

General Purpose Standing Committee No 1

Olympic Budgeting

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Terms of Reference¹

1. That General Purpose Standing Committee No. 1 inquire into and report on:
 - (a) the contingency grant to SOCOG of \$140,000,000 in the *Appropriation (Further Budget Variations) Act 2000*,
 - (b) the deterioration in the finances of SOCOG and the reasons for that deterioration.
2. That the Committee report on or before the first sitting day in August 2000.

¹ Legislative Council *Minutes of the Proceedings*, No 54, 22 June 2000, item 6.

Committee Membership

The Rev Hon Fred Nile MLC, *Chairman*

Christian Democratic Party

The Hon Tony Kelly MLC, *Deputy Chairman*

Australian Labor Party

The Hon Patricia Forsythe MLC

Liberal Party

The Hon Duncan Gay MLC²

National Party

The Hon John Johnson MLC³

Australian Labor Party

The Hon Peter Primrose MLC

Australian Labor Party

The Hon Dr Peter Wong MLC

Unity Party

² The Hon Duncan Gay MLC represented the Hon Doug Moppett MLC for the purposes of this inquiry.

³ The Hon John Johnson MLC represented the Hon Henry Tsang MLC for the purposes of this inquiry.

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Chairman's Foreword

In less than two months time, the Sydney 2000 Olympic Games will open. Anticipation is building as the Torch Relay makes its way around Australia, finishing touches are made to venues in Sydney, rehearsals take place for the Opening Ceremony and volunteers participate in training.

While it is easy to become caught up in the excitement, we must also consider the cost of staging the Games. The Government of New South Wales has given a guarantee to underwrite this cost. In addition, the Government has made a significant financial contribution to the construction of new sporting venues for Olympic events, and will be providing operational support from within the public service, for example in the form of Police and Emergency Services personnel.

It is therefore in the interests of the taxpayers of New South Wales that the Government maintain tight control over Games spending.

The decision by the Government towards the end of June 2000 to grant SOCOG \$140 million to cover possible additional costs associated with staging the Games was unexpected. Compelling arguments were put forward for Members of the Legislative Council to pass a Bill appropriating the money. Members of the Council chose to approve the appropriation at one sitting on the understanding that this Committee would investigate why such a contingency grant was required.

The Committee was given a reporting deadline of the first sitting day in August. Given the proximity of the Games, Members have worked hard to report on the matter as quickly as possible. This should allow those involved in preparations for the Games to now focus on making the Games a success.

I thank my fellow Committee Members and the Committee Staff, Director, Anna McNicol and Committee Officer, Phaedra Parkins, for their assistance in preparing this report.

The Rev Hon Fred Nile MLC
Chairman

Abbreviations

AOC	Australian Olympic Committee
'the Bill'	Appropriation (Further Budget Variations) Bill 2000
IBC	International Broadcast Centre
IOC	International Olympic Committee
'the Minister'	Minister for the Olympics
OCA	Olympic Coordination Authority
ORTA	Olympic Roads and Transport Authority
SOBO	Sydney Olympics Broadcasting Organisation
SOCOG	Sydney Organising Committee for the Olympic Games
SOCOG Act	<i>Sydney Organising Committee for the Olympic Games Act 1993</i>
SPOC	Sydney Paralympics Organising Committee
VIK	value-in-kind

Introduction

Background to this inquiry

On 23 May 2000, the Appropriation (Further Budget Variations) Bill 2000 ('the Bill') was introduced into the Legislative Assembly.⁴ The purpose of the Bill was to appropriate additional amounts out of the Consolidated Fund for the year 1999-2000 for the purpose of giving effect to certain Budget variations required by the exigencies of Government. The total amount to be appropriated under the Bill was \$507.638 million.

Clauses 3, 4 and 5, and Schedule 1 of the Bill provided information about the intended use of the \$507.638 million. An amount of \$74.579 million related to payments made during 1999-2000 under section 22 of the *Public Finance and Audit Act 1983*.⁵ Information provided in Schedule 1 of the Bill indicated these payments related primarily to salary increases resulting from award negotiations and the cost to agencies of the implementation of the Commonwealth's Goods and Services Tax. \$29.659 million was to be appropriated for the "Olympic Funding Reserve". Of this amount, \$10.159 million was to be paid to the Olympic Coordination Authority (OCA) for "the planning and management of Olympic-related activities" and \$19.5 million was to be paid to the Olympic Roads and Transport Authority (ORTA) for "bus and fleet depot sites – rental of property and facilities". An amount of \$68.4 million was for "Payment to Clubs – Compensation for GST" and the remaining \$335 million was to be appropriated to the Crown Transaction Entity for "Additional Superannuation

On 20 June 2000, during Question Time in the Legislative Assembly, the Minister for the Olympics ('the Minister') stated that:

... the budget committee of Cabinet today accepted a proposal from the Treasurer and me to make a special grant of \$140 million to a special SOCOG contingency fund. This sum covers the explicit risks that have been identified and makes prudent provision for additional risks that may emerge, including any possible shortfall in ticketing revenue.⁶

During debate on the appropriation bills later that day, the Minister representing the Treasurer in the Legislative Assembly, the Hon Paul Whelan MP, foreshadowed amendments to the Appropriation (Further Budget Variations) Bill 2000.⁷ The amendments provided for the appropriation of an additional \$140 million to the Crown Transaction Entity for a contingency grant to the Sydney Organising Committee for the Olympic Games (SOCOG). Mr Whelan stated:

The Government plans to set aside an additional \$140 million from this year's budget surplus to cover possible additional costs associated with staging the Olympic Games. When New South Wales secured the Olympics, the State Government took on the responsibility of underwriting the budget of the Sydney Organising Committee for the Olympic Games

⁴ Legislative Assembly, *Votes and Proceedings*, No 34, 23 May 2000, item 16.

⁵ Under section 22 of the *Public Finance and Audit Act 1983* the Governor may determine that unappropriated funds can be spent in anticipation of appropriation by Parliament.

⁶ NSW Parliamentary Debates, Legislative Assembly, 20 June 2000, p7132.

⁷ NSW Parliamentary Debates, Legislative Assembly, 20 June 2000, p7162.

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[SOCOG]. It is a responsibility that now falls on this Government. Setting aside money now is the prudent approach. The 1999-2000 budget is in a strong surplus position and is well able to afford the full amount of the planned Olympic contingency. ...

Since SOCOG prepared its budget in February a number of risks have emerged that are prudent for the Government to address. The contingency fund will cover any revenue shortfalls and additional costs and provide a reasonable buffer against other possible costs. Of the \$140 million to be set aside, \$50 million is provided to cover immediate likely reductions in SOCOG revenue and increased costs. These include possible shortfalls in sponsorship revenues, higher costs from expanding telephone ticket sales, higher ticket distribution costs and a possible increase in the cost of ceremonies; around \$18 million for possible additional expenditure on services contracted to the Olympic Co-ordination Authority by SOCOG, including waste collection and venue fit out; and \$70 million for other contingencies. The provision of a \$140 million contingency will increase SOCOG's budget to \$2.514 billion of income and the same amount of expenditure. That is an increase from the \$2.375 billion balanced budget proposed in February this year but is below the previous SOCOG budget set in August 1998 that forecast expenditure of \$2.567 billion.⁸

The amendments increased the amount to be appropriated under the Bill to \$647.638 million.

During the course of the ongoing second reading debate in the Legislative Assembly on 20 June 2000, a number of Members of that House commented on the Government's amendments. The Member for Davidson moved an amendment to the motion for second reading of the Bills seeking to refer the Appropriation (Further Budget Variations) Bill 2000 to General Purpose Standing Committee No 1 for inquiry and report by Friday 23 June 2000, however this amendment was negated.⁹

In the early hours of the morning of 21 June 2000, during the Committee stage of the Bill, the Legislative Assembly agreed to the Government's amendments to the Bill and shortly afterwards the Bill passed through the remaining stages.¹⁰

The Bill was forwarded to the Legislative Council where it was introduced on 21 June 2000 and passed through all stages that day.¹¹

The Bill was assented to on 27 June 2000.

During the second reading debate on the Bill in the Legislative Council the Leader of the Opposition, the Hon Michael Gallacher MLC, commented on the additional appropriation of \$140 million for a contingency grant to SOCOG. Mr Gallacher stated:

... the whole question surrounding this contingency grant to SOCOG relating to \$140 million [should] be referred to General Purpose Standing Committee No. 1 for its close and open public examination of what has gone wrong in the budgeting involving SOCOG and the finances of SOCOG.¹²

⁸ NSW Parliamentary Debates, Legislative Assembly, 20 June 2000, p7163.

⁹ Legislative Assembly, *Votes and Proceedings*, No 46, 20 June 2000, item 22.

¹⁰ NSW Parliamentary Debates, Legislative Assembly, 20 June 2000, pp7211-7213 and Legislative Assembly, *Votes and Proceedings*, No 46, 20 June 2000, item 22.

¹¹ Legislative Council *Minutes of the Proceedings*, No 53, 21 June 2000, items 2 and 18.

¹² NSW Parliamentary Debates, Legislative Council, 21 June 2000, p7279.

Mr Gallacher indicated that he had considered moving an amendment to the motion before the House, referring the Bill to General Purpose Standing Committee No 1 for inquiry and report, but had decided against this as he was:

... concerned about, firstly, the difficulties in trying to organise and finalise a committee hearing. Two days may not be sufficient to complete a full and thorough investigation, depending on the information that comes forward as a result of the inquiry. Secondly, I am concerned that if the committee is required to sit beyond next week there could be difficulties with this Chamber holding up the Appropriation Bill. The last thing I want to do is prevent the Government from meeting legitimate costs that need to be met. Details of those costs will become known in an appropriate inquiry.¹³

On 22 June 2000, the Legislative Council agreed to a motion of Mr Gallacher to refer matters relating to the contingency grant and SOCOG's finances to General Purpose Standing Committee No 1 for inquiry and report by the first sitting day in August 2000.¹⁴

Conduct of the inquiry

The Committee met on 23 June 2000 to discuss the reference from the House. At that meeting the Committee resolved to hold public hearings in relation to the inquiry on 4 and 5 July 2000. The Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, and senior officers from the OCA, SOCOG, the Premier's Department, the NSW Audit Office, NSW Treasury and the Cabinet Office appeared as witnesses before the Committee at these hearings (see Appendix 1 for names of all witnesses).

The Committee met on 17 July 2000 to deliberate on the Chairman's draft report on the inquiry.

Organisations involved in staging of the Games

The International Olympic Committee (IOC) governs the Olympic Movement. The Olympics are the exclusive property of the IOC.

The City of Sydney, under the terms of the Host City Contract, is jointly and severally responsible with the Australian Olympic Committee (AOC) and SOCOG for the organisation, financing and staging of the Sydney Games.

The AOC is the National Olympic Committee representing the IOC in Australia and is responsible for preparing Australia's Olympic Team to compete at the Olympics.

The Government of New South Wales has given a guarantee to underwrite the costs of staging the Sydney Olympics 2000. The Government has also assisted in funding the construction of new sporting venues for Olympic events.

¹³ NSW Parliamentary Debates, Legislative Council, 21 June 2000, p7279.

¹⁴ Legislative Council *Minutes of the Proceedings*, No 54, 22 June 2000, item 6.

