

**REPORT OF PROCEEDINGS BEFORE**

**GENERAL PURPOSE STANDING COMMITTEE No. 1**

**INQUIRY INTO OLYMPIC BUDGETING**

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**At Sydney on 5 July 2000**

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**The Committee met at 10.00 a.m.**

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**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.

**ROBERT JOHN SENDT**, Auditor-General, 234 Sussex Street, Sydney, and

**PHILIP GARVEN THOMAS**, Deputy Auditor-General, 234 Sussex Street, Sydney, affirmed and examined:

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

**Mr SENDT:** I did.

**Mr THOMAS:** I did.

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

**Mr SENDT:** Yes, I am.

**Mr THOMAS:** Yes, I am.

**CHAIR:** As you both know, we can go into camera with this hearing, but Parliament can overrule a Committee's decision in that regard.

**Mr SENDT:** We understand that.

**CHAIR:** I understand you have an opening statement?

**Mr SENDT:** Very briefly, Mr Chair. Our concerns in the Audit Office on this issue primarily stem from two reasons. The principal reason is that we have a concern as to whether Parliament had been given sufficient information and sufficient opportunity to make an informed decision on the additional \$140 million being sought through the further budget variations bill. We see our role in the Audit Office very much in assisting Parliament to hold the Executive Government accountable, and that is why we had a concern about the degree of information provided and the amount of time that was provided for Parliament to make a decision on that.

The secondary concern we had was that the \$140 million was being sought out of the 1999-2000 budget, even though our expectations were that the majority of that money would not be required until the 2000-01 financial year. Because SOCOG is not part of the general government sector, payments out of the Consolidated Fund to SOCOG would show up as a payment in the year those payments were made irrespective of when the cash is ultimately used by SOCOG. Hence last year's result was deteriorated by \$140 million. As I said, we had a concern that the money would not be spent by SOCOG until the year we are now in, and that resulted in a distortion between the two year's results.

If the bulk of the \$140 million was not required until the current financial year, 2000-01, we believe it should be more accurately reflected in the budget result for this year.

**CHAIR:** I am wondering then what did you do in regard to your concerns, particularly the first one, the additional information about the proposed expenditure?

**Mr SENDT:** I guess I was caught somewhat unawares, as many other people were, and had very little opportunity to do much about it at all. I was contacted by some representatives of the media and asked for my view. I had only just read it in the papers the morning following the day it came before the House. I expressed some surprise that the \$140 million had been sought four weeks to the day after the State budget had been brought down. I expressed concerns that there did not seem to be a lot of opportunity for Parliament to consider the need for that money in detail. On the second issue, if I may, I wrote to the Treasurer expressing my concerns that the budget results for the two years would be distorted by the payment of that money apparently in advance of its need by SOCOG. I did that prior to the end of the financial year so that if he saw merit in my point of view he could make only a partial payment in 1999-2000 to reflect the needs of SOCOG in that year.

**CHAIR:** Can you table the letter you refer to for the Committee's information?

**Mr SENDT:** Yes, I have a copy of it I can table.

**Motion by the Hon. D. J. Gay agreed to:**

That the letter be tabled.

**Letter tabled.**

**CHAIR:** I am wondering whether you are hinting that even though you are Auditor-General no-one asked for your opinion officially. You were left out of the loop. Should either House or the upper House have requested an official opinion from you before we passed the legislation?

**Mr SENDT:** It is open to any member at any time to call me, as members do on occasion. I am not sure that I or the Audit Office have an ongoing official role in monitoring the budget of SOCOG or the budget of the Olympics overall. That monitoring role is clearly one for the organisation itself and for Treasury. The Audit Office's main role is reporting on or commenting on the financial statements prepared ex post by any organisation, including SOCOG, rather than having an ex ante role in budget setting or budget approval. Of course, you may be aware that the Audit Office has prepared two reports over the years on SOCOG or on the Olympics budget, one in November 1994 and the other in January 1999, commenting both on the processes involved in establishing a budget and such matters as the scope of transactions included in those budgets.

**The Hon. PATRICIA FORSYTHE:** Having read the second reading speech of the Minister on the introduction of that bill, were your concerns at all alleviated by the analysis of the explanation the Government gave for the bill?

**Mr SENDT:** No, not really. There was fairly limited information. Some specific amounts were mentioned. There was a \$70 million contingency amount as part of the \$140 million, but there did not seem to be any explanation as to the reason for the deterioration in the finances, or any analysis of what had been done with the existing contingency fund in SOCOG. So, no, my concerns were not alleviated.

**The Hon. D. J. GAY:** Yesterday we were given a copy of a three-page document that went to SOCOG, and one page of it went to Treasury to get the extra \$140 million. Do you, as Auditor-General, believe that such paperwork is enough, given the magnitude of an ask that came immediately

after the budget and signified a further deterioration in position of \$70 million with a contingency of a further \$70 million?

