

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE No. 1

INQUIRY INTO OLYMPIC BUDGETING

At Sydney on Tuesday 4 July 2000

The Committee met at 10.00 a.m.

PRESENT

Reverend the Hon. F. J. Nile (Chair)
The Hon. Patricia Forsythe
The Hon. D. J. Gay
The Hon. A. B. Kelly
The Hon. J. R. Johnson
The Hon. P. T. Primrose
The Hon. P. Wong

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CHAIR: I welcome the media and members of the public to this hearing of General Purpose Standing Committee No. 1 for its inquiry into Olympic budgeting. Under Standing Order 252 of the Legislative Council, this Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings held today. The Committee's resolution conforms with the guidelines governing the broadcast of proceedings adopted by the Legislative Council on 11 October 1994. The attendant on duty has copies of these guidelines.

I emphasise that only members of the Committee and the witnesses before them may be filmed or recorded. People in the public gallery are not considered to be part of the proceedings and, therefore, should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, as with reporting the proceedings of both Houses of Parliament, you must take responsibility for what you publish or what interpretation is placed on anything that is said before the Committee.

Welcome, Minister. I note that you are not obliged to participate in a hearing of a Committee of the Legislative Council, and therefore thank you for accepting the Committee's invitation to participate today. Before we start with your evidence, I note that section 4 of the Parliamentary Evidence Act 1901 provides that any person, not being a member of the Council or the Assembly, may be summoned to attend and give evidence before a Committee. Minister Knight, as you are a member of the Legislative Assembly it is not possible to summons you and there is no provision under the Parliamentary Evidence Act for you to be sworn prior to the taking of evidence. Would you like to commence your evidence by making an opening statement to the Committee?

Mr KNIGHT: Yes, I would. As I have indicated to you previously, I am happy to co-operate with this Committee both to be available myself and to facilitate the availability of relevant staff. Normally, as you know, the Government's proposed expenditure for 1999-2000 would be scrutinised by the estimates committee at the time of that year's budget. Of course, recently this Committee has scrutinised the proposed expenditure for 2000-01. However, the unavoidable circumstances that have transpired means that this special appropriation of \$140 million did not form part of either the 1999-2000 or the 2000-01 estimates hearings. Therefore, the Government supports this special hearing to enable this special appropriation to be scrutinised, which would otherwise not have occurred.

I intend to make a short opening statement. Much of it draws upon an answer I gave to the Legislative Assembly on 20 June of this year. In the last six months we have been looking closely at what resources SOCOG has available for its crucial role in the team delivering the Olympic and Paralympic Games. The risks and exposures which SOCOG faces have been rigorously examined by Michael Eyers and the finance department of SOCOG, by David Richmond and Bob Adby from the Olympic Co-ordination Authority [OCA], and by SOCOG's own finance and contingency committees, which include representation from New South Wales Treasury.

Since SOCOG was aiming for a balanced budget, if any of these risks materialised they would of course move the SOCOG budget into deficit and automatically call upon the State's underwriting. Right from the very first days of the bid the SOCOG budget has been underwritten by the State. The then Premier Nick Greiner and his Cabinet made a decision recognising that in a once-only project like the Olympic Games it is extremely difficult to precisely quantify both all the income and all the expenditure before the event takes place. Of course, the closer you get to the Games, the more accurately can costs and revenues be quantified.

For example, 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. The combination of our experiences over the past six months and the rigorous work by many people in assessing risks indicates that 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. For that reason the Government has decided to act now and to assist now. Ideally, we all hoped the underwriting would not need to be called upon. However, if it is to be called upon, it is preferable that we do it now in an open and transparent way which preserves the quality of the Games.

Consequently, the budget committee of Cabinet decided to make a special grant of \$140 million to the special SOCOG contingency fund, and as you know that decision has been endorsed by both houses of the Parliament. This sum both covers the explicit risks that have been identified and makes prudent provision for additional risks which may emerge, including any possible shortfall in ticket revenue. Of course, until the ticket selling period is over, it is impossible to predict with 100 per cent accuracy how many tickets will be sold. Naturally, 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. It would be remiss if I did not convey to the Committee the longstanding sentiments of many board members and senior staff at SOCOG that they believe there has always been an anomaly in the SOCOG accounts of transfer payments to the Government. In particular, there has been concern over the \$218.7 million which SOCOG has paid the OCA for the construction of the Sydney International Aquatic Centre and the Sydney International Athletic Centre. That is a commitment that dates from the bid but is seen as inconsistent with the fact that the Government, through the OCA, has taken responsibility for funding all of the permanent venues, all of the legacy venues.

Indeed, several boards members have spoken to me and expressed their view that the \$140 million grant goes a long way to addressing that anomaly. In conclusion, I seek leave to table a copy of the memorandum I sent to SOCOG board members on 20 June 2000, and that includes an attachment which sets out a breakdown of some of the specific risks identified by SOCOG's finance department.

Leave granted.

Document tabled.

CHAIR: You used the term twice in your opening statement of "unavoidable circumstances" and "unavoidable facts". Can you spell out what those were?

Mr KNIGHT: Yes. As I said in my statement, it was impossible to quantify certain expenditures that SOCOG could have to make until the circumstances where those expenditures accrued were experienced. The best example of that is the call centre for ticketing. Until you go through a procedure where you sell a lot of tickets through a call centre, until you go through the experience that we went through with the News Ltd publications where you send out in each day's publication forms with a call centre number indicating the number to ring for tickets, the circumstances in which you want to a ballot and how you will do that, until you get to doing that experience you do not know how many people will ring in. You do not know the day that the swimming tickets are

available whether 1,000, 10,000, 100,000, 200,000 people or more will ring in and nobody can accurately predict that. So until you go through that process you do not get a handle on how many operators you need at the call centre. Throughout that process we had to continually keep upgrading the call centre. We had to do a number of things which resulted in additional cost but gave us a handle on what those additional costs would be.

CHAIR: You are not indicating that the failure of the ticket sales is that unavoidable fact?

Mr KNIGHT: No.

CHAIR: That ticket sales are lower than you anticipated?

Mr KNIGHT: No, although it is fair to say that given the controversies, the problems and the mistakes that were made in the first round of ticket selling—

The Hon. D. J. GAY: And the lies.

Mr KNIGHT: Sorry, Mr Chairman, if the Hon. D. J. Gay has a question I am happy to answer it.

The Hon. D. J. GAY: They said sold out and they were not.

The Hon. P. T. PRIMROSE: Are we going to get into this already?

CHAIR: Let the Minister finish his statement.

Mr KNIGHT: I come from the lower House, which is a lot more gentle and delicate.

The Hon. D. J. GAY: That is probably why you have got away with this.

The Hon. P. T. PRIMROSE: He may actually follow the rules of legislative debate. If we are going to get into this, I suggest that we ask the Minister to leave and we discuss whether we will follow the rules of Parliament on the debate.

The Hon. D. J. GAY: He has to answer some questions.

The Hon. P. T. PRIMROSE: Let us follow the rules of the House.

CHAIR: Let the Minister finish his answer, then you can ask a specific question.

Mr KNIGHT: As I was saying, given the controversies, the mistakes, the errors, a range of things that this Committee or most of the members who are here today have been through and examined in the past, SOCOG Sydney 2000 faced a difficulty in selling any tickets this year, any tickets before the closing ceremony of the Games, until we could rebuild a credible ticket selling mechanism, until we could rebuild a mechanism where the public would accept that they could buy tickets in a legitimate fashion and in a fashion they saw as legitimate, then it would be impossible to sell any tickets. So we certainly faced a number of costs that had not been anticipated in the past in rebuilding that system. It is fair to say that it is a tribute to a range of people, particularly Michael Eyers and Alan Marsh, and all the staff who worked with them to rebuild the ticket selling capacity so that there was relatively little disturbance in the last round of ticketing, very little public and media controversy. That was a precondition not just for selling the tickets in that round but for going forward and selling any tickets now.

The Hon. D. J. GAY: A previous visit to this committee, relating to tickets, was a sorry saga—probably a saga of sorries. At a following visit, relating to budget estimates, there was no mention of this \$140 million. I notice that on Friday 2 June you indicated that your ambitions had been thwarted because you had conducted matters in a matter of secrecy. Did that secrecy extend to the budget estimates committee, when you did not tell the committee about the foreshadowed \$140 million?

Mr KNIGHT: Firstly, Mr Gay, I think you are verballing me in terms of saying that I said certain things on 2 June. Your recollection is somewhat different to the copies of the speech that were distributed of what I said on 2 June. Notwithstanding that, if I may come back to the estimates committee. When we appeared before this Committee on the 2000-01 estimates there were essentially two items on the agenda. First and most importantly were the estimates for 2000-01, and we answered fully and frankly all questions relating to that. As I indicated in my opening statement, and as both Houses of the Parliament know, the \$140 million provided for the special SOCOG contingency did not form part of the 2000-01 estimates. Indeed, as I said in my opening statement, because it had not been scrutinised by this Committee, that is a large part of the reason why the Government supported this special sitting and why I am voluntarily here to be part of it.

The second matter that was dealt with by the estimates committee on that occasion was a wide-ranging series of questions on matters as diverse as security, tickets, and many other matters. Those matters did not relate to the 2000-01 estimates, but the officers and I—I was asked very few questions—but the officers answered fully and frankly every question that they were asked. They were never asked a question about the \$140 million—and they could not have answered it if they were asked, because at that stage the Government had not made the decision.

The Hon. D. J. GAY: So only you knew at that stage?

Mr KNIGHT: No, I did not know about the \$140 million.

The Hon. D. J. GAY: Why not?

Mr KNIGHT: The Government only made a decision on 20 June. That is the day that the budget committee of Cabinet met; that is the day that the Treasurer announced it; and that is the day that I answered the question asked by the honourable member for The Entrance in the lower House and spelled out this information.

The Hon. PATRICIA FORSYTHE: When did you put to the Government the need for the additional money?

Mr KNIGHT: The first occasion I met with the Treasurer to explicitly seek funds was on the Friday prior to the 20th. I cannot tell you the date off the top of my head, but the SOCOG board met on the Thursday. As I indicated to the SOCOG board, the board faced a deficit. I reported about that to the board. I organised, that same day, an appointment with the Treasurer for the following day. Nick Greiner, who was the acting chair of the finance committee, also reported to the board, and reported on discussions that he and I had held prior to the board meeting. Then I approached the Treasurer formally on the Friday. We met again on the Monday, and we resolved what position we would recommend to the budget committee. The budget committee met on the 20th, which I believe was a Tuesday. You might be able to help me with your diary. Is that correct?

The Hon. PATRICIA FORSYTHE: Yes.

Mr KNIGHT: The budget committee made the decision, and the Treasurer announced the decision at a press conference some time around about 1.00 p.m. or 1.15 p.m. that day. I also spoke in

the lower House later that day. So within hours of the decision being made by the Government, it was announced.

CHAIR: How often did the board meet prior to the meeting at which this particular matter was discussed? Is it correct that the board had not met for three months, as reported?

Mr KNIGHT: No. The board met in April. 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.

The Hon. Dr P. WONG: Do you mean that during the April meeting the board was not aware whether there was a shortfall?

Mr KNIGHT: During the April meeting the board should have been aware that there were emerging risks.

The Hon. Dr P. WONG: If that was the case, why is it that no meeting was held in May, in view of the fact that there could be very severe financial consequences?

Mr KNIGHT: For two reasons: first, the reason I have just given you and, second, as I said to you, in April the board would have been aware of emerging risks. It was only by June that those risks had been quantified to the extent shown in the document prepared by John Barbeler of the finance division, which is attached to the memo to the board, which I have just handed to you.

The Hon. PATRICIA FORSYTHE: What is the responsibility of the board in relation to the signing off on the accounts and the budget?

Mr KNIGHT: The board bears the ultimate responsibility for the SOCOG finances. One of the things that was beginning to concern a number of board members is that SOCOG was heading for a deficit. They wanted to know, quite properly, what the Government would do about that. For example, Nick Greiner, as the acting chair of the finance committee, came to talk to me about this issue. Nick and I had a discussion about the fact that it was his assessment that the organisation would end up in deficit and that the only two ways to deal with that were either by further cutting expenditure—which we both agreed would not be appropriate—or that this would inevitably call upon the Government's underwriting. We discussed the manner in which we would report that to the board in June—

CHAIR: What was the date of that discussion with Mr Greiner?

Mr KNIGHT: I would have to check my diary. It was either the night before the board meeting or the night before that. If the board met on the Thursday in June, it would have been either the Wednesday evening or the Tuesday evening. I would have to check my diary to be sure which. Nick came and we talked about it. He was heading off to some things in Orange, and he participated in that board meeting on a telephone hook-up.

CHAIR: It sounds almost as though panic was setting in.

Mr KNIGHT: No.

The Hon. PATRICIA FORSYTHE: But was it specifically on the board's agenda?

Mr KNIGHT: Every meeting of the board includes a report from the finance committee and a report from the contingency committee. If I can just take a moment to explain to you how the board operates in terms of finances. There are three board committees—none of which I am on, but all of which I support—which deal with financial matters. The first is the finance committee. The finance committee is obviously the first port of call for the finance division to report to for scrutiny of the SOCOG finances. The second committee is the contingency committee, which was a special committee established to monitor expenditure from the contingency fund. The third committee is the audit committee.

There are various overlapping memberships between those committees. At every SOCOG board meeting there is a written report—which, in the case of the finance committee, consists of the minutes of the previous meeting of the finance committee and also the finance division report. That is inevitably supplemented by a verbal report, either by Brian Sherman as the chair or, because Brian was overseas for a period, by Nick Greiner as the acting chair of that committee. Similarly, there is normally a report, both written and verbal, from the contingency committee, and also from the audit committee, which Nick Greiner chairs.

The Hon. D. J. GAY: The budget indicated that you have a \$50 million contingency. It also indicated that the Government forgave you a \$30 million surplus that it was meant to get. It further indicated that \$11.6 million that was meant to go to the IOC and \$11.6 million that was meant to go to the Australian Olympic Committee were not going to those committees. On my back-of-the-envelope arithmetic, that is \$103 million that was forgiven in the State budget. If you add \$ 140 million to that amount, that means that—

Mr KNIGHT: I am sorry, could you clarify your arithmetic?

The Hon. D. J. GAY: Certainly. There is \$50 million in contingency—

Mr KNIGHT: That was not forgiven in the State budget.

The Hon. D. J. GAY: But it has obviously been used, because you needed another \$140 million in June.

Mr KNIGHT: Look—

The Hon. D. J. GAY: Could I just finish on this?

Mr KNIGHT: No. Can—

The Hon. D. J. GAY: Just let me finish. There is a \$50 million contingency, a \$30 million surplus, and two amounts of \$11.6 million, which totals \$103 million. If one adds the \$140 million to that figure, that is \$240 million you have slipped back this year.

Mr KNIGHT: I think you have added the figures in the wrong way.

The Hon. D. J. GAY: How?

Mr KNIGHT: You began your question by suggesting that the \$50 million contingency has been given by the State, by the taxpayers and the Government but that is not the case. That was part of SOCOG's funding which came from ticketing, marketing, sponsorship and television rights.

The Hon. D. J. GAY: It has been used?

Mr KNIGHT: Yes, and that is what it was there for. It was there for spending. If you are asking has the money in the contingency been spent?

The Hon. D. J. GAY: That question will be asked later. Specifically, have you slipped back \$243 million since February this year?

Mr KNIGHT: The answer is no.

The Hon. D. J. GAY: Why?

Mr KNIGHT: Because the money that was given up in February was to cover expenditure which had already either happened or been nominated so it was not spent since February. It was not a new expenditure incurred since February. It was an expenditure that was either incurred or recognised prior to February which is precisely why the Government said it would accept a balanced budget and why the OCA and IOC said it would forgo a payment.

The Hon. D. J. GAY: Were these new contingencies that were put in place in the budget? It does not alter the fact that it is \$243 million worse off because of the lies you told the people over ticketing.

Mr KNIGHT: We are having an argument about semantics and abuse. I do not see any benefit in indulging in either.

The Hon. D. J. GAY: Have you been able to sell the tickets applied for by the people of New South Wales that you told were sold out? Are they completely sold out?

Mr KNIGHT: You will have to ask me a more specific question.

The Hon. Dr P. WONG: What is the original estimation of the income derived from ticket sales a year ago? What was the estimated income derived from ticket sales during Paul Reading and Graham Richardson? What was the estimated income derived at the budget time? What is the estimated income derived from ticket sales today?

Mr KNIGHT: Those are highly technical questions. I am happy to answer them but I need to take them on notice.

The Hon. Dr P. WONG: The Minister asked for detailed questions. I am asking detailed questions.

Mr KNIGHT: Yes, I know.

The Hon. PATRICIA FORSYTHE: Minister, if you take them on notice, when will you provide the information?

Mr KNIGHT: I will provide the information within the next few days.

CHAIR: Mr Richmond and other members of staff may have answers to those questions.

Mr KNIGHT: I am happy to give answers, but off the top of my head you are asking for some highly technical figures.

The Hon. PATRICIA FORSYTHE: I would be interested if you took those issues on notice. This inquiry needs some information.

CHAIR: I am trying to avoid questions going on notice at this stage. Other staff members may be able to answer the questions when they come before the Committee.

The Hon. PATRICIA FORSYTHE: How many of the events that were advised as "sold out" when tickets were offered to the public last year and money returned to unsuccessful applicants still have unsold tickets?

Mr KNIGHT: I cannot give you answers off the top of my head. I did not prepare for round two of the Nile ticketing inquiry. I thought we were coming to scrutinise the \$140 million.

The Hon. PATRICIA FORSYTHE: Minister, since you have already highlighted the ticket revenue issue—

Mr KNIGHT: I have no problem about providing the information. Most members of the Committee would understand why I would not have brought those figures with me today.

The Hon. D. J. GAY: Are tickets available to the events to which the Hon. Patricia Forsythe referred or are they sold out?

Mr KNIGHT: Can you be explicit about the particular events?

The Hon. PATRICIA FORSYTHE: How many of the events that the public were advised last year as being "sold out" and money returned to them still have unsold tickets?

Mr KNIGHT: Again, I will take that on notice. Remember that SOCOG and Sydney 2000 have been quite upfront about mistakes in ticketing before and that for events that were marked "sold out" we made it very clear publicly that we expected in some of those events further tickets would become available out of contingency and after handing back from sponsors and NOCs. As the Hon. Patricia Forsythe no doubt will recall when I and others appeared before this Committee in relation to its Olympic ticketing inquiry, we made it very clear that the contractual arrangements that we had no option but to enter into with sponsors and with NOCs enabled those sponsors and NOCs and federations and others to order tickets and then subsequently return those tickets without penalty.

We made it clear that we would then provide those tickets in many ways into new public allocations. That would inevitably mean that in some events which we had marked as being "sold out" because we had sold everything we had to go to the market, would then have new tickets available for the public. You may think that that is a terrible thing but there was no option. We could hardly offer the public tickets that had already gone to the NOCs and the sponsors. We certainly would want to offer the public those tickets if they were returned from the NOCs and the sponsors.

The Hon. D. J. GAY: Minister, the answer is yes there are still some available?

Mr KNIGHT: At the same time you will recall that we told this Committee that we had found more than half a million tickets that had been corralled without approval by Paul Reading and that we would put those tickets back into public offerings, and some of those tickets were for events that were previously sold-out

The Hon. D. J. GAY: The answer is yes?

Mr KNIGHT: The answer is as I have indicated.

The Hon. PATRICIA FORSYTHE: Minister, to paraphrase you, you said that in the last six months you had been looking at the resources and risks of SOCOG and that, for example, you are now more able to accurately determine ticket selling in the last six months. Does that mean in relation to revenue from ticket sales that were below your budgeted forecast?

Mr KNIGHT: We are certainly above our budgeted expenditure for the costs of selling tickets.

The Hon. PATRICIA FORSYTHE: No, I am interested in the revenue.

Mr KNIGHT: I appreciate you are interested in revenue. It is odd that some parliamentarians seem to think that in the case of the Olympic Games you should know in advance how many tickets the public will buy to a sporting event before the public have bought them whereas you would not expect the promoter of a rock concert, other football matches, or other sporting or cultural events to know in advance.

The Hon. D. J. GAY: If a promoter of a rock concert did what you did, they would be in gaol.

The Hon. PATRICIA FORSYTHE: The \$140 million is either going to be expenditure blow-outs or revenue shortfall—it cannot be any other way.

Mr KNIGHT: Mr Chairman, I am used to coping with the cut and thrust of Parliament but I object very strongly to that unsubstantiated remark by the Hon. Duncan Gay.

The Hon. D. J. GAY: I have actual substantiation. I sent \$1,100 to buy Olympic tickets and I was told that they were sold out. I subsequently found out that they were not sold out. I believe that a great many of the people of New South Wales are in exactly the same situation. I will not withdraw it because a rock promoter would not do that action.

Mr KNIGHT: I have made my position clear. I think the Hon. Duncan Gay has now made his motivations clear.

CHAIR: We have run out of the allocated time for your appearance.

Mr KNIGHT: I am happy to take some more time.

CHAIR: The main purpose of this inquiry is into the extra allocation of \$140 million. Minister, do you personally receive reports from the three committees of this organisation other than the SOCOG board meeting? In other words if there is no board meeting are you kept in the dark? As the Minister for the Olympics your ultimate responsibility is to know what is going on.

The Hon. D. J. GAY: He is President of SOCOG.

Mr KNIGHT: As a SOCOG board member I see the reports that come to the SOCOG board. As the President, a number of SOCOG staff and chairs of committees quite properly alert me to things that are coming up at the board before they necessarily go to the board. For example, Nick Greiner, as chair of the finance committee, came to talk to me a night or two before the board meeting to discuss the underwriting and the fact that SOCOG was heading into deficit.

CHAIR: There was a gap between April and June. Why were you not informed prior to that visit by Mr Greiner that there was an anticipated problem?

Mr KNIGHT: I was informed along the way by Mr Richmond and staff from the OCA who were involved in the reviews of a range of risks and expenditures. I was informed of the deteriorating position—

CHAIR: From April?

Mr KNIGHT: From about that time I was informed of the deterioration but a lot of these risks and circumstances only really crystallised around that June meeting. If you are asking me did I know prior to June the full extent of the problem the answer is not with any certainty. Did I know prior to June that the financial position of SOCOG was deteriorating, yes. The board members, presuming they read their board papers, would have known that the circumstance was deteriorating, and some members of SOCOG committee's knew more than other board members about the detail because they, for example would have seen John Barbeler's analysis, the one I distributed this morning, before all board members saw that.