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The Sydney Organising Committee for the Olympic Games (SOCOG) was established as a statutory authority in 1994 under the *Sydney Organising Committee for the Olympic Games Act 1993* (SOCOG Act). SOCOG's operations are governed by its Board, with the Minister for the Olympics being President of that Board.¹⁵ The SOCOG Act states that SOCOG's primary objective is to organise and stage the Games of the XXVII Olympiad in Sydney in the year 2000, in accordance with the rights and obligations conferred and imposed under the Host City Contract. Under the SOCOG Act, the functions of SOCOG include: organising accommodation and transport for competitors, team officials and personnel and media personnel; organising the sports program, including preparing and operating all venues and facilities for the Games; organising the cultural program; establishing a marketing program in consultation with the IOC and AOC; and arranging and making available host broadcaster and television and radio facilities and other information services. With respect to construction and transport, the New South Wales Government has created two separate agencies to deal with these issues.

The Olympic Coordination Authority (OCA) is the government agency responsible for implementing strategies for the planning, redevelopment and management of the Homebush Bay area. It is responsible for the delivery of new sporting and recreational facilities and venues at Homebush Bay and other sites across Sydney to be used during the Olympics and Paralympic Games, and ensuring they are suitable for use after the Games. The OCA is also responsible for coordinating and reporting on the New South Wales Government's involvement in the preparations for the Games.

The Olympic Roads and Traffic Authority (ORTA) was established by the New South Wales Government in 1997 to plan, coordinate and provide integrated road and transport services for the Games and test events. ORTA is responsible to the New South Wales Government for the transportation of spectators, tourists and the general public during the period of the Sydney 2000 Olympic and Paralympic Games. It is also responsible to SOCOG for the transportation of members of the Olympic and Paralympic movement including athletes, officials and accredited media.

Structure of this report

Chapter one of this report considers the reasons why SOCOG needed the additional funds. Issues of timing are dealt with in chapter two. Chapter three details two concerns raised by the Auditor-General, relating to the timeframe in which Parliament considered the appropriation and the decision to appropriate the funds from the 1999-2000 budget.

¹⁵ Note: Amendments contained in the *Sydney Organising Committee for the Olympic Games Amendment Act 1996* require the Minister for the Olympics to be the President of SOCOG.

Chapter 1 Why funds were required

SOCOG's budget has been revised on an on-going basis since the 1993 Bid Budget. During the course of the inquiry the Committee was provided with information about the SOCOG budget as at June 1998, June 1999 and February 2000 (see Appendix 2).¹⁶ SOCOG's financial position was reviewed in the period between February 2000 and June 2000 identifying the need for additional funding, and resulting in the New South Wales Government's decision to provide a \$140 million grant to SOCOG. The Minister for the Olympics, the Hon Michael Knight MP, told the Committee:

... without Government assistance SOCOG would be at least \$70 million short of the funds necessary to put on the quality of Games Australians deserve and the world expects of us.

I want to stress that these unavoidable facts do not involve any criticism of the SOCOG board or SOCOG staff. It simply recognises that if all the risks identified materialise then there must either be further cuts to SOCOG expenditure or support from the Government as the underwriter. At this stage cuts to SOCOG expenditure would undoubtedly compromise the quality of the Games and undermine all of the good work that has gone before.¹⁷

February 2000 Games Budget

1.1 In early 2000, SOCOG negotiated a revised budget that reduced expenditure on the Games from \$2.517 billion to \$2.374 billion. The revised budget involved:

- the New South Wales Government foregoing its \$30 million surplus on the basis that SOCOG operates within a balanced budget;
- program expenditure savings of \$39 million;
- savings of \$11.06 million in payments to both the IOC and AOC, a total of \$22.12 million; and
- the out-sourcing of SOCOG's venue operational programs and budgets to the OCA.

1.2 The effect of the negotiations with the New South Wales Government, the IOC and the AOC was to provide an additional \$52.12 million for SOCOG expenditures.

¹⁶ Significant analysis of variation between the Bid Budget and the 1998 Budget was conducted by The Audit Office of New South Wales and reported to the Legislative Assembly in January 1999 (The Audit Office of New South Wales, 1999, *The Sydney 2000 Olympic and Paralympic Games Review of Estimates*)

¹⁷ Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, pp1-2.

Current Games budget and contingency provision

- 1.3** As at the time of the current inquiry, net funding for SOCOG to stage the Olympic Games was \$2.514 billion dollars.¹⁸
- 1.4** The June 1998, June 1999 and February 2000 budgets made provision for revenue and expenditure contingencies totalling \$121.1 million, \$142.7 million and \$50 million respectively. The recent \$140 million grant from the New South Wales Government has increased the current contingency provision to \$190 million. Of the \$190 million, approximately \$120 million has been allocated against specifically identified financial risks. The remaining \$70 million restores a general contingency provision to SOCOG.

Financial risk movement between February and May 2000

- 1.5** During the public hearing on 4 July 2000, the Minister for the Olympics provided the Committee with a list of immediate financial risks facing SOCOG, totalling \$101.4 million.¹⁹ The list identifies forecast risks as at February 2000 and May 2000, and is reproduced at table 1.1, below. The Minister also provided documentation showing that with respect to certain programs that had been out-sourced to the OCA, a further \$20 million of risks had been identified.²⁰ The \$20 million amount is discussed in more detail in paragraphs 1.21 to 1.24 below.
- 1.6** The list provided at table 1.1 includes a total of 25 items, four relating to revenue and 21 relating to expenditure. Three items, relating to revenue from sponsorship, expenditure on ticket operations and marketing and expenditure on IBM internet funding, show high levels of change in forecast risk. These items are discussed separately below. Changes in forecast risk for the remaining 22 items total \$15.4 million. The forecast risk for each of these items ranges from -\$0.9 million to \$3.1 million, with 17 of these items showing a change in forecast risk of \$1 million or less.
- 1.7** By way of example, the Minister advised the Committee of the reasons for the increased risk for one of the smaller items, relating to accommodation. The Minister stated:

... you will see under "Accommodation" a risk on a boat *The Nieuw Amsterdam*, which was hired by SOCOG with the approval of the board at the time that Paul

¹⁸ Correspondence from Mr Bob Adby, Executive Director, Finance and Corporate Services, OCA, dated 5 July 2000, indicates that the overall budget as at February 2000 was \$2.374 billion; the appropriation of an additional \$140 million increased net funding for the Games to \$2.514 billion. See also footnote 8.

¹⁹ Fax from the Hon Michael Knight, President of SOCOG, to SOCOG Board Members, dated 20 June 2000, provided as document tendered as evidence by the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, 4 July 2000. The list was prepared by SOCOG's General Manager of Finance, John Barbeler, for consideration by SOCOG's Finance and Contingency Committees at a joint meeting on 24 May 2000.

²⁰ Fax from the Hon Michael Knight, President of SOCOG, to SOCOG Board Members, dated 20 June 2000, provided as document tendered as evidence by the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, 4 July 2000.

Reading was at SOCOG. He was involved in the marketing arrangements for hospitality packages, which would have included accommodation.

As we are no longer proceeding with those packages, there is a risk that a range of cabins on that boat will not be sold because the purpose for which the boat was chartered is no longer a purpose that we are pursuing. That does not necessarily mean that we will draw upon that \$2 million. For example, we may be able to—I am quietly confident that we will—rent those cabins to other people who are seeking accommodation at the time.²¹

- 1.8** Mr Michael Eyers, Deputy Chief Executive of SOCOG, provided the Committee with information about another of the smaller items, relating to expenditure on sponsorship and general marketing. Mr Eyers explained that:

We have undertaken increased expenditure for a sponsor recognition program which is things like banners around Sydney Olympic Park and the common domain. ... One of the other consequences of the ticketing inquiry last year was that sponsors became very concerned about the terms in which SOCOG might be offering hospitality packages with tickets. As part of that, being as proactive as we could, we undercommitted to additional expenditure, if you like, to showcase sponsor involvement. That was not there in February, that is something that hit the budget after February but it was a consequence of needing to work with sponsors.²²

Sponsorship revenue

- 1.9** The June 1998 budget provided for net sponsorship revenue of \$873.7 million. This was revised down to \$837.8 million in the June 1999 budget. By February 2000, budgeted net sponsorship revenue had dropped to \$694.9 million.
- 1.10** In February 2000, SOCOG assessed the forecast risk for sponsorship at -\$0.7 million, effectively meaning there was an expectation that net sponsorship revenue would exceed the budget figure by \$0.7 million. By May 2000, the forecast risk had increased by \$6.7 million, to \$6.0 million, meaning there was now an expectation that sponsorship revenue would fall \$6 million short of the budget figure. In response to questioning, Mr Eyers gave the following explanation for the lower than anticipated sponsorship revenue:

When the [February 2000] Games budget was formulated, it was anticipated that there might be revenue in excess of the budgeted amount ... That has deteriorated by \$6.7 million and it is now expected that sponsorship revenue will be down \$6 million. ...

Some deals did not eventuate. There was one fairly well-publicised change of sponsor from Reebok to Nike. ...

Some deals were expected to happen but did not or they happened for slightly less than the anticipated yield.²³

²¹ Evidence of the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, 4 July 2000, pp12-13.

²² Evidence of Mr Michael Eyers, Deputy Chief Executive Officer, SOCOG, 4 July 2000, p75.

²³ Evidence of Mr Michael Eyers, Deputy Chief Executive Officer, SOCOG, 4 July 2000, p75.

TABLE 1.1 SOCOG FINANCIAL RISKS MOVEMENT

Risk/Program	Games Budget Feb 2000 \$m	Forecast May 2000 \$m	Change vs Feb 2000 \$m	Committed Risks \$m
Revenue				
Sponsorship	(0.7)	6.0	6.7	2.5
TV Rights	0.6	0.6	0.0	(0.6)
Ticketing Revenue	1.7	2.2	0.5	2.2
Consumer Products	(2.0)	(1.7)	0.3	
Total Net Revenue	(\$0.4)	\$7.1	\$7.5	\$4.1
Expenditure				
Overlay	2.0	2.0	0.0	
Villages	3.6	5.1	1.5	2.4
Games Workforce	1.4	0.9	(0.5)	
Accommodation	0.3	2.3	2.0	2.3
Volunteer Global	1.0	1.0	0.0	
Catering	2.3	2.6	0.3	
Venue Operations	0.9	0.0	(0.9)	
Cleaning & Waste	2.6	2.2	(0.4)	
Sport	1.2	3.2	2.0	1.8
Ticket Operations & Marketing	0.0	18.6	18.6	16.1
Sponsorship & General Marketing	0.9	1.8	0.9	2.1
Procurement & Logistics	4.0	4.7	0.7	1.0
Financial Management	2.0	3.0	1.0	0.8
Ceremonies – Expenditure	0.0	2.6	2.6	
Ceremonies – Dress Rehearsal Revenue	0.0	3.1	3.1	
Olympic Arts Festival	(0.2)	1.7	1.9	1.5
Technology	3.8	4.0	0.2	
IBM Internet Funding	2.5	13.2	10.7	13.2
SOBO	0.0	(0.6)	(0.6)	(0.6)
IBC Rent Rebate	(4.0)	(4.0)	0.0	
Other	5.2	6.0	0.8	2.1
Total Expenditure	29.5	73.4	43.9	42.7
Total Program Contingency/Forecast Risks	29.1	80.5	51.4	46.8
Contingency Draw-Downs	3.4	3.4	0.0	3.4
Sub-Total	32.5	83.9	51.4	50.2
Games-Time Contingency	17.5	17.5	0.0	
Total	50.0	101.4	51.4	50.2

Note: Positive amounts denote risks; negative amounts (in brackets) denote opportunities.