**Mr SENDT:** I have not seen this document before. Your suggestion is, I think, that only the last page went to Treasury. Whether there were additional meetings between SOCOG and the Olympic Co-ordination Authority and Treasury and whether additional information was provided, I do not know. On the face of it, a page such as that might be mathematically correct but it does not provide any explanation.

**The Hon. D. J. GAY:** I guess in many ways my question is unfair. To be fair, would you or your department be prepared to look at the *Hansard* from the witnesses and comment back to this Committee on whether you believe that due process was adhered to from the evidence given by the witnesses?

**Mr SENDT:** I am not sure whether I have a mandate to undertake that sort of role. I can undertake financial audits, I can undertake performance audits. I am not sure whether I can examine what people have said in Parliament and comment on that.

**The Hon. D. J. GAY:** I am relating to the process, because it appears there was knowledge before, and it appears certain people did not know. It appears from the evidence given that a single-page document went to Treasury. As Auditor-General you have a responsibility to make sure that due process is seen to take place. I was wondering, in that capacity, whether your department would be able to analyse the testimony here to see if you believe that it was okay and to report back with our report? Can I leave it to you to consider?

**Mr SENDT:** Yes, I can take that on board.

**The Hon. D. J. GAY:** If it is outside your guidelines, I accept that, but I think it does fit within them.

**CHAIR:** The Committee may frame a specific question to you in due course so it is more specific, but you did indicate you were concerned at the beginning about the lack of information.

**Mr SENDT:** Yes.

**CHAIR:** And that document seems to be the only source of any information and, as you said, it does seem to be inadequate. It is mathematically correct but it does seem to be inadequate.

**Mr SENDT:** I am assuming it is mathematically correct.

**The Hon. J. R. JOHNSON:** Auditor-General, are you conversant with the standing orders of both Houses of the Parliament?

**Mr SENDT:** Not in detail, Mr Johnson.

**The Hon. J. R. JOHNSON:** You made a comment in your opening statement that you were concerned about the little time given for consideration of the amount sought. There is no limitation in the Legislative Council on the times that members can speak on a matter such as this. So there was no restriction on the time. It is up to members to seek the call and they will be given unlimited time to discuss anything. Could I draw that your attention?

**Mr SENDT:** Thank you. I understand that. I guess my concern was partly that the additional amount had been sought as part of a bill which, by its very nature, would seem to have to be passed

through all stages by 30 June to allow the Government to make the payments that it was seeking. Had that bill not been passed, unless some retrospectivity was built in, I would have had a role in commenting on perhaps the illegality of money being spent without appropriation in the year. So I certainly understand your point but I also understand that the Government would have had very strong interests in ensuring that the bill went through all stages prior to 30 June.

**The Hon. Dr P. WONG:** Mr Sendt, how closely do you follow the financial affairs and indeed the risk movements of SOCOG?

**Mr SENDT:** I might ask Mr Thomas to answer that one as part of his role. The SOCOG and OCA come within the area of the Audit Office that he has responsibility for.

**Mr THOMAS:** We have an ongoing role with the audit committee of SOCOG. We liaise with the financial officers of SOCOG and OCA frequently. I am aware of the arising risks to the revenues and expenses of SOCOG. The quantification of those probably has been more recent. The role that we played does not include the finance committee of SOCOG, which may be where the complication occurred most recently.

**The Hon. Dr P. WONG:** I was concerned yesterday that Mr Barbeler and Mr Adby tried to explain to the Committee that they were aware in February 2000 that there were increasing financial risks of about \$33.3 to \$34 million but in May, as you will see from the paper in front of you, it became \$101.4 million. Does this sudden increase in the risk movement over three months concern you and were you aware of it? Do you believe that there was financial mismanagement?

**Mr SENDT:** Certainly we were not aware of the increase in the quantification of the risks but we would have been aware of the February 2000 revised budget. We may have had some understanding of the components of that but certainly would not have been aware of the revised quantification.

**CHAIR:** Mr Thomas, you said that you liaise with the audit committee. Do you attend meetings of the audit committee?

**Mr THOMAS:** I attend the meeting but not in a membership role.

**CHAIR:** So you are an observer?

**Mr THOMAS:** I am an observer of the meetings. They ask questions of me and vice versa.

**CHAIR:** When did you become aware that there was some shortfall in SOCOG's position that would warrant further legislation?

**Mr THOMAS:** In a quantitative sense I never knew when it went across the line to a negative but it was clear that the revenue was under some pressure and expenses had been under some pressure. The combination of the two resulted, apparently more recently, in this number here. There was no date that I could identify. I knew the risk was there but I never quantified it as such. I was unable to—

**CHAIR:** When you were sitting at meetings as an observer did you feel the audit committee had some concerns? Where the members in the picture as to this development?