There was a range of risks that were materialising, a range of expenditures and a range of reviews that were going on, all of which made it clear that the SOCOG board, unless it got additional revenue or took very substantial cuts, would end up in deficit. That is precisely what I talked to the Treasurer about. Could I have talked to the Treasurer before I did? No, because until around about the middle of June we did not have a handle on the full extent of what was happening. For example, as I have said to you, it was only by, in the case of the call centre, doing that that we got in indication of what the real true costs of running the call centre in that circumstances were.

The Hon. PATRICIA FORSYTHE: Not \$140 million?

Mr KNIGHT: It was only by reaching the agreement with IBM that led to some additional funds that had to be paid to IBM that we knew with certainty what those additional funds would be. If you are looking for absolute precision, unfortunately you cannot find it. We have got a fair degree of precision on the first \$70 million. We know that there are other risks. We have difficulties quantifying some of those other risks and making public some of those other risks because if you make them public you are likely to create the self-fulfilling prophecy. That is why in discussions with the Treasurer we decided to provide a contingency fund of \$140 million and that contingency fund would cover the risks that have already materialised but also leave another contingency. It is very important that people understand the unique financial arrangements that the Government of Nick Greiner, supported by the current Government now and in Opposition, entered into: the Government underwrites SOCOG. For example, if SOCOG runs up a substantial debt after the Games, with no government intervention or involvement—

The Hon. D. J. GAY: It has already done that.

Mr KNIGHT: —the taxpayers, through the Government, must meet that debt—without any controls along the way as to how that happens. As it had become clear that SOCOG would have to call on the underwriting, the Government could very easily have waited until after the Games, not gone back to Parliament or come to this Committee, and the money would have had to be paid then.

The Hon. D. J. GAY: It still has to be: a debt is a debt.

Mr KNIGHT: It would not matter whether it was \$100 million, \$140 million, \$240 million or more. We decided to say openly and publicly that we already knew that the underwriting was being called on, and would be called on to the extent of \$70 million.

The Hon. D. J. GAY: You had to do that.

The Hon. P. T. PRIMROSE: Mr Chairman, must we have interjections from Committee members while the Minister is trying to speak?

The Hon. D. J. GAY: This is a soliloquy rather than questions and answers. That is not something that the Minister decides.

The Hon. P. T. PRIMROSE: It is disorderly for you to interject constantly.

CHAIR: The Minister is rounding off his answer.

Mr KNIGHT: We, as a government, decided to make the money available for the first tranche of risks that materialised.

The Hon. D. J. GAY: Because you had to.

Mr KNIGHT: We also put in a contingency to cover the second possibility—not a certainty; a possibility. We put in place a series of mechanisms involving the Treasury, the OCA, me in my capacity as Minister for the Olympics, and the Treasurer in an attempt to manage those risks down and contain them rather than leaving them as risks that would inevitably fall on the Government without any management along the way. That was a quite deliberate decision.

The Hon. PATRICIA FORSYTHE: Minister, are you therefore saying that on 23 May when the Treasurer brought down the budget and said, "With this budget, all of the Olympics and Paralympics are covered—every single last cent. The Games are paid for.", no-one at Cabinet or Treasury level knew that the situation was any different?

Mr KNIGHT: My understanding is that the statements the Treasurer made at the time related quite clearly to the building program. The Treasurer was very proud—and with good reason—that, unlike a range of other countries, particularly the Montreal experience, this Government had paid for all the Olympic construction up front at the same time as State debt had been reduced by more than \$4 billion.

The Hon. D. J. GAY: If that was the case, why didn't the Treasurer say so?

Mr KNIGHT: As to my recollection of the Treasurer's comments at a time, not only did he say that the Government had paid all Olympic construction costs but he also flagged that he was making available in his budget other funds that could cover other possibilities. He was, quite rightly, very pleased about that.

The Hon. PATRICIA FORSYTHE: Are you confident that there will be no need to seek additional contingencies?

Mr KNIGHT: No-one can give you an iron-clad assurance that there will not be further calls on the underwriting. For example, nobody can guarantee that you will not—

The Hon. PATRICIA FORSYTHE: Are you confident?

Mr KNIGHT: Let me finish. Nobody can guarantee that there will not be 17 days of hailstorms or some unfortunate security incident. Nobody can guarantee that a serious contagious illness will not suddenly cause you to lose half your workforce for two weeks and you will have to find

additional funds. Nobody can give guarantees about acts of God, or whatever you may call them. That is precisely why there is a State underwriter. If you are asking me whether I believe it is likely that we will draw on more than \$140 million, my answer is, no, I do not believe that is likely. In fact, I hope that we may be able to draw on less than the full \$140 million. This is not a precise science: you cannot say what will transpire in September until it has transpired.

The Hon. A. B. KELLY: Minister, you supplied the Committee with a copy of a confidential document this morning. Is that document to stay confidential?

Mr KNIGHT: No, I am happy for it to be made public.

The Hon. A. B. KELLY: It is just that this Committee leaks like a sieve.

CHAIR: Can we have a motion to make the document public?

Motion by the Hon. Patricia Forsythe agreed to:

That the document be made public.

The Hon. D. J. GAY: Minister, you indicated that the \$140 million is a contingency. I understand that only \$70 million of that \$140 million is a contingency and that that first \$70 million is needed straight away. Is that correct? Was a Treasury investigation into SOCOG being conducted at the time of the budget?

Mr KNIGHT: The answer to your first question is no. I will explain some of the details to you later. In terms of the Treasury investigation, I know of no investigation as such. We have embraced and involved the Treasury for some time. For example, Mark Ronsisvalle, a senior Treasury officer, is a member of the contingency committee and he also attends the finance committee. So Treasury is involved, although I know of no investigation. If I can, I will try to help you understand the difference between the \$70 million and the \$140 million. About \$70 million worth of specific risks have been identified. If you look at the table in the document that I circulated earlier, you will see in the column on the right-hand side a range of risks that add up to \$51.4 million. Some of those risks have already materialised. For example, about halfway down the page—

The Hon. D. J. GAY: Does the \$51.4 million include the existing \$50 million in contingency?

Mr KNIGHT: No, that is quite separate.

The Hon. D. J. GAY: Will you tell us later where that went?

Mr KNIGHT: If you bear with me, you might get a little more clarity as to how these numbers line up. About halfway down the page you will see a figure of \$18.6 million for Ticket Operations/Marketing. That risk has already materialised. Those expenditures were identified as a risk; they have happened and the board has signed off on them. If you look about a third of the way down the page, 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 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. So the \$51.4 million and the other risks identified by the OCA that take us to the first \$70 million or so fall into two categories: those risks that may fall upon us that have been identified precisely as risks, such as the accommodation, and quantified precisely; and a range of risks, such as the ticket operations, that have already fallen on us.

The Hon. Dr P. WONG: Under Ticket Operations/Marketing, I notice that the Games budget in February 2000 is nil and the forecast budget in May 2000 is \$18.6 million. You would obviously have been aware of that shortfall at budget time, so why did you not brief the Treasurer about that great \$18.6 million shortfall?

Mr KNIGHT: I will line up those figures for you. The \$18.6 million figure comprises a series of costs over and above what was already in the Ticket Operations/Marketing category. To the best of my understanding, it means not that there was no money for ticket operations and marketing but that these additional costs are over and above what was budgeted for. There is an additional \$18.6 million.

The Hon. Dr P. WONG: I know. You have tried to tell the Committee that, in the three months from February to May, suddenly \$18.6 million was realised and that you knew nothing about it—or did not believe that it was serious enough to brief the Treasurer.

Mr KNIGHT: I will say two things in response. First, I reiterate what I said earlier: a lot of that sum is call centre costs, and it is impossible to work out how much that will be until we have the experience of running the call centre. Until it went to the market with the News Ltd arrangements, those costs were impossible to quantify. Secondly, I met the Treasurer at about the end of January or the beginning of February when we were proposing that some of SOCOG's functions be outsourced to the OCA. Senior people came with me to meet the Treasurer and some senior Treasury officials. 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.

The Hon. Dr P. WONG: On the same page risks were identified of \$29.1 million for the games budget at February 2000. The forecast of risk in May 2000 is not the \$70 million mentioned but \$80.5. So obviously you were aware that there was \$29.1 million of risk during budget time and yet I presume the Treasurer was not aware that.

Mr KNIGHT: What you are missing in the table is the expenditure of the previous contingency. So you are talking about a gross figure rather than a net figure.

The Hon. Dr P. WONG: So what is the net figure?

Mr KNIGHT: The net figure is at the bottom right-hand corner, \$51.4 million. Those are the changes identified. There is not a date on the document but it would be early to mid-June by John Barbeler, the head of SOCOG's finance division. That is the net. In addition to that, if you go back to the covering note I sent to the board, on the second page about a third of the way down I say:

On behalf of the Government 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 so it is best to brief interested Board members orally.

The Hon. Dr P. WONG: Then according to your calculations if it was previously \$51.4 million and since then it has become \$70 million, what has the extra \$18.6 million gone to?

Mr KNIGHT: The sorts of things that are in that extra—

The Hon. Dr P. WONG: Which are not mentioned here.

Mr KNIGHT: —are the matters that I referred to there. Mr Richmond can give you a breakdown of the sorts of things they are. I would caution the Committee—it is entirely the Committee's decision—about being too explicit in public about the dollar figures attached to specific risks. For example, there will be provision for possible litigation. It is prudent to assume that some people who have disputes may well sue SOCOG, and ultimately that will fall on the Government, and it is prudent to make that provision. It is imprudent to say publicly to one of those potential litigants, "We have identified you as a litigator and we have put X million dollars away to cover a possible loss there." You then create the self-fulfilling prophecy that you give the money away.

The Hon. D. J. GAY: That is commercial in-confidence. We accept that.

Mr KNIGHT: There is a lot of that. But Mr Richmond can give you a breakdown of the sorts of things that are there. They include some of the scoping in catering and cleaning. One of the reviews that the OCA did, which was announced in February and which was agreed with the Treasury and SOCOG board and publicly announced, covered a range of cleaning contracts. It looked at the scope of the cleaning and whether the amount of money and what had been contracted was enough to give us the level of cleanliness that the Government believed was appropriate when Australia was on show to the rest of the world. There have been some gaps and some things that have not been scoped.

The Hon. D. J. GAY: Ministers, first thank you for drawing our attention to the fact that the \$50 million contingency had been spent, taking it from \$104.1 million to \$51.4 million. Secondly, thank you for drawing my attention to the ticket operations marketing that went from nil in February 2000 to \$18.6 million in May. You explained it by way of call centres et cetera. Would you not accept that this huge increase is in no small part due to loss in public confidence because of the ticketing fiasco?

Mr KNIGHT: As I indicated to the Chairman and the Committee earlier, 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 appearing before this Committee last year, and the Committee's 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.

The Hon. D. J. GAY: I would have said definitely yes.

Mr KNIGHT: But we faced up to those problems last year. We admitted our mistakes. We took out punishment. I apologised personally on behalf of the board. And we have set about trying to remedy those mistakes. It is fair to say that the ticket selling operation now is a lot more credible than the previous arrangement. We did learn.

The Hon. PATRICIA FORSYTHE: If you have estimated that it is \$18.6 million for the ticketing operations and marketing, what is the estimated income from ticket sales still in the budget?

Mr KNIGHT: John Barbeler or Michael Eyers when they appear could give you the budgetary figures but there is still something in the vicinity of \$150 million in ticket revenue which we still have to get. Part of that is revenue from the Australian public and part of that is suite sales and other things. It is not all the one at thing. But they can give you a detailed breakdown of that.

CHAIR: If the tickets had been successfully sold last year would you have planned for a call centre to be operating this year? Did you have to make decisions on how to handle the remaining tickets, so it was not budgeted for to that extent?

Mr KNIGHT: 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. Paul Reading's 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, an operation which clearly we could not and would not do.

CHAIR: Even though News Ltd has the rights to handle the ticketing publicity campaign it does not meet any of the costs of the call centre?

Mr KNIGHT: No. The way in which the sponsorships with the media organisations are split up is that Fairfax has the schools program and the cultural program and News Ltd has taken marketing and the torch relay. There is an ongoing question of where you draw the line between promotion and news—with a small "n"—and that is always an issue between various media organisations. But News' ticket marketing sponsorship includes the provision of certain sorts of information, order forms and so on. Part of its sponsorship involves a contribution in value in kind towards those things. So its sponsorship relates to the publicity, if you like, but the processing either at a mail house or a call centre is the responsibility of SOCOG.

The Hon. Dr P. WONG: Minister, I noticed that in relation to your much-publicised dress rehearsal revenue there is a risk of \$3.1 million. I suppose you are not getting the extra \$3.1 million. What happened to the dress rehearsal ceremony?

Mr KNIGHT: The current intention is still to sell tickets to the final dress rehearsal. The IOC executive board has given permission to do that. A figure was put in the SOCOG budget as an estimate as to how much revenue would be achieved from that. This is a prudent contingency in case that level of revenue is not attainable. No-one has sold tickets to a dress rehearsal for an Olympic Games before so to quantify what the market is, what are the prices and all the other exposures to people who have an entitlement for free tickets—how you want to handle your volunteers, for example and so on—leaves us to provide a contingency.

The Hon. D. J. GAY: Minister, in virtually the same week that the Treasurer had to go to Parliament for another \$140 million you decided to fly half way around the world to do an NBC interview, one that could have been done by satellite in New South Wales. Do you see any

inconsistencies in that, given the fact that you have refused now to do media interviews with the Australian media following SOCOG meetings?

Mr KNIGHT: One of my responsibilities is to promote Australia, Sydney, New South Wales and the Games internationally. One of the very serious problems that Atlanta had is that Billy Payne, the president and the senior organisers were perceived internationally to have been insular and America-centric. They did not do media conferences and briefings, by and large, in other parts of the world. That meant that when the European media turned up to Atlanta they were in a less than friendly mood. They felt that the organisers were not interested in them, their views or their countries and they were insular. I do not want to get into whether that was a right or wrong view but that is unmistakably the view that was held by the international media before they arrived in Atlanta.

The Hon. D. J. GAY: But why could you not do the interview by satellite?

CHAIR: The Minister is answering the question.

The Hon. D. J. GAY: He is not answering the question.

The Hon. P. T. PRIMROSE: Well just cut out the interjections and let him answer it.

Mr KNIGHT: I am determined to make sure that that is not the case. Therefore I have made myself available to the media in a range of European locations, always tied in with other trips whether it be in Rome, Athens, Berlin, Paris or London. I have also made myself available in America. The trip you referred to involved my spending 22 hours in Los Angeles and spending all of my waking time in Los Angeles with senior people from the *Los Angeles Times*, a newspaper which sells more than a million copies a day, to promote the Sydney Games and promote Sydney. I then spent a few days in New York dealing with a range of issues, including with NBC. NBC is the largest single financier of the SOCOG budget: something like half a billion dollars comes from NBC. Our relations with NBC—and I do not just mean the *Today* program—are of extraordinary importance to the Sydney 2000 Games.

What NBC is doing, in part because of that relationship, and in part because of its general support, is to the extraordinary advantage of Australia. So when I appear on the *Today* show for five minutes, that provides the *Today* show with an opportunity to showcase Australian venues—not to show pictures of me but to show pictures of Sydney Harbour and the facilities. It also enables me to sit down and talk with them about how they are going to bring their show to Sydney for not only the Games period but also for the week before the Games and to broadcast out of a range of locations around Sydney and Sydney Harbour during the week before the Games.

That show is watched by, on average, 30 million Americans; it is one of our big tourism markets. If one looks at the Barcelona experience, one would see the huge benefit that Barcelona harnessed from its Games was the tourism boom that continues to expand even into this year. Last year was its best year for hotel overnight bed stays, well above the number it had during the Games year. NBC has been so supportive of Australia, that within two hours of Nova Peris-Kneebone being the first torch bearer to carry the torch at Uluru, NBC's Dick Ebersol, whom I had extensive meetings with in New York, decided to put to air at the start of the NBA basketball play-offs, the first match, about 1½ minutes of the torch landing at Uluru, and showcased that part of Australia, before an audience of 45 million Americans. Yes, I make no apologies for going out of my way to be helpful to NBC. If NBC want me to go to New York I will go to New York.

The Hon. D. J. GAY: Minister, my question remains: If your relationship is so good with NBC and the spin-offs are so terrific—

Mr KNIGHT: Because I work at it.

The Hon. D. J. GAY: If the spin-offs with NBC are so terrific, surely, given the economic constraints you are facing at the moment, NBC would have been happy to have a satellite cross and you would have been seen with Sydney Harbour in the background. If your relationship is that good on the follow-up, surely the sort of material that you talked about in your answer would have been in place before you went.

Mr KNIGHT: My relationship is that good because I work at it. Part of working at it is putting time into it.

The Hon. D. J. GAY: How many more overseas flights do you expect to make before the Olympics begin?

Mr KNIGHT: I hope to have to make only one more.

The Hon. D. J. GAY: Have all your flights been approved by the Premier?

Mr KNIGHT: Of course.

CHAIR: Do members have any other questions related to this inquiry?

The Hon. D. J. GAY: I have a series of questions on this but I can put them on notice.

The Hon. PATRICIA FORSYTHE: The questions may well be related to the budget process.

The Hon. D. J. GAY: They are related to the budget and costs.

Mr KNIGHT: That would be a change.

The Hon. D. J. GAY: It would be a change to get an answer, too.

CHAIR: You can put your questions on notice.

DAVID THOMAS RICHMOND, Director General, Olympic Co-ordination Authority, 1 Farrer Place, Sydney,

ROBERT LUKE ADBY, Executive Director, Finance, Olympic Co-ordination Authority, 1 Farrer Place, Sydney, sworn and examined, and

JAMES CHRISTOPHER SLOMAN, Deputy Chief Executive, Chief Operating Office, SOCOG, 235 Jones Street, Ultimo, affirmed and examined:

CHAIR: Did you each receive a summons under my hand in accordance with the Parliamentary Evidence Act 1901?

Mr RICHMOND: I did

Mr ADBY: I did

Mr SLOMAN: I did

CHAIR: Mr Adby, I understand that you are not well; thank you for coming. Are you each conversant with the terms of reference of this inquiry?

Mr RICHMOND: I am.

Mr SLOMAN: I am.

Mr ADBY: Yes.

CHAIR: Mr Richmond, do you wish to make an opening statement?

Mr RICHMOND: No, Mr Chairman. We will rely on the Minister's opening statement.

The Hon. PATRICIA FORSYTHE: Mr Chairman, I will do my best to ask questions of the particular individual that I think might appropriately answer, but obviously there is some differentiation between the roles of SOCOG and OCA. Could I seek clarification in relation to the \$140 million? Is it, at this time, seen as a contingency amount?

Mr RICHMOND: The \$140 million is best explained by reference against the table that was produced in late May and upon which a series of deliberations, and ultimately a discussion with the Treasury, ensued to come to the decision to provide the grant of \$140 million. Essentially, the SOCOG budget started with the position where there was a contingency of \$50 million. The statement before the Committee identifies risks of expenditure of \$101 million. That, of course, takes up the contingency and leaves you with a net figure of \$51 million. To that we added the assessment of the OCA outsource programs, of approximately \$20 million, where we saw there was potential for risks at the end of the day. The balance 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.

I come back to the specific issue. If you go back to the \$101 million that was identified, approximately \$50 million of that has actually been spent, or committed to expenditure. So that you are then left with a balance of figures which are essentially our estimate of the risks that might apply between now and the end of the financial year in terms of delivering the Olympic Games. So, essentially, we are looking at a risk statement, an analysis of risk, to prepare us to be in a position to fund the Games to the end of the financial year.

CHAIR: So, when the \$140 million was allocated to the contingency fund, I understand Mr Greiner said you only needed \$70 million, and in fact you only need \$51.4 million, based on your figures.

The Hon. D. J. GAY: No: \$51 million plus \$20 million, which is \$70 million which has been spent, and \$70 million in contingency.

Mr RICHMOND: Is that right?

Mr ADBY: Yes.

The Hon. D. J. GAY: So it is not \$140 million in contingency; \$70 million will be spent, and there is \$70 million that you may need?

Mr RICHMOND: No. The absolute certainty—

CHAIR: If we could let the witnesses put on the record what they do, not us. Would you answer the question?

Mr RICHMOND: The absolute certainty at the moment is, in terms of what has been put and tabled, that \$50 million will be spent—definitely. We are then saying that there is another \$20 million in OCA risks. Then we have a general estimate that, when you look at things like potential shortfall which could still occur in ticketing revenue, when you look at things like wind-up expenses of the Olympic organisations, particularly SOCOG—after the Games period we have to wind the organisations up—when you look at those sorts of issues, and when you look at the issues of operations during the Games, particularly the very significant impact, for example, that wet weather would have on a whole range of activities, we have come up with a number of \$70 million. So that is roughly the break-up.

Many of those risks will become reality in terms of expenditure. The task of the Sydney 2000 organisation is to manage things so that as few of them do, but the reality is that we will not know which ones are exactly expenditure items until we have staged the Games. But, even beyond the Games, we are dealing at the moment with things like the winding up of SOCOG. 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 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.

CHAIR: Could I clarify again for the Committee's benefit: You are saying "we", and you are the Director General of the OCA.

Mr RICHMOND: Yes.

CHAIR: I know you were brought in virtually to make the ship more efficient and to sail down its correct pathway, but what is the division between the two?

Mr RICHMOND: I say "we" in two contexts. First of all, the OCA has a statutory obligation to report on the overall financing and funding of the Olympics, which is something that we do annually, but it is also of course something we do on a regular basis to the Minister. The Minister said

he received reports from OCA as to how the overall Olympic expenditure was going, including the SOCOG expenditure. So, in a sense, we are monitoring. The other sense in which I say "we" is that once the SOCOG budget got into the situation as described in this document, and it took, if you like, the \$50 million contingency and the realisation that \$50 million expenditure had been committed, any further commitment of funds invoked and put on foot the underwriting, which is of course we then took that opportunity to look at the total picture and to go to the Minister, and then to the Treasurer, to say, "Treasurer, here is our best estimate at this point in time of what we believe are the risks that are still out there in relation to the staging of the Games and bringing the Games period to completion at the end of the financial year.

