>Queensland Government Exhibition Indemnification Scheme</b> - Indemnity scheme. All galleries and museums that comply with Art Indemnity Australia guidelines and meet APS standards are eligible.	Cultural statutory authorities - No limit  Other cultural organisations - \$10 m	None	None for statutory bodies.  Up to 0.15% of indemnity value for non-statutory bodies (dependent on claim history etc).	Standard exclusions.  Only intra-state touring is covered.
VIC	<b>Cultural Exhibitions and Fine Arts Indemnification Scheme</b> - Indemnity scheme backed by reinsurance. All Victorian cultural institutions eligible.	\$55m (Committee may consider higher values as a special case.)	None charged to institutions. (VIC government pays reinsurance premiums)	Depends on site accreditation rating (ranges from \$250 to \$5,000)	Standard exclusions, normal wear and tear, radioactive contamination.  Only intra-state touring is covered.
WA	Special indemnity arrangement with WA Treasury. Beyond \$20 m Treasury reinsures commercially.	\$100 m	None	\$20,000 (met by AGWA)	Only intra-state touring is covered.



State	Description	Coverage limits	Premiums	Deductible/ Excess	Exemptions/ Restrictions
SA	<b>Exhibitions Insurance Fund</b> - set up in 2000/01 with annual contributions of \$50,000 by state government, matched by AGSA. Fund to be used to offset commercial insurance for major exhibitions touring to or within SA.	Limited by size of fund accumulated.	Dependent on value of exhibition, display period and transit schedule.	At the discretion of the AGSA Board.	Standard fine art insurance exclusions. Only for exhibitions touring to SA, displayed at AGSA, or for AGSA developed exhibitions touring intra-state.
ACT	All ACT government agencies may take out commercial insurance negotiated through an insurance broker.	\$15 m at any one location, any one time. items in excess of \$1 must be declared separately. Limit of \$100,000 on privately transported consignments.	Dependent on level of cover required. Covered by agencies' operating budget.	None.	Standard fine arts insurance. Touring restrictions at discretion of agency.
NT	No scheme - Any NT agency may approach Government for indemnity on ad hoc basis. Government would self-insure.	Assessed on an ad hoc basis.	None.	No info provided.	Assessed on ad hoc basis.
TAS	No scheme. Tasmania relies on commercial insurance of travelling artworks.	No info provided.	No info provided.	No info provided.	No info provided.