Source: Fax from the Hon Michael Knight, President of SOCOG, to SOCOG Board Members, dated 20 June 2000, provided as document tendered as evidence by the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, 4 July 2000.; and correspondence tendered as evidence by Mr David Richmond, Director General, OCA, 5 July 2000.

Ticket operations and marketing expenditure

1.11 Information provided to the Committee about the SOCOG Games budgets did not identify budgeted expenditure for separate programs, possibly because of the commercially sensitive nature of this information. The Committee is therefore unable to comment on the relative difference between budgeted expenditure prior to and at February 2000.

1.12 An additional \$18.6 million of financial risk associated with ticket operations and marketing expenditure was identified during the period from February 2000 to June 2000. The Committee was advised that the bulk of this amount is associated with operating SOCOG's ticket call centre and with the delivery of tickets.

1.13 With respect to the ticket call centre, the Minister told the Committee that:

... it has only been with the experiences of the last six months in rebuilding SOCOG's ticket selling capacity that we can more accurately quantify the actual costs of operating a ticket call centre.²⁴

1.14 The Minister went on to state:

... because there had been a massive and justifiable loss of confidence by the public in the way in which SOCOG conducted its ticket operations last year there needed to be a rebuilding of the ticket structure and the building of a credible ticket selling process. Indeed, if there is any message that came out of ... the Committee's [Olympic Ticketing] report, it is that that is precisely what we needed to do. We needed to rebuild a credible ticket selling operation. If you are asking me whether that rebuilding cost more than would otherwise have been needed if we had not made mistakes the previous year the answer is almost certainly yes. It is a consequence of those problems.²⁵ ...

There was always a plan to have a call centre to do some ticketing. There was not a plan to have it do as much in the round that we have just done. [The] original plan was to have conducted the equivalent of the round that we have just done, which relied very heavily on the call centre, not all that differently from the discredited operation that was conducted in the second half of last year, and to have conducted it towards the end of last year so that the budget allocation for call centres was much lower because it was planned to run a different sort of operation ...²⁶

1.15 Mr Eyers advised the Committee that approximately \$8 million of the \$18.6 million of financial risk associated with ticket operations and marketing expenditure related to the delivery of tickets. Mr Eyers stated:

In January I went to the United States of America to meet briefly with the IOC's TOP sponsor, responsible for ticket delivery. At that time had the arrangements originally envisaged worked out, tickets would have been delivered under a value-in-kind [VIK] arrangement and that would not have cost SOCOG. The

²⁴ Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, p1.

²⁵ Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, p14.

²⁶ Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, p15.

arrangement with the sponsor fell over. We ran a selective tender in a very short period of time, selected an alternative delivery contractor and had to pay. The contractor was selected and the tender process was run in the two or three weeks before the board meeting on 16 March. ... it was not until a couple of days before 16 March that the bids from those invited to tender for ticket delivery hit the desks. ...

... at the time the February budget went to the board, we knew that the arrangement with UPS had failed and we would not have delivery with VIK but we did not know what the substituted cost would be. What I was reporting to the finance committee and to the board, as we went through the process of rescoping a number of the ticket marketing programs, the way we were going to do it and what it was going to cost, was that while I thought that there would be impacts, obviously the expenditure would go up, I was not sure that the impact on revenue would be significant enough to warrant revision of the budget.²⁷

1.16 Mr Eyers was also questioned about the cost associated with the transport of Olympic tickets printed in the United States to Australia. Mr Eyers advised the Committee that a value-in-kind arrangement involves flying the tickets into Australia “in a couple of jumbo

²⁸

1.17 Mr Eyers told the Committee that the Budget figure (determined in February 2000 and current at the time of the hearing) for ticket revenue is \$566.1 million, which represents a net income from tickets still to be realised of \$150 million.²⁹

IBM internet funding expenditure

1.18 As previously noted (at paragraph 1.11), information provided to the Committee about the SOCOG Games budgets do not identify budgeted expenditure for separate programs. The Committee is therefore unable to comment on the relative difference between budgeted expenditure prior to and as at February 2000.

1.19 During the period from February 2000 to June 2000, an additional \$10.7 million of financial risk associated with IBM internet funding was identified. Mr Richmond advised the Committee the contract related to the Sydney 2000 Olympics internet site. He stated:

That contract is a fundamental part of communications to the world ... for the Sydney 2000 Olympics. It is also important to the ticket sales program.³⁰

1.20 With respect to the increased financial risk, Mr Eyers stated:

That figure is the result of negotiation on the terms of a contract. The contract is still in the course of being performed, but the specific amending contract that involves larger payments to IBM has not yet been signed by all parties—it has been signed by some, but not all.³¹

²⁷ Evidence of Mr Michael Eyers, Deputy Chief Executive Officer, SOCOG, 4 July 2000, pp73-74.

²⁸ Evidence of Mr Michael Eyers, Deputy Chief Executive Officer, SOCOG, 4 July 2000, p74.

²⁹ Evidence of Mr Michael Eyers, Deputy Chief Executive Officer, SOCOG, 4 July 2000, p56 & p57.

³⁰ Evidence of Mr David Richmond, Director General, OCA, 4 July 2000, p35.

³¹ Evidence of Mr Michael Eyers, Deputy Chief Executive Officer, SOCOG, 4 July 2000, p57.

1.21 Mr Richmond indicated that the risk had resulted because:

SOCOG initially had the view that it was entitled to certain things at a fixed price under the contract. That was not borne out by independent legal advice.³²

\$20 million of financial risk associated with programs outsourced to the OCA

1.22 During evidence to the Committee, the Minister tendered a copy of a memo circulated to Members of the SOCOG Board on 20 June 2000, stating that in addition to the \$101.4 million of immediate financial risks facing SOCOG,

... the OCA has identified further specific risks of some \$20 million in the non-overlay programs outsourced to OCA by SOCOG. These risks relate to commercial contracts where the other parties OCA must negotiate with would be highly advantaged if they became aware of the specific breakdown ...³³

1.23 In response to questioning about the risks associated with the programs outsourced to the OCA, Mr Richmond provided an example of the sorts of risks that had been identified:

... when we look at cleaning contracts there were questions asked about certain issues. For example, we will lock down the Homebush Bay site prior to the Olympics to do a lot of work. There was some gap between the cleaning arrangements for OCA on the site and when SOCOG actually moves its cleaning contractors in. Similarly, questions were raised about how much cleaning would need to be done at the end of the Olympic period. We formed the view that there were some risks about that kind of thing. There were some issues about the quantification and scope of cleaning around some of the entrance ways to Homebush Bay, in respect of which we formed the view that there was a risk that we may have to spend some more money ...³⁴

1.24 Mr Adby provided information about the timeframe associated with the transfer of the programs to the OCA and the analysis of the risks associated with the program:

A number of programs were outsourced to OCA such as catering, cleaning, spectator services, and overview of interstate football. After that outsourcing in February OCA established a number of review committees that included independent members. Those committees reported to a steering committee, which David [Richmond] chaired. When those reviews were finalised the steering committees fed papers out to a number of people. One of the things that each of the program reviews covered was budget risks. In essence, I am saying that I received the last of those on 26 May. On 26 May I went through all those reports. I made an assessment in my mind of what I felt those risks were likely to be from those reports. The reports put some numbers in them. I reassessed some of those numbers. One of my staff worked with me on that. The number is not conveniently \$20 million. It is very close to that number when you add up all those programs. That is how the process came to me.³⁵

³² Evidence of Mr David Richmond, Director General, OCA, 5 July 2000, p58.

³³ Fax from the Hon Michael Knight, President of SOCOG, to SOCOG Board Members, dated 20 June 2000, provided as a document tendered as evidence by the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, 4 July 2000.

³⁴ Evidence of Mr David Richmond, Director General, OCA, 4 July 2000, p26.

³⁵ Evidence of Mr Bob Adby, Executive Director, Finance and Corporate Services, OCA, 5 July 2000, p54.

- 1.25** While Mr Adby told the Committee that the final figure of \$20 million was not determined until 26 May 2000, he also advised the Committee that, on 11 May 2000, the SOCOG Contingency Committee was informed that \$12.4 million of risks had been identified.³⁶

Committed risks

- 1.26** In response to a request by the Committee during the hearing on 4 July 2000, Mr Richmond provided the Committee with a list providing information about \$50.2 million worth of 'committed risks' at the public hearing on 5 July 2000. This information has been incorporated into table 1.1, above. Some of the larger items include \$16.1 million for expenditure on ticket operations and marketing, \$13.2 million for expenditure on IBM internet funding and \$2.5 million for sponsorship revenue.
- 1.27** When asked to define 'committed risks', Mr Richmond stated they were:
- ... things which in our view at that point in time were definitely going to be spent.³⁷
- 1.28** Given these items are certain to incur expenditure, it would seem that of the \$101.4 million immediate financial risks facing SOCOG, \$50.2 million is no longer a 'risk' but is in fact committed expenditure. This has the effect of immediately reducing the contingency of \$190 million to \$139.8 million.

Uncommitted contingency funds

- 1.29** Mr Richmond explained to the Committee that the balance of the SOCOG budget contingency remaining after deducting the specifically identified financial risks (totalling \$121.4 million are deducted), that is \$68.6 million:
- ... is a general contingency in anticipation of the kinds of things that may or may not happen in relation to this very, very large event.³⁸
- 1.30** Mr Richmond identified some factors that might result in expenditure of uncommitted contingency funds:
- ... potential shortfall which could still occur in ticketing revenue, ... wind-up expenses of the Olympic organisations, particularly SOCOG—after the Games period we have to wind the organisations up ... operations during the Games, particularly the very significant impact, for example, that wet weather would have on a whole range of activities ...
- There are massive records. There is no provision in the SOCOG budget—which was very much a budget focusing on the operations of the Games—for the winding up of the records: the proper storage and sorting of the records, or what

³⁶ Correspondence from Mr Bob Adby, Executive Director, Finance and Corporate Services, OCA, dated 5 July 2000.

³⁷ Evidence of Mr David Richmond, Director General, OCA, 5 July 2000, p57.

³⁸ Evidence of Mr David Richmond, Director General, OCA, 4 July 2000, p18.

was there was inadequate in our view. Obviously, as we wind up after the Games, from the point of view of the public record and of course the interests of future generations, there will have to be money spent on those sorts of things. As the Minister has alluded to, there is some estimation of the possibility of course of the settlement of commercial disputes, including some litigation. It is a very big program of \$2.6 billion, and it would be very unusual if there were not at the end of the Games period some disputes to be settled, and even the potential for litigation.³⁹

Restrictions on use of contingency grant

1.31 The Minister for the Olympics explained to the Committee that:

... the Government has attached some very strong conditions to this grant and to the way in which it may be accessed. Money from the contingency fund can only be spent on the recommendation of the SOCOG contingency committee, which is chaired by Brian Sherman and includes Michael Eyers from SOCOG, Bob Adby from the OCA and Mark Ronsisvalle from New South Wales Treasury.

