

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE No. 1

INQUIRY INTO OLYMPIC TICKETING

At Sydney on Tuesday, 23 November 1999

The Committee met at 5.30 p.m.

PRESENT

Reverend The Hon F. J. Nile (Chair)

The Hon. Jan Burnswoods
The Hon. Patricia Forsythe
The Hon. J. R. Johnson
The Hon. C. J. S. Lynn
The Hon. P. T. Primrose
The Hon. Dr P. Wong

JOHN MARTIN SHIRBIN, Solicitor, 35 Dettmann Avenue, Longueville, and

RORY O'CONNOR, Chartered Accountant, 24 Ferndale Street, Chatswood, on former oath:

CHAIR: Thank you for agreeing to appear again. We appreciate your co-operation. I welcome the media and members of the public to this hearing of the inquiry by General Purpose Standing Committee No. 1 into Olympic ticketing. I advise that under Legislative Council Standing Order No 252 evidence given before the Committee and any documents presented to the Committee that have not yet been tabled in Parliament may not, except with the permission of the Committee, be disclosed or published by any member of such Committee or other person. Copies of the guidelines governing broadcastings of proceedings are available from the committee table at the rear of the room. I remind press photographers that they can photograph only the participants in the hearing. They are not to photograph anyone waiting in the public area at the rear of the hearing. Do you wish to make any comments before we start with questions?

Mr O'CONNOR: No.

Mr SHIRBIN: No.

The Hon. PATRICIA FORSYTHE: If I could turn to pages 46 and 47 of your report in relation to the premium packages, on those pages you give us some information that suggests that the packages were, in relation to price, determined by Paul Reading and, in the absence of definitive policy, Selina Herlihy also apparently had a role to achieve various mark-ups, and she did so based on such things as the type of combination of tickets, the number of tickets, the willingness to purchase tickets and the market demand for tickets. Having had a look at the various premium packages that were then put together, are you satisfied that all of the packages reflect the criteria that was apparently developed by either Mr Reading or Ms Herlihy?

Mr O'CONNOR: The short answer would be yes, based on the work we have done. And the work we have done has been based on a test basis.

The Hon. PATRICIA FORSYTHE: Even though you say on the next page that the "package files were not adequately maintained". Can you elaborate on what that means? I guess what I am interested in knowing is whether you have a clear indication of the value of every part of a package that was put together.

Mr O'CONNOR: From the files that we saw, the issue that we had was one of timing, and the timing was to where that sale or negotiation process was at a point in time. The invoicing for those sales would be performed by the ticket operations, whereas the sale process was performed by ticket marketing, and that is the reference to the issue on the files. However, the files that we sighted, as best I recall, did have details of the individual events that were being bought or being negotiated on.

The Hon. PATRICIA FORSYTHE: When you say "timing", does that mean the tickets that might have been purchased at an earlier time in the process, before demand was clearly established for some of the tickets, may have ultimately been offered at a lower mark-up than, say, tickets later on when demand was starting to be established for various premium events in

particular?

Mr O'CONNOR: No.

The Hon. C. J. S. LYNN: I refer to page 16 of your report. In 1993 the gross revenue for ticketing was \$247 million, which represented 14 per cent of the total income of the Games budget of \$1,993 million. In 1999 the ticketing revenue had risen to \$607.9 million and this now represented 25 per cent of the revenue or the Games budget. On page 18 you advise that the ticketing subcommittee did not meet on a regular basis and was described by you as more of an ad hoc committee. Do you think that this committee, given that it had responsibility for such a large percentage of the Games budget, should have been established as a disciplined standing committee of the board?

Mr O'CONNOR: We would draw your attention to the observation we made on page 38:

The Ticking Sub-Committee of the Board did not meet regularly. It was not a standing committee of the Board; it was an ad hoc committee without a clearly defined role. It did not have sufficient rigour in its processes to compensate for the lack of checks and balances in the Ticketing management structure.

We then draw your attention back to the recommendations we made, one of the five recommendations we made, which are on page 3:

That the Board review the existing Ticketing management structure . . .

and that the board ensure that the model—this is moving into recommendation No. 1—that the model is appropriate to ensure that a framework and checks and balances operate. So I think we have addressed that point in our recommendations.

The Hon. JAN BURNSWOODS: I have a two-part question. If I could ask the first part because, depending on what you say, then the second part flows. Was the board aware of the terms of reference given to the internal auditors, which included the necessity to come back to the board for sign-off on the final ticket numbers prior to the public ballot?

Mr O'CONNOR: The role of the internal audit, we have addressed that in section 6.9 of our report. We said:

Arthur Andersen was appointed as SOCOG's internal auditors in 1994. Each fiscal year they submit an internal audit plan for the ensuing year to the Audit Committee for their approval.

The audit committee is an audit committee of the board. We then said:

The "Internal Audit Review Protocol" which is attached to the Internal Audit Committee Charter says:

Prior to the commencement of each internal audit review, the scope of the review will be discussed with the relevant program management before agreeing the detail and getting sign off from the appropriate General Manager. The scope document will then form part of the final report.

In July 1998, John Bosiljevac wrote to SOCOG's Risk Management Manager, setting out an overview of the tasks that SOCOG were seeking from Arthur Andersen and saying that Paul Reading had requested them to complete an audit of the SOCOG's Ticket System Software.

Over the period July 1998 to July 1999, correspondence and meetings with Arthur Andersen occurred which clarified the scope of the work they were to perform. This dialogue was principally between Arthur Andersen and Paul Reading or John Bosiljevac, although letters were frequently addressed or copied to Sandy Hollway.

By the way, each of these individuals, their titles are reflected in the report. We said:

Also during this period, the minutes of the Audit Committee and the Board papers reflect that they were being kept informed about discussions being held with Arthur Andersen to determine the scope of audit work in relation to the ticketing program.

A draft of Arthur Andersen's job engagement letter dated 5 February 1999 was included in the papers for the Board meeting held on 22 April 1999. The minutes of the Audit Committee meeting held on 7 April 1999 and also enclosed with the 22 April 1999 Board papers include a statement by the Chairman, Nick Greiner, that the Board "were urged to acquaint themselves with this [the job engagement letter] as the integrity of the ticket allocation process would be of vital importance to SOCOG's public image".

The Review was informed that, following discussions with John Bosiljevac and Paul Reading, the job engagement letter was amended and an agreed program dated 22 July 1999 was prepared. The Minutes of the Audit Committee meeting held on 19 August 1999 state that the ticketing assurance work had been absorbed into the Internal Audit Plan and this plan was adopted by the Committee.

The first formal acceptance of the revised Ticketing Assurance Program, as set out in Arthur Andersen's job engagement letter of 22 July 1999, was on 6 September 1999 when Paul Reading accepted the terms and conditions of the letter on behalf of SOCOG.