So, in that sense, we were acting, if you like, for the Government in that underwriting role. One of the major issues that was put to the board in the lead-up to those discussions was of course the emerging risks that were there. Mr Greiner and other members of the finance committee were saying, "It is fairly clear that, given the nature of the expenditure that we are incurring, and the likelihood of further risks, the real issue is how is the Government underwriting going to be implemented so that the SOCOG board can honour its obligations?" That was essentially the process. So I use the word "we" in two senses: one, that we have an obligation for monitoring; and, secondly, that we were representing the New South Wales Government and reported back to the Minister and the Treasurer as underwriter.

CHAIR: So you were the bearer of the bad news—you personally?

Mr RICHMOND: Yes. But Mr Adby, of course, was with me, as was the Minister, when we saw the Treasurer and his officials on this matter.

CHAIR: Did you hand them a written request?

Mr RICHMOND: No. We went through our assessment of the numbers. We were obviously—as we have been in past occasions—concerned to always indicate to the Treasury that, with an event like the Olympics, there is always an element of risk that you are managing. We have done that a number of times over the years. The point about this point in time was that it was very clear that there was no more capacity within the SOCOG budget to meet these risks should they emerge. Therefore the underwriting was on foot.

Of course, we are at the point in time when we are planning the end game, in a sense—the actual holding of the Games and the wind-up of the organisations. It was a point in time when decisions had to be made about how that underwriting would be effected, and the Treasurer and Treasury, presumably on the recommendation of Treasury, then took a decision to grant the \$140 million and to place a range of controls around this expenditure, including the fact that accessing that fund would not only involve the contingency committee of the SOCOG board, which includes Treasury representation, but the ultimate approval of using the funds would go through the Minister for the Olympics and the Treasurer.

CHAIR: Did you pick the figure of \$140 million, or was that a joint agreement between the parties? It was not in writing, so it was verbal?

Mr RICHMOND: It was a figure that we had assessed based on this number starting with the extra \$50 million that was not funded. As you would recall, we had done a series of reviews on the outsource program that identified about \$20 million of risks. We then had to ask what was a prudent thing to be saying to the Government that might be the additional risk that could be covered. The figure we settled on was purely a figure having regard to some of the experience we had and various guesstimates. It was not a scientific figure but one to say that if you were prudent and looking towards the holding of this big event, the potential issues that might arise during the wind-up phase, what would be a reasonable number. We settled on a number of \$70 million. As the Minister has pointed out,

within that number—as indeed within the \$20 million—are some very clear potential commercial risks which may or may not eventuate.

CHAIR: How did it jump from \$70 million to \$140 million? That seems to be the problem. At this point you are saying you do not need it. Who set the \$140 million figure?

Mr RICHMOND: The OCA.

CHAIR: You did?

Mr RICHMOND: We did, yes, essentially. The \$70 million clearly comes out of this document, plus the \$20 million OCA analysis of risks in the outsource programs. Mr Adby and I were then left with the difficult task of deciding whether to go to the Government and saying that the \$70 million is equal or whether we tried to make an assessment, given that we are in this end game in terms of the Olympics. Our view is that you did have to make an assessment and our assessment was another \$70 million. The figure of \$140 million is not a precise scientific figure. It is our best guess at this time, just as in the past we had to make estimates for things.

For example, three or four years ago we had to guess what the Olympic village might cost. It was not in the capital budget. We did not want to put it in until we had received some bids from the private sector. But we were making some notional estimates to Treasury in anticipation of Treasury managing the Government's overall budgetary position. Eventually, when we had a much clearer indication, because we had some bids, we then could say that we have precise bids. Would you now proceed to allocate this much in your budget? It is very much that sort of exercise.

The Hon. D. J. GAY: I need some idea of the process when you go to the Treasurer. Is it similar to when you go to your bank manager, or is there a process where you have to have a detailed submission and Treasury goes through your figures beforehand? Is that the situation, where Treasury comes in, checks your figures, works through and then you come up with a joint figure? Is that the way it works?

Mr RICHMOND: In this case, of course, this is not a normal circumstance. I have never been involved in underwriting an Olympic Games—nor has anyone, for that matter. The detail that was provided to Treasury was this detail plus the OCA analysis of the next \$20 million. That gets you to your \$70 million. The OCA analysis was based on our scoping of the SOCOG contracts, and it identified some potential risks and gaps in some of the contracts. We also identified the need to provide additional resources particularly in managing the very massive common domain at the Sydney Olympic Park during Games time. So a whole range of things were detailed to Treasury. We then talked in general terms about what would be a sensible further number. As I said, we had suggested another \$20 million, which reflected an assessment of some of the things that we were aware of in relation to commercial contracts that could come to fruition and then a general estimation of risk.

The Hon. D. J. GAY: So Treasury accepted your figures without checking them. Given that in hindsight the figures that the Treasurer put into his speech in the May budget appear to be inaccurate, Treasury accepted your summation this time without any questions?

Mr RICHMOND: Treasury quizzed us on that \$70 million, and we went through a range of issues that we believed could perhaps materialise. I have referred to things like wind-up costs. There is money there. There are a number of commercial contracts which could result in commercial disputes and litigation. There is within that, I think it is fair to say, that Games time contingency within that, which was always there, the \$17.5 million which we had all recognised as our best guess of what might happen in the Games time. So Treasury certainly quizzed us but at the end of the day we were not in a

position to provide a detailed analysis because our experience with this has been that you cannot foresee the real exposure.

Another element of exposure which we did discuss at some length is whether you take an optimistic or pessimistic view about whether or not the ticket sales target would be achieved. The achievement of that target could have, will have, a very significant impact on our need to access this money. Failure to achieve that could be significant. No-one is in a position to make that guess. Ticket sales are volatile. We have done well to date, and I am sure Mr Eyers can provide some details on that. But no-one has ever sold in our market tickets of this scale. The range and diversity of sports are such that for some sports, particularly preliminary sessions of sports, it is very difficult to make guesses about that sort of thing. So there was a lot of discussion about that. That would be a key factor in any decision to go to the Treasurer or the Treasurer would have to deal with accessing this money.

The Hon. D. J. GAY: I shall ask another question on the process because I am intrigued with what you need to go through to get a further \$140 million. You have indicated to me that Treasury did not check your figures. It appeared to be just a chat. Can I ask a couple of a specific questions? Was it a friendly chat? Was Treasury a little upset that it had to fork out another \$140 million following a budget that indicated it was all covered? Were the Treasurer and the Minister present at this meeting?

Mr RICHMOND: The \$70 million was the subject of detailed analysis. There was discussion about each item. Please bear in mind that the senior Treasury official has been involved in the contingency committee since the beginning of this year, and was obviously aware of the numbers that we put on the table, both the numbers in this document and the OCA's \$20 million, and was also increasingly aware of the sorts of risks that the Olympic agencies, in particular SOCOG, were managing. So there was no sense in which we were not in informed company in terms of people understanding the kind of risks we were dealing with. Also, we certainly were quizzed about the likely realistic nature of the number. In terms of the meeting, no meeting with Treasury or the Treasurer to ask for additional money is exactly a friendly meeting. It was clearly the case that Treasury, as it should be and would be in these circumstances, had always hoped, as we always have, that over time most of the risks would evaporate.

We were saying that that was unlikely to be the case and we needed some clear indication of how the Government will deal with the issue of underwriting, bearing in mind that it was the SOCOG board which had sought that assurance as to how it could continue to finalise its preparations for the Games without being very clear as to how the Government would deal with these risks. So it was really about that as it was about the assessment. The Treasurer and the Minister were both there. It was a sensible discussion but it was an informed discussion because all of the Treasury officers, the Treasurer and the Minister had of course taken a close interest in Olympic finances right through. But certainly we were not the most welcome that we could have been but that is not surprising in the circumstances.

The Hon. PATRICIA FORSYTHE: When would Treasury have known with some certainty that a special appropriation would have to be sought from the Parliament?

Mr RICHMOND: Treasury would have been aware of the likelihood during the latter part of May, with the Treasury representative being at the contingency committee and the finance committee that any further expenditure—and if you took these risks as seriously as they were being taken—would have put SOCOG into deficit. We did not discuss in detail how Treasury would respond at that meeting. Treasury obviously looked at its options as to how it would respond.

The Hon. PATRICIA FORSYTHE: Did you say that since January there have been discussions—

Mr RICHMOND: I said that a Treasury official has been I think since January on the committee. Treasury would have been well aware by three-quarters of the way through May of the likelihood that we would be moving into a situation where the underwriter would have to put the underwriting on foot. We did not make a specific recommendation about how that might occur. That was a matter that the Treasurer then discussed with his officers. We met them on a Friday, and on the Monday—

The Hon. PATRICIA FORSYTHE: That is the 16th?

Mr RICHMOND: Yes, I think that is right. On the Monday we were advised about how the Treasurer and Treasury were going to deal with that issue, and that was through the means of a grant of \$140 million. That was a decision that was made presumably by the Treasurer over that weekend.

CHAIR: Just to clarify that, a moment ago you said a representative on the committee. Do you mean the contingency committee?

Mr RICHMOND: Yes, I do.

CHAIR: That is the only committee that Treasury official is on?

Mr RICHMOND: Yes. The meeting on 24 May, as I am sure Mr Barbeler will attest to, was a joint meeting of both the finance and contingency committees.

The Hon. PATRICIA FORSYTHE: The day after the State budget.

Mr RICHMOND: A meeting set because of the commitments of various people.

The Hon. Dr P. WONG: Mr Aaby, how often do you carry out a risk management assessment on SOCOG? Is it monthly, weekly or bi-monthly? How often do you report the risk to the board, the director or the Minister?

Mr ADBY: I am the executive director of finance at the OCA. To get into the bowels of the financial management in SOCOG, I think those questions are probably best addressed to John Barbeler.

Mr RICHMOND: Mr Aaby has pointed out to me that the Treasury representative has been attending since March. It was in January or February that we made the decision that he would attend.

The Hon. D. J. GAY: Did Mr Aaby go to the Treasurer with you, Dr Richmond?

Mr RICHMOND: He did indeed.

The Hon. D. J. GAY: Did the SOCOG finance director go?

Mr ADBY: Monthly, there was a finance committee meeting. There was not one in April.

CHAIR: April or May?

Mr ADBY: April. I am fairly sure there was no meeting in April. Monthly, there is a contingency committee, which was only started after the February review of the budget—the contingency committee was established after that — and it has met monthly. The risks as they develop within SOCOG are referred to that committee, but SOCOG has its own process.

The Hon. Dr P. WONG: Where you aware of any blowout in the budget or increase in risks at the April meeting? If you were aware of it, what figure are we talking about?

Mr ADBY: The March meeting came forward with emerging risks of about \$26 million. In the April meeting that number had risen to about \$33.9 million. Both those numbers were still under the contingency.

The Hon. PATRICIA FORSYTHE: You did not try to have the submission for your budget for 2000-01 altered as a consequence of being aware of those figures in March or April?

Mr ADBY: No. There were two issues that we needed to be aware of that were in my mind at the time. First, those risks had looked like they might become real. There was still a \$50 million total contingency in SOCOG's budget, and those numbers are still less than that. The other thing is we were moving into the next phase of tickets, and I was very conscious of the fact that the full face value if you sold all the tickets as against our sell-through projections probably gave us of the order of an opportunity of \$70 million. I was waiting until I saw how well the next ticket phase went, if the public responded in the same extraordinarily positive manner that they did earlier, we may well have had some offsets.

The Hon. PATRICIA FORSYTHE: Did that occur?

Mr ADBY: Did that occur?

The Hon. PATRICIA FORSYTHE: Did the public respond in that extraordinarily positive manner?

Mr ADBY: You would have to talk to Michael Eyers about the extent to which that went forward. There was a contingency or finance committee meeting on 14 June. That was the first occasion on which we have been able to wind up the last round of sales, and a statement was made to the committee that there would not be any additional upside on what we were already putting in this risks statement, of \$51.4 million, to cover those risks.

The Hon. Dr P. WONG: You said that the \$33.9 million was covered in the \$50 million contingency of the budget. So between April and June you suddenly discovered that there was a \$140 million—

Mr ADBY: No. I am sorry. If you take the SOCOG table, the first column shows a list of the risks that are identified and the contingency made to cover it. They are risks; they are not actual expenditures. Up to March or April, in the March number and the April number, the number of items that are now emerging as almost absolute are still under the \$50 million. So you still have an opportunity that a number of these risks may not arise, so you know that you will be covered.

The Hon. Dr P. WONG: But that is within the last budget of \$50 million. We are not talking about the extra \$140 million. That was dealt with in the budget paper as being within the \$50 million contingency, was it not? Do you remember that in the last budget there was a \$50 million contingency fund?

Mr ADBY: Yes.

The Hon. Dr P. WONG: So the \$33.9 million is within the budget framework?

Mr ADBY: It is within the available funds that are in the contingency. They are additional risks to the risks listed on this document. But they are still included in the \$50 million that was in the contingency as funded.

The Hon. D. J. GAY: I am a little confused. You are answering questions on behalf of SOCOG. Dr Richmond indicated that you attended the meeting with the Treasurer on behalf of SOCOG. Yet you are the finance director of the Olympic Co-ordination Authority. Is there a finance director of SOCOG?

Mr ADBY: Yes.

The Hon. D. J. GAY: Was he or she at that meeting? If he or she was at the meeting, why is that person not here today?

Mr RICHMOND: Could I answer that question, and also answer a question that you asked me before which I did not get to answer. You asked whether there was somebody from SOCOG at the meeting with the Treasurer. There was, and that was Mr Eyers, who is the Deputy Chief Executive in charge of finance. Mr Eyers attended the meeting with the Treasurer, along with Mr Adby and me, the Minister, the Minister's chief of staff. Mr Barbeler, is the SOCOG finance director. Both Mr Eyers and Mr Barbeler have been called by the Committee. Mr Barbeler is here, and Mr Eyers will be here in due course, so that you can address those questions to them.

CHAIR: You referred to adding a Treasury official to the membership of the contingency committee. Could you explain who are the members of the three committees referred to, that is, the finance committee, the contingency committee and the audit committee?

Mr ADBY: The finance committee is made up of Brian Sherman, who is chairman; Michael Eyers; myself; Craig McLatchey, from the AOC; and Nick Greiner. The contingency committee is made up of myself; Mr Sherman as chairman; Mark Ronsisvalle, who is also on the finance committee; and Michael Eyers.

CHAIR: The audit committee?

Mr ADBY: I am not sure about the audit committee.

CHAIR: Perhaps Mr Richmond could tell us.

Mr RICHMOND: I am not a member of the committee. However, Mr Barbeler can give you the answer.

CHAIR: Mr Sloman, would you know?

Mr SLOMAN: I think Craig McLatchey is on the committee as well; Donald McDonald, one of the directors of SOCOG; also Michael Eyers in his role looking after finance of SOCOG; also a representative from the Auditor-General's office, I think Mr Thomas; and someone representing Ernst & Young, who I think also represents the Auditor-General's office.

Mr RICHMOND: Mr Barbeler can clarify that. It is a committee that he would provide support to as a director of finance.

The Hon. PATRICIA FORSYTHE: This morning, when referring to the \$18.6 million figure for ticketing operations marketing, the Minister said that much of that figure relates to call centre costs. However, I understand that you have been doing a review of contracts. You referred earlier to

the issue of commercial contracts as part of the general figure. An issue that emerged some months ago via the media related to Blazer Consultancy, which I understand was given a contract to sell some of the gold tickets originally. I understand that, according to the media, SOCOG negotiated to pay \$183,000 as a facilitation fee to a separate company, Pacific Rim Maritime. Can you indicate the current status of the contract with Blazer Consultancy? Can you indicate whether there has been any additional cost to SOCOG or the Olympic Co-ordination Authority, and whether any other company has entered into similar types of contracts in relation to ticket selling?

Mr RICHMOND: Regrettably, I cannot. I am aware of the transaction that was originally entered into, but Mr Eyers would have the details of that.

The Hon. PATRICIA FORSYTHE: But the Minister said that you have done a review of all contracts. Would that not include that contract?

Mr RICHMOND: The Minister was talking about the review that was done of the OCA outsourced contracts, which meant that we reviewed all of the contracts for waste management in cleaning, all of the contracts for catering, and various other things. However, Mr Eyers has certainly reviewed a number of key contracts, particularly contracts relating to ticket sales arrangements, so he would be the person to answer that question.

The Hon. D. J. GAY: Did any documents accompany your visit to the Treasurer to substantiate the request for \$140 million?

Mr RICHMOND: The documents were the material that you have in the attachment. The other document was that attachment plus a summary of the areas of our contract reviews, in which we had identified risks adding up to the \$20 million. That is broken down into a number of elements, which would relate to a very small group of contractors. For example, there is a small number of cleaning contractors, and there is a small number of catering contractors. We are nervous, as the Minister has said, about signing for X million for catering or X million for cleaning. Essentially, that is there to show the \$20 million. Treasury, of course, would have access to the reviews that were conducted in the case of each of those programs, should you wish to go through those. However, those program reviews have been done by OCA with SOCOG, and we did take Treasury through the kinds of issues that had come up in the contracts.

I am very happy to talk about the sorts of things that we are dealing with. For example, 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, and those kinds of things.

The Hon. D. J. GAY: Were there documents in relation to those matters?

Mr RICHMOND: Yes, but not provided to the Treasury—

The Hon. D. J. GAY: Treasury actually gave you this \$140 million without any documents apart from this two-page document?

Mr RICHMOND: Based on the knowledge and understanding of the Treasury officers about the processes that had evolved in relation to all of these items, Treasury has kept a very close interest in

the Olympic funding right through. Treasury officers are, in my view, in a position to make an assessment, given that what we are talking about is an allocation in the form of a grant, a significant part of which is to cover risks, and that the process for those risks being realised and a commitment being entered into to spend the money is one which involves OCA, SOCOG, New South Wales Treasury officials and review by the Minister for the Olympics and the Treasurer. It is akin, if you like, to the kind of process that will happen within a government agency, where there is a very thorough process. At the end of the day, even though the allocation has been made, the control of the actual commitment to spend would be very much in the hands of the Treasurer and his officers, on advice from SOCOG and OCA.

The Hon. D. J. GAY: Given your important role with the Olympics and your close working relationship with the Government, what was your reaction when the Treasurer in his Budget Speech indicated, "With this budget, all of the Olympic and Paralympic costs are covered—every single last cent"? At that stage you would have known that was incorrect. What did you do immediately after you saw those news headlines?

Mr RICHMOND: I did not do anything, because, whilst I know the risks that I am dealing with, I am not privy to what the Treasurer has provided for in his budget to cope with risks across government. The Treasury was aware of the kinds of issues that we were talking about. In terms of the Olympic programs overall, we have always said to them that there are substantial risks. At the end of the day, the Treasurer, and only the Treasurer, on advice from Treasury, can make a judgment about whether or not they have covered those risks in the total budget. I am not in a position to comment on that.

The Hon. D. J. GAY: Did you feel worried when you saw that statement? You would have known that it was incorrect?

Mr RICHMOND: Not personally and professionally, because I was well aware of the fact that the budgets at the moment have been in surplus—or there was an expectation that the budgets would be in surplus—and that indeed there had been a very comprehensive review of the budgeting process and people were aware of the likely risks that attended to the preparation of the Games.

The Hon. D. J. GAY: But this was a categorical statement that affected an area in which you have expertise.

Mr RICHMOND: I do not know any more than any other government agency whether the centre of the Government, the Treasurer and the Treasury, have decided to make some provision to cover emerging risks. In some circumstances, relatively simple things like adjustments to salaries and wages, to give an example, may be something that the Treasurer desires to provide for centrally. I am not necessarily aware of that. All I am aware of is the fact that we have provided a stream of information to the Treasury, and Treasury has a sense of the possible risks. After the budget, because of the timing of the convergence of events that led to coming to this position, we gave Treasury our best estimate of what the impact would be. Whether or not the Treasurer had the capability to cover that in his budget process is something that only the Treasurer could form a view on—not me.

The Hon. D. J. GAY: But this was a clear, categorical statement; it was not hedged in any way at all. It was a clear, categorical statement in an area that affected you, which you knew was different.

Mr RICHMOND: I did not know it was different at all, because I do not know the full details of the State budget. I know what we have advised as expenditure that has to be appropriated within the budget. I know these sorts of risks that we have constantly alerted the Treasury to. I am not in a position to know how Treasury has decided to address those risks in its overall budget process—any more than when we had the meeting on the 14th it was my decision as to how the Treasurer decided to

respond. May I say, however, that what we have done, for the very first time in Olympic planning, is that we have attempted to identify the cost of government. We have gone through a very significant process over the last five years to do that, so that the Olympic costs have been incorporated into the budget. That is something that no-one has ever done before.

What happens in Olympic cities is that you get the bill and any idea of the quantification six to 12 months after the Olympics. All of our efforts have been to try to ensure that that did not happen here, including bringing to the Treasury's attention our assessment of the quantity of \$140 million that could represent risks to be addressed in the final lead-up to the Olympics, the staging of the Olympics and the post-Games period. So we have worked very hard to do that. How the Treasurer addresses that is really a matter for the Treasurer.

CHAIR: There is no item in the budget to cover that matter. Did you think that the Treasurer was referring to the Treasurer's advance?

Mr RICHMOND: That could well be.

The Hon. D. J. GAY: No, that was taken out in your table.

CHAIR: Is that correct, Mr Richmond?

Mr RICHMOND: No, my assumption would be the that the Treasurer would have made some provision for this for the Olympics which was certainly the most highlighted expenditure risk that we were facing, as he would do for other things. Yes, I would expect that the mechanism would probably be the Treasurer's Advance but it is not my field of expertise and it is really a question for the Treasurer. No, I was not concerned because we have a very sound Olympic budgeting process and even this phase, which some might be critical of, has been about accountability to make sure the number is recognised and registered in the budget process, which is what is happening.

The Hon. PATRICIA FORSYTHE: On what date did SOCOG/OCA makes its submission to Treasury for its budget proposal for 2000-01?

Mr ADBY: My recollection is that it was finalised in the last week of April. The actual formal submission for funding for OCA would have been in January or early February but the finalisation of our input to the budget papers was the last week of April.

CHAIR: As the Deputy Chief Executive Officer of SOCOG were you worried that there was no board meeting in May? Were you concerned that the SOCOG organisation was in a hiatus and was not facing up to these facts and financial figures that would have been presented in May?