Even then, it will require the personal sign-off of both the Treasurer and myself as the Minister for the Olympics. Any funds not allocated according to this procedure will be returned to Treasury.⁴⁰

1.32 Section 47 of the SOCOG Act deals with the expenditure of funds by SOCOG. It states:

- (1) Money of SOCOG must not be expended or committed except with the approval of the Board.
- (2) However, any expenditure or commitment of money of SOCOG that exceeds the relevant allocation in, or is not included in, the Games budgets (as supplemented or amended by the most recent applicable budget or budget amendments approved by the Board under this section) must first be approved by the Minister.
- (3) The Board must not approve any budget or any amendments to any budget without the prior approval of the Minister.
- (4) (Repealed)
- (5) The Minister must not withhold approval to any component of a budget or budget amendment relating to the expenditure of SOCOG to the extent that:
 - (a) the expenditure is necessary to meet a commitment contained in the Host City Contract or the Endorsement Contract, and
 - (b) the expenditure is wholly consistent with the Games budgets or the most recent applicable budget or budget amendment approved by the Board in accordance with subsection (3).

³⁹ Evidence of Mr David Richmond, Director General of OCA, 4 July 2000, p19.

⁴⁰ Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, p2.

Olympic Budgeting

- (6) No proposed budget or budget amendment that requires but has not yet received the approval of the Minister under subsection (3) can be published or made available to the public.
- (7) The Minister's approval under this section may be given only with the concurrence of the Treasurer.

1.33 The Committee notes that under section 47(2) of the SOCOG Act any expenditure that exceeds the Games budgets must first be approved by the Minister. Further, section 47(7) provides that the Minister's approval may only be given with the concurrence of the Treasurer.

Conclusion

1.34 Since the beginning of 2000 SOCOG has increased funds available for expenditure by a total of \$192.12 million (\$52.12 million foregone by the New South Wales Government, the IOC and the AOC plus the \$140 million contingency grant). In addition SOCOG has fully expended the \$50 million contingency provided for in the February 2000 revised budget. It is acknowledged there is currently provision for a \$68.6 million contingency, although there are stringent conditions attached to the use of these funds.

1.35 It would appear that the greatest contributing factor to the deterioration in SOCOG's finances relates to ticketing revenue and expenditure. SOCOG appears to continue to suffer a negative impact from the ticketing problems that were the subject of an inquiry by this Committee in November 1999.⁴¹ The Committee notes that considerable effort has been made by SOCOG to regain public confidence in the ticketing process, but SOCOG has not reached the anticipated budgeted income from ticket sales.

1.36 The Committee holds the view that SOCOG should have set aside a larger amount for contingencies from April 2000 onwards. The analysis of financial risks provided to the Committee highlights the complexity of SOCOG's operations and the uncertainty associated with revenue and expenditure items.

1.37 The broad range of items that might result in the expenditure of uncommitted contingency funds highlighted to the Committee by Mr Richmond is evidence that initial budget planning by SOCOG was not thorough enough. The net amount to be raised from ticket revenue remains a significant budget issue for SOCOG.

⁴¹ General Purpose Standing Committee No 1, *Report on Inquiry into Olympic Ticketing*, December 1999, New South Wales Legislative Council.

Chapter 2 Timing of appropriation of funds

The Treasurer announced the Government's decision to provide the \$140 million grant to SOCOG on 20 June 2000. There has been considerable discussion about the timing of the announcement. A chronology of significant events that occurred in the months leading up to the appropriation of the \$140 million is provided at Appendix 3.

Availability of information prior to decision to provide \$140 million grant

2.1 Over the course of the two days of hearings, the Committee questioned the OCA, SOCOG and Treasury officials about the availability of information about SOCOG's budget position prior to the decision by the Government to provide the \$140 million grant.

2.2 In February 2000, a revised SOCOG budget was approved by the SOCOG Board and the Treasurer. The Minister for the Olympics explained to the Committee that:

We indicated in February that SOCOG had a clear financial problem, which is why we were asking the Treasurer to give up the \$30 million surplus and negotiating with the AOC and the IOC to give us more than \$11 million each. That was also one of the reasons why we were looking at the outsource arrangement.

I told the Treasurer at the time that, as we moved through the next few months, we would get a better handle on the situation. I said that Michael Eyers, who is now looking closely at budgetary operations on behalf of the Government, and David Richmond and the OCA would be conducting several reviews of contracts—all this information was made public—to see whether they would get the job done or whether there were things that needed to be done that were not fully scoped. I told the Treasurer at the time, "We may have to come back to you about matters to do with SOCOG's finances and the Government underwrite. We can't quantify any of that for you today and, as it emerges in the next six months or so, we will get a better handle on this and we will come back and talk to you. In the meantime, we would like you to put a Treasury official on the contingency committee and allow him to attend the finance committee. And, as soon as we have a better handle on it, I will come back to you". That is precisely what I did: I went back to him in the middle of June when we had a better handle on this.⁴²

2.3 During the period from February 2000, information about SOCOG's financial position was provided on an ongoing basis to the SOCOG Board through its Finance and Contingency Committees. The information provided to the SOCOG Board and these Committees, about the level of SOCOG assessed risks exceeding the \$50 million contingency and the assessed risks to programs outsourced to the OCA, is provided in table 2.1, below.

⁴² Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, p13.

TABLE 2.1 MEETINGS OF THE SOCOG BOARD AND ITS FINANCE AND CONTINGENCY COMMITTEES FOR THE PERIOD FROM FEBRUARY 2000 TO JUNE 2000

Date	Event	SOCOG assessed risks exceeding the \$50 million contingency	Assessed risks to programs outsourced to OCA	Other notable facts
16 February	Meetings of the Finance and Contingency Committees	Nil	-	Finance Committee advised that ticketing revenue could be \$20-25 million better than February 2000 budget but there are also offsetting budget overruns. Treasury official attends meetings as an observer.
17 February	SOCOG Board meeting	Nil	-	Board approves revised budget for submission to the Treasurer. Budget includes contingency of \$50 million.
15 March	Meetings of the Finance and Contingency Committees	\$26.7m	Assessing under way	Committees advised ticketing revenue could offset risks. Treasury official attends meetings as an ongoing participant.
16 March	SOCOG Board meeting			
13 April	Meetings of the Finance (8am) and Contingency (9.20am) Committees SOCOG Board meeting (9.40am)	\$33.9m	Assessing under way	Committees and Board advised ticketing revenue could offset risks.
11 May	Meeting of the Contingency Committee	\$49.1m	\$12.3m	Treasury official unable to attend.
24 May	Joint meeting of the Finance and Contingency Committees	\$51.4m	\$12.3m	Decision to recommend SOCOG Board inform the underwriter of a potential shortfall.
14 June	Meeting of the Finance Committee	\$51.4m	\$20m*	Decision to update SOCOG Board on financial position in the context of the underwriting agreement.
15 June	SOCOG Board Meeting	\$51.4m	\$20m*	Knight advised Board that the Government would honour its underwriting commitment and he would be approaching the Treasurer about the need for additional funding.

* The Committee understands that while the OCA had determined the figure of \$20 million by 26 May 2000, Board Members were advised of this figure on 20 June 2000, by memo from the President of SOCOG.

Note: Members of the Finance and Contingency Committees are listed in Appendix 4.

2.4 Table 2.1 shows that during the period from February 2000 to April 2000 the SOCOG Board was advised that the expectation was that gains in ticketing revenue would offset the expenditure risk that exceeded the \$50 million contingency.

2.5 These gains did not in fact materialise. The deterioration in SOCOG's budget position became clear during the period between the 13 April Board meeting and the 11 May Contingency Committee meeting. As noted in chapter one, additional costs associated with the operation of the ticket call centre and the delivery of tickets contributed to the budgetary problem.

2.6 The Committee notes that a decision was taken not to hold a SOCOG Board meeting in May 2000. The Minister told the Committee:

The May meeting of the board was scheduled quite early. It was a planned meeting to be quite early, to fit in with the fact that a large number of board members—Chris Hartcher, the shadow Minister; Sandy Hollway, the chief executive; Kevan Gosper; John Coates and I—would be in Olympia for the lighting of the torch. The meeting was scheduled for early May, and the chief executive approached me and said there was very little business, that very little had been able to be prepared by the staff, who had taken the Easter break—for very sensible and good reasons: to harvest their energy and to dispense of some leave in the lead-up to the Games—and we decided to cancel the May meeting. The board had its ordinary meeting in June. So it had its ordinary meeting in April, it did not meet in May, and it met again in June.⁴³

2.7 The Committee also notes that the nominated Treasury official was unable to attend the 11 May 2000 Contingency Committee meeting. Had the Treasury official attended this meeting, this official may have alerted the Treasurer to matters raised at that meeting relating to the problem with SOCOG's finances prior to the introduction of the 2000-2001 State Budget into the Parliament on 23 May 2000. It would appear, however, that the absence of the Treasury official on 11 May meant that up until the joint meeting of the Finance and Contingency committees on 24 May, Treasury continued to hold the view that expenditure risks would be broadly offset by ticketing revenue in excess of budget forecasts. Mr Ronsisvalle told the Committee:

... the briefing on 26 April dealt with movements in the two sides of the equation. So the Treasurer was aware that there were going to be deviations from the SOCOG budget on both sides of the equation. The net result is what counts as far as the budget is concerned. Prior to the 24 May meeting essentially the emergence of these risks was seen in the context that there was a potential for additional ticketing revenue that could offset them. So at that point there was no need for alarm.⁴⁴

2.8 With respect to the role of the Treasury official on the Finance and Contingency Committees, the Committee acknowledges the following comments, made by Mr John Pierce, Secretary of NSW Treasury:

⁴³ Evidence of the Hon Michael Knight MP, Minister for the Olympics, 4 July 2000, p5.

⁴⁴ Evidence of Mr Mark Ronsisvalle, Executive Director, Resource Allocation, Health, Justice and Transport, NSW Treasury, 5 July 2000, p23.

... that committee is, in this case, responsible to the board of SOCOG and via the president of that board, at least on financial matters, to the Treasurer and the budget committee of Cabinet. The finance committee may make recommendations to the board with an expectation that certain information would then flow through to Treasury. However, the board may have alternate sorts of advice or alternate views so that what eventually formally comes to Treasury may well be different from what some internal committee within an organisation may have originally envisaged.

In this particular case the advantage of, at least from a Treasury perspective, including Mr Ronsisvalle on those finance and contingency committees is that, obviously, he becomes better informed of SOCOG's financial position than we would be if we were just sitting back in Treasury. That means that in the event that SOCOG would or does approach the Government on a financial issue, Treasury is in a better position to provide advice to the Government about that. It does not mean, however, ... that Mr Ronsisvalle or through him the Treasury or the Treasurer are in a position to cut across the accountabilities that operate within the organisation from, in this case, the finance committee to the board itself.

I suppose by way of example, if Mr Ronsisvalle becomes aware of issues within that committee that are of concern to Treasury then the appropriate response is to brief myself, and the Treasurer, and if those concerns are shared for us to raise it within the budget committee and ask that the budget committee call for a report from the respective Minister. That is the way in which we operate across all agencies and it is also the way which we operate here.⁴⁵

- 2.9** The Committee notes that on 13 June 2000, Treasury officers alerted the Treasurer to issues emerging from the 24 May joint meeting of the Finance and Contingency committees.⁴⁶ Further, that later that day the Budget Sub-Committee of Cabinet resolved to invite the Minister for the Olympics to brief a future Budget Sub-Committee meeting on SOCOG's budget position.

Budget Speech

- 2.10** On 23 May 2000, the Treasurer delivered his Budget Speech in the Legislative Assembly, stating:

With this Budget all of the Olympic and Paralympic costs are covered – every single last cent. The Games are now paid for.