The work to be undertaken by Arthur Andersen covers 9 phases. Phase 6 concerns the domestic allocation phase. The letter sets out the scope of the review of this process in the following terms:

Our review will be limited to providing an opinion . . . on the operating effectiveness of the following procedures:

The original quota of tickets allocated to the general public ("the Quota") is signed off by the Board of Directors.

Arthur Andersen did not obtain the board sign off in relation to the quota of tickets. According to an Arthur Andersen e-mail dated 30 August 1999, the sign-off was expected that evening. When a sign-off was not obtained, but after the ballot was run, Arthur Andersen sought a meeting with Paul Reading. That meeting took place on 6 September 1999. At that meeting, Arthur Andersen sought the sign-off to support the file containing the allocations provided to them immediately prior to the running of the ballot.

According to an Arthur Andersen agenda prepared for the purpose of that meeting, their concerns were that no sign off had been given and that the total quota for the public was less than the figure quoted in the brochure of 5 million.

The Review as told by Arthur Andersen that at the meeting on 6 September 1999, Paul Reading informed them that no approval would be obtained from the Board, as the Board was not aware of the ticketing allocations and was not going to be made aware. Arthur Andersen said that the reason given to them by Paul Reading was that the Board "leaked like a sieve" and that the information was too commercially sensitive for them to be trusted with it.

The minutes that Arthur Andersen prepared of the 6 September 1999 meeting state that it was concluded that the reference to the total number of tickets in the quota and a statement that the Board did not sign off on the quota would be included in Arthur Andersen's letter to SOCOG. These statements appear in Arthur Andersen's report of 1 October 1999 addressed to Sandy Hollway.

Arthur Andersen told the Review that the explanation given by Paul Reading and John Bosiljevac at the 6 September 1999 meeting for the discrepancy between the figure in the ballot . . . and the figure in the Ticket Book . . . was that the figure of 5 million tickets was the figure ultimately to be available to the public and was never intended to be the number of tickets available in the ballot.

We go on in our findings to refer to the role of Arthur Andersen. Those findings are contained at the end of section 6. It is a long answer but it was a detailed process.

The Hon. JAN BURNSWOODS: You have confirmed what you said in the report about the terms of reference and what the internal auditors did. So surely the board undertook its responsibilities to put in place a mechanism to "properly supervise the staff". It was not the board that failed in this regard; it was the internal auditors, who knew, as you have just explained, that this part of their terms of reference was not fulfilled. Notwithstanding that, they failed to do anything at the time about that.

Mr O'CONNOR: I would draw your attention to the last finding on page 38. It states:

The internal auditors did not obtain the Board sign-off on the public quota in the ballot as required by their terms of engagement. In the Review's opinion, the internal auditors should have obtained such a sign off prior to the running of the ballot or, failing that, immediately thereafter. On finding no such sign off was forthcoming, they adopted the alternative procedure of including reference to the number of the tickets in the ballot in their report to the Board dated 1 October 1999. After the sign off was refused to them at the meeting with Paul Reading on 6 September 1999, had the internal auditors immediately reported this to the Audit Committee and Sandy Hollway, this would have put the Committee and Sandy Hollway on notice of the lower public ballot quota. The internal auditors were not responsible for ensuring that any particular number or mix of tickets were included in the public ballot. That was the responsibility of Ticketing senior management and the Board.

The Hon. JAN BURNSWOODS: I note what you have said but my question related to the question of the board's responsibility and the internal auditor's responsibility. I think you have answered that clearly, thank you.

The Hon. J. R. JOHNSON: Why did the auditors sign off on the process when they knew that the board had not been informed of the number of tickets in the ballot and they also knew that the number of tickets in the ballot was less than the published 3.5 million?

Mr O'CONNOR: I would refer you to the section which deals with internal audit at page 34. It states:

The Review was told by Arthur Andersen that at the meeting on 6 September 1999, Paul Reading informed them that no approval would be obtained from the Board, as the Board was not aware of the ticketing allocations and was not going to be made aware. Arthur Andersen said that the reason given to them by Paul Reeding was that the Board "leaked like a sieve" and that the information was too commercially sensitive for them to be trusted with it.

The Hon. JAN BURNSWOODS: But you have not really answered the question, have you? The question was, when they had those responsibilities, which my question established, why then did they sign off?

Mr O'CONNOR: That is why we made the finding, which is three lines into the last paragraph on page 38:

In the Review's opinion, the internal auditors should have obtained such a sign off prior to the running of the ballot or, failing that, immediately thereafter.

CHAIR: As you know, members of the Committee have access to the documents that you have been working through with your review. When I was looking at some of what is called the premium package list I noticed that the total number of individuals was 658. The official lists show only revenue. There is no ticketing quantity or mark-up. Does that not seem to be a pretty fruitless kind of a list of premium packages?

Mr O'CONNOR: We are endeavouring to complement the list that has been made available. The vast majority of the people on that list are premium package sales made to stadium and package holders. Those sales occurred and I can refer you to the relevant section of the document on premium package sales, which is page 46 of our report.

CHAIR: So they have all been amalgamated into the one list?

Mr O'CONNOR: That is right. On 29 April 1999 SOCOG sent letters to all State and Australian members and stadium package holders offering a set of packages containing tickets to high-demand, non-stadium events. The office closed on 14 May 1999. A total of 18,534 tickets was sold. That equated to approximately 640, which are those individuals who are listed. In terms of the multiples achieved on that, it is approximately 2.4 times.

CHAIR: So you do have a mark-up?

Mr O'CONNOR: Yes, because we do have the information on the individual packages that were offered. It was a defined product, with a defined price.

Mr SHIRBIN: Originally when we prepared that list we were focusing on the tailored package holders, the short list. Only recently we added to it the list of the 640 people who received the standard package—the offer of eight standard packages—and we have yet to break out into that list the mark-up. But, as Rory O'Connor says, the mark-up was about 2.4 times.

CHAIR: It probably would help the Committee if that list were to be split into two?

Mr SHIRBIN: I think that is appropriate, yes. They are quite different. One received standard offers, and the other did not.

CHAIR: Is it still possible for you to do that? I suppose you have officially finished?

Mr O'CONNOR: We have officially finished, but I believe it would be possible to do that.

CHAIR: The individuals list clearly shows company names. Is there a reason for that? You have categories of clubs, companies, individuals, and so on. But it is clear that company names appear on the individuals list. It may simply be an editorial mistake.

Mr O'CONNOR: It may be just an editorial. We would need to revisit that list.

CHAIR: Do you still have the ability to update the list, to assist the Committee?

Mr O'CONNOR: We can. We will do that, yes.

The Hon. Dr P. WONG: Following my earlier questions, relating to individual tailored packages, I am still concerned that the premium tickets range from zero to three. How can you be so sure that there was no favouritism if a person paid a premium of zero?