**Mr THOMAS:** In terms of qualitative terms, yes, but not in quantitative.

**CHAIR:** If you were aware there was going to be a shortfall I suppose in some ways you should not have been so surprised that the legislation may have been required, Mr Sendt. Mr Thomas, did you report back to Mr Sendt what you were hearing in the audit committee meetings?

**Mr THOMAS:** Yes. The possibility of a shortfall has been there for sometime. The proposed OCA outsourcing could be seen to allude to that as well. It has been reporting regarding difficulty with revenues for quite some months—perhaps a year now. The risks on expenses have been reported quite well and extensively for quite some time. So in that sense it is no surprise, I suppose. The only thing that is not a surprise is maybe the mechanism. That was the most recent thing. Maybe "surprise" is not the right term but the mechanism I did not anticipate, and the quantification.

**CHAIR:** And the size of it?

**Mr THOMAS:** It has been quantified. The magnitude per se is a mathematical result. The possibility of its arising does not surprise me.

**The Hon. A. B. KELLY:** What other mechanism could there have been? We have just heard from Bob Sendt that in a sense if they had not done it before the end of the year they might have been in trouble with him anyway.

**Mr SENDT:** The other mechanism is that the \$140 million, or the bulk of it, could have been sought in a separate bill relating to the 2001 budget, in other words amendment to the budget that was presented in May rather than in effect an amendment to the budget that was presented in May or June last year.

**The Hon. J. R. JOHNSON:** You are not implying that anything was illegal?

**Mr SENDT:** No, certainly not, Mr Johnson.

**The Hon. A. B. KELLY:** So you are talking about last year's budget. The alternative was to do it for last year's budget, not this year's budget?

**Mr SENDT:** The alternative was to do it for the 2000-01 budget, which I understand was before the Council at that time. But it was done by way of one of the further variations to the 1999-2000 budget. Our concern was that while it was certainly legal it reduced the surplus for 1999-2000 by \$140 million, whereas most of the expenditure we assumed would be required in the 2000-01 year. It would give a more accurate representation of the budget result if the \$140 million or whatever part of it was needed were shown against the 2000-01 result.

**CHAIR:** Do you know who gave the advise on that procedure? The Treasurer obviously did it but usually he acts on advice. Do you assume that the Treasury advised him to do it in that way?

**Mr SENDT:** I can only assume that it was Treasury advice but I have nothing to verify it.

**CHAIR:** We will find out from Treasury the reasons.

**The Hon. D. J. GAY:** Mr Thomas, with your ongoing connection with SOCOG you would know that it has a system of committees. It has a contingency committee and a finance committee. We found in evidence yesterday that Mr Greiner, the acting chairman of the finance committee, was not party to the group that went to the Treasurer. The finance director of SOCOG did not go; the finance director of OCA went. As an auditor what is your feeling about the structure that is in place? As an outsider looking in it seems to me a convoluted structure. Perhaps part of the late reporting and lack of knowledge may be coming from the fact that this convoluted structure is in place and not a proper reporting process.

**The Hon. J. R. JOHNSON:** Mr Greiner was not in the country. That is the reason he did not go. He was overseas.

**The Hon. D. J. GAY:** No, that was not ascertained. That was a throwaway line.

**The Hon. J. R. JOHNSON:** I think you will find that *Hansard* reveals that.

**The Hon. P. T. PRIMROSE:** You are not listening to the evidence.

**The Hon. D. J. GAY:** No, the evidence was that they thought that Mr Greiner may have been out of the country. But he was not contacted anyway. It was only someone thought that he may have.

**CHAIR:** Could we return to the Hon. D. J. Gay's question?

**Mr THOMAS:** The structure may be more complex than you have in other organisations. SOCOG is perhaps also a more unusual being. I am not sure that I can in my capacity as an auditor comment upon the complexity of its structures. It is more a management role, I suggest.

**CHAIR:** You mentioned that you attend the audit committee as an observer. Do you attend any other committee meetings—contingency or finance?

**Mr THOMAS:** No, I do not attend those meetings.

**The Hon. D. J. GAY:** Taking the figures straight from the budget estimates and the paper in front of me, it appears that the deterioration that has been identified from February or April to June this year is of the magnitude of \$243 million, not \$140 million. This is based on the figures that are here. First there was the \$50 million contingency that was in the budget, which was used. It is indicated in the document that it was used. Also in the budget was an amount of \$30 million that was meant to be surplus that the State Government decided would not be paid. That makes \$80 million. Then there was the giving of \$11.6 million that was meant to go to the IOC and \$11.6 million to the Australian Olympic committee for television rights—in round figures another \$23 million. That is \$103 million

**The Hon. A. B. KELLY:** No, that \$50 million was already in there. They told you that yesterday.

**CHAIR:** Let the witness answer the question.

**The Hon. D. J. GAY:** If you will let me finish: it was \$50 million that was there is a contingency. When that amount went into the budget it was used. The Treasurer then granted \$140 million, \$70 million of which is a contingency. If those amounts are added it gives a deterioration of \$243 million from the February-March period. Is that an accurate assessment?