Tomorrow the final payment will be made on the last of the permanent Olympic and Paralympic venues. That payment, which will be made at Homebush Bay tomorrow morning, will be made on behalf of the Government and the people of New South Wales by three great athletes – Chris Fydler, Herb Elliot and Liesl Tesch.

⁴⁵ Evidence of Mr John Pierce, Secretary, NSW Treasury, 5 July 2000, p17.

⁴⁶ Evidence of Mr John Pierce, Secretary, NSW Treasury, 5 July 2000, p16.

As well, this Budget makes ample provision for all of the remaining Olympic related expenses.⁴⁷

- 2.11** During the Committee hearing on 5 July 2000, Mr Pierce was questioned about the implication of this statement, given the Parliament was asked to agree to the appropriation of an additional \$140 million for SOCOG only four weeks after the statement was made. Mr Pierce expressed the view that:

There are a number of components to that statement, one of which is obviously construction costs associated with the permanent venues, and that is obviously what is being referred to. We talked about the final payment being made and handing over the cheque for that final payment. The other parts of the statement obviously referred to not only those costs but the costs of running the Games and make the point that this budget makes ample provision for those remaining Olympic expenses, remembering that budgets are based on forecasts—and forecasts with information you have at a particular point in time. The provisions referred to would be not only the provisions within the SOCOG budget, but also provisions within the budget in general, which obviously include the Treasurer's advance and the size of the surplus that we had. So, the expectation is between those there was ample provision for the costs of operating the Games whatever they may turn out to be.⁴⁸

- 2.12** During the hearing the Auditor-General was questioned about his interpretation of the Budget Speech as to whether the phrase “every last single cent” referred to construction costs. He replied: “It was not my interpretation when I read the Budget Speech.”⁴⁹

Conclusion

- 2.13** Had SOCOG held a Board meeting in May, at the usual time in the middle of the month, the Board would have in all likelihood been made aware of the deterioration in SOCOG's finances one month earlier than in fact was the case. However, the Committee notes that the holding of the Board meeting at the usual time was not practicable due to the absence of a large number of Board members in Olympia for the lighting of the Torch.

⁴⁷ NSW Parliamentary Debates, Legislative Assembly, 23 May 2000, p5530. Note the text of the printed Budget Speech (*Budget 2000-01, Budget Paper No. 1*) differs slightly from the speech delivered by the Treasurer.

⁴⁸ Evidence of Mr John Pierce, Secretary, NSW Treasury, 5 July 2000, pp21-22.

⁴⁹ Evidence of Mr Bob Sendt, Auditor-General, 5 July 2000, p10.

Chapter 3 Auditor-General's concerns

The Auditor-General raised two concerns about the mechanism used to appropriate the \$140 million contingency grant to SOCOG. The first concern related to the timeframe allowed for Parliament to consider the matter. The second concern related to the decision to appropriate funds from the 1999-2000 financial year, rather than the 2000-2001 financial year.

Timeframe allowed for consideration by Parliament

3.1 The Auditor-General, Mr Bob Sendt, indicated his primary concern was the limited timeframe given to Parliament to scrutinise the request for funds, and the limited information given to Parliament as to the reason for the request. Mr Sendt told the Committee:

... we have a concern as to whether Parliament had been given sufficient information and sufficient opportunity to make an informed decision on the additional \$140 million being sought through the further budget variations bill. We see our role in the Audit Office very much in assisting Parliament to hold the Executive Government accountable, and that is why we had a concern about the degree of information provided and the amount of time that was provided for Parliament to make a decision on that.⁵⁰

3.2 As detailed in the introductory chapter, amendments to the Appropriation (Further Budget Variations) Bill 2000 providing for the appropriation of the \$140 million were introduced into the Legislative Assembly on 20 June 2000, with the passage of the Bill concluded in the early hours of the morning of 21 June 2000. The Bill was then forwarded to the Legislative Council for consideration where it passed through all stages on 21 June 2000. The Bill contained provisions relating to a number of other amounts (detailed in the introductory chapter), and as such Mr Sendt indicated his:

... concern was partly that the additional amount had been sought as part of a bill which, by its very nature, would seem to have to be passed through all stages by 30 June to allow the Government to make the payments that it was seeking. Had that bill not been passed, unless some retrospectivity was built in, I would have had a role in commenting on perhaps the illegality of money being spent without appropriation in the year. ... I ... understand that the Government would have had very strong interests in ensuring that the bill went through all stages prior to 30 June.⁵¹

3.3 The Committee notes that the present inquiry was established in its current form precisely because Members of the Legislative Council were concerned that referral of the Bill to a Committee for inquiry and report might hold up passage of the cognate appropriation bills.⁵²

⁵⁰ Evidence of Mr Bob Sendt, Auditor-General, 5 July 2000, p1.

⁵¹ Evidence of Mr Bob Sendt, Auditor-General, 5 July 2000, pp3-4.

⁵² See footnote 13.

- 3.4** The Committee notes that under section 5A of the *Constitution Act 1902*, the Legislative Council is taken to have failed to pass any Bill appropriating moneys for the ordinary annual services of the Government if it is not returned to the Legislative Assembly within one month. The receipt of a bill appropriating funds for 1999-2000 from the Legislative Assembly on 21 June 2000 did not provide adequate opportunity for the Council to review the Bill and for the Bill to become law before 30 June.

Appropriation from 1999-2000 budget

- 3.5** During his appearance before the Committee on 4 July 2000, the Hon Michael Knight MP, Minister for the Olympics, provided the Committee with a copy of a fax he sent to SOCOG Board Members on 20 June 2000, providing Board Members with information about arrangements reached with the Treasurer for a \$140 million grant to SOCOG. The fax stated:

Given the State Budget is in surplus this is the best time to make such a prudent arrangement.⁵³

- 3.6** The decision of the Government to appropriate the \$140 million from the 1999-2000 budget surplus attracted criticism from the Auditor-General. In evidence before the Committee Mr Sendt stated:

Our concern was that while it was certainly legal it reduced the surplus for 1999-2000 by \$140 million, whereas most of the expenditure we assumed would be required in the 2000-01 year. It would give a more accurate representation of the budget result if the \$140 million or whatever part of it was needed were shown against the 2000-01 result.⁵⁴

- 3.7** Mr Sendt went on to detail the impact on the budget results:

The way it has been done at present has the possibility of distorting both years' budget results by virtually the whole \$140 million. If you assume that none of it was required in 1999-2000—that that is the assumption—the 1999-2000 result obviously is adversely affected by \$140 million. The 2000-01 result is improved by the amount that may have been required—\$50 million, \$70 million, \$100 million—but it is also potentially going to be improved by any repayment of the unspent amount of \$140 million. So what it does, in effect, is distort both results by \$140 million, assuming nothing actually was spent by 30 June.⁵⁵

- 3.8** Mr Pierce explained to the Committee why Treasury supported the appropriation of the money from the 1999-2000, rather than 2000-2001 budget:

... we were able to do that within the broader fiscal environment within the results for 1999-2000, given the healthy nature of those results and given that they were

⁵³ Fax from the Hon Michael Knight, President of SOCOG, to SOCOG Board Members, dated 20 June 2000, provided as a document tendered as evidence by the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, 4 July 2000.

⁵⁴ Evidence of Mr Bob Sendt, Auditor-General, 5 July 2000, p5.

⁵⁵ Evidence of Mr Bob Sendt, Auditor-General, 5 July 2000, p10.

known, obviously, with a much higher degree of certainty than the results will be known for 2000-01. Obviously, at this point in time we have a fair idea of what the outcomes of 1999-2000 will be, so we can assess the impact on the overall fiscal outcomes of taking the route that we took by having it coming out of 1999-2000's accounts than if we had put it into the 2000-01 accounts. One of the things that Treasury is obviously quite concerned about is the certainty of our budget projections and the certainty of the budget position that we are putting forward.

... It no doubt affects the result, but I think we have, through what we have done, tried to make it crystal clear what the effect of that result is. We are not trying to hide anything; we have made it very explicit.⁵⁶

- 3.9** Mr Pierce also provided the Committee with a copy of correspondence from the Treasurer to the Auditor-General, dated 26 June 2000, responding to concerns raised by the Auditor-General, in which the Treasurer stated:

The Government was not in any way trying to “distort” – rather I and other ministers were attempting to be explicit.

I believe the timing of the payment will help to maintain public confidence in the capacity of the State to finance the Games (both construction and operation of the Games) without recourse to debt. ...

I believe it is more understandable when the public sees that the additional appropriation is made out of an already achieved and sizeable surplus.⁵⁷

Conclusion

- 3.10** The Committee acknowledges the healthy nature of the 1999-2000 Budget result and the consequent incentive for the Government to fund the \$140 million from the 1999-2000 surplus. The Committee also acknowledges that the Government has explicitly identified its actions in appropriating funds from that surplus.
- 3.11** The fact remains, however, that all but \$200,000 of the \$140 million will be expended after the end of 1999-2000. The Committee notes that as the \$140 million has been provided by the Government as a grant to SOCOG, it is legal for the amount to be appropriated from the 1999-2000 budget.
- 3.12** The Auditor-General and the Secretary of NSW Treasury hold different views about whether the \$140 million grant to SOCOG should have been appropriated from the 1999-2000 or 2000-2001 budgets. The Committee notes that no comment about this issue was made during debate in the Legislative Council on the Appropriation (Further Budget Variations) Bill 2000.

⁵⁶ Evidence of Mr John Pierce, Secretary, NSW Treasury, 5 July 2000, p15.

⁵⁷ Letter from the Hon Michael Egan MLC, Treasurer, to Mr Bob Sendt, NSW Auditor-General, dated 26 June 2000, provided as an attachment to correspondence from Mr John Pierce, Secretary to the NSW Treasury, to Director, dated 12 July 2000.

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The statements to back this position include:

⁵⁸ Budget Paper Number 1, 2000-2001, Page 1

“I met with the Treasurer at about the end of January or the beginning of February when we were proposing that some of SOCOG’s be outsourced to the OCA....We indicated in February that SOCOG had a clear financial problem”⁵⁹

“During the April meeting the Board should have been aware that there were

“From about that time (April) I was informed of the deterioration but a lot of these risks and circumstance only crystallised around that June meeting...did I know prior to June that the financial position of SOCOG was deteriorating, yes.”⁶¹

“In April the Finance Committee received a list of risks that totalled about \$33.9 million, according to my estimate. They were in addition to the items that had been listed in the \$50 million contingency in February.”⁶²

“We held a Finance Committee meeting on March 15 and there was a discussion at that meeting about the risks that were emerging at that time.”⁶³

“At that meeting with the Treasurer on 26 April, as part of that briefing I would have made it clear that obviously the large amount of money that was being claimed against the contingency was increasing and that was a concern”⁶⁴

The Committee was supplied with a document titled “*CHRONOLOGY OF SOCOG/OLYMPIC EVENTS*”.