Mr SLOMAN: No, I was not concerned that there was no board meeting in May. I knew that there was a process going on and that the finance committee was meeting in May and that there were a whole lot of these risks being looked at. On my side of the shop, if you like, we were certainly looking at our potential exposures. No, I was not concerned.

CHAIR: The comment made earlier implied that there was no urgent business and it did not matter if the board did not meet. It would seem as though there was a real urgent need—that is, the risk for the board to meet?

Mr SLOMAN: I do not think the board had got to the stage of finalising its position. The committees of the board were meeting. It was not just because of where people were at the time, as the President talked about earlier, it was not appropriate to have that board meeting. I do not think there was anything wrong with that.

The Hon. Dr P. WONG: Mr Sloman, did you become aware of the seriousness of the shortfall problem in April, May or June?

Mr SLOMAN: April/May— not the full extent of it. I knew there were emerging problems, as they have been described. I know the finance committee in May, for example, was told the figure that Bob Adby just talked about. I was a party to some of those risks emerging.

The Hon. Dr P. WONG: Yet, you decided it was not worthwhile or not significant enough to hold a meeting in May?

Mr SLOMAN: No, it was not a decision of mine. I am not on the SOCOG board. I do not influence when the SOCOG board meets.

The Hon. D. J. GAY: An important question is, given the evidence that has come out today that people knew there was a blow-out from the budget position, why was there not a May meeting of SOCOG?

Mr RICHMOND: There were two May meetings: finance and contingency.

The Hon. PATRICIA FORSYTHE: But not the whole board?

Mr RICHMOND: That is correct. They were the committees that were working through the issues. The outcome of those meetings was really that when the board met after those meetings in June, and after discussions between the Acting Chairman of the Finance Committee, Nick Greiner, and the President of SOCOG, Michael Knight, the issue that the board really discussed was the question of how the Government was going to deal with these emerging risks, given that it had clearly got to a point where the SOCOG budget was not able to cover all those risks should they emerge. As I said before, the underwriting was on foot. That was really the issue that was discussed at the June board, and in a meeting prior to that board meeting between Nick Greiner and Michael Knight. Essentially the Minister and President at the board meeting in June affirmed the underwriting and affirmed that the Government would honour its commitments to SOCOG to meet the bills, as they became due.

However, he was now, as it turned out, talking to the Treasurer to work through how we would then proceed in relation to what arrangements would be put in place to address the issue of underwriting. That was essentially what the board meeting discussed. Various members of the board were aware of the emerging risks. Their primary concern was, having accepted the view in February that there was very little that could be done about further cutting into the SOCOG budget without impacting very severely on the quality of the Games, how to address the directors' obligations? How do we ask the Government to put the underwriting on foot? Of course, what kind of processes might be in place to ensure that there was even stricter expenditure control to contain the existing commitments as they were, and to make sure that any arrangements which involved the underwriting were properly and strictly controlled? That is, of course, a matter which the Treasurer has subsequently addressed.

CHAIR: Is there any truth in the rumour, for example, that this was staged-managed so that extra money would be announced after the budget? In other words deliver a good news budget and instead of this money normally being in the budget, introduce a special bill at a late hour to allocate another \$140 million as a special appropriation bill. I cannot remember such an unusual event in my 19 years in Parliament.

Mr RICHMOND: That reflects the way in which the matter was addressed by the Treasurer and it is something that needs to be taken up with Treasury and the Treasurer. Essentially there was a decision about the issue of the availability of people and the range of items that were on the agenda.

There was not, by the time of the board meeting, a clear picture emerging about the budget. We were very conscious that we would have to address the budget.

The Hon. PATRICIA FORSYTHE: Which board meeting?

Mr RICHMOND: We are talking about the May meeting not being held. That is the issue that is being canvassed. I am simply saying the facts are that it was not until 24 May that the SOCOG officers formed to a definitive view about that, and that would have predated the board. The individual board members who are party to the contingency and finance committee's were there that day having their meeting. There had been some reports provided, as I understand it, from the Acting Chairman of the Finance Committee to the President alerting him that we needed to address the situation. If the board had met, and it did not meet, would have only placed on notice that there was more work to be done before a definitive position could be reached. That definitive position was not reached until early June.

The real issue for the board, as put by the acting chairman of the finance committee to the Minister and President and then to the board itself in June, was, how will the Government activate the underwriting given these risks were potentially there? Even with the best of management, if we can manage away a lot of those risks given the numbers that the contingency effectively had been used up, it would be unlikely that we could manage away all, so the primary concern was so they could still continue to run the operations of SOCOG, make the policy decisions that are needed up to the Games but the Government was putting its underwriting on foot. That was something that was discussed with the Treasurer.

The next overlay of that, of course, was the OCA reviews and that broad assessment of what might be approved, the number to put on notice that has been a number which might accommodated in a framework where, as I keep repeating, because it is fundamental to this, we are still largely dealing with risks. We will be doing our best to make sure they do not materialise. They will only materialise when expenditure goes through a process of review by the contingency committee, the board and the Minister and Treasurer and they will not even get to the contingency committee until people like myself, Jim Sloman, Michael Ayres, Bob Aaby, John Barbeler and Sandy Hollway have actually had a look at them. I have said that we just have to do this or commercial circumstances force us to do something about this issue.

The Hon. D. J. GAY: Mr Aaby referred to April. Is it correct that evidence today has indicated that that was the first obvious signs that there was going to be a further blow-out and an extra contingency was needed?

Mr ADBY: I suppose that becomes an issue of personal opinion of how people would have looked at what was emerging.

The Hon. D. J. GAY: I am just relying on what has been said today.

Mr ADBY: I certainly have not, or do not believe, I have said that. I will correct something I said earlier. There was a finance committee meeting in April. A normal finance committee meeting did not occur in May. Very late in the month there was a joint finance and contingency meeting. I refer to your question referring to April. What was tabled at the Finance committee was a number of additional risks. From the perspective that I personally took at that time, and how I was assessing these things, I said that number is \$33.9 million. We have \$50 million funded in contingencies. The items that were listed to build up that contingency have not realised, may not realise and some of them only might realise at that point in time. I was still in the frame of mind that there was funded contingency that covered what was being put as definite on the table.

The Hon. D. J. GAY: Is it correct that there was evidence that there was going to be extra contingency needed in April starting to accumulate?

Mr ADBY: There was evidence that the risks were growing.

The Hon. D. J. GAY: Was that evidence before you signed off with Treasury on the budget? You indicated that the final discussions with Treasury were in April as well?

Mr ADBY: No.

The Hon. D. J. GAY: That is what you said earlier.

Mr ADBY: I am not sure that I said that. If I did I have been misinterpreted. In April we would have lodged our last input on the budget papers. In other words where it says "OCA" et cetera.

The Hon. D. J. GAY: That is what you said.

Mr ADBY: There was a meeting with Treasury officers in April where we talked again about those budget papers and the processes for that particular time and we talked about emerging risks but only in broad terms. The \$33.9 million, I do not believe came up for specific discussion as emerging at that point in time.

The Hon. D. J. GAY: With whom did you discuss that at that stage?

Mr ADBY: If I remember correctly I met with Mark Ronsisvalle and Sue Power. Certainly at that meeting I have no recollection of \$33.9 million being raised. Certainly the moneys that were talked about, the \$140 million, were not in the ballpark or in the court at that point of time.

The Hon. Dr P. WONG: Earlier I asked the same question and you said that in May you estimated \$33.3 million was within the \$50 million contingency fund which is in the budget. Since then there is an extra \$140 million blow-out which is not within the contingency fund. You are saying what has been given out is an extra \$140 million in addition to the \$50 million contingency fund in the budget papers?

Mr ADBY: No, the \$140 million is in addition to what SOCOG had in its contingency.

The Hon. Dr P. WONG: That is exactly right, so \$190 million.

Mr ADBY: I am sorry, SOCOG prepared a budget which is funded by SOCOG and within it is an identified contingency and its approved budget at the end of February of \$50 million funded by SOCOG's funding sources and it lists a number of risks. During the next few months those risks went from \$50 million to 24 May to \$101.4 million which meant \$51.4 was not covered by the contingency.

The Hon. Dr P. WONG: No, as Mr Richmond said, we are looking at \$140 million, it is not your \$51.4 million. You are looking at a total of \$140 million in addition to the \$50 million within the budget paper, so a total of \$190 million.

Mr ADBY: The \$140 million is in addition to the \$50 million that SOCOG had in contingencies.

The Hon. Dr P. WONG: Exactly. So it is a contingency fund of \$90 million.

The Hon. D. J. GAY: You said earlier that you could not identify even \$30 million in April.

Mr ADBY: I did not say that. You have to distinguish between risks that are emerging and funds that exist. That is what contingency is all about. 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 items that had been listed in the \$50 million contingency in February.

The Hon. Dr P. WONG: So they were in addition to the \$50 million.

Mr ADBY: They were in addition. From my perspective at the time, the items listed in the \$50 million contingency as risks had not yet materialised or been realised. Therefore, from my point of view, there was a chance that, if they did not materialise, some of that \$33.9 million might be covered from that. The \$50 million is still larger than the \$33.9 million.

The Hon. D. J. GAY: Why did you not tell Treasury about the \$33.9 million?

Mr ADBY: A Treasury representative is on the committee.

The Hon. D. J. GAY: So Treasury knew.

Mr ADBY: Yes.

Mr RICHMOND: You always start with the budget and, for contingency, you allocate some risks against that.

The Hon. D. J. GAY: But the bottom line is that you used the \$50 million contingency in April—

Mr ADBY: No.

The Hon. D. J. GAY: You just said that you had; you allowed for it.

Mr ADBY: The \$50 million was not used in April.

CHAIR: The \$50 million has not been used.

The Hon. D. J. GAY: You are contradicting what you said a moment ago.

Mr RICHMOND: You are talking about two different things.

The Hon. Dr P. WONG: You assessed and allowed for a risk. The \$50 million risk will not evaporate into thin air; that is not possible. You cannot say that even \$1 of the \$50 million may not eventuate; you cannot do that financially. Those risks still exist so they will be additional risks. You cannot say something in the hope that those risks will disappear. That is illogical.

Mr ADBY: They may not all be realised.

The Hon. Dr P. WONG: Sure, but you cannot say that they do not exist. That is what risk management means: they may not be realised, but the risks are there.

Mr ADBY: There was a second large issue hanging over it: the next launch of tickets.

The Hon. Dr P. WONG: Besides the next launch of tickets, you did not bring it to the notice of the public—

CHAIR: Please do not harangue the witness; just ask the question.

Mr RICHMOND: Mr Adby made it clear that this is very much a judgment issue at the time: you identify a series of risks against the contingency and some additional risks emerge. There is obviously a point at which you must form the view that a contingency will not be enough. Mr Adby is simply saying that he was not ready to form that view in April and that, amongst other things, he was looking to see what would happen with the ticketing before deciding whether there could be some revision. That is essentially the process we go through. Many risks that are identified do not emerge. If I sent my managers money every time they told me that a risk had emerged, my budget would continually blow out. The Treasurer is in the same position: there must be either some sense of a risk being realised or, if you are to make some funds available, a very strict process—as is the case with the \$140 million—for ensuring that the funds are utilised only through a rigorous approval process.

In an organisation such as SOCOG or the OCA, somebody must make that judgment centrally. Nobody was of the view that we were definitely beyond contingency. However, the probability had increased that SOCOG was beyond the contingency, which is why there was a series of discussions during May. As I have said, the Chairman of the Finance Committee spoke to the President and there was ultimately a joint meeting of the contingency and finance committees to try to bring all of this together. That was an appropriate process. From that point on, having looked at the numbers in more detail, the assessment was made that, yes, we were beyond the contingency and we needed to look at how it would be funded. Given the circumstances in the SOCOG budget and the commitment to a high-quality Sydney Games, looking involved the question of government underwriting. That process then moved on.

The Hon. Dr P. WONG: Is it true that all the risks eventuated and there was a big blow-out, which indicated that the risk management assessment was poorly based?

Mr RICHMOND: You may or may not be in a position to form that view next year. However, at the moment, of the \$140 million, expenditure of only \$50 million is definitely committed. We are not in a position to make any predictions about whether the risks will or will not be realised. We are simply saying that we are trying to cover what we see as known risks and prudently cover our position so that the Games are paid for within the current budget framework. I do not think you are in a position to say that the risk management is poor. SOCOG has managed away many risks at commercial transaction. Given that most of the \$140 million is designed to cover risks, it would be premature to form such a judgement. We will do our best to manage away that risk but, as the Minister said, there is no guarantee that we will be able to do that.

CHAIR: You gave to the Treasurer a sheet headed "SOCOG Financial Risk Movement", a copy of which the Minister supplied to the Committee. Several items are listed on that document that are not risks; you will spend that money.

Mr RICHMOND: About \$50 million at the moment.

CHAIR: It will assist the Committee if you can update that sheet to indicate items of definite expenditure and items of risk. It is misleading to discuss those items as if they were all risks.

Mr RICHMOND: I am sorry if I have given that impression. That is why I said before that about \$50 million of \$101 million is definitely committed to be spent. My point is that there is still another \$50 million here plus the OCA assessment and the general assessment. Of the \$140 million, about \$90 million remains to cover specific and general risks, and there is a process to do with that. I will be happy to supply that information to the Committee.

CHAIR: The Minister talked about litigation. That is obviously a risk.

Mr RICHMOND: That is not in this list; it is in the next list. I said before that, if there is \$50 million worth of expenditure and \$50 million worth of risk, we add to that the OCA outsourced programs of \$20 million of identified risk, which gives \$70 million. The next \$70 million was our broad assessment, which deals with things such as the wind-up costs, including potential commercial disputes, the Games contingency and those sorts of things. We have not tried to quantify those items in detail because we are concerned about the commercial impact if others are aware of those numbers.

CHAIR: Could you give us that information today, with details of expenditure items that are definite and those that are estimates?

Mr RICHMOND: Certainly.

The Hon. PATRICIA FORSYTHE: In clarifying emerging risks, you have moved on from January, to April, to June and you are getting a better handle on the situation. You submitted a finalised budget in April and you must have had a better understanding of your costs in that budget paper—after all, you were getting closer to some of the things that you are clarifying now. Let us take the opening ceremony as an example. That is a big event, which I know will be very costly. How precisely have you been able to estimate the cost of the opening ceremony, for example? In calculating your budget, do you build a contingency into each of those key events? Where would we find that in the budget?

Mr RICHMOND: The April budget was the OCA budget, which would not have included SOCOG items unless they were things that the Government was paying for. The January SOCOG budget would have included a provision for the cost of these ceremonies. The risk expenditure statement includes a couple of items that were identified by Mr Sloman—who is in charge of ceremonies—as risks relating to ceremonies. Mr Sloman should answer that question.

Mr SLOMAN: The ceremonies budget did not carry a contingency: if they wanted to spend more money on ceremonies, they had to justify their position and apply for a contingency. We took the view that risks regarding ceremonies expenditure would equate to about \$3 million.

The Hon. PATRICIA FORSYTHE: In the context of the ceremonies, which will be a major part of the Olympics, did the notion of emerging risks appear in the budget papers only after this year's budget was submitted? There was no previous contingency for blow-outs in that cost.

Mr SLOMAN: Ceremonies were reassessed last year, and the budget was increased in about December 1999. It is hard to estimate the cost of ceremonies; it is an art rather than a science in terms of estimating the cost.

CHAIR: Especially the marching bands fiasco.

Mr SLOMAN: There were a number of things. A detailed assessment was made in late 1999 and our board approved a budget. During the first six months of this year, we looked at the budget again as the expenditure emerged. We said that we thought we had a risk—it is not expenditure; it is a risk—of about \$3 million and that we had better show it.

The Hon. D. J. GAY: Why do you not say, "We have this much money to spend and we cannot go beyond that " rather than "Come back to me when you want some more"?

Mr SLOMAN: You spend your life trying to ensure that people take money from other places to pay for items in this area. However, we cannot play around with some things—particularly in this imprecise area.

The Hon. PATRICIA FORSYTHE: If it is imprecise, is it not also potentially a bottomless pit?

Mr SLOMAN: No, it is not a bottomless pit. We have reached the stage where we know fairly well what the ceremonies will cost. However, we must allow for risk.

The Hon. Dr P. WONG: Mr Richmond, why is there a sudden increase in the financial risk for the IBM Internet Funding item from \$2.5 million in February 2000 to \$13.2 million in your May 2000 forecast?

Mr RICHMOND: There was a previous question about contracts, and the IBM contract was one of those that Mr Evers reviewed. That contract is a fundamental part of communications to the world and the Internet site to the world for the Sydney 2000 Olympics. It is also important to the ticket sales program. I am sure that Mr Evers will be happy to give some details—subject, of course, to commercial considerations—as to why there has had to be an increase in expenditure for the IBM Internet site. He will be available this afternoon to address that question.

The Hon. Dr P. WONG: Is that part of the legal liability that you mentioned?

Mr RICHMOND: I would rather Mr Evers commented about that because there were some issues about the contract and legal views were obtained. I am sure that Mr Evers will be happy to deal with that question, subject to commercial confidentiality issues.

CHAIR: It would assist the Committee if we could receive a timetable or a chronology of events. We are getting bits and pieces of information. We would like to know what happened in January leading up to the \$140 million. Who identified emerging problems in January? There was a reference to an OCA review that began in January. Did that pick up some signs of emerging problems? What happened in February, March, April and May? Which body—whether the contingency committee or the finance committee—identified the growing problems? It would assist the Committee to receive a chart showing that information.

The Hon. D. J. GAY: The day after the announcement of the \$140 million, I heard on radio one of your SOCOG board members, Mr Nick Greiner—who you said is the acting chairman of the finance committee—say that he was surprised that the sum was \$140 million. He said that, to the best of his knowledge, it should have been \$70 million. Is that an indication that you acted without consulting the SOCOG board, particularly the finance committee?

Mr RICHMOND: It is an indication of what I said previously: we were talking about \$50 million of risks identified here and \$20 million identified in the OCA program reviews. As I said before, the Government through the OCA—largely myself and Mr Adby—had to make an assessment of what else there might be, having regard to potential commercial issues and of course the question of the Games wind-up, which we are looking at now.

At the end of the day it will be the Government, as the underwriter, that has to deal with the wind-up of SOCOG. Mr Greiner would not necessarily have been involved in the second part if an assessment was made by me and Mr Adby to deal with the question of what would be a prudent general sum to make available to take us into the Games, through the Games and into the wind-up period. That was our assessment and I repeat again that it will be spent only through a very vigorous approval process involving the Treasury.

The Hon. D. J. GAY: Can you understand why people would find it strange that you have a SOCOG board made up of eminent people and in particular a chairman of the finance committee, a

former Treasurer of this State, an eminent businessman, a person who is clearly numerate, and you make a decision to go for another \$70 million that the acting chairman of the finance committee of SOCOG was not aware of? It is the sort of stuff that you would find in a John Clarke script.

Mr RICHMOND: The point about the process from when Mr Greiner spoke to Minister Knight was that from then on the underwriting was on foot. It was a matter for Government then to make a judgment about how much to put aside to address the likely risk. That assessment was made by OCA. As I recall the circumstances, Mr Greiner had gone overseas. No doubt if Mr Greiner had been around in that 24 hours we may well have had some discussions with him. But once the matter had moved from the board, as it had done on the fourteenth when the board looked to the Minister to confirm the underwriting and that the bills would be paid, it became a question of the Government making an assessment of what was a prudent thing to do to cover what had been identified, other risks that we were aware of and to come up front with a number, which is exactly what has happened.

The Hon. D. J. GAY: So it was not a matter of just think of a figure and double it?

Mr RICHMOND: No, it was not a matter of think of a figure and double it.

CHAIR: It does seem that Treasury was worried about the calculations when the final amount was doubled to avoid another special appropriation bill. It would have been very damaging to the Government's reputation if there was one bill for \$70 million and then on 30 August another bill for \$70 million.

Mr RICHMOND: I have referred to various items that one could identify, and we did identify, in the post-Games wind-up. You could say, for example, that a certain commercial matter, if it proceeded to litigation, could result in X million dollars. We obviously talked those issues through. I am not pretending that those numbers add up to \$70 million; what I am saying is that when you identify those numbers and you get up to a reasonable double-digit number you then start to think of what is a sensible and prudent assessment to make sure that the funding that might be needed to take us through the Games and into the post-Games period to wind the organisation up is covered. That was our assessment and that was the basis for the money.

The Hon. PATRICIA FORSYTHE: Have you done a risk assessment on the likelihood of SOCOG or OCA being sued?

Mr RICHMOND: Part of that number includes a preliminary assessment of the areas in which we know there are disputes, some of which could result in commercial negotiations which could cost money. Some could go to the courts. There are a number of those in our minds in deciding whether it should be an extra \$70 million, \$50 million, \$40 million or something else.

The Hon. PATRICIA FORSYTHE: Or is it \$100 million?

Mr RICHMOND: Our estimate was that \$70 million was an appropriate number. However, we are not in a position to say that that will guarantee that all the expenditure will be met within that. We will be doing our best to ensure that, however.

The Hon. Dr P. WONG: Were you implying that there were serious issues that Mr Greiner was not aware of when he went away? Obviously, Mr Greiner in his public statement was estimating that the figure was \$70 million. You mentioned that after he left for overseas suddenly the risk became more obvious and you had to provide an extra \$70 million. There must have been serious risks that he was unaware of at the time.

Mr RICHMOND: Mr Greiner would be well aware of a number of the items that we would have considered in making our estimate of \$70 million. What number he would have put on them is a matter for his judgment. I am in the position that I have the obligation to the Government, which after the Games will be paying the bills. We believed that it was important to make a conservative estimate and to put that to the Government. To give you a simple example, when Mr Sloman's athletes, so to speak, move out of the Olympic village it will be a matter of opinion as to what make-good has to happen in the Olympic village after 15,000 athletes and officials have been through it.

My view is that have to make reasonable provision for that because I have a contract and at the moment there is not enough money perhaps in the SOCOG budget to cover what might be an estimate. It is a guesstimate in a sense but that is the kind of thing that we are talking about. Mr Sloman might not even agree on what the number is, nor would Mr Greiner, but I was in the position where I believed that I had to make that assessment based on the view of Mr Adby and me of where we were because after the Games the Government would be dealing with the post-Games bills and I would rather have a very clear quantum available to me when I negotiate any final commercial disputes so that I can say clearly to the commercial people on the other end of the contracts that there is not any more money, the Government has made its final allocation to the Olympics. That is what I hope to be able to do. I cannot confidently predict that I will be in that position but that is the position that I would prefer to be in rather than have negotiations after the Olympics with everybody knowing that I am going to go back to the Government to ask it for money.