**Mr SENDT:** It is mathematically correct. On the face of it it sounds correct but I would need to understand and perhaps view the evidence from yesterday as to the relationship between the \$50 million contingency and whether that was fully used or whether part of it remains there.

**The Hon. D. J. GAY:** Would you mind doing that?

**Mr SENDT:** We can have a look at the evidence, yes.

**CHAIR:** We may ask that as a more specific question on notice, Mr Gay.

**The Hon. D. J. GAY:** In a similarly vein, there was an indication in the budget that over the period 1994-95 to 2005-06 it is estimated that \$764 million will be collected in additional Olympic-related taxation revenue. However, only revenue collected through the Olympic period—that is, \$653 million—has been indicated as a reduction to the gross cost of the Olympic Games and Paralympic Games. Is that a legitimate thing to have in a budget? I am drawn to comments by the Treasurer, Michael Egan, when he claimed that the Federal Government did a similar sort of thing. And he claimed it was a fiddle. In this case was he right against the Federal Government and is he wrong here, or what is the case?

**Mr SENDT:** I am not sure what the Federal Government did for the Treasurer to accuse it of perpetrating a fiddle, Mr Gay, but our preference in looking at the cost of the Olympics would be to do it on a gross basis; that is, taking into account all costs. The previous report, particularly the January 1999 report, indicated that the scope of costs included by the Government in the budget was not all-encompassing. When we do our post-Olympic review of the Olympics costs we will seek to gross up all costs, including costs such as use of police resources on the Olympics, even though there may not be a marginal cost, and separately look at gross revenues.

**Mr SENDT:** You have quoted two figures. The budget papers show only the additional taxation revenue up to 2001-02. I can understand why that figure has been used rather than the larger figure. It is difficult to say when the economic benefit from the Olympic Games does completely end. So, drawing a line in the sand at the end of 2001-02, I can understand the rationale for that. But what you are alluding to in relation to the Federal Government I have no knowledge of.

**The Hon. A. B. KELLY:** Some four years ago, when I came down for a country councils meeting, we were given information by the tourism people that they expected the tourism benefits from the Olympics to go on to about the year 2006. If you are looking to gross up all expenditures and all incomes to the State, you will have to wait until then, or else make an estimate.

**Mr SENDT:** Yes. In a sense, one could argue that if the holding of the Olympic Games results in some fundamental changes in the New South Wales or Australian economies, the benefits, and perhaps the costs, could go on in perpetuity. If one applies a discount rate to that, obviously the benefits further into the century would become of no significance. But I think it is difficult to say that the impact of the Olympic Games, in terms of the whole economy, ends at June 2002, June 2006 or any other date.

**The Hon. A. B. KELLY:** It tailed off after that. But it went from two million tourists four years ago, up to about eight million for the year of the Olympics and the year after, and although it had tailed off it was still six million two years later, and so on. It got back to two million about four or five years out.

**CHAIR:** At what stage do you plan to do that final assessment of overall gross expenditure and gross income?

**Mr SENDT:** We would probably be looking to issue a report in the first half of 2001. That will still contain an element of estimation, not only from the impact on the economy more generally, or the impact on taxation revenue, but, even with SOCOG and OCA, there will still be transactions outstanding, I expect, at that time. But, in a material sense, we should be able to capture all relevant transactions by that stage. What, in fact, we will be doing is an audit of estimates put together by the Olympic Co-ordination Authority. We are still having discussions with the authority as to the scope that the financial statement that they put together will cover.

**The Hon. J. R. JOHNSON:** Do I take it that would be an interim report?



**Mr SENDT:** It may be an interim report. If we took the view that we had covered 99.5 per cent of revenues and expenditures, we may consider that a further report was not really of any great value. But that is yet to be resolved.

**CHAIR:** You mentioned a moment ago that you would include in the gross expenditure the costs of police. Obviously, there is a large police involvement for security reasons and so on. Are you aware of the large number of public servants who are being seconded to the Olympic Games and will be paid by the individual departments? Do you plan to assess that cost as well?

**Mr SENDT:** Yes. I am not aware of the number; I am aware of the program that is in place to do that. We asked Treasury to ensure that the costs of those were identified separately by agencies, so that in future a calculation could be done of that nature.

**The Hon. P. T. PRIMROSE:** When Treasury prepared the global costing of the Olympics, do you have any idea how that was prepared and who actually prepared it?

**Mr SENDT:** Are you referring to the table in the budget papers, Mr Primrose?

**The Hon. P. T. PRIMROSE:** Yes.

**Mr SENDT:** That would be largely based on information from SOCOG and OCA. The estimates of taxation revenue would have been Treasury's, although they may have relied on consultants' advice in preparing those.