This document contains several key dates, including:

- **27 January 2000:** Minister briefs Treasurer on SOCOG Budget difficulties
- **27 January 2000:** Letter from SOCOG to Minister Knight (letter dated 19-01-00) regarding inability to provide financial reports until budget position is clarified
- **15 March 2000:** Meeting of Finance Committee provides further details of possible budget overruns
- **11 April 2000:** Minister submits to Treasurer the February 2000 revised SOCOG Budget. This becomes the basis for the 2000-01 State Budget
- **26 April 2000:** Treasury officials brief Treasurer on issues emerging from April Finance Committee meeting
- **28 April 2000:** Treasury database for 2000-01 State Budget is closed
- **23 May 2000:** State Budget delivered
- **19 June 2000:** Meeting between Minister for Olympics and Treasurer where the need to provide \$140 million to SOCOG agreed
- **20 June 2000:** Budget Committee approves provision of \$140 million to SOCOG. Treasurer makes announcement.

⁵⁹ Evidence of the Hon Michael Knight MP, 4 July 2000, Page 13

⁶⁰ Evidence of the Hon Michael Knight MP, 4 July 2000, Page 5

⁶¹ Evidence of the Hon Michael Knight MP, 4 July 2000, Page 10

⁶² Evidence of Mr Bob Adby, July 4 2000, Page 32

⁶³ Evidence of Mr John Barbeler, July 4 2000, Page 61

⁶⁴ Evidence of Mr Mark Ronsisvalle, July 5 2000, Page 29

From the dates provided to the Committee, it can be concluded that the Minister for the Olympics and the Treasurer each has a degree of knowledge before the delivery of the May 23rd Budget that there were significant emerging financial problems with SOCOG.

2. THE MINISTER FOR THE OLYMPICS AS PRESIDENT OF SOCOG:

During the Inquiry the Committee was told that any spending from the contingency fund would involve, to use the Minister's words:

“a series of mechanisms, involving the Treasury, the OCA, me in my capacity as Minister for the Olympics, and the Treasurer”⁶⁵

When the legislation was passed in 1996 making the Minister the President of SOCOG, the Opposition opposed the legislation on the grounds that there was the potential for the Minister to have a conflict of interest.

There are those who say that there are some benefits in the Minister being the President of SOCOG, but in relation to this issue there is a perceived lack of accountability and conflict of interest through the President making decisions about whether to use the contingency funding, and then becoming one of the approval bodies for that use by virtue of his Ministerial responsibilities.

If the Minister is to continue in both roles, then taxpayer interests would be better served if the Minister had no continuing role in the approval process.

3. SOCOG's BUDGET:

While the difficulties that have arisen out of the 1999 ticketing debacle have been well documented and acknowledged by numerous witnesses as factors behind the inclusion of over \$18 million in the table of risks supplied to the Committee, we believe that other factors also need comment.

While we accept that staging the Olympic Games is a unique event in the history of New South Wales, that cannot be an excuse for the problems that have emerged in relation to SOCOG's budget.

The decision to outsource a number of functions to OCA, and then the review of those contracts which as Mr David Richmond stated in evidence:

“identified some potential risks and gaps in some of the contracts”⁶⁶

begs the question about the probity of all SOCOG contractual arrangements.

The fact that the review of contracts outsourced to OCA revealed risks of \$20 million not previously identified by SOCOG is a continuing source of concern with regard to the remaining SOCOG contracts.

⁶⁵ Evidence of the Hon Michael Knight MP, 4 July 2000, Page 11

⁶⁶ Evidence of Mr David Richmond, 4 July 2000, Page 21

Appendix 1 – List of witnesses

The Hon Michael Knight MP	Minister for the Olympics and President of SOCOG 4 July 2000
Mr David Richmond	Director General, OCA 4 July 2000 and 5 July 2000
Mr Bob Adby	Finance Director, OCA 4 July 2000 and 5 July 2000
Mr Jim Sloman	Deputy Chief Executive Officer, SOCOG 4 July 2000
Ms Robyn Kruk	Deputy Director General, Premier's Department 4 July 2000
Mr Michael Eyers	Deputy Chief Executive Officer, SOCOG 4 July 2000
Mr John Barbeler	General Manager Finance, SOCOG 4 July 2000
Mr Bob Sendt	Auditor-General 5 July 2000
Mr Philip Thomas	Assistant Auditor-General, Audit Office 5 July 2000
Mr John Pierce	Secretary, NSW Treasury 5 July 2000
Mr Mark Ronsisvalle	Executive Director, Resource Allocation, NSW Treasury 5 July 2000
Mr Roger Wilkins	Director General, Cabinet Office 5 July 2000

Appendix 2 – SOCOG Games budget comparisons

	June 1998	June 1999	February 2000	Current
	\$m	\$m	\$m	\$m
Net Revenues				
Sponsorship	873.7	837.8	694.9	694.9
Consumer Products	65.2	63.2	68.9	68.9
Ticket Sales	600.9	607.9	566.1	566.1
TV Rights	1,032.2	1,033.1	1,039.1	1,039.1
Other Revenue Initiatives	25.0	5.0	5.0	5.0
Total Net Revenues	2,597.0	2,547.0	2,374.0	2,374.0
Expenditures				
NSW Government Payments	405.4	405.6	405.6	405.6
AOC Payments	75.0	79.0	79.0	79.0
SPOC Payments	18.0	18.0	18.0	18.0
IOC Payments	11.1	11.1	0.0	0.0
Program Expenditures	1,936.4	1,860.6	1,821.4	1,821.4
Revenue Contingency	59.4	90.9	(0.4)	-
Expenditure Contingency	61.7	51.8	50.4	-
Contingency (global)	-	-	-	190.0
Total Expenditures	2,567.0	2,517.0	2,374.0	2,514.0
NSW Government Grant	-	-	-	(140.0)
Surplus/(Deficit)	30.0	30.0	0.0	0.0

Note: Brackets denote negative amounts.

Source: Correspondence from Mr Bob Adby, Executive Director, Finance and Corporate Services, OCA, dated 5 July 2000.

Appendix 3 – Chronology of Events

Date	Event
15 October 1999	1999 Olympics Budget Estimates hearing conducted; primary focus on ticketing issues.
22 October 1999	Treasury receives SOCOG's quarterly report as at 30 September 1999. Financial outcome shows \$30 million profit. Treasury advised that a detailed review of SOCOG's risks is being undertaken.
26 October 1999	Legislative Council refers Olympic Ticketing inquiry to General Purpose Standing Committee No 1.
1 November 1999	Minister for the Olympics appoints an Independent Review Team to review the Olympic ticketing process.
22 November 1999	Independent Review Team reports to the Minister for the Olympics.
	SOCOG Board announces a review of SOCOG's organisational and reporting responsibilities in line with a structural reorganisation.
2 December 1999	General Purpose Standing Committee No 1 releases its <i>Report on Inquiry into Olympic Ticketing</i> .
3 December 1999	Chairman, SOCOG Finance Committee sends letter to Treasurer inviting the Treasurer or a Treasury representative to join the Finance Committee.
27 January 2000	Minister for the Olympics briefs the Treasurer on SOCOG budget difficulties and presents a proposal that involves: the NSW Government foregoing its \$30 million surplus on the basis that SOCOG operates within a balanced budget; program expenditure savings of \$39 million; savings of \$11.06 million in payments to both the IOC and AOC; and the outsourcing of SOCOG's venue operational programs and budgets to the OCA. The Minister advises the Treasurer that budget operations and contracts are being scrutinised and flags the possibility of needing to discuss SOCOG's finances again in the future. The Minister also requests the Treasurer to nominate a Treasury official to be appointed to the Contingency Committee, and to attend Finance Committee meetings.
16 February 2000	Meetings of the Finance Committee and the Contingency Committee.
	Finance Committee provided with January 2000 financial report which shows projected balanced outcome consistent with the Minister's briefing of 27 January. Finance Committee advised that ticketing revenue could be \$20 to \$25 million better than February 2000 budget but there are also offsetting budget overruns. Treasury official attends as an observer.

- Contingency Committee discusses procedural matters. Treasury official attends as an observer.
- 17 February 2000 SOCOG Board approves revised budget for submission to the Treasurer. Budget includes contingency of \$50 million. SA condition of the revised budget is that SOCOG commences monthly, as opposed to quarterly, reporting to Treasury.
- 25 February 2000 Treasurer sends letter to Chairman, SOCOG Finance Committee relating to Treasury's representative on the Finance Committee.
- 15 March 2000 Meetings of the Finance Committee and the Contingency Committee.
- Finance Committee identifies \$26.7 million emerging additional risks (above the \$50 million contingency) but again advised these could be offset by ticketing revenue. February 2000 financial report shows projected balanced outcome. Treasury official attends as a participant.
- Contingency Committee discusses procedural issues. One minor draw (less than \$1 million) on contingency funding is approved. Treasury official attends as a participant.
- 16 March 2000 SOCOG Board meeting
- 11 April 2000 Minister for the Olympics submits the February 2000 revised budget to the Treasurer, which becomes the basis for the State Budget.
- 13 April 2000 Meetings of the Finance Committee and the Contingency Committee.
- 8.00 am: Finance Committee is provided with the latest details of ticketing revenue. SOCOG executive advises that additional costs which have been identified will keep net ticketing revenue to budget. Emerging additional risks increase to \$33.9 million.
- 9.20 am: Contingency Committee approves a number of minor draws totalling \$1.333 million of contingency funding. It becomes apparent that contingency funding has already been allocated to specific risks.
- 9.40 am: Meeting of the SOCOG Board.
- 26 April 2000 Treasury officers brief the Treasurer on issues emerging from the April Finance Committee meeting, and advise that SOCOG were reporting that ticketing revenue could offset expenditure risks.
- 28 April 2000 Treasury database for 2000-01 budget closes.
- 11 May 2000 Meeting of the Contingency Committee.
- Contingency Committee identifies \$49.1 million emerging additional risks. Treasury officer does not attend meeting due to pressures in finalising State

	Budget. Contingency Committee advised of \$12.3 million of risks in programs outsourced to the OCA.
23 May 2000	2000-2001 State Budget introduced into the Legislative Assembly.
24 May 2000	Joint meeting of the Finance and Contingency Committees. Finance report advises that risks exceed the current contingency fund of \$50 million by an additional \$51.4 million. Decision taken to recommend to SOCOG Board that it inform the Government of current budget circumstances and recommend that the Board inform the underwriter of a potential budget shortfall.
26 May 2000	OCA assesses final reports detailing risks in programs outsourced to OCA. \$20 million of risk are identified.
2 – 11 June 2000	Senior OCA staff discuss underwriting options.
13 June 2000	Treasury officers alert Treasurer to issues emerging from the 24 May joint meeting of the Finance and Contingency Committees. The Budget Sub-Committee of Cabinet resolves to invite the Minister for the Olympics to brief a future Budget Sub-Committee meeting on SOCOG's budget position.
14 June 2000	Senior OCA staff assess the risk position at \$139.4 million. Meeting of the Finance Committee. Finance report shows risks exceed the current contingency fund by \$51.4 million. Committee resolves to update the Board on SOCOG's financial position in the context of the underwriting agreement. Meeting of the Minister for the Olympics, Acting Chair of the Finance Committee, Director General of OCA and Deputy CEO of SOCOG. Minister discusses underwriting options with senior OCA staff and Deputy CEO of SOCOG. Decision made to approach the Treasurer with risk statement.
15 June 2000	SOCOG Board Meeting.
16 June 2000	Minister for the Olympics briefs the Treasurer about SOCOG's budget position and the need to provide additional funding to avoid compromising the quality of the Games.
19 June 2000	Minister for the Olympics meets with Treasurer. Agreement is reached for the provision of \$140 million for SOCOG.
20 June 2000	Budget Sub-Committee of Cabinet approves the provision of \$140 million to SOCOG and Treasurer announces this decision. Minister for the Olympics and President of SOCOG issues memo to SOCOG Board Members advising of \$140 million grant.

