

COVERING YOUR ARTS: ART INDEMNITY IN AUSTRALIA
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CHAIRMAN, HOUSE COMMUNICATIONS AND ARTS COMMITTEE

Mr Speaker, the report I have just tabled, entitled *Covering Your Arts*, is the result of an inquiry by the House Committee on Communication, Transport and the Arts into the Commonwealth's scheme to indemnify major works of art against loss or damage when touring in Australia.

The scheme, known as Art Indemnity Australia, was established in 1979 and has allowed Australians to see first hand the priceless works of art that have toured our galleries under its auspices. Exhibitions such as the *Gold of the Pharaohs*, *Monet in Japan*, *The Book of Kells* and *Rembrandt* would not have been possible without the indemnity provided by the scheme.

In essence, Art Indemnity Australia removes the burden from art galleries of having to seek commercial insurance to cover the risk of loss or damage – the premiums for which would be exorbitant.

The success of Art Indemnity Australia is due in no small measure to the professional expertise of the two organisations which manage exhibitions under the scheme: the National Gallery of Australia and Art Exhibitions Australia.

The Department of Communications and the Arts, and the two managing organisations, have developed strict guidelines for the transport, security and safe handling of works of art. These procedures, and the manner in which they have been implemented, represent world's best practice in exhibition logistics. In more than twenty years of managing major exhibitions of international art there have been only two relatively minor instances of damage to art works, resulting in claims to the value of just \$380 000.

Three main issues arose in our review:

- access by State galleries to the indemnity scheme;
- the geographic distribution of exhibitions covered by the indemnity; and
- the Government's recent move to seek commercial reinsurance for Art Indemnity Australia.

On the first issue, we are of the view that it is appropriate for the Commonwealth to manage its exposure under the scheme extremely carefully and to limit access to the indemnity to the two current managing organisations.

If the State galleries wish to further develop their international ambitions, they can do so either:

- by continuing to enter into partnerships with either of the managing organisations; or
- by continuing to rely on the various State government backed indemnity arrangements, which have supported a number of excellent exhibitions, such as the recent Art Gallery of NSW exhibition *Cezanne*.

We do, however, agree with those who submit that more should be done to tour Commonwealth indemnified exhibitions beyond the eastern seaboard to venues in the smaller States. This is a matter that is being considered by the Cultural Ministers Council and we recommend that, within the constraints of venue capacity and security, and having regard to the availability of borrowed works, the Minister for the Arts should ensure an equitable distribution of exhibitions.

We recognise also that there is demand for an increase in the number of one-venue exhibitions to celebrate special events of State significance and perhaps involving Australian cultural treasures.

The third and perhaps most significant issue we canvassed was the appropriateness of the new reinsurance arrangements for Art Indemnity Australia.

Since 1979, the Commonwealth self-insured against the risk of loss or damage to indemnified works of art. As of July this year, and consistent with a general policy position of the Government, commercial insurance has been purchased to cover the risk.

The move to purchase insurance means that the Commonwealth will now be paying premiums estimated to be \$1.5 million per annum to achieve what it has achieved at no direct cost (other than the cost of prudent management) over the last 20 years. Looking at it another way, the \$380 000 in claims against the scheme, when amortised over the life of the scheme, amounts to only \$17 300 per year.

In our view, it is very difficult to assert confidently that the new purchased insurance arrangement represents good value for money for the Commonwealth.

Moreover, we are gravely concerned that, in future years, an overly zealous application of the user pays principle, through the annual budget process, will result in:

- (a) the abolition of the current budget supplementation provided to the Department of Communications and the Arts to cover the cost of the premium; and
- (b) pressure to pass on to the managing organisations the cost of premiums.

This 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 scheme (which was to ensure that Australians have access to exhibitions that would otherwise be too expensive to bring to Australia).

Accordingly, we strongly recommend that the former self-insurance arrangements be restored and call on 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.

I commend this report to the House.

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