Mr O'CONNOR: I would draw your attention to page 46, section 7.16, where we talk about the tailored premium package deals, the tickets that were sold at face value. In the last paragraph

of that section we state:

In two of these deals, SOCOG was contractually obliged to provide the tickets to the purchaser pursuant to a separate contract under which the purchaser provided services to SOCOG. The third purchaser of a tailored Premium Package at face value is Invest2000.

My understanding is that Invest2000 has already been dealt with in the Committee by other people who have spoken here.

The Hon. PATRICIA FORSYTHE: I wonder whether in your experience you have noted an apparent breakdown between the board and staff of a company at the level that seems to have occurred on this occasion, whether you have previously experienced a lack of policy direction, and whether you could compare this to any of your past audit experience?

Mr O'CONNOR: We are bound, in terms of confidentiality, to the work that we have done previously, and our scope of review on this particular engagement is clearly set out in the terms of reference.

The Hon. PATRICIA FORSYTHE: In your opinion, is there any suggestion that SOCOG may have breached the Corporations Law, the Trade Practices Act, or indeed the Fair Trading Act?

Mr SHIRBIN: It is beyond the scope of our review to make an assessment of that. We were aware that Professor Fels has alleged that SOCOG breached sections 52, 56 and 58 of the Trade Practices Act, and we took the view that that was dealt with by Professor Fels in the ACCC. In any case, we took the view that, because we were unable to take evidence under oath, we worked quickly, we were unable to cross-examine under oath, it was not possible to determine whether people were in breach of the law, their fiduciary duties or their employment contract. So it was a limitation on the capacity of our review.

The Hon. C. J. S. LYNN: In your opinion, would the ticketing subcommittee have been established as an ad hoc committee, rather than a discipline committee, to avoid accountability? If not, why, in your opinion, would such a loose management arrangement be tolerated, given that it was responsible for raising 25 per cent of the Games budget?

Mr SHIRBIN: Originally when the ticketing subcommittee was set up, it was to be a vetting agent for the board in respect of the pricing and social equity issues that were coming before the board in May 1998. I believe that it was not envisaged to be a permanent standing committee; its purpose was primarily to be a sounding board for management at that time, prior to that big package being presented in May 1998. There were then additional ad hoc issues that appeared. For example, the ticket book had some issues arising out of it, and the ticketing subcommittee did look at some of those. But, for some reason or other, it remained that type of committee. I think all the budgeting was done by the finance committee, which was a standing committee.

The Hon. C. J. S. LYNN: Was there a stage at which it should have become a standing committee?

Mr SHIRBIN: I will deal with that when we return.

[*The hearing was suspended to allow members to attend a division in the Legislative Council.*]

CHAIR: I made a note about a sentence that I had to check regarding the premium list. It was worded along these lines, "This list excludes those purchasers terminated during the time the premium list was being prepared." That implies some negotiation, or almost finalisation, and then, maybe because of an inquiry, that the sales were terminated. Is that how you understand it?

Mr O'CONNOR: We could not definitively conclude on that. I guess it is fair to say that our understanding, from the inquiries that we have made, was that the negotiation process is by definition a negotiation process. For example, we understand that there were a number of inquiries that did not proceed down the path to concluding on ticket sales under the tailored premium packages. So that could be possible, but we could not conclude on that. We understand, too, that some concern was raised with us by staff in that area that should those names be disclosed in the public arena, some people may conclude negotiations very quickly; that is, not proceed with negotiations. But, again, we cannot conclude definitively on that.

CHAIR: Those names are not on the list of matters that you are talking about now, where there were negotiations?

Mr O'CONNOR: Our understanding, from information obtained from the files, is that the names on the list, as best we can see, are names where negotiations are currently in play.

CHAIR: And finalised?

Mr O'CONNOR: Currently in play. We have identified, on the list that we have provided, that not all of those negotiations have been concluded, and the legend that we have used on the list indicates which ones are currently under negotiation.

CHAIR: There is no possibility that, because of your audit inquiry and our Committee inquiry, some of those purchasers withdrew themselves if they were controversial?

Mr O'CONNOR: We would not be aware of that directly, but we have been informed by the staff that that may be a concern. But we cannot conclude on that definitively.

The Hon. Dr P. WONG: I read from the executive summary at page 2 of your report. There you have virtually indicated that senior management failed in its supervision, failed in its responsibility, had an inadequate level of knowledge, was careless, contributed to a lack of transparency, and had no policy on the sale of tickets. In view of those very damning allegations and conclusions, and as the present management is almost unchanged, do you think the management has the management skills, the accountancy skills, the financial control skills and in fact the right mind-set for the job?

Mr O'CONNOR: That is a good question, but unfortunately our terms of reference did not cover that particular issue. Our terms of reference were reflected in our recommendation, contained at page 3. That is:

That the Board review the existing Ticketing management structure and make whatever changes are necessary to ensure that appropriate levels of accountability and reporting, both to the Board and to the CEO, are put in place.

We went on to say:

Unless this is done, the Review is concerned that significant issues will arise in the future.

But, in terms of the terms of reference and our scope, it was not for us to comment on that.

The Hon. Dr P. WONG: In view of the information you present at page 3, are you proposing an external auditor?

Mr O'CONNOR: We are saying that an independent auditor of the ticketing inventory—this is the last finding:

Senior management responsible for Ticketing should undertake a comprehensive and independent audit of the ticket inventory.

By definition, we say "independent." The finding continues:

The Review wishes to stress that it has no reason to believe that the inventory has been compromised in any way.

We go on to say:

However, the almost complete lack of controls means that the usual safeguards are not in place and the ticketing system is vulnerable.

Given the almost complete lack of controls, we have made those recommendations in terms of the improvements required to the inventory system. That is why we have also made the comment on the independent audit of the ticketing inventory.

The Hon. J. R. JOHNSON: Is there any indication that the auditor, after being refused by Paul Reading, went to anybody else? For example, did the auditor attempt to go to Sandy Hollway, the ticketing committee, the audit committee or the board?

Mr O'CONNOR: We talk about the role of the internal auditor on page 33, at section 6.9. We also talk about the internal auditor in our findings on page 38. At section 6.9 I think we identified what that reporting process was. But I would draw your attention to the last paragraph of section 6.9, which is the explanation given to Arthur Andersen by Paul Reading and John Bosiljevac at the 6 September 1999 meeting for the discrepancy. We go on to say:

Arthur Andersen have indicated that this reconciliation satisfied them and consequently, despite also not having received Board sign off on the public quota, they did not report the discrepancy to either the Audit Committee or Sandy Hollway until it was included in their report of 1 October 1999.

The Hon P. T. PRIMROSE: I do not ask this question of Mr O'Connor because I do not want to compromise him by asking for his comment on another audit company's performance. Mr Shirbin, what do you think of the practices of the auditors in this process? Do they fulfil what was required of them? Importantly, did they meet industry standards?