CHAIR: Are you suggesting that if you had a discussion with Mr Greiner after the final figure of \$140 million was established and you said to him, "We know that we need \$70 million. Do you feel that an extra \$70 million would be a good safety margin?" He would have said, "Yes"?

Mr RICHMOND: I do not know. He may have said that it was too much. I am not in a position to make that judgment.

CHAIR: The impression that he gave us was that he thought that it was too much.

Mr RICHMOND: It may well have been, and he may well be right. I can only reiterate that none of this money gets expended unless the risk is realised and the Treasurer says that we can spend the money. Some of these things are totally within our control. If we decide that we need to do something extra the Treasurer may form a view that we should not so he does not give us the money. Other risks are not in our control because they could be the consequence of commercial disputes or even litigation. Having had no discussion with Mr Greiner, I do not know what view he would have formed. But I am really not in a position to speculate on that.

CHAIR: Mr Duncan Gay was making the point that Mr Greiner is a very skilled financial manager and he would be well aware of the litigation. He has been involved in those sorts of matters. That would not be an unknown factor in his thinking.

Mr RICHMOND: I do not disagree with that, I am just not in a position to speculate on whether he would have agreed on that number. I do not know whether he would. There would be some things that he would not necessarily be aware of in the wind-up process that we have only recently identified. But I cannot speculate on whether he would have agreed on the number.

The Hon. D. J. GAY: I understand that there are hospital facilities at the site, either at the village or at the Olympic site, which is part of OCA's responsibility. Is it correct that a ward will be put aside at Royal Prince Alfred Hospital to cope with any Olympic excess problems?

Mr RICHMOND: The facilities at the Homebush Bay site are within the Olympic village. In the Olympic language, and indeed in the health language, it is called a polyclinic, which is a

multipurpose facility. It is not a hospital per se, although obviously there is a capacity to hold people there. The Health Department, as part of its involvement and its obligations stemming from the bid that was made for the Olympics, has prepared a strategic plan that provides a range of services back into the hospital system. There is a capability to provide beds in certain circumstances just as there is provision for a range of health services such as food inspection services. That has been documented in the department's planning. I cannot remember the precise details but a ring of hospitals are identified as hospitals that will receive athletes and others coming from the venues. Behind that there is also a series of hospitals that are put on to emergency footing in the case of a significant tragedy. The short answer is that there is a process there. All of the teaching hospitals are involved in that. I am unaware of the details.

The Hon. D. J. GAY: I do not need the details but what I need to know is whether the cost has been quantified and out of whose budget does it come?

Mr RICHMOND: It is quantified and is included in the budget that OCA would have submitted to the Government on behalf of the agencies that are providing direct services to the Olympic Games. The process there is that a high-level committee of me, the director-general of the Premier's Department and the head of Treasury or his nominee reviews the bids. We have done that each year. They are matched to the plans that each agency has developed and they are put to the Treasurer and included in the budget. They would be reflected in the budget papers.

The Hon. D. J. GAY: Can you indicate where that would appear in the budget papers?

Mr RICHMOND: I do not have the budget papers with me but we can certainly give you a reference. That is included in approximately \$600 million worth of government services—security, transport, health and so on—to the Olympics. It is in the budget.

CHAIR: Spread over the different portfolios.

Mr RICHMOND: Yes.

CHAIR: I would like to clarify something that has been raised in media reports recently. Is part of the contingency amount to cover above-award payments to some of the unions involved in the Olympic Games and particularly the performers?

The Hon. J. R. JOHNSON: Some of the workers, not the unions.

CHAIR: The unions negotiated it. I understand there are overaward payments for performers at the opening ceremony particularly and that has caused a blowout in the cost and may be reflected in the figure of \$2.6 million.

Mr RICHMOND: The wages and conditions of employment across a work force in the order of 150,000 is fairly complex. From the Government's point of view there have been negotiations, which I am sure the acting head of the Premier's Department can explain to you when she attends this Committee, which have resulted in an agreement to provide some additional remuneration for Olympic duties for the government work force. I understand that an arrangement has been entered into in relation to transport workers. Once again, Robyn Kruk would be more across the detail of that.

As I understand the process, having reached agreement on that we will then go back with Treasury and OCA into those agencies that are affected. They will then have to justify how that will apply for Olympic purposes in their agencies. That is a matter that will then flow through for the Treasurer's consideration. That is the Government component of it. Mr Sloman has negotiated on behalf of the event on behalf of SOCOG a special arrangement with a wide range of unions to provide

services during the Games. He is best able to comment on that. And as the man in charge of ceremonies he can also talk to you about the ceremony issue.

Mr SLOMAN: Some 2½ years ago we entered into discussions with the Labor Council of New South Wales about an Olympic award. That involved a number of industries, particularly service industries such as catering, cleaning, private security, spectator services and those sorts of services that have a huge work force during the Games in a city that does not really have the capacity that a place such as Atlanta had to provide those services. We were seeking flexibility from the people in the work force in the hours worked. We got an award under which they could work 12 hours at a set rate per hour.

We also wanted the flexibility to use the work force across a number of venues. In other words, they would not go to just one place to work; they could work at a number of places. The award was finalised and the Industrial Commission handed it down in early 1999. It included the union that covers ceremony performers but a further negotiation took place in the last few months to make it consistent for the ceremony performers. That was all finalised some time ago. The ceremony performers were not covered specifically within the award. There was further negotiation to cover those in the past few months.

CHAIR: That would involve extra expenditure?

Mr SLOMAN: Some extra expenditure.

The Hon. PATRICIA FORSYTHE: Dr Richmond, earlier you were speaking about the making good of the village at the end, presumably between the Olympics and the Paralympics. Are you suggesting that previously there was no budget figure to make good the village? Did it emerge only after the budget process this year that it was not previously accounted for?

Mr RICHMOND: No, I am not suggesting that there is no figure. We have a commercial arrangement with the consortium that developed the village. Our assessment is that they possibly will make a claim much larger than exists in the SOCOG budget. We wanted to be in a position to deal with that. As I said before, I want to be in a position of having a finite figure. In any case, in this area there are lots of uncertainties as to what might happen. For examples, if we do a joint inspection after the Games, the assessment of one person might be very different. It would be prudent to provide some additional funding, and that is the kind of item we put into the general risk allocation of \$70 million. We should make some prudent provision for this. Once again, it is not something I necessarily expect to happen, but it would be sensible to have it there to deal with those issues.

The Hon. PATRICIA FORSYTHE: I have no difficulty with the concept. But I do not understand how we could get to this late in the budget process before you identify what you regard as prudent enough to be budgeted?

Mr RICHMOND: We have always identified a risk in any budget that is submitted to the SOCOG board; risks that are there. In any budget context or in discussions that we have had with Treasury, we always identified that they are risks. The question is when do we start looking for specific funding? Please bear in mind that all we were doing in the middle of June was placing Treasury on notice as to those risks and suggesting that they make provision for them. How they made provision for those risks, the expenditure and the risks, to make up for the \$140 million, was a decision that they made.

The Hon. Dr P. WONG: Mr Richmond, were the Australian Olympic Committee or the International Olympic Committee approached to take a smaller amount of revenue return from the SOCOG budget as occurred with the last SOCOG budget revision? Was any approach made to the

Commonwealth Government, who is the principal tax beneficiary of the Sydney Games, to provide contributions to the SOCOG budget?

Mr RICHMOND: The answer is that in all cases there was no specific approach made to any of those bodies. As you are aware, there were negotiations earlier in the year when both the IOC and the AOC agreed to forgo their potential revenue share through the profit mechanism for SOCOG. Insofar as the Commonwealth Government is concerned, it would only be approached if we were dealing with something quite extraordinary. The Commonwealth Government has allocated funds for various purposes for the Olympics. The only opportunity in which we would have to go back to them would be very extraordinary circumstances such as a major incident which ended up costing the State or the organising committee a lot of money. Outside that it was not appropriate to go back to the Commonwealth on those issues.

(The witnesses withdrew)

(Luncheon adjournment)

ROBYN KRUK, Acting Director General, New South Wales Premier's Department, 1 Farrar Place, Sydney, affirmed and examined:

CHAIR: What is your occupation?

Ms KRUK: I am the Deputy Director General of the New South Wales Premier's Department. I am currently the Acting Director General in the absence of Dr Col Gellatly.

CHAIR: In what capacity are you appearing before the Committee?

Ms KRUK: Acting Director General of the Premier's Department.

CHAIR: Did you receive a summons issued under my hand in accordance with the Parliamentary Evidence Act 1901?

Ms KRUK: I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Ms KRUK: Yes, I am.

CHAIR: Do you wish to make an opening statement before we ask questions?

Ms KRUK: No.

CHAIR: If you wish the Committee to go into camera, it can do that. But the Parliament can always overrule the Committee's decision not to publish evidence given in camera.

The Hon. PATRICIA FORSYTHE: In relation to the use of public servants during the Olympics, what is the current position in relation to either the employment of or the secondment of public servants?

Ms KRUK: With your agreement, it might be worthwhile to give you some background to our current position. It is clear that the Government has a commitment to offer a quality Olympic Games but also to ensure that there are adequate government services offered over the Olympic period. So it was a two-fold objective that drove the involvement of the Premier's Department, as one of the number of agencies in that process, with other agencies being the OCA, ORTA and the RTA, to mention just a few. Planning for that process began in full in 1998. It was very clear that we needed a whole-of-government approach, basically, to ensure that agencies had in place the necessary planning over the Olympic period to ensure the delivery of services over that period of time but also to give us an understanding of the demand on government services over that period of time to enable us to make some assessment of the work force requirements.

Over the past 2½ years we have basically been working very closely with agencies right across government and also with a number of agencies charged with the primary responsibility for the conduct of the Olympics, to get a better gist of that. Part of that process was to get an idea of the number of staff who would be both willing and suitably qualified to be reassigned to the agencies that were primarily responsible for the conduct of the Olympics. I think that is what Ms Forsythe was referring to be in relation to the reassignment of government staff.

That process is still under way. It is a very comprehensive one because, as I indicated in my opening comments, it is important to ensure that government services are provided and that we have

an understanding of what the core essential services are that are required by the community in that period. We, equally, wanted an indication of the numbers of staff that would be able to be reassigned and also had the necessary skills for reassignment. The agencies requiring additional staff to assist in that regard obviously are in the transport agencies and some of the security agencies. They probably would be the prime ones.

The Hon. J. R. JOHNSON: Mr Chairman, with due respect to my colleague the Hon. Patricia Forsythe, the terms of reference are quite clear. I cannot see that the question and the answer elicited have anything to do with the terms of reference that are before this Committee.

CHAIR: We need to relate questions to the Olympic budget. I think the Hon. Patricia Forsythe was endeavouring to do.

The Hon. PATRICIA FORSYTHE: Absolutely.

CHAIR: Questions should be related to the cost factor.

The Hon. D. J. GAY: But we do not know what the costs are. Almost any question can be admissible because we do not know what has caused this blowout.

CHAIR: It has to be related to the budget.

The Hon. J. R. JOHNSON: Mr Chairman, can I refer you to the document that you have before you.

CHAIR: I realise that.

The Hon. PATRICIA FORSYTHE: For example, my next question is in relation to volunteers.

CHAIR: The Hon. J. R. Johnson, in making a point of order, drew my attention to the terms of reference.

The Hon. J. R. JOHNSON: I did indeed.

CHAIR: Your next question can be more specifically related to the budget.

The Hon. PATRICIA FORSYTHE: At the end of the day, it will come back to cost, but we have got to understand the process before we can get to the issue of cost, I would have thought. Ms Kruk, is the Premier's Department keeping a watching brief, for example, on the number of volunteers that SOCOG has recruited? In other words, is there any sort of understanding that any shortfall will be made up by the use of public servants?

Ms KRUK: We are not directly involved in the volunteer program being administered by SOCOG. I am aware of the media announcements and their call for support for volunteers in the community. I think the understanding has always been that the volunteer program being offered by SOCOG would be one component of the Olympic effort. I think this is one of the important lessons learnt from Atlanta: that that would be supplemented, or would need to be supplemented, by a staff that could draw on a whole range of managerial, supervisory, and customer contact skills, and in effect provide quite different resources than were being sought through the volunteer program. So they are parallel initiatives.

The Hon. PATRICIA FORSYTHE: Where public servants are reassigned to work in relation to the Olympics, who will bear the cost of the work of those public servants? Will the agency bear them, or will they be billing SOCOG?

Ms KRUK: Let me go back. I should make it quite clear that this has nothing to do with the SOCOG budgetary process. This is a process within the consolidated funding budget process. The staff that would be available for reassignment, firstly, would be voluntary staff; secondly, they would be staff that have the necessary skills being sought by the Olympic agencies; and, thirdly, they would be staff that are excess, in effect, to the requirements of the agencies as judged by their service delivery planning. That comes back to my answer to your previous question.

It is recognising that, basically, there are some staff that will not be required for the normal conduct of functions over that period of time, and the salaries of those staff would already be paid by the agencies. So the intention is, basically, to utilise staff in the most productive way over that period. It is also important to recognise that the public service is a major employer within the CBD. We have obviously been seeking to work with ORTA, as has ORTA worked with the private sector in terms of using management techniques in terms of reducing demand for the numbers of employees that need to travel to the city and the number of employees that need to use Olympic corridors. So it is a multipurpose strategy in that regard.

CHAIR: I assume that the Minister for the Olympics would brief the Cabinet on matters relating to the Olympic Games. Is there any briefing that is also given to the Premier's Department? Obviously, the Premier would want to be fully informed about matters affecting the Olympic Games. How is that handled within the department, particularly the financial aspects?

Ms KRUK: My focus and my primary involvement have been on the human resource, the work force, planning aspect, so I can only comment in that regard. As I indicated, we started to put out formal policy guidelines to the sector in 1998 about service delivery planning, and it was quite clear that the Government would want a regular update through the normal Cabinet process in that regard. We have, through Premier's Department, also ensured that there has been very close co-operation with CEOs from all of the government agencies. We obviously hold very regular meetings with the CEOs in that regard. So there has been a regular reporting in terms of the work force planning exercise. I am not in a position to comment on the budgetary aspects.

CHAIR: Is there within the Premier's Department a liaison officer that particularly handles Olympic matters, as distinct from the Cabinet Office?

Ms KRUK: I have a number of staff that are involved in that regard in various aspects of the exercise. They have worked very closely with ORTA, the RTA and police. In effect, we have worked closely with those agencies in terms of encouraging the use of flexible work practices over that period, to provide best practice models, because it is obviously desirable that people look at changing their standard working hours to fit in or around the peak periods, or the anticipated peak periods. So I have got staff that have worked in that regard. I have got staff that have worked with the particular line agencies in relation to their service delivery planning. There have been various aspects.

The Hon. D. J. GAY: Ms Kruk, I apologise if you have answered this, but I want to go to the question of public servants. The appropriation bills and the budget papers indicate that virtually any one of the 270,000 public servants can be taken to work on the Olympics. Is there a budgeted cost for this?

Ms KRUK: I think this is a statement that has already been made public by the Minister: at the moment it is not precisely possible to identify the additional costs associated with these issues because we are still, obviously, working out final numbers. I think I probably picked up a component of the

answer in responding to Ms Forsythe's question. There was, and is, a clear commitment to identify these additional costs through the normal budget process. But I stress again these are staff that have been identified, through the service delivery process, as being excess to the requirements over that period. By saying "excess", I in no way suggest that they are not highly qualified staff. They are staff that really are highly sought after by the Olympic people because they have the skills, in effect, to manage what is going to be a huge event.

The Hon. D. J. GAY: You indicated that there is not a cost that is quantified, so that is a cost to go on top of what we have, one assumes.

Ms KRUK: What I am indicating is that the commitment has been made by the Government to identify that cost through the normal budget process. At this stage it is not possible to indicate that. But I stress that it is a reassignment of staff that are already employed.

The Hon. D. J. GAY: So that would be carried by the agency that employed them rather than a cost allocated to the Olympics?

Ms KRUK: That is a cost that is already borne by the agency. I think that is the issue. But that has been a commitment given to identify the costs clearly associated with the Olympics.

The Hon. D. J. GAY: Are these people aware that they are being targeted?

Ms KRUK: I stress again that this has been a very well developed process. I stress that they are voluntary staff. There has actually been a very high degree of interest in employees working on Olympic-related activities. Obviously it is an exciting opportunity. For a number of staff it is probably an opportunity to work more closely with the Olympics than their current positions would allow them to do. And there is a range of jobs, ranging from customer service jobs to managerial jobs. As I said, the response from employees has been very positive.

CHAIR: If they have volunteered to work during the period of the Olympic Games do they still receive their regular salary?

Ms KRUK: I stress that they are still employees of the agency, and they are being seconded to one of the other Olympic agencies for a set period of time. I stress that it is on the whole only a short period of time. In some instances it is one week, two weeks or three weeks, and it may be quite staggered or broken shifts, depending on demand. The issue is to have a dependable and reliable workforce to fall back on. The contingency planning for the Olympics has been very good and it is obviously very good to the conduct of the Games.

CHAIR: So the word "volunteer" means that they have volunteered to do that job, they are not volunteers as other members of the community are?

Ms KRUK: No. It is voluntary because individual officers have to identify their interest in participating in this program. The agencies that are seeking their involvement have, in effect, advertised a range of jobs and staff can signal their interest in working specific jobs.

The Hon. PATRICIA FORSYTHE: Whatever rate of pay they would get, they will continue to get the same rate of pay?

Ms KRUK: In effect, that is why the skill match has been important. There has been a demand for a whole range of jobs. The supervisory ones are obviously highly sought after, but also the people management jobs. I have certainly seen staff from right across the sector seek to work on visitor-related

programs to provide the upfront services. So to answer Ms Forsythe's question, I think the jobs will be many and varied, and within individual jobs there would be a huge range of component parts as well.

The Hon. D. J. GAY: Do you have a number?

Ms KRUK: I do not have an exact number because I have worked on the policy framework. I have worked on ensuring that the delivery planning has in effect taken place. Basically, the agencies that have been most involved in the Olympic services are the ones that are identifying the skills they require and also the particular positions and the locations. That process is ongoing. It is interesting, as you would expect, as the Games get closer the degree of interest has gone up massively also with our employees.

The Hon. D. J. GAY: Do you have access, and could you obtain for the Committee, the current number and which departments they will be obtained from? There must be a working document.

Ms KRUK: There may be a working document. The individual departments may hold those documents.

The Hon. D. J. GAY: But someone must know the number that we need for the Olympics.

Ms KRUK: As I am saying to you, that process has been quite a fluid process. To answer Ms Forsythe's earlier question in terms of the relationship between the SOCOG volunteer program and this program, there is obviously an interface, and there is obviously an interface also with the types of skilled people you are getting who should be involved in the SOCOG volunteer program.

The Hon. D. J. GAY: If the Premier came to you this afternoon and said, "Ms Kruk, I need to know how many people will be out of the department and working on pay from Government departments for the Olympics as at today?" where would you go to find that information?

Ms KRUK: I would have to approach the individual agencies, recognising that that is a number that may change over time. We have certainly provided reports to Cabinet which are obviously subject to Cabinet confidentiality. However, I stress again that the information would be dynamic and the information would be held by individual agencies.

CHAIR: You said earlier that you were in the process of collating the actual overall cost.

Ms KRUK: No. What I am saying is that the process of identifying the cost is something that would be most meaningfully done at the completion of the Games, and that commitment has been given by the Government.

CHAIR: And that will involve how many people were involved and the cost?

Ms KRUK: That is right. In the various memorandums that have been issued by the director-general of the department, we have made it quite clear that agencies have to clearly identify those costs in the budget process. So that expectation has been made clear.

The Hon. D. J. GAY: So that has been done?

Ms KRUK: That direction has been issued to departments. That means that at the end of the process those costs will be clearly identified.

CHAIR: You also said that they were excess to requirements because of the Games. Can you explain that?

Ms KRUK: My terminology was probably not the best. I come back to my earlier point: We have asked agencies to look at what the demand would be on their services and then in turn to make some assessment of the staff they would need to provide those services over the Olympic period. That will enable them to make some logical decisions about what staff can go on leave, because the period coincides with the school holiday period, but also to give them some indication as to the staff who would be able to be reallocated or reassigned to other jobs without there being any loss of service over that period.

CHAIR: You are anticipating that because of the attention on the Games there will be less public pressure on some of those departments in terms of phone calls and counter inquiries.

Ms KRUK: It is very clear, and we have encouraged agencies to utilise a range of strategies and also assesses the techniques to make that assessment over the period. Departments like ours will obviously have an incredibly high workload in particular areas of protocol and related functions. From memory, well over 50 per cent of our own staff will be involved in a range of Olympic-related activities. Some Government agencies obviously will have an increased demand on their services; some will have a reduced demand. That is very much agency specific. What was important from the perspective of the Premier's Department was to get that planning process under way. Staff are obviously keen to know if they can take recreation leave, if they can attend the Games and what normal child care arrangements they need to make for that period. That is why it was necessary to start that process quite early. However, I stress again that it is a voluntary arrangement in terms of staff identifying themselves for different positions.

The Hon. D. J. GAY: Did you or the Premier's Department have any role in the allocation of the extra \$140 million that SOCOG needed?

Ms KRUK: I am not aware of any role in that regard. My involvement is not a budgetary involvement.

The Hon. D. J. GAY: And no-one in the Premier's Department had any involvement in submissions to this or knowledge that it was about to happen?

Ms KRUK: I cannot speak for the director-general in relation to the budget committee. I can only answer to you in relation to my own role and my own knowledge.

The Hon. D. J. GAY: I go back to the public servants who will be seconded to the Olympics. Is it possible for you to obtain a number as of last month or this month of the people and the cost that will be going to the OCA?

Ms KRUK: Can you repeat your question?

The Hon. D. J. GAY: Is it possible for you to obtain for the Committee the number of public servants who will be seconded to the Olympics and their total cost either relating to last month or this current month?

Ms KRUK: I will take that question on notice and make my best endeavours to obtain a figure. Will that satisfy you?

The Hon. D. J. GAY: It certainly does, thank you.