Olympic Budgeting

- 20/21 June 2000 Appropriation (Further Budget Variations) Bill amended by the Legislative Assembly to effect the \$140 million payment and passed by that House.
2000-2001 Appropriation Bills passed by the Legislative Assembly.
- 21 June 2000 Appropriation (Further Budget Variations) Bill passed by the Legislative Council.
2000-2001 Appropriation Bills passed by the Legislative Council.
- 22 June 2000 Legislative Council refers inquiry into Olympic Budgeting to General Purpose Standing Committee No 1 for inquiry and report.
- 27 June 2000 Appropriation (Further Budget Variations) Bill assented to by the Governor.
- 4 July 2000 General Purpose Standing Committee No 1 conducts public hearing relating to inquiry into Olympic Budgeting.
- 5 July 2000 General Purpose Standing Committee No 1 conducts public hearing relating to inquiry into Olympic Budgeting.

Appendix 4 – SOCOG Sub-Committee Membership

Audit Committee

Hon Nick Greiner (Chair)

Craig McLatchey

Donald McDonald

Finance Committee

Brian Sherman (Chair)

Hon Nick Greiner

Craig McLatchey

Bob Adby

Mark Ronsisvalle

Contingency Committee

Brian Sherman (Chair)

Bob Adby

Mark Ronsisvalle

Michael Eyers

Source: Correspondence from Mr Bob Adby, Executive Director, Finance and Corporate Services, OCA, dated 5 July 2000.

Proceedings of the Committee

Minutes No. 43

Friday 23 June 2000
At Parliament House at 10.00 am

1. Members Present

Revd Nile (in the Chair)
Mr Kelly
Mrs Forsythe
Mr Gallacher (Moppett)
Mr Primrose
Mr Tsang
Dr Wong

2. Confirmation of minutes

Resolved, on the motion of Mrs Forsythe, that minutes of meeting number 42 be confirmed.

3. Correspondence

Letter from the Hon John Jobling MLC, Opposition Whip, to Director, dated 23 June 2000, advising that the Hon Michael Gallacher MLC will be representing the Hon Doug Moppett MLC for all meetings of the Committee relating to the inquiry into Olympic Budgeting.

4. Inquiry into Olympic Budgeting

The Chairman tabled the following reference from the House:

1. That General Purpose Standing Committee No. 1 inquire into and report on:
 - (a) the contingency grant to SOCOG of \$140,000,000 in the Appropriation (Further Budget Variations) Act 2000,
 - (b) the deterioration in the finances of SOCOG and the reasons for that deterioration.
2. That the Committee report on or before the first sitting day in August 2000.⁶⁷

⁶⁷ Legislative Council *Minutes of the Proceedings*, No 54, 22 June 2000, item 6.

The Committee deliberated.

Resolved, on the motion of Mr Gallacher, that:

- the Committee hold public hearings in relation to the inquiry from 10am to 5pm on Tuesday, 4 July 2000 and Wednesday, 5 July 2000;
- the Committee hold a deliberative meeting, to discuss progress on the inquiry, from 5pm to 5.30pm on Wednesday, 5 July 2000; and
- the Committee hold a deliberative meeting from 10am to 12 noon on Monday, 17 July 2000, to deliberate on the Chairman's draft report.

The Committee deliberated.

Resolved, on the motion of Mrs Forsythe, that the Hon Michael Knight MP, Minister for the Olympics and President of the Sydney Organising Committee for the Olympic Games, be invited to appear before the Committee to give evidence from 10am to 10.30am on Tuesday, 4 July 2000.

Resolved, on the motion of Mrs Forsythe, that the following people be requested to appear before the Committee to give evidence at the public hearings on 4 and 5 July 2000:

- David Richmond, Director General, Olympic Coordination Authority
- Bob Adby, Finance Director, Olympic Coordination Authority
- Sandy Hollway, CEO, Sydney Organising Committee for the Olympic Games
- Michael Eyers, Deputy CEO, Sydney Organising Committee for the Olympic Games
- Jim Sloman, Deputy CEO, Sydney Organising Committee for the Olympic Games
- John Barbeler, General Manager Finance, Sydney Organising Committee for the Olympic Games
- Bob Sendt, Auditor-General
- Roger Wilkins, Director General, Cabinet Office and any other senior Cabinet Office officers who have oversight of the Olympics portfolio area
- John Pierce, Secretary, NSW Treasury and any other senior Treasury officers who have oversight of the Olympics portfolio area

The Committee deliberated.

Resolved, on the motion of Mr Primrose, that the Chairman be empowered to determine the timetable of witnesses for the public hearings on 4 and 5 July 2000.

The Committee deliberated.

Resolved, on the motion of Mrs Forsythe, that:

- Members may nominate additional people to give evidence at the public hearings on 4 and 5 July 2000, by notifying the Chairman of the Committee by Tuesday, 27 June 2000;
- the names of these people are to be circulated to all Members of the Committee; and
- if all Members agree, these people will be requested to appear before the Committee to give evidence at the hearings on 4 and 5 July 2000.

The Committee deliberated.

Resolved, on the motion of Mrs Forsythe, that information about the dates of hearings and the names of people who will be requested to appear before the Committee to give evidence at the hearings can be made public.

5. Adjournment

The meeting adjourned at 10.45 am until 10.00 am on Tuesday 4 July 2000.

Anna McNicol
Director

Minutes No. 44

Tuesday 4 July 2000
At Parliament House at 10.00 am

1. Members Present

Revd Nile (in the Chair)
Mr Kelly
Mrs Forsythe
Mr Gay (Moppett)
Mr Johnson (Tsang)
Mr Primrose
Dr Wong

2. Confirmation of minutes

Resolved, on the motion of Mrs Forsythe, that minutes of meeting number 43 be confirmed.

3. Correspondence

The Chairman tabled four items of correspondence received.

Letter from Mr Gary Moore, Director, Council of Social Service of New South Wales, to Chairman, dated 23 June 2000, requesting the Committee to consider certain matters when conducting its inquiry into Olympic budgeting.

Letter from the Hon Patricia Forsythe MLC, to Chairman, dated 27 June 2000, suggesting that Dr Col Gellatly be called as a witness in relation to the inquiry into Olympic Budgeting.

Memo from the Hon John Jobling MLC, Opposition Whip, to Director, dated 28 June 2000, advising that the Hon Duncan Gay MLC will be replacing the Hon Michael Gallacher MLC during the inquiry into Olympic Budgeting.

Memo from the Hon Peter Primrose MLC, Government Whip, to Director, dated 29 June 2000, advising that the Hon John Johnson MLC will be replacing the Hon Henry Tsang MLC during the inquiry into Olympic Budgeting.

4. Inquiry into Olympic Budgeting

The media and the public were admitted.

The Hon Michael Knight MP, Minister for the Olympics and President of the Sydney Organising Committee for the Olympic Games (SOCOG), was admitted.

The Minister answered questions by Members of the Committee.

The Minister tendered a document to support his evidence.

Resolved, on the motion of Mrs Forsythe, that the Committee accept the document.

Resolved, on the motion of Mrs Forsythe, that pursuant to the provisions of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and the authority of Standing Order 252, the Committee authorises the Committee Director to publish the document tendered by the Minister.

Evidence concluded and the Minister withdrew.

Mr David Richmond, Director General, and Mr Robert Adby, Executive Director, Finance and Corporate Services, both of the Olympic Coordination Authority, and Mr James Sloman, Deputy Chief Executive Officer, SOCOG, were admitted and sworn.

The witnesses answered questions by Members of the Committee.

Evidence concluded and the witnesses withdrew.

Ms Robyn Kruk, Deputy Director General, Premier's Department, was admitted and sworn.

Ms Kruk answered questions by Members of the Committee.

Evidence concluded and Ms Kruk withdrew.

Mr Michael Eyers, Deputy Chief Executive Officer, and Mr John Barbeler, General Manager Finance, both of SOCOG, were admitted and sworn.

The witnesses answered questions by Members of the Committee.

Evidence concluded and the witnesses withdrew.

The public and media withdrew.

The Committee deliberated.

Resolved, on the motion of Mr Gay, that pursuant to the provisions of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and the authority of Standing Order 252, the Committee authorises the Committee Director to publish the transcript of today's proceedings.

Resolved, on the motion of Mr Kelly, that witnesses who took questions on notice during today's proceedings be required to provide responses to these questions by 5pm on Monday, 10 July 2000.

5. Adjournment

The meeting adjourned at 4.48 pm until 10.00 am on Wednesday 5 July 2000.

Anna McNicol
Director

Minutes No. 45

Wednesday 5 July 2000
At Parliament House at 10.00 am

1. Members Present

Revd Nile (in the Chair)
Mr Kelly
Mrs Forsythe
Mr Gay (Moppett)
Mr Johnson (Tsang)
Mr Primrose
Dr Wong

2. Correspondence

The Chairman tabled two items of correspondence received.

Letter from Mr Jim Sloman, to Chairman, dated 5 July 2000, responding to a question taken on notice by Mr Evers relating to Olympic Games volunteers.

Letter from Mr Jim Sloman, to Chairman, dated 5 July 2000, responding to a question taken on notice by Mr Evers, relating to Pac Rim.

3. Inquiry into Olympic Budgeting

The media and the public were admitted.

Mr Robert Sendt, Auditor-General, and Mr Philip Thomas, Assistant Auditor-General, both of the NSW Audit Office, were admitted and sworn.

The witnesses answered questions by Members of the Committee.

Mr Sendt tendered a document to support his evidence.

Resolved, on the motion of Mrs Forsythe, that the Committee accept the document.

Evidence concluded and the witnesses withdrew.

Mr John Pierce, Secretary, and Mr Mark Ronsisvalle, Executive Director, Resource Allocation, Health, Justice and Transport, both of NSW Treasury, were admitted and sworn.

The witnesses answered questions by Members of the Committee.

Mr Pierce tendered a document to support his evidence.

Resolved, on the motion of Mrs Forsythe, that the Committee accept the document.

Resolved, on the motion of Mrs Forsythe, that pursuant to the provisions of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and the authority of Standing Order 252, the Committee authorises the Committee Director to publish the document tendered by Mr Pierce.

Mr Roger Wilkins, Director General, Cabinet Office, was admitted and sworn.

Mr Wilkins answered questions by Members of the Committee.

Evidence concluded and Mr Wilkins withdrew.

Mr David Richmond, Director General, and Mr Robert Adby, Executive Director, Finance and Corporate Services, both of the Olympic Coordination Authority, were admitted on former oath.

The witnesses answered questions by Members of the Committee.

Mr Pierce tendered a document containing responses to questions asked at the previous hearing.

Resolved, on the motion of Mrs Forsythe, that the Committee accept the document.

Resolved, on the motion of Mrs Forsythe, that pursuant to the provisions of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and the authority of Standing Order 252, the Committee authorises the Committee Director to publish the document tendered by Mr Pierce.

Evidence concluded and the witnesses withdrew.

The public and media withdrew.

The Committee deliberated.

Resolved, on the motion of Mrs Forsythe, that pursuant to the provisions of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and the authority of Standing Order 252, the Committee authorises the Committee Director to publish the two items of correspondence received from Mr Sloman, dated 5 July 2000.