Mr SHIRBIN: Our commentary on that is in the findings at page 38. The auditors were bound by their letter of engagement to obtain board sign-off. They did not. That is self-explanatory. I am not an expert in accounting standards, but I understand that it is an acceptable

alternative for an audit to be qualified. They adopted that approach, and that is what their letter of 1 October was. The remark we make, however, is that the board and the CEO would have been on notice and would have been able to do something about the problem if they had contacted the audit committee or the CEO when the sign-off was not forthcoming.

CHAIR: To clarify another part of your findings, at page 37, the second last point, you talk about the large number of management and staff, et cetera. Towards the bottom of the paragraph you say:

Good corporate governance, in the Review's opinion, would have meant treating the Ticket Book like a prospectus.

Obviously, treating the ticket book like a prospectus would have prevented a lot of problems. Why do you think no-one made the decision to ensure that the ticket book was of the same quality as a prospectus with facts and figures? Where was the breakdown for that not occurring?

Mr SHIRBIN: It is speculation on my part. I believe some parts of SOCOG thought of it as an order form book as opposed to an offer to the public with significant import. That is a little simplistic, because SOCOG did put in place a verification process. It was quite an extensive verification process, requiring sign-off by a large number of people. The point we make is that one of the rigours of verifying information in a prospectus is that you segregate the roles of the preparer of the prospectus and the person eyeballing people and getting the sign-offs on the accuracy of statements.

The proposal by Paul Brown, legal counsel, originally did involve the legal division doing the sign-off process and separating it from ticket marketing, who were producing the ticket book. That, we believe, would have been the appropriate way to proceed. As it was, ticket marketing was preparing the book and ticket marketing was doing the sign-off. It is an example of a check and balance missing.

CHAIR: Why was the legal division not allowed to do that? Who made that decision?

Mr O'CONNOR: I am happy to take that question. On page 29 of our report we go into quite a bit of detail about the verification process. Then on the following pages we talk about the "Availability of Tickets—Understanding of the Board", "Availability of Tickets—Understanding of Ticket Marketing Division", and "Availability of Tickets—Understanding of Ticket Operations". I can read that page to you.

In broad terms, we talk about the fact that a draft of the ticket book was prepared on 16 February 1999. We go on to say that, after reviewing the draft, Paul Brown prepared a memo setting out a suggested due diligence verification process for the preparation of the ticket book, which would involve the legal division. We go on to talk about what happened with communication issues between the various divisions within SOCOG.

CHAIR: Do you say that the legal division assumed that the figure of 5 million tickets had been verified? In fact, the legal division should have verified that.

Mr SHIRBIN: Prior to that, there appears to have been a concurrence of views between legal, ticket marketing and Paul Reading that the original suggestion of legal did not need to be

implemented.

The Hon. PATRICIA FORSYTHE: On page 37, the last dot point, you state:

If reports had been required and the contents of such reports scrutinised, the accuracy of information given to the public could have been checked by Ticketing senior management and by the Board.

Whose responsibility should it have been to seek those reports?

Mr SHIRBIN: That was one of the primary findings that we made at paragraphs A and B on page 2 of the executive summary. That failure was primarily management's. It is management's duty to put in place all the appropriate reporting lines. In paragraph B we say:

Management has failed in its responsibility to put in place appropriate and adequate controls for the management of one of its primary asset, namely its ticket inventory.

Where the board fell down in its oversight role was to assess that it needed a certain type of report in order to properly monitor and guide management in the ticketing area.

The Hon. C. J. S. LYNN: I refer you to page 9, last paragraph, which advises that the terms of reference did not require a determination on a couple of points. Why did you include that particular paragraph in the report? In your opinion, are there any indications that any officers of SOCOG breached their fiduciary duties or terms of employment or that any conduct by SOCOG, or of any of its officers or employees, amounted to a criminal offence or was in breach of the law? In your opinion, should a review be conducted into these specific areas?

Mr SHIRBIN: The reason why we put it in was precisely because we knew people would ask that question. It is not possible for us in the short time frame, and given the constraints of our review, to assess criminal conduct or breach of fiduciary duties or terms of employment. At the top of page 10 we explain that information provided to us in interviews should not be taken to be evidence in the sense in which that term is used in legal proceedings or courts. It was not sworn testimony. The factual material contained in this report has not been tested to the same standards that would apply in legal proceedings, nor could its accuracy and correctness be evaluated in the manner which would occur in legal proceedings. Interviews were conducted in a standard fashion. But we were not obliged to require evidence on oath and we were not able to cross-examine people on oath.

CHAIR: If that were the case would you have to have a different type of inquiry?

Mr SHIRBIN: It would have to be a judicial inquiry.

The Hon. JAN BURNSWOODS: Would you explain the process used to date by SOCOG for the management of the ticketing inventory? How do you think it should change now?

Mr O'CONNOR: In our findings we describe the absence of various controls in terms of that ticketing process. In terms of our recommendation, I draw your attention to the second last recommendation on page 3 where we talk about the basic inappropriate controls that should be put in place over the ticketing inventory. We go on to say:

As a minimum the senior management responsible for Ticketing must ensure that:

- ⇒the ticketing processes are properly documented;
- ⇒a regime of reporting to senior management in a meaningful and timely fashion is implemented; and
- ⇒proper internal controls are put in place.

Then we go on to say about the independent audit of the ticketing inventory.

The Hon P. T. PRIMROSE: Are you satisfied that the new measures put in place by the SOCOG board meet the recommendations arising from your report? In your view will they address the criticisms you have made of SOCOG's administration?

Mr O'CONNOR: I do not think either of us to date has had a chance to study in detail the action taken by the SOCOG board. However, we would be reasonably confident, given our recommendations, that if those recommendations are acted on that should go to a large degree to ensuring that issues of this nature do not recur.

CHAIR: Have you been informed officially of what the board decided?

Mr O'CONNOR: We have sighted the press release but we have not today had a chance to study that in detail. We have been busy on other matters unfortunately.

The Hon. J. R. JOHNSON: Does the review team consider a premium program to be a legitimate, important and necessary way to raise funds?

Mr O'CONNOR: We do say in our findings on premium packages on page 49 on the second bullet point:

The Review does not consider that a premium ticket program is of itself inappropriate. Indeed, it is a legitimate way for SOCOG to maximise its revenue and reduce its exposure to a shortfall in the funding of the Games, which shortfall would ultimately be borne by the New South Wales public.

However, we also say:

Access to tailored Premium Packages was limited to organisations and individuals who became aware of the program through word of mouth. The tailored Premium Package program was not formulated or managed in a way which took proper account of the public interest in having access to tickets.

The Hon. J. R. JOHNSON: A bit like Franklins that do not advertise?

Mr O'CONNOR: I am not familiar with Franklins' advertising.