**The Hon. P. T. PRIMROSE:** Do you think it is worthwhile our talking to the people in Treasury who specifically prepared the document?

**Mr SENDT:** If there are issues in that that you want to pursue, certainly.

**The Hon. P. T. PRIMROSE:** Have you any idea who prepared it?

**Mr SENDT:** Mr Ronsisvalle, who is coming along later this morning, is one of the Treasury representatives. He oversees, in effect, one half of the agencies that Treasury looks after, and included in those are SOCOG and OCA. So he would have some knowledge of it. He would not have done the detailed preparation himself.

**The Hon. P. T. PRIMROSE:** Were you involved in doing any of that work?

**The Hon. A. B. KELLY:** A couple of years ago.

**Mr SENDT:** Once again, only in an oversighting role, not in the detail. That table has been included in the budget papers for probably some three or perhaps four years now. As I said, it was largely based on information provided by SOCOG or OCA, but with the addition of some other categories and in particular the taxation revenue calculations which were done or updated by the economics area within Treasury.

**The Hon. PATRICIA FORSYTHE:** Mr Sendt, I want to touch on some of the background and ask you about the role of the SOCOG board. The memo from the Minister to the board suggested that, given that the State budget is in surplus, this is the best time to make such a prudent arrangement. That was the advice obviously given to the board in a memo dated 20 June, and that in fact the Government would seek an extra \$140 million. We were told yesterday that it is in fact the means by which the board was briefed of the additional money; that, while there had been a discussion of the risks issue the week before at the board meeting, in fact the decision by the Government to seek the

extra \$140 million was conveyed by way of fax, and there was no further discussion at a board meeting. Do you believe that that is an appropriate way for the SOCOG board to be informed or to be involved in such financial decisions, or does it have another role?

**Mr SENDT:** Does it have another—?

**The Hon. PATRICIA FORSYTHE:** Is its role greater than merely being informed of these things, or should it have oversight of this process?

**Mr SENDT:** Clearly, as a board, they have a responsibility as directors. They have responsibilities as set out in the SOCOG Act to act in a certain way, or not to act in a certain way. Those responsibilities are consistent with the responsibilities under corporations law. For an issue of this magnitude, I would have thought the board should be involved in the decision-making process.

**The Hon. PATRICIA FORSYTHE:** So it should have signed off on the decision?

**Mr SENDT:** I would have thought so.

**The Hon. D. J. GAY:** In January 1999, Mr Sendt, your predecessor, Mr Harris, recommended that the \$600-odd million that I spoke about earlier not be included as Olympic revenue. Is that still the belief of the Auditor General's Department? If so, why has not the Government acted on that recommendation?

**Mr SENDT:** I do not know why the Government has not acted on the recommendation. I referred to my views on our next report, which would be to show all revenues and expenditures. Individuals using that report could then make their own decisions as to what they wanted to concentrate on—whether they wanted to look at the total resources that had been applied to the Olympics, and hence include for example the total cost of police, or only look at the marginal financial costs, in which case, again in relation to police, the only items that would have been included in relation to individual officers would have been travel allowances, accommodation allowances, meal allowances, et cetera, rather than their total salary cost. So my view is to present information on as broad a base as possible, and then allow individual users who may have different purposes to which they want to put the information to make their own decisions.

**The Hon. D. J. GAY:** Does the same apply to public servant volunteers?

**Mr SENDT:** In terms of including the gross costs?

**The Hon. D. J. GAY:** Yes.

**Mr SENDT:** Yes. I am sorry, public servant secondments.

**The Hon. D. J. GAY:** Secondments, yes.

**Mr SENDT:** Yes.

**The Hon. A. B. KELLY:** There is a bit of a difference if they are giving their time for nothing.

**Mr SENDT:** Yes.

**The Hon. Dr P. WONG:** Mr Sendt, as you are aware, within the \$140 million sought by the Government, \$70 million was classified as for other contingencies? Is it normal practice that you would make a grant of \$70 million without apparent reason so far?

**Mr SENDT:** It is certainly normal to include a contingency amount within a budget for a project which has risks associated with it. My view is, though, that the \$70 million contingency allowance clearly would not have been required prior to 30 June. It should have been an amount allowed for, if required, in the 2000-01 budget; that the Government could have made a decision that it would set aside notionally, but not hand over the cash to SOCOG, \$70 million in order to give SOCOG some guidance as to what degree of flexibility it may have—but, again, not to hand over the cash to SOCOG until it was required.

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

**CHAIR:** It does seem that, if there was an awareness—and you mentioned that the audit committee was picking up some problems—there really is no reason why it could not have been included in the regular State budget for 2000-01. There seems to be no real reason why it could not simply have been included in that budget, timewise?

**Mr SENDT:** That assumes that the quantification of the risks had been completed in time for that to be included in the budget. I do not know whether that was the case.