(The witness withdrew)

MICHAEL ERNEST EYERS, Deputy Chief Executive Officer, SOCOG, 235 Jones Street, Ultimo, affirmed and examined, and

JOHN CHARLES BARBELER, General Manager Finance, SOCOG, 235 Jones Street, Ultimo, sworn and examined:

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr EYERS: I did.

Mr BARBELER: I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr EYERS: I am.

Mr BARBELER: I am.

CHAIR: As witnesses are aware, if you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be seen or heard only by the Committee, the Committee would be willing to accede to your request and resolve into a confidential session. However, I must warn you that Parliament may override that decision at any time and make your evidence public. Do either of you wish to make an opening statement?

Mr EYERS: No, Mr Chairman.

The Hon. PATRICIA FORSYTHE: Mr EYERS, this morning a witness—it may have been the Minister, however I stand to be corrected—suggested that about \$150 million of ticket revenue would be available if all tickets were sold. Is that the correct figure, as you understand it at this time?

Mr EYERS: The total book value of tickets available for sale is greater than that number. That is about the figure we need to sell by way of tickets sold to the general public. The figure in the SOCOG budget for ticketing revenue is a net figure, so it includes expenditure. It also includes a number of separate items of revenue, of which by far the largest is general ticket sales. Also included in that, as a historical matter, are premiums from tickets sold in 1999, suite sales and a number of other smaller package items of ticketing, such as sports passes. So there are a number of components in ticket revenue.

The Hon. PATRICIA FORSYTHE: Given that this morning we heard about the figure of about \$18.6 million as a new estimate of costs arising from ticket marketing, does that mean that in the course of this year you have identified an additional figure of about that amount that is needed to be raised by way of ticket revenue to give you that net figure?

Mr EYERS: Yes, it is correct that expenditure involved in raising the ticket revenue is now clearly larger than was originally budgeted.

The Hon. PATRICIA FORSYTHE: Does that expenditure also include such things as the issue that was identified in the media earlier this year in relation to, for example, a contract with Blazer Consultancy?

Mr EYERS: The contract with Blazer Consultancy—which of course was entered into before I joined SOCOG—was a contract for sale of tickets at a premium. Mr Chairman, I do not want to go into too much of the commercial detail in open session, but I can completely answer. Perhaps I can complete it hypothetically. If a particular ticket purchase transaction fails, if the tickets were originally sold at a premium two things happen: first, the tickets the subject of the sale go back into stock; and second, the premium, presumably, is lost.

The Hon. PATRICIA FORSYTHE: What is the position with regard to the deal with Blazer? Has Blazer reneged on any aspect of its contract?

Mr EYERS: Blazer has failed to meet payments under its contract.

The Hon. PATRICIA FORSYTHE: Does that represent a loss for SOCOG?

Mr EYERS: Again there are two parts to the answer. Firstly, those tickets have not been put back on general sale. Secondly, we do make a provision in our accounts for premiums resulting from transactions last year where we think that the premium is unlikely to be realised. However, that is in the nature of an overall provision; obviously, it adds up in estimates across a number of contracts.

The Hon. PATRICIA FORSYTHE: Do you have an estimate?

Mr EYERS: I cannot give you an estimate here. I can easily obtain for the Committee the proportion of the provision against 1999 premiums which is in respect of the Blazer contract.

The Hon. PATRICIA FORSYTHE: Over and above the actual contract with Blazer, I understand that a facilitation fee of \$183,000 was entered into with Pacific Rim, as the organisation that introduced SOCOG to Blazer Consultancy. Was a similar contract entered into with any other company? Did anyone else receive a facilitation fee?

Mr EYERS: Not so far as I am aware. But, again, I should for completeness say that I was not in charge of ticketing at the time that those contracts were entered into.

The Hon. PATRICIA FORSYTHE: But you now have some oversight of the budget process?

Mr EYERS: Yes. As I have said, not so far as I am aware, but I have not gone through the individual contracts to answer that specific question.

The Hon. D. J. GAY: Will those Blazer tickets go back into the pool?

Mr EYERS: The first step, obviously, is to reach a point where, as a matter of the status of the legal transaction between SOCOG and Blazer, we treat that contract as completely at an end, and then those tickets will be available to go back into stock.

The Hon. D. J. GAY: The Hon. Patricia Forsythe referred to \$150 million with regard to tickets. You correctly stated that that was a budgeted figure but not the face value of all those tickets available for sale. What is the face value of the tickets remaining for sale?

Mr EYERS: In round figures, the value of the tickets available—I said earlier, for sale to the general public, but these are tickets which we will also sell to sponsors or broadcasters who want to buy them; they are simply tickets on sale at a lower price—is a little under \$200 million. That, of course, is decreasing as ticket sales continue.

The Hon. D. J. GAY: Does that include the Blazer situation and any other similar situation?

Mr EYERS: No. That is the inventory value of tickets available for sale. As I said earlier, the Blazer tickets are treated, at the moment, as sold. If the transaction is reversed, the tickets will go back into stock. So the inventory value of available stock will go up by that amount, and I would have thought that an increase will be made in the provision for 1999 premiums not received.

The Hon. D. J. GAY: You indicated a face value of the tickets to the general public. Are there other groups of tickets which are potentially for sale but which are not going to the general public that have not been sold, which add onto the \$200 million?

Mr EYERS: I am sorry that this is a long answer, but I do want to cover the categories. This year, whenever we have released figures about inventories of tickets available for sale, we have been careful to say that at no stage does the number of tickets offered for sale ever represent, if you like, the total number of unsold seats in a particular venue multiplied by the number of sessions. There are always some tickets withheld from sale. A simple example is what is called Games time contingency. For example, you can have sold a ticket in the middle of the row to someone, who turns up on the day with his leg in plaster, so you need a couple of seats spare for that sort of situation. Sometimes you find that people arrive with more of them than there are tickets, but you want to be able to seat them if you can.

The Hon. D. J. GAY: My question is more specific, though.

Mr EYERS: What I wanted to say was that there are a number of reasons why the number of tickets that we indicate as being available for sale is not equal to the unsold space in the venue. We have also indicated that a number of tickets are not at present made available for sale. They include super tickets, tickets held for future sale to sponsors, and tickets that come back into the stock because a previous transaction falls over. Some tickets may become available because of returns or failure of previous transactions. If a 1999 ticket sale transaction fails and is reversed, and that stock becomes available, the dollar value of the inventory available for sale goes up. If they were previously sold at a premium, unless we have fully provided for it already, there will be an increased provision for a premium not realised.

The Hon. D. J. GAY: Can you put a total figure on the face value of unsold tickets?

Mr EYERS: It is the number that I gave before. The value of tickets that are, for example, held for possible future sales to sponsors is quite low; it is in the single million dollars. The number of tickets that are not currently available for sale because they are intended to be sold later as what are called super tickets is, I think, around \$15 million.

The Hon. D. J. GAY: That is \$16 million on top of the \$3.6 million. So that is \$20 million on top of the \$200 million. Is that a fair guesstimate, or is there more?

Mr EYERS: That is a fair guesstimate, but again that is on the assumption that previous sales do not fail.

The Hon. D. J. GAY: Are you concerned about that?

Mr EYERS: No, we are not, for two reasons. First, since 1999 we have been keen to ensure that the people who have undertaken to buy tickets actually pay for them. Second, the tickets that were purchased under last year's premium ticket private arrangements are, by and large, tickets at the top end of the stock, and tickets at the top end of the stock sold very well in 1999 and have sold very well this year.

The Hon. PATRICIA FORSYTHE: How is the sale of other tickets going?

Mr EYERS: We have finished marketing arrangements through News Ltd newspapers, which involved, in a sense, a short window for a sport of a day usually, sometimes a couple of days, when people could bid for tickets, in effect, or place their order for tickets, mostly through a call centre. That raised about \$50 million and sold half a million tickets. We have just last week reached the point where all the available inventory—that is, not taking into account the various holds that I referred to a moment ago—can be obtained through the box office or through the call centre. Sales are satisfactory at this stage. We would expect, of course, that they will pick up rapidly as we get closer to the Games, and indeed as we publicise the fact that tickets are now available. We do have the situation that, for one reason or another, there is still the perception in some parts of the community that good tickets are relatively scarce. While a lot of the tickets to the most in-demand sessions have been sold, there are still many very good tickets available for sale, and that is the message we have for people who want to buy them.

CHAIR: You said earlier that Blazer Consultancy was not able to sell all the tickets, and you gave the impression that some of those tickets then went back into the pool. Are you saying that you were going to sell the tickets twice?

Mr EYERS: No, I am not saying that.

CHAIR: Does SOCOG get the total value of those tickets from the different companies, Davos, CoSport, Jet Set Sports, Blazer Consultancy? When you arranged the bulk purchases, did they supply the money for those tickets in bulk before they sold the tickets?

Mr EYERS: We do not deliver tickets until they are paid for. The list that you went through includes at least one close-to-naught per cent payer and least one 100 per cent payer. There had been a number of arrangements to sell tickets entered into last year at a premium. In some cases the contracts had been paid and the tickets, of course, would then be released. If a purchase contract falls over then obviously the purchaser does not get the tickets, the sale is cancelled so at that stage we have sold them naught times and, yes, they go back into stock. It is a matter for the contractual rights of the purchaser whether the purchaser gets any of the money it may have paid back.

CHAIR: It could affect your budget if you anticipated the income of 2,900 tickets multiplied by \$X equals a certain amount. Has that factor thrown the anticipated budget income for SOCOG off the rails and led to the contingency need?

Mr EYERS: No, the premium contracts gave rise to two sorts of income: one was the face value of the tickets and the other was the premium. As to the face value of the tickets, given that these are in-demand tickets, we are quite comfortable that even if a particular contract falls over, the tickets will go back on sale at their list price and we will get the face value. The premium is what is at risk. If the purchase falls over then the premium has to be written off but we have made provision. As I said before, it is not the situation that all of those premium transactions have failed: some have been completed. What we do as a matter of prudent accounting is to make a provision against the amount of premiums that are outstanding.

CHAIR: What is the premium figure that has been lost?

Mr EYERS: Our current provision for loss of premium is just under \$10 million. As I say, that does not mean that if the remainder of the transactions come through then obviously we will write their premiums down and revenue will go up by that amount if we do worse than we thought. The important point is that in the scheme of things very large numbers come out of the tickets that are on public sale.

We began with 7.5 million tickets and that is a very substantial inventory. The total inventory value of the tickets originally for sale was \$700 million.

CHAIR: Is it part of the calculation of the contingency plan of SOCOG or the finance general manager that you will not sell all the tickets? In the beginning you may have thought you would sell all the tickets but now you do not appear to be.

Mr EYERS: I do not think SOCOG ever thought it was going to sell all the tickets. Certainly, the forecasts that have been prepared since I have had responsibility as a senior level for ticketing have included what we call sell-through assumptions. In other words, we assume that we will sell a certain proportion of what is left, and not everything that is left. That sort of forecasting is very difficult. The exercise we went through in the last month was very gratifying in the sense that it showed that high-demand tickets remain in high demand. There are no tickets to the opening ceremony currently available. There are a very small number of tickets that will come back into the stock. There are some C and D tickets that will go on sale at the box office close to the Games but basically those high-demand tickets have been sold.

CHAIR: What are the C and D tickets?

Mr EYERS: They are not particularly inexpensive to the opening ceremony but they are not as expensive as the A and B tickets. They are just categories of tickets.

The Hon. Dr P. WONG: What was the original estimation of income derived from the total ticket sales—I presume \$700 million as you mentioned earlier? What was the estimated income during the time of Graham Richardson and Paul Reading? What was it during budget time? What is the now estimated income from ticket sales?

Mr EYERS: The figure of \$700 million is an approximate valuation of the ticket inventory, that is to say the book value of the tickets. I could not give you, without going back into the records, details of the components of the ticketing net revenue figure that appeared in the SOCOG budget during 1999. The net ticket revenue figure in the budget of February 2000 was \$566.1 million and that figure was approximately \$20 million lower than the revenue estimate in the previous approved budget.

The Hon. Dr P. WONG: What was the previous estimation?

Mr BARBELER: June 1999 was our budget and that was \$607.9 million and we wrote it down to \$566.1 million.

Mr EYERS: I thought the difference was \$20 million: it is actually \$40 million.

CHAIR: Will you supply copies of the two budgets?

Mr EYERS: You are probably asking a question combining two things: one is the sequence of the net ticket revenue figures that appeared in the sequence of budgets and, second, you may also be asking for the way in which the current ticketing revenue budget figure is broken up, that is to say, there are a number of revenue items and then there are some expense items which gives you the \$566.1 million?

CHAIR: It would also include the other items in the total budget. We have been given the document which shows the financial risks movement and it would help the Committee to see how that relates to the budget figures, the dates each of those was approved and obviously the budget has been flexible and have been amended up to the present time.

The Hon. Dr P. WONG: Do you say that between the budget and today there is a shortfall of \$40 million in ticket sales?

Mr EYERS: No, what I said was there was a downward revision between the previous budget and the February 2000 budget of \$607 million to \$566 million. There has been no revision of the net ticketing revenue budget since February this year.

The Hon. Dr P. WONG: The Minister supplied a paper this morning which showed the ticket revenue of \$500,000 shortfall between February 2000 budget estimates and the forecast in May, the figure being \$1.7 million to February 2000 and \$2.2 million in May 2000.

Mr EYERS: Choosing the words carefully, I said there had been no change in the budget estimate. The budget estimate is the net figure of \$566.1 million. The paper to which you are referring is one which indicates the foreseen risks at two different dates and then compounded to now. The first figure for ticketing revenue is in brackets?

The Hon. Dr P. WONG: No.

Mr BARBELER: It is a risk of \$1.7 million going to risk of \$2.2 million.

Mr EYERS: I am sorry, it was not in brackets. The numbers in the paper to which you are referring are numbers which were recorded by SOCOG as risks, not strictly as expenditures but as possibilities. So it was thought in February that there could be a revenue shortfall of \$1.7 million. Again I need to emphasise that \$1.7 million is a lot of dollars but it is still a very small proportion of a ticketing budget which was looking to raise somewhere between \$150 million and \$200 million in sales of tickets to the public and in February we did not, and indeed in July, know within a range much greater than \$1.7 million whether we are going to get to one figure or another.

The Hon. Dr P. WONG: Yes, that is when you compare in addition to your ticket operation marketing you are talking about something like \$19.1 million altogether which is not a small sum of money?

Mr EYERS: No, if there is a perceived shortfall in revenue or any increase in costs are to be set off against an unknown and difficult to specify revenue figure from ticket sales. We are like any other promoter, we will not know until the event is over whether we sold \$10 million less or \$10 million more worth of tickets and that amount of ticket sales is likely to depend on the weather.

The Hon. Dr P. WONG: The Hon. Duncan Gay said that if any promoter lost \$19.1 million they would be sacked.

Mr EYERS: There are two things to say about that. First, the question you asked me originally was based on a budget inventory. The figures that you are looking at are cost increases that have accrued since February. The point of the situation that was brought to Government and indirectly led to this inquiry is that there has not been a complete revision of the ticket revenue budget since February. However, the write down in the net budget outcome made in February was substantial by comparison with the previous budget—of the order of \$40 million and has just been referred to. SOCOG ticketing budget is the outcome of a number of factors: sales, not only of tickets but in suites of sports passes and, of last year, premium tickets and against that you offset the expenditure. Yes, the expenditure has increased and it is obvious that unless ticket sales exceed budget then budget figures will not be met. But it is not clear now and it will not become clear for some time whether the budgeted revenue is going to be met or exceeded.

CHAIR: And this stage you are not sure of the net loss and that is why \$18.6 million is calculated?

Mr EYERS: I am not sure whether the \$566.1 million figure will be reached and nobody could be because it depends on the rate of sale of a volume of tickets and whether the dollar value of the tickets yet to be sold is considerably greater than the numbers that we are talking about.

CHAIR: You are happy to have tickets sold at the event and that is why you cannot give the figures until after the Games?

Mr EYERS: It is not as if we are happy to have tickets sold at events as if that is some sort of concession. We would expect to sell tickets at the events like any other promoter. We are not going to say to people they cannot have tickets.

CHAIR: I appreciate that but that means there is question mark over the total revenue from ticket sales?

Mr EYERS: Yes, as with any other event promoter.

The Hon. D. J. GAY: You commented that the weather may affect ticket sales and that there will be tickets sold on the day, what sort of percentage do you expect you will be selling on the day?

Mr EYERS: We really do not have an expectation. We would hope that it is a low percentage because we have sold them already. There is a great diversity in Olympic tickets. Olympic tickets range from tickets costing more than \$1,000 to something of the order of half a million tickets costing less than \$20 million. There are tickets for events at venues that people will have to plan to go to. For example, it is a journey to travel to the equestrian venue, except for people who live nearby. Many people will have to travel to the venues. On the other hand, I expect that there will be a considerable volume of ticket sales on the day at the venues at Darling Harbour because they are close to the centre of town.

The Hon. D. J. GAY: Would you not have to plan to go to virtually any Olympic event, given the scarcity of accommodation and the fact that pedestrian traffic will be banned from the main Olympic events? If you are going to be there, you will have to plan to be there. People will not plan to be there if they do not have tickets.

Mr EYERS: Before I was committed to spend on the Olympics at SOCOG, I purchased a number of tickets. On some days I had a ticket for only one event and I planned to decide on the day whether I would go to another event. If I had been in town—this will not happen now—and had a ticket for a morning session on a particular day, I might or might not have decided to attend an afternoon session. People who travel to Sydney from interstate and who have tickets for the opening ceremony and for the athletics, which will be in the second week, might say, "Okay, what's on in the first week?".

The Hon. D. J. GAY: You said that the budget figure was \$150 million and that the total face value, not including premium, is about \$220 million through our negotiations.

Mr EYERS: I think that is your figure; it is not mine.

The Hon. D. J. GAY: You did not disagree with me. You are at liberty to do so if you wish.

Mr EYERS: I do not accept the \$220 million figure. As soon as you start adding, you must identify the categories. It is true that there is a category of \$200 million and other categories.

The Hon. D. J. GAY: It is in excess of \$200 million.

Mr EYERS: I should think so. The total inventory would be more than \$200 million.

The Hon. D. J. GAY: I do not think we disagree about that. That means that somewhere between \$50 million and \$70 million will not be sold. That is the feeling.

Mr EYERS: No.

The Hon. D. J. GAY: That is surely the indication in the budget at face value. When we went through this process, you excluded the ones where you had to hold off and you excluded many others. However, you agreed that it was about \$200 million, and I added some to make it \$220 million. Let us call it \$50 million—which is \$50 million that may not be sold.

Mr EYERS: I am not trying to be difficult, but it is important to realise that the ticketing budget relates to different sorts of tickets: there are tickets for sale to the general public, corporate suites, sports passes and premiums. It is not helpful to add them together and then try to apply a number to them because they are, in some senses, different things. As to the general stock of tickets—the large number of tickets—you can say that the budgeted revenue figure is of the order of \$50 million less than the inventory value.

The Hon. D. J. GAY: That is what I said. I do not think we disagree about that.

Mr EYERS: Provided we are talking about only those tickets, we do not have a disagreement.

The Hon. D. J. GAY: I did not think we did. There is a difference. Do you put that difference down to the fact that many people submitted their money in good faith—you indicated earlier that there are still good tickets available but people do not seem to be aware of that—and received a letter from SOCOG telling them that the tickets were sold when they were not? Is that the perception of people who were burnt once?

Mr EYERS: I am sure that some people find it a little difficult to believe or think it is unlikely that substantial numbers of tickets are available because they were told that sessions were sold out.

The Hon. D. J. GAY: People paid their money in good faith, waited for six months, received letters saying that the tickets were sold and found out subsequently that the events were not sold out. Would they not be unwilling to trust you again?

Mr EYERS: I have spent the last few months trying to assist in working the organisation out of that situation.

CHAIR: You hope that you have restored public confidence and faith in the ticketing process.

Mr EYERS: We are very pleased with the way that the promotion with News Ltd worked to clear the decks as much as we could with regard to some of the unfortunate situations last year. In May this year people had an opportunity to apply for the remaining swimming tickets, which they did in very large numbers. In most cases, many more applications were received than there were tickets available. The tickets were balloted and people were told who was successful and who was not. By and large, the public acceptance of that process has been pretty much complete. People now recognise that there was another opportunity involving ballots on a ticket category by ticket category basis in areas of extensive demand. There have been very few complaints or disconcertment about the way in which that process worked. We have reached a situation where people accept that Games tickets are available now in a

completely conventional way: they can go to a box office or ring a call centre. That is a good thing and it is some distance to have travelled since the inquiry last year.

CHAIR: To clarify some of the points made by the Hon. D. J. Gay, we know that \$140 million was allocated but would it be true to say that the calculated or foreseen amount was nearer to \$50 million or \$70 million? What percentage of that is anticipated ticket losses? Is that \$50 million? Would the figure be as high as that? You may still sell those tickets.

Mr EYERS: No. If we sold all of the remaining inventory, we would be way over budget. To make budget we do not need to sell all the remaining tickets. The components of the \$50 million are in the paper that you have, and from that it is clear that there is in excess of \$20 million principally in increased expenditures. That list does not contain an item for the contingency of under-budget ticket sales. At present, we do not expect that there will be under-budget ticket sales. However, because it is a large number and we will not know until the end of the day, that is a possibility. Any adequately funded events promoter needs to have a contingency in the event that sales are not at their expected level. Our expectation is that we will not need a contingency but there is clearly a risk—to use the term in its ordinary English sense—that some of the remaining tickets will not be sold.

CHAIR: Will you give an updated report nearer to the Games in order to guide the SOCOG board?

Mr EYERS: Yes, the board will expect to get a report on continuing ticket sales.

CHAIR: How often do you get reports? You must get figures daily.

Mr EYERS: I get daily reports on box office and phone centre sales of general tickets, but I must emphasise two points. First, we now have a much simpler ticket sales process. Even so, ticket revenue is still a net figure with a couple of components. Secondly, to give an accurate report to the board, I must know where general sales and suite sales are at, what has happened to 1999 premiums and where expenses are. All of those things are in the mix. It is not an everyday event, but the process is a lot simpler than it was six months ago when the accounting was really quite complicated.

CHAIR: So the blow-out is not so much in anticipated losses on ticket sales but in the increased efforts needed to try to sell the tickets—for example, through the call centre. You may say later that you need a big advertising campaign, including television advertisements, which would have to come out of the contingency budget.