The Hon. C. J. S. LYNN: Did you find any pattern of influence in your examination of the premium ticket package which might indicate that any member of the SOCOG board might have had a conflict of interest in his or her access to information that was marketed on a word-of-mouth basis? Given the public interest in the issue, did you inquire into whether any such pattern of influence was apparent? If it was, what were your findings?

Mr O'CONNOR: I draw your attention to 7.15 on page 45 in relation to premium packages

referrals where we talk about the referral process. It states:

The Review understands that there were a number of sources of referrals of prospective purchasers of tailored Premium Packages, including from some Board members. Prospective purchasers were referred to Paul Reading who would instruct his staff to follow up on the referrals.

I would add to that in broad terms the referrals came from a number of sources—board members, staff of SOCOG, previous purchasers and people phoning in directly to SOCOG.

The Hon. PATRICIA FORSYTHE: I refer to pages 32 and 33. It seems to emerge that in April/May John O'Neill and then Paul Brown and Lisa Hickson, employees of SOCOG, became aware of the figure of five million being in the ticket book, and its whole issue. I have not been able to establish in my questions of anyone up until now how the marketing program in relation to what Mark Taylor said in the advertisements that went to the public later than this were allowed to go to air. Will you shed any light on why there was never any cross-over with this material from this group of people? Why did they know and other people seemed not to know?

Mr O'CONNOR: Again, I think in the first instance I would draw your attention to pages 30 and 31 about the availability of tickets and understanding of ticket operations. In summary, it would be fair to say that there seemed to be a communication issue of a large scale.

CHAIR: Did the advertising company that was working for SOCOG have the major role in putting that ticket book together—I think it was George Patterson? I had a feeling from one of those documents that the committee was allowed to inspect that there was information given to them about five million tickets and so on, and they may have just continued working on that basis because no-one told them that it was different?

Mr SHIRBIN: I think the primary responsibility was with ticket marketing. They were certainly the primary adviser. Ticket marketing drove the show.

CHAIR: Once they gave information to the advertising company, they would just go ahead and produce the printed material?

Mr SHIRBIN: Yes.

Mr O'CONNOR: That is right.

The Hon. JAN BURNSWOODS: Going back a step, who reviewed the ticketing booklet for the public ballot prior to its publication? What process was undertaken to verify the contents of the ticketing book? Who approved its release?

Mr O'CONNOR: I draw your attention to the verification process on page 29. That talks to the process and it talks to the time lines from that process. It commenced on 16 February 1999 when the first draft of the ticket book was prepared. It was provided to SOCOG's senior legal counsel who is Paul Brown. We talk about the first draft of the ticket book contained only one message or letter from Sandy Hollway. This message referred to five million tickets. Again, that was 16 February 1999. After reviewing the draft, Paul Brown prepared a memo setting out a suggested due diligence verification process, and that process is listed on points (1) to (4). We say:

Inquiry into Olympic Ticketing

The verification process suggested by the Legal Division was followed in part. However, it did not incorporate a separation of the sign off responsibility for preparing the Ticket Book. Ticket Marketing, not the Legal Division, coordinated the provision of drafts of the Ticket Book to the various areas of SOCOG . . .

We continue:

By about 1 March 1999, a decision had been made to include a message/letter from Mark Taylor as a well-known sporting personality in addition to the message from Sandy Hollway.

We go on to say that a draft of the ticket book was provided to Paul Reading and Sandy Hollway.
We go on to say:

Following further proofing [reading], and the making of some minor changes, the Ticket Book was sent to the printer on 15 March 1999.

We go on to say later on in terms of our findings about the book being generated, on page 37:

A large number of management and staff of SOCOG to whom the Ticket Book was circulated knew that there were not 5 million tickets in the public ballot, yet that figure remained in the Ticket Book, despite it being provided to them in draft for the review.

I guess in terms of our findings we are saying that it is difficult to understand how the incorrect figure of five million was not noticed by anybody, given the extensive checking process undertaken. It is likely that the error in the ticket book would have been picked up if the verification process proposed by the legal division had been properly followed.

Mr SHIRBIN: On the bottom of page 29 there is a list of the large number of divisions that did provide a final sign off. They included not only ticket operations but sport, ticket marketing, editorial, a staff member representing the Look of the Games area, the legal division, translations, football, the sponsor recognition area, production and design, a representative from Paralympics, a representative from the Olympic Arts Festival area and George Patterson.

CHAIR: Are you certain that the board itself did not look at the actual final layout? Do you think that the board should have seen the final layout, which was such a major item in its promotion of the Games and selling of tickets?

Mr O'CONNOR: We do say on page 30 as a separate heading titled "Availability of Tickets—Understanding of the Board":

Individual Board members interviewed by the Review, including members of the Ticketing Sub-Committee, recall seeing either the final version of the Ticket Book or drafts of parts or the whole of the book prior to 30 May 1999. They also understood that a verification process had been undertaken in relation to the Ticket Book although it is not clear whether they assumed that this was primarily the responsibility of Ticket Marketing or the Legal Division. They did not understand that the Board or the Ticketing Sub-Committee was asked to approve the Ticket Book at any time, although they provided their individual views or comments on the look of the Ticket Book. Donald McDonald, for example, informed the Review that he recalls being provided with a draft Ticket Book. His understanding was that Ticket Marketing had primary responsibility for preparing the Ticket Book, but that the Legal Division would have a role in ensuring that the information in the Book was checked. Both Donald McDonald and Graham Richardson expressed the view that the members of the Board were obviously not in a position to check the accuracy of the information in the Ticket Book. Nick Greiner also recalls seeing the Ticket Book at a Board meeting, but does not recall noticing the messages from Sandy Hollway and Mark Taylor. Michael Knight recalls seeing a late draft of the Ticket Book but did not notice the messages.

Mr SHIRBIN: In the fourth of our findings in the executive summary we say that the board's obligation in relation to the ticket book was that it should have asked for and obtained sufficient information to satisfy itself that an appropriate verification process had been managed and signed off.

The Hon. Dr P. WONG: I draw your attention to page 18, the "Ticketing Sub-Committee". Obviously there is quite some confusion there. You say there:

. . . the Sub-Committee split into two in order to deal with Graham Richardson's conflict of interest as a result of his employment. One, chaired by Donald McDonald, was to focus on the ticketing distribution process. The other, chaired by Graham Richardson, was to investigate pricing and equity issues. In practice, the conflict of interest was managed by Graham Richardson leaving meetings where appropriate.

Whilst other committees or commissions established by the Board (such as Audit and Finance) have been established in terms of a governing charter, no such document exists in regard to the Ticketing Sub-Committee.

That is very surprising, given the high calibre of those on the ticketing subcommittee, is it not? It is a very damning comment from you, judging from all these high-calibre people who are famous and ambitious, whether it is in the political world or business management. How did that happen?