**The Hon. D. J. GAY:** Mr Sendt, Budget Paper No. 1, which was tabled with the budget, is in fact the Treasurer's Speech. Part of that document contained the comment, "With this Budget all of the Olympic and Paralympic costs are covered—every single last cent." Do you, as Auditor-General, have a concern that a comment like that which is in Budget Paper No. 1, put on the table by our Treasurer in May, when there was clear knowledge within SOCOG and growing knowledge within the Treasury that that was incorrect, provides a precedent to this Parliament?

**Mr SENDT:** I would have a concern, as anybody would, if the Treasurer knew in advance of that speech that there had been a growth in the risks and that growth had been quantified. As I said, I have not read the evidence from yesterday; I do not know what Treasury in fact was aware of until I do read that evidence, and indeed whether, flowing from today's evidence, presumably, whether Treasury had advised the Treasurer.

**The Hon. PATRICIA FORSYTHE:** There was a comment made yesterday that that in fact referred to construction costs; that it meant that every last single cent of construction costs had been paid for. Would that be an accurate interpretation, having read the Budget Speech and looked at the budget documents, that we should appropriately put on what the Treasurer has said?

**Mr SENDT:** It was not my interpretation when I read the Budget Speech.

**CHAIR:** I want to clarify a question I asked earlier about whether it could have been included in the 2000-01 budget. It seems as if there was a lot of information coming through from February to May. I think from your earlier comments there could easily have been an amending bill to the 2000-01 budget. There was no problem in doing it that way.

**Mr SENDT:** Yes. I am sorry, I interpreted your question as meaning in the budget as presented in May. Equally, it could have been presented as a variation to the 2000-01 Appropriation Bill which, as I understand it, was still in Parliament at the time.

**CHAIR:** And there would be no problem. Because the Treasurer had announced that there was a \$1 billion surplus in the budget, it would not have been a problem to allocate \$140 million from that?

**Mr SENDT:** That seems to be correct, yes.

**The Hon. A. B. KELLY:** I want to clarify the point you made about the expenditure and your concern had the Treasurer known. It would be good if looked at yesterday's *Hansard*, and the Hon. D. J. Gay was here when the words were said. Yesterday we were told that the figure was not available to the Treasurer at the time of the budget and that the finance committee of SOCOG did not meet until the day after the budget statement. Obviously, the budget was well and truly put to bed by the time of that meeting when the speech was made. So he knew that; you did not.

**CHAIR:** We may have to question the Treasurer to find out exactly when he did know that.

**The Hon. A. B. KELLY:** You are trying to distort the facts.

**The Hon. D. J. GAY:** I did not distort any facts at all. I indicated that there was knowledge in Treasury. I did not indicate that the Treasurer knew. That is something we will find out during the hearings today.

**CHAIR:** We will hear from Treasury officials later, and we will get an accurate indication of the timetable.

**The Hon. Dr P. WONG:** Mr Sendt, the budget papers show the outsourcing of SOCOG's venues and operation of programs budget to OCA funding, including venue acquisition, Games presentation, et cetera. Yesterday we were told that the OCA now has a financial risk of \$20 million. Is that not virtually transferring the SOCOG's risk to the OCA? Is that normal financial practice?

**Mr SENDT:** I am not sure of the contractual arrangements between SOCOG and the OCA, whether those contractual arrangements, if indeed they are in place as yet, address the issue of risk and if they do to which organisation the risk is assigned. Obviously any contractual arrangement should address those issues.

**The Hon. D. J. GAY:** Mr Sendt, my office has been contacted by people who are concerned that funds, for example, from superannuation may have been used to pay for the Olympics. There are some funds unaccounted for in State superannuation, for example. Are you aware of any such instances?

**Mr SENDT:** No, certainly not.

**The Hon. J. R. JOHNSON:** Is it within the superannuation fund's province to transfer funds to the Government for purposes such as the funding of the Olympics?

**Mr SENDT:** I would have thought not unless there was some commercial opportunity that arose that the superannuation authority considered a worthwhile investment, but certainly not in terms of funding the Games themselves or any of the organisations involved.

**CHAIR:** We understand that one underlying problem with this \$140 million, from what we heard particularly from the Minister yesterday, is concern over possible litigation which may or may not occur. Do you have any thoughts as to how such items should be covered in the budget? It is not listed on this sheet. It was indicated that if provided a big lump sum saying that it is for litigation you are

almost attracting litigants or people to sue you, and we do not want to do that. Do you have any recommendation as to how SOCOG could have handled that particular issue? Should there be a legal fund or a fund that covers litigation, separate from the actual costs of the Games?

**Mr SENDT:** If there is a risk of litigation it could cover, presumably, a variety of circumstances, whether it is to do with the actual Games themselves or whether it includes the Olympic Co-ordination Authority in terms of construction of facilities. I would not have thought that it needs to be identified as a single risk item but, rather, be part of the risk assessment in respect of each of those categories. I would have thought that the day-to-day operations of the Games, construction, et cetera would be part of those risks.