Mr EYERS: That is right.

The Hon. PATRICIA FORSYTHE: You said a moment ago that to make budget a certain number of tickets would have to be sold. What budget are you working to?

Mr EYERS: \$566.1 million.

The Hon. Dr P. WONG: How many more are you expecting to sell? Is \$566 million the whole total?

Mr EYERS: \$566.1 million is the figure in the budget; it is the net of a series of different sales items and some expenses.

The Hon. PATRICIA FORSYTHE: What is the shortfall at the moment?

Mr EYERS: At the moment, we have not revised the ticket budget figure. But there is obviously a risk that tickets will not be sold.

The Hon. PATRICIA FORSYTHE: What is the additional cost of the tickets that you will need to sell in order to reach \$566.1 million?

Mr EYERS: If we incur no further expenditure in order to get there, it is of the order of \$150 million.

The Hon. D. J. GAY: Is that a net figure with the \$16.8 million or whatever it is?

Mr EYERS: I am sorry, the question was about tickets to sell. In order to reach a net figure, the revenue on ticket sales to the general public must be about \$150 million.

The Hon. Dr P. WONG: I asked this question earlier. Risk under the IBM Internet Funding category has increased from \$2.5 million in February 2000 to \$13.2 million in May 2000. What is the reason for that increase?

Mr EYERS: 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. I would prefer not to give details about a current contract and current negotiations on a contract, except in camera.

CHAIR: So that would be the figure, subject to everybody agreeing and signing the contract.

Mr EYERS: That is the expected additional figure. It is the major part but not the whole. The figure has two components: first, increased amounts payable to IBM under the Internet agreement between SOCOG and IBM; and, secondly, the anticipated revenue shortfall. In other words, revenue from the official Games site was estimated in the budget at a higher figure than it is estimated now.

CHAIR: Can you clarify that figure or would that be getting into the contract issue?

Mr EYERS: The contract payment?

CHAIR: No. You budgeted for a certain income, but you now say that it will be less.

Mr EYERS: The shortfall is of the order of \$5 million.

The Hon. PATRICIA FORSYTHE: I wish to move to some other issues, such as budget estimates of costs. Take the opening ceremony, for example. What process is in place to ensure that it keeps to budget?

Mr EYERS: That is largely a question about general budget process. Do you mind if I ask John Barbeler to answer it?

The Hon. PATRICIA FORSYTHE: Sure.

Mr BARBELER: In terms of ceremonies, there is a ceremonies committee that deals with the expenditure that is going forward under the ceremonies budget. That has been looked at and reviewed constantly. I think that we have reflected some risks in regard to that in the paper that we gave the Committee. The situation is reviewed and assessed constantly.

The Hon. PATRICIA FORSYTHE: By who?

Mr BARBELER: By a committee that the board has set up to continue to monitor the expenditure that has been incurred by ceremonies.

The Hon. PATRICIA FORSYTHE: Does that board comprise representatives of the Treasury?

Mr BARBELER: No, it does not.

The Hon. PATRICIA FORSYTHE: It is purely an internal body.

Mr BARBELER: That is correct.

CHAIR: It is not one of the other three committees; it is a special opening ceremonies subcommittee.

Mr BARBELER: It is a ceremonies committee. Jim Sloman is on the committee.

The Hon. D. J. GAY: Does it report to the SOCOG finance committee?

Mr BARBELER: No, it does not.

Mr EYERS: It reports to the board.

CHAIR: I gather from earlier evidence that the finance committee did not meet in, I think, May.

Mr EYERS: The finance committee certainly met in May. The board may not have met in May.

CHAIR: There was reference to the finance committee not meeting as well. It made have been in April. It combined with the contingency committee.

Mr EYERS: In May there was a combined meeting of the contingency and finance committees.

CHAIR: That is what I am getting at.

Mr EYERS: There may not have been a separate meeting of the finance committee by itself, although those two committees have overlapping membership.

The Hon. PATRICIA FORSYTHE: Can you take me through the oversight role of the board in relation to expenditure and revenue for SOCOG? We were told this morning that the board did not meet in May, about the \$140 million additional sought from the Treasurer and the fax sent to the board. How close an ongoing look does the board keep on expenditure and revenue?

Mr EYERS: As with any other large organisation, the board works partly as a full board and partly through board committees. The finance committee is a committee of the board. There are a number of other committees — the audit committee, the ceremonies committee and so forth. The finance committee has a detailed report put to it each month and it considers that report and it in turn reports to the board. That is a corporate governance structure which I would have thought is the same as with any large corporation.

As far as the \$140 million is concerned, there is a distinction between what SOCOG does as a statutory corporation and what the Government does. The process that occurred here after the details were considered by the contingency committee was that two issues arose. One was the question of underwriting SOCOG, which has a break-even budget. Therefore any failure to meet the overall net budget would involve a loss. The other was funding any shortfall. The question of funding shortfall is a matter for government. The specific amounts in the paper that the Committee has before it were seen by the finance committee in May.

The Hon. D. J. GAY: There appears to be a grey area between contingency and finance. I asked earlier whether the contingency committee reported to the finance committee and you indicated that it reported to the board.

Mr EYERS: I am sorry, the question was about the ceremonies committee.

The Hon. D. J. GAY: I apologise. May I continue on this line? Where is the demarcation between the contingency committee and the finance committee? I am finding it hard to understand, given that the contingency is a financial situation. One committee operates on contingency and one operates on finance.

Mr EYERS: The budget that was adopted by the SOCOG board in February included a contingency of \$50 million. A new committee was established in relation to that contingency. One of the committees of the SOCOG board that had been running presumably since SOCOG was established in 1993 was the finance committee. That is a standard corporate governance structure. The contingency of \$50 million in the February budget is one in which it was intended to put in place some additional restriction on the way in which it could be drawn. It was in effect a fund on SOCOG's budget and the way in which that fund was applied was to be put through an additional filter, if you will, and that was the contingency committee. So the contingency committee has on it a representative of Treasury and it has a representative of OCA, although the OCA representative is also now on the finance committee. So its function was different and concerned only with the application of the \$50 million contingency. So its process was directed at assessing whether particular requested applications of the contingency money should be accepted.

CHAIR: As a watchdog committee to make sure it is used properly?

Mr EYERS: And indeed that same structure is proposed going forward.

The Hon. D. J. GAY: It seems strange to me that this contingency committee is not a subset of the finance committee. Given a proper management structure and given the interrelationship, I cannot understand why it was not. Do you consider with hindsight that it may have been better to have been a subsection of the finance committee?

Mr EYERS: There was always a substantial overlap between the contingency committee and the finance committee. The difficulty that you point to did not exist in practice. The two committees would meet with overlapping membership on the same day one after the other. So it was the agenda that was different.

(Short adjournment)

The Hon. PATRICIA FORSYTHE: You referred to a committee meeting in May. Was that a contingency meeting?

Mr EYERS: It was a contingency meeting, held on 24 May.

The Hon. PATRICIA FORSYTHE: Who set the date for that meeting.

Mr EYERS: I do not know. It may have been a non-executive member of the board.

The Hon. PATRICIA FORSYTHE: Could you take that on notice.

Mr BARBELER: It was Brian Sherman, chairman of the finance and contingency committee.

CHAIR: Is he chairman of both committees?

Mr BARBELER: Yes, he is.

CHAIR: The finance committee produces a report, I assume at least monthly if not more often. Who normally presents that to the board?

Mr EYERS: Brian Sherman, the chairman of the finance committee.

CHAIR: He would table it and speak to it?

Mr EYERS: Yes.

CHAIR: If there were no meeting of the SOCOG board in May, and the report had been produced, was that report sent directly to SOCOG board members so that they would be informed of the situation, especially if there was a deteriorating financial situation?

Mr EYERS: There was a finance committee meeting in April and its report went to the board meeting in April.

The Hon. D. J. GAY: Can you give the date?

Mr EYERS: Wednesday 12 April was the finance committee meeting and Thursday 13 April was the board meeting. The next meeting of the finance committee was the joint meeting with the contingency committee.

The Hon. D. J. GAY: Can you give the date?

Mr EYERS: It was held a little later the next month, on 24 May. To my recollection the minutes of that meeting were still in draft form, because Mr Sherman went overseas immediately after the 24 May meeting. There was not a meeting of the finance committee between 20 May and the date of the June meeting at which the minutes of the May meeting would be signed. In line with normal corporate governance, minutes of board subcommittees are approved by the subcommittee before they are forwarded to the board. The recommendations of the joint meeting were put to the June meeting of the board.

CHAIR: Was a report sent to board members prior to the June meeting?

Mr EYERS: No. The papers for the June board meeting included a finance report; they did not include a set of minutes of the 24 May joint meeting, because those minutes had not been signed off by the chairman because he was overseas.

CHAIR: That meant that the SOCOG board was in the dark?

Mr EYERS: The normal full finance report went into the June board papers.

CHAIR: The SOCOG board was in the dark through May until the meeting in June. Although information was available it was not sent to individual board members. With many organisations if a meeting is not held a report or minutes can be sent to the members.

Mr EYERS: As I said before, there are a number of board committees in SOCOG and they continued to meet. For a number of reasons there was not a board meeting in May. The reasons were that the set date for the board meeting was a date on which a large number of board members were going to be overseas. It would have had to be held in the first week in May, and the second week in May the torch was lit in Olympia. So they were not going to be in Australia. A significant number of board members were absent from Australia. In any event, that date was straight after the long Easter break. For a number of reasons it was difficult to hold the May board meeting. The committees continued to meet and their reports went forward to the next board meeting in the usual way.

CHAIR: Was there any other month that the board did not meet?

Mr EYERS: Certainly at the end of the year that would be usual. Normally there would be only one meeting in January-February, but that was not the case in 2000 because a number of significant things were happening within SOCOG. Like most boards, it held 11 meetings each year.

The Hon. D. J. GAY: Mr Barbeler, you are the general manager of finance. I would assume that revelations of blow-outs, et cetera, would first be detected by you. The blow-outs in contingency should quite properly be identified by you before they go to the finance committee meetings. When did you first detect that the \$50 million was not enough in contingency?

Mr BARBELER: We held a finance committee meeting on 15 March and there was a discussion at that meeting about risks that were emerging at that time. They were not fully quantified, but they were starting to arise. We were starting to try to measure and collect those at the time. There was a disclosure and a reporting to the finance committee to the meeting on 15 March. The contingency committee meeting was held on the same day. Our normal process is a detailed, comprehensive review of all our risks across SOCOG and we were doing that at that time. Until my full review had been completed I did not want to provide a full picture of things. We were in the process of building up information, talking to each program general manager and getting certifications from them about the extent of the risks. It is a formal well-defined process that we have in SOCOG and in that way we have a total picture of the situation.

At our March meeting we indicated that there were some problems but we still had not quantified them fully. The number 25 was mentioned as new risks. At our meeting on 12 April, again a finance committee meeting, the risks were beginning to look like \$34 million. We suggested and reported that to the finance committee. All of this was through Brian Sherman, as Michael suggested. It would have gone to the board and even to the finance committee board at the time.

The Hon. D. J. GAY: I understand that. You were sniffing the wind as early as 15 March, and probably before that, because you actually had to have your figures ready to report probably a week or so before that to be able to report to that 15 March finance committee meeting. It was 25 then, and 34 in April, so it is heading up quickly. That is \$12 million in a month. You report to the May meeting, and that does not get signed off, but the figures that you prepare for the finance committee do not just go to the finance committee; they must have a wider circulation. Mr Eyers must get them.

Mr EYERS: Of course.

The Hon. D. J. GAY: The President of SOCOG must get them.

Mr EYERS: In fact, they go into the board papers.

The Hon. D. J. GAY: Does the President get to see everything that you produce?

Mr BARBELER: Yes.

Mr EYERS: Like every other board member.

The Hon. D. J. GAY: Going back to the April meeting: the President and the Minister for the Olympics would have been aware that there was a blowout starting to happen.

Mr BARBELER: Mr Sherman would have reported at that board meeting what was discussed at the meeting of the finance committee, which was what Mr Knight alluded to earlier.

The Hon. J. R. JOHNSON: You are only assuming that, are you?

Mr BARBELER: It is the process.

Mr EYERS: I attended the board meeting. Yes, the finance committee reports to the board, and the papers are in what goes to the board. It needs to be remembered that this was working on a base expected to be covered by contingency.

CHAIR: Were you both at the board meeting?

Mr BARBELER: Those risks that we referred to of \$33 million and the like were still under our \$50 million total, as we understand, but they were risks that were identified as being potential budget exposures.

The Hon. PATRICIA FORSYTHE: Could I clarify whose role it was to prepare the submission for the 2000-01 budget that was presented to Treasury officials, I think we were told this morning, at the end of April? Whose responsibility was that?

Mr BARBELER: It was not mine.

The Hon. D. J. GAY: Whose was it?

Mr BARBELER: It is OCA.

Mr EYERS: Can I just explain that SOCOG is a separate statutory corporation. So, if you are talking about the SOCOG budget, you are talking about a process to prepare the SOCOG budget for the SOCOG board. The finance committee is a committee of the board, and it gets numbers about SOCOG. SOCOG is not technically a department of government; OCA is. So, as I understand it, it is OCA's part of the budget that picks up the SOCOG impact. SOCOG does not prepare a budget around a financial year. SOCOG is a project, so its budget is start-to-finish, over a seven-year period.

The Hon. D. J. GAY: Did OCA have knowledge of the figures that you were producing?

Mr EYERS: Yes.

Mr BARBELER: Bob Adby is a member of the finance committee and the contingency committee, so, yes, he did. It would be his responsibility, as OCA, to handle those matters with Treasury.

The Hon. D. J. Gay: They are coming back tomorrow.

Mr EYERS: But SOCOG does not deal, on its budgetary matters, direct with Treasury, save to the extent it is required to do so under the conditions of approval of its budget. I am sorry, the Treasury may impose those conditions but, other than that, SOCOG is a separate statutory corporation, and one that started life rather more separate from government than some other statutory corporations. The actual public sector budgeting process is done by a government department, and OCA is the relevant government department.

The Hon. Dr P. WONG: How many members of the SOCOG board are there nowadays? Secondly, how many board members were away in May? Thirdly, who recommended not to have a SOCOG board meeting in May?

Mr EYERS: I cannot answer the last question, because I do not know who took the decision. I am aware, from discussions with Sandy Hollway, of what factors bore on the decision. I have referred to some of them. A number of people were away overseas.

The Hon. Dr P. WONG: Do you know how many were away?

Mr EYERS: The second question I cannot answer. We can easily get the number. I do not know how many members of SOCOG were away who otherwise would have been at the board meeting in May. Under the statute, I think there are 14 members of SOCOG.

The Hon. Dr P. WONG: So you do not know how many members were away that led to not holding the meeting in May?

Mr EYERS: It was not a decision to which I was directly a party. I was aware, from discussions with a number of people, that the issue had arisen as to whether it was sensible to have a board meeting or not, and I have already indicated a number of the factors discussed as reasons not to have one: straight after a long Easter break, a number of people away—

The Hon. Dr P. WONG: Your answer also indicated that there were serious reasons, you believed, that you ought to have one.

Mr EYERS: Pardon?

The Hon. Dr P. WONG: In the answer from you to the gentleman you indicated there were serious reasons to hold the May meeting.

Mr EYERS: No. I am sorry. If we are talking about the sequence between finance committee and board, there had been a meeting of the finance committee on 12 April, and that was followed by a board meeting on 13 April. There was not a board meeting in early May. Probably, that decision formally would certainly have been made, I would have thought, by the CEO, by Sandy Hollway. But, as I say, I was not party to that decision.

CHAIR: Mr Aaby is on the finance committee.

Mr EYERS: Yes.

CHAIR: So he would be fully aware of all information that you would have?

Mr EYERS: Correct.

CHAIR: And you would leave it to him if any of that was to be passed on to the Treasurer. Is that the system?

Mr BARBELER: He would, yes.

The Hon. D. J. GAY: Because the finance committee was not signed off does not mean that those figures were not available to the OCA finance area and/or the Minister?

Mr EYERS: That is right.

The Hon. D. J. GAY: Though Mr Sherman had not signed off the figures, those figures would have been available to the President and the chairman?

Mr EYERS: If he asked for them. They would not go to him in the normal course. He is a member of the board; he gets board papers.

The Hon. D. J. GAY: Did those figures stop at the finance committee in May because they were not signed off, or did the figures that were prepared in the general form continue?

Mr EYERS: There was a finance report in standard form. In fact, I think there may have been two for the June meeting.

Mr BARBELER: No. There were two Treasury reports and one finance.

Mr EYERS: There were two Treasury reports and one finance report included in the material that went to all board members—including the President but to every other board member—for the meeting of 15 June. I assume, had he known the papers existed and had he asked for them, he would have received the papers of any part of the organisation. That would apply to any of the directors.

The Hon. D. J. GAY: Who attended the joint meeting on 24 May of the contingency and finance committees?

Mr BARBELER: It was a joint meeting of finance and contingency. Brian Sherman was chairman, Bob Adby, Mark Ronsisvalle and Michael Eyers. That's it. I was there, but I am not a member; I was one of the staff members as well. But the members I have read from the book of attendance.

The Hon. D. J. GAY: Sandy Hollway is not part of the committees?

Mr BARBELER: No, he is not.

Mr EYERS: Again, I would not have thought that is unusual. I have been given a list of the board members who were away in May, if that would be helpful.

The Hon. D. J. GAY: Given your position of Deputy Chief Executive Officer of SOCOG, and given the figures that would have been presented on that day, did you do anything with those figures, or did you just leave them there, Mr Eyers?

Mr EYERS: The first thing I did was I addressed the way in which the issues to which those figures gave rise should be dealt with. One of the matters which had concerned directors since the date before May, probably April, when increasing risks were brought to notice, was the position of directors of an organisation that was contemplating a possible loss.

CHAIR: They would have responsibility for the loss.

Mr EYERS: SOCOG is in fact underwritten by the State Government. I would have thought it was a proper corporate caution for directors to both draw the possibility to attention and ensure that the underwriting obligation was affirmed. So the underwriting issue became an important stream arising from the meeting on 24 May. I was not present during the hearings this morning, but I think it has already been referred to in evidence that that was the focus of the report from the finance committee, the Acting Chairman, Mr Greiner, to the board at the meeting on 15 June. Again, I imagine it was given in evidence this morning that the President responded to two main points: first, that the underwriting was reaffirmed; and, secondly, that the issues which had given rise to concern would be the subject of discussion between the Ministers and the Treasurer.

CHAIR: So you reported directly to the President on that matter?

Mr EYERS: Certainly I did not formally directly report. I certainly discussed with him in the period between May and the beginning of that week in early June what the figures required and where we were going to go.

The Hon. PATRICIA FORSYTHE: Can you be more precise about the date?

Mr EYERS: All I can say, without reference to my notes, is that it would have been late the week before. The board meeting was on Thursday the 15th so it would have been, to the best of my recollection, around late the previous week.

The Hon. D. J. GAY: So that is two weeks after he became aware?

Mr EYERS: That is two weeks after that meeting, yes.

The Hon. D. J. GAY: A little slow or not?

Mr EYERS: I do not think I was the only conduit of advice to the Minister. Strictly speaking, my responsibility is a SOCOG one, although obviously I am likely to talk to the Minister from time to time. Also, I am not sure when he was in the country during that period. I think he was out of the country some of the time.

The Hon. D. J. GAY: Are you indicating—and tell me if I am verballing you—that it should be a responsibility of the OCA representative on that committee to alert the Minister?

Mr EYERS: No, I would not want to leave it solely at that. It is my responsibility as a senior executive of SOCOG to ensure that the situation confronting SOCOG is adequately addressed.

The Hon. PATRICIA FORSYTHE: There just seems to have been no sense of urgency.

Mr EYERS: I think that that is a comment. Can I put it this way? What had been, up until the end of May, an accumulation of claims against the contingency, when all the numbers were put together and added up at the end of May, became a problem of a rather different scale. It was obvious that the fact that it takes a few weeks to formulate the response does not mean that no-one has given any attention to how to deal with it in the meantime. Clearly there was a significant problem because SOCOG was now in a situation where, if those risks materialised, the contingency would be inadequate.

In fact, the response of directors, which was immediate, was exactly the response I would have expected and as a corporate lawyer I would expect directors to take. If I was a member of the SOCOG board and a member of the finance committee I would say my concern is that there is a possibility that

the contingency will not be adequate. That gives rise to an urgent need to affirm the underwriting. I might now have gone on to articulate that it is not quite as urgent to work out exactly what the number is, but now we are in that territory we have to ensure the structure is right. That concern was certainly communicated urgently. Once the underwriting is confirmed, then you get a straight question which from SOCOG's perspective is obviously something of concern to SOCOG but it was a question for Government.

SOCOG itself would not have been able, short of saying, "Okay, we will skip two or three sports at the Olympics", SOCOG is in a position where expenditures to which it and the Government are irrevocably committed appear likely to cost more than SOCOG's own revenue. If SOCOG was simply a company building a house then I suppose you downgrade the quality of the finishes. That option is not available to SOCOG. So obviously it became a Government problem but from the SOCOG perspective confirmation of the underwriting was the first priority. It was then a matter for Government, the OCA, Treasury, the Minister and the Treasurer to work out.

CHAIR: You made it clear that there were two issues in your mind and in the minds of all the senior staff: one was the underwriting and the second was the actual amount. Would not the underwriting have been clear at the setting up of SOCOG? Would not those lines of responsibility have been spelt out at that point? You are almost suggesting that there was some doubt as to whether the underwriting was actually there.

Mr EYERS: Yes, that is right, although you said in my mind and the minds of senior staff. It was also in the minds of directors, but yes, that analysis is right. As it happened, the issue had arisen some months beforehand as to the extent of the specific underwriting obligation of the State under what is called the endorsement agreement, which was entered into in 1991 between then the AOC and the State. It actually linked underwriting to SOCOG's efforts to obtain insurance. I will not go into the detail, but the outcome of that was that there had been an unanswered question which had concerned the finance and audit committee of SOCOG for a little time, which was whether or not there was any risk to the underwriting in a situation where SOCOG had not insured a risk which it was technically able to insure.

The consequence of that formulation, which happens to come out of the wording of the endorsement contract, was that there was a degree of uncertainty about the underwriting and a feeling on the part of directors that the underwriting of commitments should be reaffirmed—you are perfectly right; you would not normally expect to find that—but a particular issue had arisen which had meant that the extent of underwriting was more at the forefront of the directors' minds than you might have expected it to be.