Mr SHIRBIN: The board took a view to constitute the ticketing subcommittee in a different way from the other standing committees of the board like audit and finance. It took a view to establish more of an ad hoc committee that worked the way it did, looking at specific issues that were raised by management.

The Hon. Dr P. WONG: Surely the SOCOG board was aware that that was the issue a long time ago.

Mr SHIRBIN: I think the issue is that it is a board issue as a whole.

CHAIR: When you mentioned the messages earlier, would Mark Taylor have drafted that message? Quite often when you have a personality the marketing people draft a message, send it to him as a draft and he approves it or makes minor changes.

Mr O'CONNOR: Our understanding is that he did not draft that message.

CHAIR: So he took it on faith that it was correct and gave his approval to it.

Mr O'CONNOR: That is our understanding of it.

The Hon. PATRICIA FORSYTHE: Are you saying that the ticketing committee was set up in a different way to the other committees of the board?

Mr SHIRBIN: It was set up by a resolution of the board. It had a different character.

Mr O'CONNOR: It was a subcommittee.

Mr SHIRBIN: Yes. The standing committees of the board are very formal committees. They have a charter, and they are more formally constituted.

The Hon. PATRICIA FORSYTHE: Is there an explanation as to why the board chose to set up this committee in this way?

Mr SHIRBIN: No, except that if you look at the very early minutes of the board in early 1998 it appears that it was set up to look primarily at the pricing and social equity proposals that were being prepared to come before the 28 May board meeting.

The Hon. PATRICIA FORSYTHE: As part of that was there an obligation on that committee to report regularly to the board, as I presume there was on the standing committees?

Mr SHIRBIN: I believe there was only an obligation, after it met, to report to the following board meeting.

(The witnesses withdrew)

MICHAEL KNIGHT, Minister for the Olympics and President of the Sydney Organising Committee for the Olympic Games:

CHAIR: We have had one final session with the review team. I did ask whether we had received from you a copy of what the SOCOG board decided to do. Is that in the documents?

Mr KNIGHT: I have it here with me.

CHAIR: Can you provide that to the Committee?

Mr KNIGHT: Yes, I will. I have a brief statement that might assist you in that regard. Mr Chairman, members of the Committee, at the conclusion of my second voluntary appearance before this Committee on 15 November this year, the Chairman implied that the Committee did not intend to ask me to appear again. However, following discussions with the Chairman today, we both feel that it is important to briefly outline to this Committee the SOCOG board's response to the report of the independent review team and to answer any questions Committee members may have about that.

Last evening the SOCOG board met at my suggestion and put in place a number of important measures as a result of the detailed problems identified in the report of the independent review team. In a few minutes I will table the resolutions carried and the media release which followed. I do not propose to read the full list of actions but I will read the first resolution and summarise the rest. All were passed unanimously. The first resolution was:

THAT the Board notes and accepts the criticism in the report of the Independent Review Team that it should have been more pro-active in reviewing the detail of major SOCOG management decisions in the ticketing area.

The second resolution dealt with the restructure of SOCOG. While some commentators have argued for the sacking of staff, the board focused on solving problems rather than offering up public sacrifices. Clearly, the procedures among SOCOG management were inadequate in the ticketing area. The information in the report also makes it clear that supervision in this area by senior staff and the board as a whole was ineffective. The board relied on senior staff who, with the benefit of hindsight, had far too many other duties to give ticketing the level of attention that the board mistakenly believed was occurring.

Consequently, the restructure involves the creation of an additional deputy CEO, Michael Eyers, to underpin the excellent work of the CEO, Sandy Hollway, in areas such as ticketing, legal and finance. This mirrors the longstanding arrangement whereby the existing deputy CEO and Chief Operating Officer, Jim Sloman, underpins the work of the CEO in the Games operation areas. The restructure also appoints a new general manager of ticketing to be the full-time executive overseeing the ticketing area. Alan Marsh, the current CEO of the Darling Harbour Authority, is being seconded for up to six months to undertake this role. He will be directly responsible to the deputy CEO, Michael Eyers.

The third resolution sets up a sub committee of the Board, comprising Donald McDonald as the chair, Craig McLatchey and Nick Greiner, with Michael Eyers as secretary, to report to the next board meeting on additional matters the board should consider to ensure the meeting of its

corporate governance responsibilities. The fourth resolution has many parts, each of which instructs management to provide certain information to the board and/or precludes them from doing certain things without specific board approval. These actions by the board do not automatically guarantee that the past problems with ticketing will be overcome. Constant effort and vigilance by the board, the ticketing committee and senior management will be required to ensure these problems are not repeated in the future. However, they give SOCOG the opportunity to move forward.

Notwithstanding the problems with ticketing, it is also worth noting that all the core Olympic agencies—OCA, ORTA and SOCOG—have many successes in Olympic preparations. While the ticketing problems are serious, they need to be kept in perspective alongside the successes of the building program, the transport test events, the sporting test events and the huge sums of money raised from television rights and sponsorship. It is essential to recognise that the Games are now less than 10 months away. While we all must learn the lessons of our mistakes, SOCOG must not become obsessed with the past. Instead, we must get on with the job to deliver the Olympic and Paralympic Games.

Mr Chairman, I now table the resolutions that were carried at the SOCOG Board meeting and the media release which followed that meeting, and also copies of the statement I have just made.

CHAIR: There being no objection, the documents will be tabled.

The Hon. A. B. KELLY: What do you hope to achieve by the changes that you have outlined and the board has implemented?

Mr KNIGHT: They were carried unanimously by the board last night and we had 11 of the 14 members in attendance and two on the telephone participating. So only one director was not involved in the decisions. What we have to do, as I have said, is to set in place the structural things and the changes we need both in personnel and in structure and organisation to let us move forward and not repeat the ticketing problems. It has become apparent in the course of the review that the chief executive and Paul Reading both had too much work to do. Whereas the chief executive was underpinned in the operational area by a deputy, we were expecting him to do three jobs. We were expecting him to do the chief executive's job, the effective deputy's job in the Games support area, and also the particular role that he played—a very prominent and successful role—in publicising SOCOG's ticket messages around the country.

We also expected too much of Paul Reading, to be running not only an operation as big as ticketing but all of the marketing, the hospitality, the asset sales, the procurement, the finance and special projects such as the Olympic Club, which, because of its problems, SOCOG had to take over. No person, no matter how brilliant, could manage to do all those things. It is just physically impossible, and the board must take the blame for allowing that to happen and for allowing too much delegation and too much work to be lumped onto some individuals. What we have tried to do is underpin them and put in a special manager just for ticketing, which is an implicit recommendation of the review team, and also to put in a deputy chief executive on the administration side, on the Games support side, to underpin Sandy Hollway.