**CHAIR:** We know that large private corporations take out insurance to cover that. Have you ever made any recommendation as to whether the Government should investigate that particular line of action, rather than paying it out?

**Mr SENDT:** I certainly have not. I do not believe the Audit Office has.

**Mr THOMAS:** SOCOG itself has made some decision as to what risks it wished to insure for and some that it does not. Much like any other organisation, it needs to make decisions as to how it funds or takes on risks. Ultimately, with respect to some of those risks, it assumes that the State's underwriting will come into effect, and perhaps this whole issue is related to that as well.

**CHAIR:** So there is some risk insurance from SOCOG in some areas?

**Mr THOMAS:** SOCOG has a sponsorship arrangement with AMP and that includes an insurance fee component. There are residual risks.

**The Hon. J. R. JOHNSON:** The Government is not usually a self-insurer, though, is it?

**Mr THOMAS:** The Treasury-managed fund is a self-insurer. But for SOCOG itself, the State's underwriting of SOCOG's operations may be seen as a notional form of insurance, too.

**The Hon. D. J. GAY:** Mr Sendt, a large number of the Olympic projects came in on time, and many of them were early. Many of those early finishings coincided with March 1999. Have you identified any extra cost in the early finishing of many of those Olympic projects?

**Mr SENDT:** I certainly have not. I defer to Mr Thomas, though, if he has information on that.

**The Hon. A. B. KELLY:** Or savings—for doing the job on time and on budget.

**Mr SENDT:** No, we have not.

**The Hon. Dr P. WONG:** Mr Sendt, have you assessed the financial risk of the New South Wales Government's need to maintain the viable operation of Olympic venues and facilities subsequent to the Games in that it has to provide a set level of funding annually? If you have assessed the financial risk, how much do you think it is likely the New South Wales Government will need to continue to fund the Olympic facilities and venues?

**Mr SENDT:** No, we have not made an assessment of that. Obviously in the first instance it would be a responsibility of the Government or the appropriate government authority to make the assessment as to the ongoing costs of maintaining the venues and facilities.

**(The witnesses withdrew)**

**JOHN ERIC PIERCE**, Secretary, New South Wales Treasury, Level 27, Governor Macquarie Tower, 1 Farrer Place, Sydney, and

**MARK ANTHONY RONISVALLE**, Executive Director, New South Wales Treasury, Level 27, Governor Macquarie Tower, 1 Farrer Place, Sydney, 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 PIERCE:** I did.

**Mr RONISVALLE:** Yes, I did.

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

**Mr PIERCE:** I am.

**Mr RONISVALLE:** Yes, I am.

**CHAIR:** Mr Pierce, you have appeared before us as a number of times and you understand the arrangement about matters in camera. However, as you know, the Parliament can overrule the Committee's decision and the information can be made public. Do you wish to make an opening statement?

**Mr PIERCE:** Given the nature of the terms of reference of the inquiry and that we are here essentially to help the inquiry by answering whatever questions you may have, I do not have an opening statement to make. However, with your indulgence, I may take out an option, if I can, perhaps to make a concluding statement that may help to summarise some of the issues that are covered in the subsequent discussion.

**The Hon. PATRICIA FORSYTHE:** Mr Pierce, can you take the Committee through the arrangement that Treasury has in terms of the financial oversight of SOCOG's role?

**Mr PIERCE:** There are probably three ways in which our oversight operates. To start with the SOCOG budget itself, whenever SOCOG feels the need to revise its budget it makes a submission to Treasury, and that budget is only approved once it has the concurrence of the Treasurer. Within that process Treasury itself obviously provides advice to the Treasurer about that budget. That has occurred a number of times in the past couple of years. Our input into that process has generally been to approve or to recommend approval of a budget with some additional conditions attached to it. Those conditions tend to relate to the nature of the reports that we require from SOCOG while that budget is in operation. That is one way in which we get involved.

Secondly, whilst a particular approved budget is in operation, SOCOG provides reports on how it is going against that budget. Those reports have been quarterly up until this point in time. However, with the latest SOCOG budget—I apologise. I know that the Treasurer has signed off on that, but beyond that I am not too sure where it has got to. However, one of the conditions that we have recommended for that budget is, for this period of time, moving to monthly monitoring rather than quarterly monitoring. Obviously, as we get closer to the Games we would want to be informed at more frequent intervals. Thirdly, since earlier this year, at the request of SOCOG, they had invited Mr Ronsisvalle to serve on the finance and contingency committee of SOCOG.

**The Hon. D. J. GAY:** Could you give us a date on that?

**Mr PIERCE:** They wrote to us making the request on 3 December. We responded on 25 February, saying that we would make Mr Ronsisvalle available. I think formally Mark has been serving on that committee since 15 March, although he did attend the February meeting of the finance committee as an observer. He was sitting on a committee in February as an observer prior to us formally writing back to SOCOG and saying that we agreed to these arrangements.