Resolved, on the motion of Mr Gay, that pursuant to the provisions of the *Parliamentary Papers (Supplementary Provisions) Act 1975* and the authority of Standing Order 252, the Committee authorises the Committee Director to publish the transcript of today's proceedings.

Resolved, on the motion of Mrs Forsythe, that witnesses who took questions on notice during today's proceedings be required to provide responses to these questions by 5pm on Tuesday, 11 July 2000.

Resolved, on the motion of Mrs Forsythe, that Members wishing to place additional questions on notice be required to forward these questions to the Committee Director by 5pm on Thursday 6 July 2000.

The Committee deliberated.

Members agreed there was no need to hold any additional hearings for the Olympic Budgeting inquiry.

4. Adjournment

The meeting adjourned at 3.43 pm until 10.00 am on Monday 17 July 2000.

Anna McNicol
Director

Minutes No. 46

Monday 17 July 2000
At Parliament House at 10.00 am

1. Members Present

Revd Nile (in the Chair)
Mr Dyer (Kelly)
Mrs Forsythe
Mr Gay (Moppett)
Mr Johnson (Tsang)
Mr Primrose
Dr Wong

2. Confirmation of minutes

Resolved, on the motion of Mrs Forsythe, that the minutes of meetings no 44 and 45 be accepted.

3. Correspondence

The Chairman tabled ten items of correspondence received.

Letter from Mr Bob Adby, Executive Director, Finance and Corporate Services, Olympic Coordination Authority, to Chairman, dated 5 July 2000, responding to questions taken on notice and clarifying evidence relating to the Olympic Budgeting inquiry.

E-mail from Mr Tom Worthington, dated 6 July 2000, providing information relating to accessibility of SOCOG's website to the blind.

Letter from Mr John Barbeler, General Manager, Finance, SOCOG, to Director, dated 10 July 2000, responding to questions taken on notice.

Letter from Mr Michael Eyers, Deputy Chief Executive, SOCOG, to Director, dated 10 July 2000, responding to questions placed on notice.

Letter from the Hon Michael Knight MP, Minister for the Olympics and President of SOCOG, to Director, dated 10 July 2000, responding to questions placed on notice.

Letter from Ms Robyn Kruk, Acting Director General, Premier's Department, to Chairman, dated 10 July 2000, responding to questions taken on notice.

Letter from Mr Bob Sendt, Auditor-General, to Director, dated 11 July 2000, responding to questions placed on notice.

E-mail from the Hon Peter Primrose MLC, Government Whip, to Director, dated 12

Debate ensued.

Mr Gay moved: that the motion be amended by deleting all words after “that” and instead inserting “the second sentence of paragraph 2.7 be amended by deleting the words “it is likely that the Treasurer would have been alerted” and instead inserting the words “this official may have alerted the Treasurer to matters raised at that meeting

Question: that the amendment of Mr Gay be agreed to – put and passed.

Question: that the original question, as amended, be agreed to – put and passed.

The Committee deliberated.

Resolved, on the motion of Mr Dyer, that the last sentence of paragraph 2.12 be amended by deleting the word “while” from the start of the sentence and deleting the words “this does not appear to have resulted in high levels of” and instead inserting the words “but SOCOG have not reached the anticipated budget income from”.

The Committee deliberated.

Resolved, on the motion of Mr Dyer, that paragraph 2.13 be amended by inserting an additional sentence at the end of that paragraph stating “However, the Committee notes that the holding of the Board meeting at the usual time was not practicable due to the absence of a large number of Board members in Olympia for the lighting of the Torch”.

The Committee deliberated.

Resolved, on the motion of Mr Johnson, that paragraph 3.3 be amended by deleting the final sentence “Ideally, sufficient time would have been allowed for scrutiny of the Bill by a Committee prior to it being passed by the House.”

The Committee deliberated.

Resolved, on the motion of Mr Dyer, that the second sentence of paragraph 3.11 be amended by deleting the words “It is only by virtue of the fact that” and instead inserting the words “The Committee notes that as” and deleting the word “that” after

The Committee deliberated.

Resolved, on the motion of Mr Johnson, that the Committee adjourn its deliberation on the Chairman’s draft report and the Committee reconvene at 3.30 pm to continue these deliberations.

5. Adjournment

The meeting adjourned at 11.55 am until 3.30 pm on Monday 17 July 2000.

Anna McNicol
Director

Minutes No. 47

Monday 17 July 2000
At Parliament House at 3.30 pm

1. Members Present

Revd Nile (in the Chair)
Mr Dyer (Kelly)
Mrs Forsythe
Mr Gay (Moppett)
Mr Johnson (Tsang)
Mr Primrose
Dr Wong

2. Confirmation of minutes

Resolved, on the motion of Mr Dyer, that the minutes of meeting no 46 be accepted.

3. Correspondence

The Chairman tabled one item of correspondence received.

Memo from Mr Tom Forrest, Policy Adviser, Office of the Minister for the Olympics, to Director, dated 17 July 2000, providing information requested by the Committee.

4. Inquiry into Olympic Budgeting

The Committee continued its consideration of the Chairman's draft report.

Resolved, on the motion of Mrs Forsythe, that the second sentence of the fifth paragraph of section 'Organisations involved in staging of the Games' in the Introduction be amended by inserting a footnote "Note: Amendments contained in the *Sydney Organising Committee for the Olympic Games Amendment Act 1996* require the Minister for the Olympics to be the President of SOCOG."

Resolved, on the motion of Mrs Forsythe, that the report be amended by inserting a new paragraph after paragraph 1.16:

Mr Eyers told the Committee that the Budget figure (determined in February 2000 and current at the time of the hearing) for ticket revenue is \$566.1 million, which represents a net income from tickets still to be realised of \$150 million. (footnote reference to p57, 4 July 2000)

Mrs Forsythe moved: that the report be amended by inserting a new paragraph after paragraph 1.32:

The Committee notes that while the SOCOG Act requires the approval of the Minister and the concurrence of the Treasurer for any expenditure that exceeds the Budget, and the Minister indicated that would occur in relation to any money spent from the contingency fund, that there remains an inherent conflict in the Minister being both the Minister for the Olympics and the President of SOCOG.

Debate ensued.

Question put.

The Committee divided.

Ayes: Mrs Forsythe
Mr Gay
Dr Wong

Nos: Rev Nile
Mr Dyer
Mr Johnson
Mr Primrose

Question resolved in the negative.

Mrs Forsythe moved: that paragraph 1.34 be amended by inserting an additional sentence at the end: "While the Committee accepts that staging the Olympics is a unique event in NSW history, it is not an excuse for lack of certainty in SOCOG's

Debate ensued.

Question put.

Ayes: Mrs Forsythe
Mr Gay

Nos: Rev Nile
Mr Dyer
Mr Johnson
Mr Primrose
Dr Wong

Question resolved in the negative.

Resolved, on the motion of Mrs Forsythe, that the report be amended by inserting a new paragraph after paragraph 1.34:

The broad range of items that might result in the expenditure of uncommitted contingency funds highlighted to the Committee by Mr Richmond is evidence

that initial budget planning by SOCOG was not thorough enough.

Resolved, on the motion of Mrs Forsythe, that paragraph 2.12 be amended by inserting an additional sentence at the end: "The net amount to be raised from ticket revenue remains a significant budget issue for SOCOG."

Resolved, on the motion of Mrs Forsythe, that the report be amended by moving paragraph 2.12 from the conclusion section of chapter 2 to the conclusion section of chapter 1.

Resolved, on the motion of Mrs Forsythe, that the report be amended by inserting a new paragraph after paragraph 2.11:

During the hearing the Auditor-General was questioned about his interpretation of the Budget Speech as to whether the phrase "every last single cent" referred to construction costs. He replied: "It was not my interpretation when I read the Budget Speech." (footnote reference to p10, 5 July 2000)

Mr Gay moved: that the report be amended by inserting additional paragraphs after paragraph 2.13:

Whilst it is difficult to state with certainty that the Minister and Treasurer were categorically unaware of the SOCOG Budget shortfall at the time of the State Budget on May 23, there is a body of evidence suggesting that the Minister and the Treasurer were certainly aware of emerging risks, and therefore should have had knowledge of the projected shortfall to a certain degree.

The Committee heard evidence to this effect from:

THE MINISTER:

"During the April meeting the Board should have been aware that there were emerging risks" (Tuesday July 4, Page 5)

THE MINISTER:

"From about that time (April) I was informed of the deterioration but a lot of these risk and circumstances only crystallised around that June meeting...Did I know prior to June that the financial position of SOCOG was deteriorating, yes." (Tuesday July 4, Page 10)

THE MINISTER:

"We indicated in February that SOCOG had a clear financial problem and that is why we asked Treasury to give up the \$30 million surplus." (Tuesday July 4, Page 13)

MR ADBY:

"In April the Finance Committee received a list of risks that totalled about \$33.9 million, according to my estimate. They were in addition to the items that had been listed in the \$50 million contingency in February." (Tuesday July 4, Page 32)

MR BARBELER:

“We held a finance committee meeting on 15 March and there was a discussion at that meeting about the risks that were emerging at that time.” (Tuesday July 4, page 61)

MR BARBELER:

“At our March meeting we indicated that there were some problems but we still had not quantified them fully...At our meeting on 12 April, again a finance committee meeting, the risks were beginning to look like \$34 million.” (Tuesday July 4, Page 61)

MR RONISVALLE:

“The Treasurer’s briefing basically alerts him to changes in the gross flow – the two sides. There were risks emerging, but there was the prospect of revenue.” (Wednesday July 5, Page 18)

MR RONISVALLE:

“They (SOCOG forecasts) that the outcomes look like they were going to be different from what was projected back in February, yes.” (Wednesday July 5, Page 28)

MR RONISVALLE:

“At that meeting with the Treasurer on 26 April, as part of that briefing I would have made it clear that obviously the large amount of money that was being claimed against the contingency was increasing and that was a concern, but at this stage it was not something we needed to react to in a strong way.” (Wednesday July 5, page 29)

In addition, from May 7, SOCOG was able to access information on a daily basis about ticketing revenue.

Debate ensued.

Question put.

Ayes: Mrs Forsythe
Mr Gay
Dr Wong

Nos: Rev Nile
Mr Dyer
Mr Johnson
Mr Primrose

Question resolved in the negative.

Resolved, on the motion of Dr Wong, that paragraph 3.12 be amended by deleting the words “The Committee shares the view of the Auditor-General that the appropriation of \$140 million should have been made from the 2000-2001 budget.” and instead inserting “The Auditor-General and the Secretary of NSW Treasury hold different views about whether the \$140 million grant to SOCOG should have been appropriated from the 1999-2000 or 2000-2001 budgets. The Committee notes that no comment about this issue was made during debate in the Legislative Council on the Appropriation (Further Budget Variations) Bill 2000.”

The Committee deliberated.

Resolved, on the motion of Mr Primrose, that the report, as amended, be the report of the Committee.

Resolved, on the motion of Mr Primrose, that the report be signed by the Chairman and presented to the Clerk of the Parliaments on Monday 24 July 2000.

Resolved, on the motion of Dr Wong, that the transcripts of evidence, documents received and correspondence received in relation to the inquiry be tabled with the report and made public.

Resolved, on the motion of Mr Johnson, that dissenting statements relating to the report be provided to the Director no later than 12 noon on Thursday, 20 July 2000.

5. Adjournment

The meeting adjourned at 4.53 pm *sine die*.

Anna McNicol
Director