The Hon. PATRICIA FORSYTHE: Minister, do you regret that you were not able to ask

the chair of SOCOG to have a report on your desk at 9.00 a.m. this morning in response to the independent review's report so that you could give an independent appraisal to Cabinet of what has happened?

Mr KNIGHT: No. In fact, because I was the Minister for the Olympics as well as the President of SOCOG I was in a position to commission the independent review, which has gone into great detail on these matters. I am sure that the independent review report will assist this Committee. By virtue of being the Minister, I was able to commission that report. And by virtue of being the President I was able to be a leading figure in taking action on that report last night rather than waiting for this morning to see what the SOCOG board had to say.

The Hon P. T. PRIMROSE: Minister, everything that you have said so far sounds okay, but it was a pretty damning report. Why did you not sack anyone?

Mr KNIGHT: I do not believe that with less than 10 months to go until the Games it is appropriate to go in for wholesale bloodletting in the organisation, nor do I believe that it is appropriate to single out scapegoats and offer them up as some sort of public sacrifice in the process. Also, on my reading of the report, it was not that anyone was particularly evil or derelict in his duty. A series of procedures and workloads really got away from everybody, including the board.

To put it into context, SOCOG is not like a normal organisation. It is not like a normal government department, nor is it like a normal corporate entity. This is an organisation that starts with a handful of staff and grows in just a few years to have something like 2,500 staff and tens of thousands of contractors, and then vanishes. It is growing at an enormous pace—unparalleled by any other commercial or government operation anywhere in Australia at any time. In that context we need to have a wide range of delegation.

As Sandy Hollway correctly said last night, we did not keep our control procedures up to the speed of the growth of the organisation and the growth of the delegations. We cannot completely withdraw those delegations or we will never get the Games on. If we go into a very tight, intense model we will not get the Games put on. Yet if we allow things to get as far out of hand as they clearly did in some aspects of ticketing we have got very different sorts of problems. So it is a matter of trying to strike a balance, and sacking people does not help in that process.

CHAIR: The board would have had to discuss sacking somebody and your view was that the board did not favour that approach of sacking someone to keep people—

Mr KNIGHT: No. I do not want to get into details of board discussions but a couple of board members raised the prospect of sacking individuals. I do not want to say which board members and which individuals. But the strong view that I put and that Sandy Hollway and John Coates put—the three of us were the authors of the restructure proposals that the board accepted unanimously—was that that would not solve our problems. It was likely to intensify the problems rather than solve them. We needed to find a way to deal with the problems, not to deal with individuals.

CHAIR: It is a serious restraint on what you do that it is 10 months until the Games.

Mr KNIGHT: Absolutely.

The Hon. C. J. S. LYNN: Minister, you referred earlier to the problems of people having been overburdened and some having almost two jobs. You have now presided over the gold package marketing failure, the Stadium Australia marketing failure and the marching band fiasco. What confidence can the people of New South Wales have in you given your record, and how many failures do we have to tolerate before you establish a proper separation of power between government, the board and management?

Mr KNIGHT: I understand the political intent behind the question and the rhetoric attached to it. It is a position, in fairness to the Liberal Party, that it has held for some years. It has always opposed the Minister for the Olympics being the President of SOCOG. It was a policy the Liberal Party took to the last election and a policy that was not endorsed by the people at the last election. However, I am pleased that, in spite of that very principled decision that they claim to genuinely hold, they have still participated in SOCOG by allowing the shadow minister to be a full voting member of the board. I think that is a very good thing, although it may seem slightly at odds with the principle that they claim to hold. In terms of the specifics in the Hon. C. J. S. Lynn's question, correct me if I am wrong, Mr Lynn, but you accuse me and the SOCOG board of being responsible for the failures of the Stadium Australia float, is that correct?

The Hon. C. J. S. LYNN: They have happened while you have been president of the board, is that right?

Mr KNIGHT: If it helps the Hon. C. J. S. Lynn and the Committee, the Stadium Australia float was undertaken by the private sector, as I explained to a previous session of the Committee. The Stadium Australia arrangement was one essentially negotiated by the Government and the Olympic Co-ordination Authority with the private sector, and it was the private sector that underwrote that arrangement. It was the large merchant banks that underwrote the arrangement and put their money where their mouth was in saying that they thought this would be a very successful float, that they were prepared, on the contract that I and the Government insisted upon, to meet any shortfall, and that they would still pay the full cost of the float, whether or not the float was successful.

The float was only partially successful, and in that circumstance it was the underwriters, the private sector, who failed. I do not want to go into the reasons why they failed. They certainly did the best they could do in that process. And I have to say that most of that process took place while I, in fact, was not the President of SOCOG. So the premise on which the Hon. C. J. S. Lynn asks his question is wrong in two areas. Firstly, for most of the period of the float—or certainly the negotiations of the float and for parts of the period of the float—I was not the President of SOCOG, certainly not for the whole of the period. But, far more importantly, SOCOG was not doing the float. Off the top of my head, I cannot remember the exact date on which I became president and the date on which the float occurred. Someone sent me a note just now, which may or may not be absolutely accurate. But, unquestionably, SOCOG did not do the float.

CHAIR: You mentioned that the decision on these recommendations was unanimous. Can we to assume that the shadow minister was present at the board meeting?

Mr KNIGHT: Absolutely. The shadow minister was present at the meeting, and the shadow minister supported every one of these resolutions, including resolution No. 1, which I read to you, which talks about the matters to do with the board accepting responsibility. While I am 1,000 per cent certain that what I have just said to the Committee about the float not being done by the Government or SOCOG is correct, I will come back to the Committee in writing on the actual dates of the float and when I became SOCOG president, because there may be a cross-over in that period. That is not relevant to the question, but I just want to be absolutely accurate to the Committee.

The Hon. J. R. JOHNSON: Darling Harbour will play an important role in hosting the Olympics. The Chief Executive Officer of the Darling Harbour Authority is Alan Marsh, and he is being seconded to SOCOG. What arrangements have you put in place to ensure that the Darling Harbour Authority will continue to be managed properly?

Mr KNIGHT: Alan Marsh, as you correctly say, is the Chief Executive Officer of the Darling Harbour Authority. He will not be leaving that post per se; he will be seconded to SOCOG for up to six months or for as long as it takes in that period of six months to crack the ticketing problems, particularly in preparation for the next round. Di Talty will be acting in his position at the Darling Harbour Authority. I was hesitant to ask Alan Marsh to leave Darling Harbour—not simply because of his importance to Darling Harbour, but because Darling Harbour is the second largest Olympic precinct and is therefore very important in that process. That is why we have not seconded him to SOCOG for the duration, so that he will be back to Darling Harbour for at least the last four months before the Olympics period to undertake those works for Darling Harbour.

The Hon. PATRICIA FORSYTHE: How do you separate your ministerial responsibility from your board responsibility?