The Hon. D. J. GAY: Can I go ahead to the meeting with Treasury? Am I correct in assuming that you both attended the meeting with Treasury to negotiating the extra?

Mr EYERS: John did not attend. I attended.

The Hon. D. J. GAY: What was the feeling at that meeting? Was Treasury favourably disposed to your ask?

Mr EYERS: It is a function of Treasury, in meetings like that, to be inscrutable. Treasury heard what was said.

The Hon. D. J. GAY: Did I just hear you say you were not there?

Mr EYERS: No, I said John did not go. I was there.

The Hon. D. J. GAY: I thought it was indicated that John did go.

Mr BARBELER: No, I think it was said that I did not attend.

CHAIR: Can we get it clear who was there?

Mr BARBELER: I did not attend.

Mr EYERS: We are talking about a meeting on Friday the 16th: the Minister as Minister, his chief of staff Michael Deegan, David Richmond, Bob Adby, me, the Treasurer, Mark Ronsisvalle, Stu Power and his adviser.

The Hon. D. J. GAY: I find it strange that the general manager of finance from SOCOG was not there.

CHAIR: Where did you actually meet?

Mr EYERS: In the Treasurer's office.

The Hon. PATRICIA FORSYTHE: It is interesting that you said the Minister as Minister.

Mr EYERS: That is right.

The Hon. PATRICIA FORSYTHE: So he was not wearing his hat as President of SOCOG?

Mr EYERS: It was a Government matter.

The Hon. D. J. GAY: What sort of documentation did Treasury ask you for the \$140 million extra contingency?

Mr EYERS: The meeting I attended was a discussion at which the scale of the problem was discussed. There was not any paper that I can recall that was delivered at that meeting. That may not be accurate but that is my recollection. To my recollection, there had been some prior discussion between officers, and the outcome of the meeting was that work would be done over the weekend to document the problem and the way in which the process should be worked through. To the best of my knowledge, that documentation was prepared in the OCA and in Treasury. The meeting concluded with the two Ministers agreeing on an outcome broadly in the terms that went to the Parliament the following week. There may have been some differences in the detail of implementation of the proposal between what was agreed at the meeting and what went to Parliament.

CHAIR: I want to clarify another point. At this point in time can you advise the Committee of the total amount of money that has been appropriated from the Crown for the operations of SOCOG? For argument's sake, we have \$140 million. Have any other amounts been appropriated in the previous year to SOCOG as such?

Mr EYERS: I do not think so.

CHAIR: That is the only amount. So SOCOG, through its ticket sales, other sponsors, and so on has raised all the other money from its efforts?

Mr EYERS: SOCOG's main source of revenue is the sale of television rights. Then the next most significant—if I can prompt myself from the budget—is sponsorship, then ticket sales and consumer licensing. So there are a number. To some extent there are some net offs in this but the

SOCOG budget is of the order of \$2.4 billion. That includes the ticket revenue figure of \$566.1 million, which is less than the gross ticket revenue because some net costs of raising that revenue are taken off before you get the \$566 million figure. Basically, from those revenue sources SOCOG has raised over \$ 2,400 million.

CHAIR: In retrospect, would you say that it would have been better if SOCOG had had a larger contingency amount than the \$50 million so that it could have operated from within its budget, or was the \$50 million the highest amount of money that could be spared?

Mr EYERS: Hindsight is a wonderful thing. Certainly, if there had been a larger contingency in February, what has happened in the last fortnight would not have happened, or at least not in the same way. On the other hand, a larger contingency in February would have involved a budget structure with, if not a loss, at least a contingent financial support. And there was a significant budget restructuring in February in any event.

The Hon. Dr P. WONG: \$70 million of the \$140 million has already been accounted for. What is the largest component of the other \$70 million? Is it legal proceedings and possible compensation?

Mr EYERS: What we would like to do is to move to a budget structure in which we budget as expenditures for specific and scoped expenditures, and we leave the contingency against things which may arise in the future. Of their nature, we do not know what those contingencies are. A possibility is a significant budget shortfall on ticketing revenue, although, as I have already said, that is not something we currently expect. Certainly as a matter of arithmetic it is possible. There may be substantial legal claims after the Games. We may find ourselves in dispute with some of the providers of our revenue who have not paid their final instalments. There could be an operational disaster of one sort or another. We do not know.

CHAIR: You have not received all sponsorship money, is that so?

Mr EYERS: Nearly all of the reported sponsorships are the subject of contracts, but a number of sponsors make final payments after the Games.

The Hon. PATRICIA FORSYTHE: Earlier today I asked you a question about Pacific Rim and a fee of \$183,000 that the company has reportedly been paid as a facilitation fee. I asked whether any other companies had similar contracts or had entered into similar arrangements with SOCOG, and you said you had not checked through all the contracts. Specifically in relation to Pacific Rim, earlier today we heard evidence in relation to a ship *The New Amsterdam* and a different role for it. Is Pacific Rim the shipbroker that has handled that arrangement?

Mr EYERS: I am sorry, I really do not know.

The Hon. PATRICIA FORSYTHE: Who would know the answer to that question?

Mr EYERS: In terms of the division between Jim Sloman and me, that is in accommodation which reports to Jim.

The Hon. PATRICIA FORSYTHE: So either I could take the question on notice or we could ask Mr Sloman to come back and tell us a little more about the relationship between Pacific Rim and SOCOG?

Mr EYERS: I think we can comfortably take that specific question on notice and answer tomorrow.

The Hon. PATRICIA FORSYTHE: How close is SOCOG to being on target in gaining support of volunteers? Is there a significant shortfall?

Mr EYERS: No. We do not yet have organised all of our volunteers, but, partly because of the timing of the process and because we have finished another round, the number of committed volunteers has gone up substantially in the last couple of weeks. Can I put it this way. My recollection is that we have commitments from between 80 and 90 per cent of the number of people that we need for volunteers, but I can check that. That is my recollection. At the time the answer in relation to Pacific Rim comes back, I will let you know whether that estimate is incorrect. Basically, from a situation of where we were, if you like, carefully monitoring the progress with volunteers, since the torch arrived in Australia we have concluded a number of volunteer commitments and we are pretty satisfied with where we are at. We are not 100 per cent, but we are going well.

The Hon. PATRICIA FORSYTHE: If it is 80 to 90 per cent, what does the approximate 10 to 15 per cent shortfall represent in numbers of people?

Mr EYERS: It would be some thousands. I am sorry. I see these figures fairly regularly, but I do not want to essay a number again; I have to say that that is Jim Sloman's part of the organisation rather than mine.

The Hon. PATRICIA FORSYTHE: Could you take that on notice?

Mr EYERS: Certainly. The numbers are straightforward.

The Hon. PATRICIA FORSYTHE: Is it the fact that if there is a shortfall of thousands, you will make up the difference from the public service?

Mr EYERS: No. Firstly, it is not a shortfall. It would only be a shortfall if we had ever intended to have all of our volunteers committed by now, and we never did.

The Hon. PATRICIA FORSYTHE: But if at the end of the day—

Mr EYERS: But we will not. We still have a number of volunteer interviews to do and a number of quality applications to process. The chance that none of them will turn into volunteers is zero, so we will not be there.

The Hon. PATRICIA FORSYTHE: But if, at the end of the day, there is a shortfall, is it the intention that that shortfall be made up by the public service?

Mr EYERS: The answer is that that is an issue we will address when we come to it, and we do not expect to come to it. We will address it if we come to it, and we do not expect to come to it.

The Hon. D. J. GAY: Has the full cost of the volunteers, including recruitment, perhaps a shortfall, more advertising, accommodation, et cetera, been included in your contingency?

Mr EYERS: Yes. That has been budgeted. Checking the costs is part of the normal budgeting process. Perhaps I could say something more about the level of volunteers. In our view, we could do the job with the number of volunteers we have now. We are not going to have a shortfall, and we are not going to have a budget shortfall.

CHAIR: Do you expect that after the Games SOCOG will remit any funds back to the Government when the organisation is wound up? For example, would any of the \$140 million be returned to the Government?

Mr EYERS: The expectation is, yes.

CHAIR: I know that you are not responsible any longer for paying the surplus, or you are not tied down to a certain amount of money.

Mr EYERS: I think it follows from the expectation that the contingency is adequate that if the contingency is exactly right, no. If it is adequate, the surplus will be returned to Government.

The Hon. A. B. KELLY: It is not a question of returning it; you only draw on it if it is necessary, is that right?

Mr EYERS: That is right. In an authority to spend sense, it never goes to SOCOG.

CHAIR: You can draw on that advice when you require it?

Mr EYERS: Only if the Minister and Treasurer agree.

CHAIR: So it is still sitting in the Treasurer's pocket, so to speak?

Mr EYERS: I think technically it has left the Treasurer's pocket—that is part of the budget SOCOG cannot access it without the Minister and the Treasurer agreeing.

The Hon. Dr P. WONG: Mr Barbeler, at the finance meeting of 12 April you estimated that at that time there was a \$33.3 million or \$34 million contingency. You thought then that the contingency could have been covered by the budget of \$50 million, which I doubt. However, in between, from 12 April until mid June, suddenly that figure becomes \$70 million. So, in a matter of six weeks, there is an increased risk of about \$36 million. How do you account for that?

Mr BARBELER: On 12 April we said there was about \$33 million or \$34 million worth of additional risks. All I was mentioning before was that it could have been potentially covered by the \$50 million. At that point in time we still considered the risks that we had in our \$50 million would still be required. However, in-house we were in the process of going through and doing a full review, program by program, and ensuring that we had a full account of every risk that we could have. That is where the \$51.4 million came from; the accounting of that came to \$51.4 million. That is as much as SOCOG had financial responsibility for. I reported the \$51.4 million exposure based on functions that SOCOG had responsibility for.

The Hon. Dr P. WONG: When was that?

Mr BARBELER: The 24 May meeting was when that was finalised. That is when the joint finance and contingency committee met, and the \$51.4 million was finalised at that meeting.

The Hon. Dr P. WONG: That did not detract from the fact that you mentioned on 12 April that you were estimating \$33 million or \$34 million?

Mr BARBELER: Correct. As additional unbudgeted expenses.

The Hon. Dr P. WONG: I accept that. But that still does not explain why, in June, it suddenly became \$70 million.

Mr BARBELER: As I said, SOCOG only had financial responsibility for the programs under its control, which was up to \$51.4 million. The other \$20 million was for outsourced programs, which OCA took ownership of. I was not trying in any way to provide those, in terms of my numbers. My numbers only covered up to the point of SOCOG's responsibility.

The Hon. Dr P. WONG: Assuming OCA's \$20 million and your estimate of \$34 million, giving a total of \$54 million, somewhere along the line \$60 million suddenly appeared in six weeks.

Mr BARBELER: Between the \$34 million and the \$51 million, that is the only amount that changed.

The Hon. Dr P. WONG: I am referring to the difference between \$34 million and \$70 million.

Mr BARBELER: As I said, I am only looking at exposures that SOCOG has, which are accounted for in the \$51.4 million figure. The \$20 million was OCA-generated.

The Hon. Dr P. WONG: But how do you explain the \$70 million? As reported this morning, at this stage \$70 million is accounted for and \$70 million is unaccounted for. How do you account for the \$70 million, in view of your report of \$34 million and OCA's \$20 million? Those figures do not add up to \$70 million.

Mr EYERS: Perhaps the chairman has answered the question. The February budget for SOCOG included a contingency of \$50 million.

The Hon. Dr P. WONG: It had nothing to do with the \$140 million whatsoever?

Mr EYERS: If I may come to that. The SOCOG budget included a contingency of \$50 million. The sequence of events that John Barbeler just indicated flagged that there would be specific expenditures that used the whole of that contingency and a little more. You will have heard this morning that, arising from the OCA outsourcing, it is expected that there will be a further \$20 million. But, as John has explained, until these contingency arrangements were made, that was a number which was outside SOCOG. So that is \$70 million of the \$140 million. If we stop there, what we have done is provided for the additional expenditure, but SOCOG no longer has any contingency.

As the chairman said, the effect of this appropriation is to restore SOCOG's contingency. SOCOG is not an organisation that is funded from the general budget on the basis of year-to-year appropriations; it runs a project budget. In any project you would expect to have a contingency to cover what is in the balance of the project. This is a project that has an unusual set of rules, which is really that the output is guaranteed.

The Hon. Dr P. WONG: I am still unhappy with the answer. Let me put another picture to you. If you add \$140 million to the \$50 million, that gives a total of \$190 million. If you subtract \$70 million, which at the moment is unaccounted for, you have a total of \$120 million. How can you account for that spending of \$120 million?

Mr BARBELER: It is on the sheet which we have given you, the total of \$101 million which was the financial risk that SOCOG measures, which I measured, and provided. All the other \$20 million were outsourced programs, which we do not have financial responsibility for the fixed-price agreements.

The Hon. D. J. GAY: With the new contingency money is there now avenue for the Paralympians to stay in the village without cost to them, the same as able-bodied athletes?

Mr EYERS: It is a different budget.

CHAIR: It has to make a profit or, in a sense, balance the budget?

Mr EYERS: Or its guarantors are called on.

CHAIR: Is there a simple explanation as to why those additional risks were not recognised earlier?

Mr EYERS: I can give an explanation for some of them. Risk covers anticipated shortfalls, anticipated additional expenditures and in some cases actual additional expenditures. A significant proportion, around about half, is either a technology expense which is not anticipated in February or ticket marketing expenses, including ticket delivery and call centre costs, that were not included in the February budget. They are itemised in the paper. If you look at it you will see that the other is a fairly long list of reasonably small overruns. They add up to substantial amounts.

CHAIR: Earlier Mr Barbeler said that you had to check with all the different departments to see where they were. I suppose in their mind it is a small amount of money but when it is altogether it becomes a large amount of money. Should there have been some process where they would have advised you and you would get a running total?

Mr BARBELER: Yes. Every two months we have a bimonthly forecast process so that we are trying to relate to programs as to what is going on. It is really until you bring all the risks together, analyse them and interpret them. We are having interactions with programs constantly with our monthly reporting. We look at actual versus budget numbers and we report those to the finance committee.

Mr EYERS: SOCOG is a very diverse organisation. It has a very wide range of commitments that involve money across a broad range of activities.

CHAIR: I appreciate that, that is the point I am making. In view of that there should have been stronger control whereby each of those wide ranging groups feed information back to you. If not, you would have been on their backs.

Mr BARBELER: They were and at February when the budget was set we felt that \$50 million was sufficient for our contingency, based on risks that we assessed at that time. But as we discovered within a few months a lot of other pressures came into play and Michael has eluded to those in terms of ticket marketing operational costs that we were not able to capture at the time the budget was put together.

CHAIR: Do you think that some of those various wide ranging groups were not as attentive to the budget as they should have been?

Mr BARBELER: No, not by any means. As we said earlier in relation to ticketing, it is a very difficult one to get precision on and that is really where most of the expenditure increases have occurred. The Internet area too was another one that we discussed. They were the two major areas where we have had any substantial change and they all happened subsequent to February. Michael has spoken about how they emerged.

Mr EYERS: In relation to ticketing, as the Committee would know, the events of last year had a number of pretty significant knock-on effects in all sorts of ways.. What we got to in February was a revision downwards of ticket revenue and that was one of the effects. You need to go a little deeper before you take to pieces the detail of the expenditure budgets. When we got to the expenditure budgets and scoped them they were clearly inadequate. The point about the range of activities perhaps is that in an organisation that is in a single business, you are likely to find that there are some relatively easy rules of thumb with which to check budgets. What the finance group within SOCOG could do is to keep track of what is reported to it. What is really quite difficult is for it to check the reporting across a wide range of activities which are basically unusual in the one organisation or else they are on a very large scale.

Mr BARBELER: I still think we do it pretty well anyway.

Mr EYERS: I did not mean to say you didn't.

The Hon. PATRICIA FORSYTHE: Does the ticketing operations marketing line item include any variation in estimated costs of distribution of tickets?

Mr EYERS: The 18.6?

The Hon. PATRICIA FORSYTHE: Yes.

Mr EYERS: Yes.

The Hon. PATRICIA FORSYTHE: Given that you have had the known process that when people ordered tickets last year they were going to be distributed in August this year why has that figure been revised?

Mr EYERS: 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 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 16 March that the additional cost of ticket delivery—it is not strictly speaking to say it was not until 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.

CHAIR: In what amount?

Mr EYERS: It is in the order of \$8 million.

The Hon. PATRICIA FORSYTHE: Was there an opportunity to pick up that variation in any process of the budget, because presumably that is part of this \$18.6 million?

Mr EYERS: It is part of the \$18.6 million. The point is it is not obviously included in the February budget because the February budget was formulated before that and at that stage, probably 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. In fact, that is still the case. The \$566.1 million is a net figure we reached after allowing for certain expenditures. We now expect the expenditures to be considerably greater but there is not yet in the list that you see a figure for ticket revenue shortfall because at this stage we still are optimistic of reaching the original ticket revenue estimates.

CHAIR: Is that \$8 million just for delivery of tickets? Does that include printing?

Mr EYERS: The existing contractors covers printing. The VIK arrangement involves flying them into Australia in a couple of jumbo jets. The contract that we have entered into in March covers the delivery on what is called "Your ticket Sunday".

The Hon. PATRICIA FORSYTHE: The printing of them overseas means that you have now got to get a couple of jumbo jets full of tickets to Australia?

Mr EYERS: But that is part of the VIK which we do not pay.

CHAIR: Once the tickets are delivered to Sydney or a capital city the \$8 million carries the packet to the ticket purchaser?

Mr EYERS: Yes.

CHAIR: That was the best quotation you could get from any Australian company?

Mr EYERS: It is a very big project. The best way to see it, although you cannot see it in newspapers, is to have a look at a map of Sydney which we have done showing each of the households. Because the contractor is actually using large scale maps to plot the delivery route, part of its planning involves plotting every address that is going to get a ticket. When you have a look at it is red dots on a map of Sydney. It is like measles everywhere. It is extraordinary.

The Hon. D. J. GAY: Australia Post will go to all of those sites the next day anyway.

Mr EYERS: Yes but there is a non-zero, non-delivery rate in the ordinary post. If we had a 1 per cent non-delivery of tickets we would have more than 3,000 complainants who would be quite justified in complaining. This is a process where you have to have 100 per cent success. You are delivering things which, if you left them in post boxes, either fraud or misdemeanour could cause absolute havoc which you cannot contemplate.

The Hon. PATRICIA FORSYTHE: It is potentially over four separate weekends or Sundays?

Mr EYERS: That is right.

The Hon. PATRICIA FORSYTHE: Does that mean that people had to indicate which day they are going to be home?

Mr EYERS: No, they get told, basically because the workforce works in four different parts of the metropolitan area. There are thousands of people. It really is a very big job.

CHAIR: Is there any simple explanation why sponsorship marketing is nearly \$1 million?

Mr EYERS: The sponsorship net revenue altogether is about \$700 million. At the time the budget was set there was still some sponsorship deals anticipated. Yes, that is predominantly an agreed-on program of sponsor recognition. I started to answer the wrong question.

CHAIR: That is sponsorship marketing?

Mr EYERS: It is an expenditure. We have undertaken increased expenditure for a sponsor recognition program which is things like banners around Sydney Olympic Park and the common domain.

CHAIR: You have not planned to do that?

Mr EYERS: 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.

The Hon. Dr P. WONG: In the budget paper you mentioned the outsourcing of SOCOG venue operational program and budget to the OCA. The functions to be outsourced included venue acquisition, Games presentation, environment et cetera. I noticed that earlier OCA reported outsourcing of an increasing risk of \$20 million. Does that mean SOCOG has transferred \$20 million to risk onto OCA?

Mr EYERS: It means that the estimate of the additional cost in the outsource programs which again is a half a billion dollars, an outsourcing of \$500 million which is \$10 million.

CHAIR: Under the financial risk movement there is one sponsorship at \$6.7 million in February and May 2000 it is \$ 6 million, why would that change?

Mr EYERS: That was the question I started to answer before. When the Games budget was formulated, it was anticipated that there might be revenue in excess of the budgeted amount—that is why the figure is in brackets. That has deteriorated by \$6.7 million and it is now expected that sponsorship revenue will be down \$6 million. That is the situation where there were several sponsorship contracts. Total sponsorship contracts signed since February is considerably more than \$6 million, but the total new contracts will be less than the budgeted \$6 million. We must remember that the total sponsorship revenue for SOCOG is about \$700 million.

CHAIR: Why is that?

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

CHAIR: Did that account for some of the change?

Mr EYERS: That had some cost because the sponsorship benefit to SOCOG under the Nike deal, while very comforting, was not as substantial as under Reebok—as you would expect.

CHAIR: Why did the other sponsorship deals fall through?

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

CHAIR: I assume that they were small companies.

Mr EYERS: They were relatively small companies. Obviously the most important sponsors have contracts with the IOC. The Team Millennium Olympic Partners, which are the major SOCOG-contracted sponsors, have been there for some time and their contribution is smaller. We have been successful in completing a number of deals. One has changed and some have not gone ahead. The atmosphere for sponsors has improved considerably in the past few months compared with earlier this year.

CHAIR: Was that as a result of the good publicity that you are now receiving?

Mr EYERS: Things are firming as we get closer to the Games.

CHAIR: Do you hope to pick up extra sponsors?

Mr EYERS: It is very late. The arrangements are such—

CHAIR: They would not get much value for money.

Mr EYERS: That is right. New sponsors could not use their marketing rights for as long. The only place we are likely to get some changes is in relation to the Internet. Other than that, the lead time for physical sponsorships is too long to derive any benefit.

CHAIR: I guess you have covered all advertising at the Games.

Mr EYERS: A fair bit of the work is preventing advertising by people other than the sponsors.

CHAIR: I meant advertising by the sponsors. I suppose there are not too many gaps left where you could sell advertising.

Mr EYERS: It would be very hard to buy television or radio time between now and the end of the Games. Sponsors are presenting their marketing plans to SOCOG and the IOC this week, so those arrangements are pretty close to being finished.

CHAIR: It seems that Committee members have run out of questions so I thank the witnesses for appearing before us. If there are any other questions, we will put them on notice. I ask you to get back to us with answers by 10 July, which is next Monday. Please let us know if you have any problems with the details. We will let you get back to making the Games successful.

(The witnesses withdrew)

(The Committee adjourned at 4.48 p.m.)