Mr KNIGHT: The two frequently overlap. One of the things that separates the two is that at the board I have no ministerial powers of direction; at the board I am one of 14 votes. Indeed, as the chairman of the board, one of my roles in chairing a meeting is to make sure that every board member gets the opportunity to participate and say things at the meeting, in the same way that the chairman of this Committee does. In terms of being the Minister for the Olympics, I have a responsibility directly for the OCA and directly for ORTA.

This is an unusual arrangement. This is a hybrid arrangement that, to the best of my knowledge, is without precedent. The reason why the Olympic movement first asked me to embark on this—the reason why President Samaranch, John Coates and others suggested this—is the need to get a much tighter co-ordination in the lead-up to the Games, but particularly at the time of the Games, between the three core entities. We cannot afford to have a circumstance during the Games where OCA, ORTA and SOCOG all want to do something different during the period of the Games and you end up with an arrangement that has no co-ordination and no arbiter during the Games period.

The Hon. PATRICIA FORSYTHE: What do you understand to be a director's responsibility?

Mr KNIGHT: I understand that as a director of SOCOG—as does the shadow minister,

Chris Hartcher—we have responsibilities to act in a particular way at the board and to act in a particular way in terms of the best interests of the organisation.

The Hon. A. B. KELLY: During recent weeks the IOC has claimed that it never knew about SOCOG's premium packages. Is that right, or did SOCOG present its plans to the IOC?

Mr KNIGHT: As I have said to the Committee previously, I have no doubt that the IOC was aware of the concept of premium packages; it had effectively approved the concept of premium packages. Jacques Rogge was kind enough to write to me recently indicating that the public comments he had made, saying that the IOC were not aware and had not approved, were in fact incorrect, and he was kind enough to write apologising for that.

CHAIR: I refer to the earlier question relating to your role. Is it possible for you to indicate—you may not be able to do so at this hearing—what had been some of the advantages of having a Minister as president, from the point of view of things we perhaps do not normally hear about, such as closer Government co-operation, speed in achieving deadlines, and so on?

Mr KNIGHT: When I was the Minister and not the president, I think it is fair to say that there was a lot of what you might loosely call sibling rivalry between the Olympic Co-ordination Authority and SOCOG. There were a lot of tensions between the two, and there was a tendency for them to replicate each other's work, to duplicate, and to be in an antagonistic relationship. You may be able to afford that in some areas—I personally do not think you can—but you certainly cannot afford that in a limited time frame to put on an event the size of the Olympic Games. Not only does everyone have to be in the same boat, but everyone has to be rowing in the same direction.

A very simple example of one of the ways that we got more sense into the process was that, shortly after I became president of SOCOG, I found that there was a group in SOCOG to do with the venues. I cannot remember the title because it is several years ago, but there was a group in SOCOG that had some responsibility for acting as a filter on the delivery of venues, even though it was the OCA that was physically building the venues, together with the private sector. We had this strange arrangement where the sports people in SOCOG would go to the venue people in SOCOG to ask the venue people in SOCOG to come across and talk to the OCA venue people about what the specification should be for the velodrome, the hockey centre or whatever. As I began to straddle both organisations I became aware of that problem. So I put a proposal to the SOCOG board that SOCOG should cease an involvement in that area. Once the silliness of the arrangement was pointed out to them, the board very happily endorsed that.

The people in those positions then moved to the OCA and very quickly became far more effective and much happier. The sports people on the venue design issue, and setting their criteria out of SOCOG, then went to just the one group, the mixed group now, in OCA. That was unquestionably far more efficient and, in the long run, far cheaper. I think the proof of the pudding is in the spectacular venues that have been erected so quickly; they are not only up on time and on budget but actually meet the demands of the sporting groups in the most appropriate way as well as providing a long-term legacy for the people of New South Wales. So that is an example. But there are many of them.

The SOCOG board passed a resolution some months ago to not meet during the Games,

because decisions have to be made almost instantly, to delegate the responsibility to a Games time commission of two, that is, the President and the Senior Vice-President, John Coates and myself, who can then deal on the phone. You have got that ultimate degree of flexibility that you need during the Games. Imagine if you get a situation during the Games where some problem has occurred in a venue, and the people from ORTA do not want to adjust the train timetable, or the people from the OCA do not want to adjust the way things are happening in the public domain between the transport modes and the venue, and the people in SOCOG do not want to keep the crowd in the venue and provide other entertainment, and they all end up having different views and there is no co-ordination.

In that circumstance, to make the Games work, to overcome the sorts of problems that we saw in Atlanta, somebody has to take responsibility for those decisions. I have to say that the fact that there is one person who could be the final arbiter, in collaboration with John Coates on the SOCOG matters, means that you will almost never have to arbitrate. The fact that people know that they can get a decision means that they are far more likely to work out the decision themselves. You cannot afford to have anything but that happen in the hothouse of the Games period.

The Hon. C. J. S. LYNN: Minister, I refer to the report finding at page 49:

The Board has been aware since 1998 that tickets would be sold in tailored packages at a premium.

Given your earlier comments that you expected to raise \$100 million for such packages, and therefore used the premium ticket package to underwrite the public ballot, how is it possible that you failed to formulate a policy at board level to sell those tickets?

Mr KNIGHT: The budget for the tailored premium packages, or the premium package component—some of the language is a bit complex here—the premium package budget, was about \$35 million. The other figure that you refer to is a sum of money that may be raised, hopefully, out of the asset sales, hospitality packages and others in a separate arrangement for which a policy is currently in the process of being determined.

As a number of witnesses said to the Committee on previous occasions—including myself, Graham Richardson, almost certainly Paul Reading and Sandy Hollway—the board delegated that to Paul Reading, because when he commenced this process we were coming off the back of the problems of the stadium float—or "failures" as you have described them, but certainly the difficulties of sustaining a float run by the private sector—and we were unsure whether we would be able to sell at a premium, and how much of a premium, and he was given the flexibility.

In fairness to him, and in credit to him, he actually brought in that revenue much more quickly and much more effectively than I think the board had envisaged. It was very much a case of testing the market before formulating a formal policy, and he succeeded very rapidly and very successfully in that market, so that quite quickly he actually made the full budget. With hindsight, yes, we would have done a policy, in my view, part way through that process. It is very difficult to have a policy in detail at the commencement of that process because you had to allow him some flexibility to see what it was about. I think the members of the independent review team have talked to you about how that process of selling those packages was in fact a negotiating process. It was not, in the case of a number of them, a straightforward process.

CHAIR: So you would be on budget then if that \$36 million has come in from premium sales?

Mr KNIGHT: We are certainly on budget in terms of the premium packages. We are trailing our budget in some areas of sponsorship, and that is why we have looked at using some of those assets in these different ways that are the subject of a policy being formulated for the board now.

(The witness withdrew)

(The Committee adjourned at 7.06 p.m.)