**The Hon. PATRICIA FORSYTHE:** In relation to the move from quarterly reporting to monthly reporting, was that always the intention, or has that arisen due to a change in the budget position?

**Mr RONSISVALLE:** It is my understanding that that was always the intention, to move to monthly reporting.

**The Hon. Dr P. WONG:** Why was that not done much earlier, in view of the fact that suddenly there is now a blow-out from \$50 million to virtually \$190 million in a matter of three to six months? In hindsight, would it not have been better to have done it much earlier?

**Mr PIERCE:** Whilst the intention may always have been, as we got closer to the Games time, to move to monthly reporting, there is a judgment call involved in how soon you move to that. If you move to it too quickly, you end up with, effectively, superfluous information coming forward. You want to have information frequently enough so that you can check out whether things are still on track. SOCOG is in no particularly different position from all our agencies. With regard to agencies in the public trading enterprise sector, the ones that are outside the general government sector—and SOCOG is outside the general government sector—the standard is that they do a report quarterly.

For agencies that are within the general government sector, we make an assessment of the risks that those agencies pose to the overall budget position, and some of them are on quarterly reporting. Obviously, health, education and those sorts of agencies are on monthly reporting. So that there is a judgment call which we make, not only because of the amount of information which comes to the Treasury and our ability to deal with it, but also the imposition of that reporting requirement on the agency itself. Many agencies would probably argue that Treasury's requirements for reporting to us are more than they believe are necessary.

**The Hon. Dr P. WONG:** Were you surprised at the sudden increase in the financial risk in such a short space of time?

**Mr PIERCE:** Yes. I think it is true to say that the fact that this emerged was obviously of concern to the Treasury. Some might argue that, given the nature of the Games, it may have been a surprise that the Government's underwriting of SOCOG's budget, as distinct from OCA's, was not exercised earlier. However, certainly from where I sit, that information coming forward was certainly of some concern to us, as would be the case with any other agency coming forward with those sorts of concerns.

**CHAIR:** We had a discussion with the Auditor-General about where the \$140 million should have been placed, whether it should have been included in the 1999-2000 budget or the 2000-01 budget. I gathered from his evidence that he thought it should have been included in the 2000-01 budget. Who made the decision to include the \$140 million in the previous year's budget, when it is expenditure for the future?

**Mr PIERCE:** That was a recommendation that the Treasury made, that it be treated in that particular fashion. I am aware of the Auditor-General's views on the effect of that. I think the Auditor-General and I would have to agree to disagree on some aspects of it.

**CHAIR:** Obviously, the \$140,000 was included in the 1999-2000 budget, but what was the reason for that?

**Mr PIERCE:** There were really two reasons. Firstly, bearing in mind that this was the first time that SOCOG had come to the Government looking for an explicit contribution from the budget to support its activities, from a Treasury perspective we wanted to set up a process which, as far as possible, ensured that that only occurred once. We did not want to have a situation where, during the next couple of months, we would be dealing with a multiple of requests from SOCOG coming back to the budget. We wanted to make it as clear as we could that yes, this money was available from the budget, but that they were expected to manage, over the ensuing months, within that cap; that if they did not, and had to come back to the budget, they would be viewed very disfavouredly from the viewpoint of Treasury; that they had been given a clear amount and were expected to live within it, and if they came back we would be raising concerns about their ability to manage within it.

**CHAIR:** In effect, you made it more generous than was essential? It seems that the \$70 million was an immediate amount. However, you deliberately increased the amount so that you could forestall any extra requests coming through?

**Mr PIERCE:** Yes, in part. But I think it must also be borne in mind that that restocking of an unallocated contingency—in the past they had contingencies built within their budgets, so it was not something new to the structure of the SOCOG budget. Also, given the experience in the recent past of dealing with SOCOG's budget—the experience had been that they had called on the contingencies that were provided—therefore it might be reasonable to suspect that, because of events that perhaps nobody can control, there may well be reasons for SOCOG to want to call on a contingency again. So it seemed reasonable for us not just to give them the cash that was able to be identified as being allocated to specific expenditures, but to restock that contingency again so as to reinforce the accountability for them to be operating within that budget.

With regard to the second part of your first question, we were able to do that within the broader fiscal environment within the results for 1999-2000, given the healthy nature of those results and given that they were known, obviously, with a much higher degree of certainty than the results will be known for 2000-01. Obviously, at this point in time we have a fair idea of what the outcomes of 1999-2000 will be, so we can assess the impact on the overall fiscal outcomes of taking the route that we took by having it coming out of 1999-2000's accounts than if we had put it into the 2000-01 accounts. One of the things that Treasury is obviously quite concerned about is the certainty of our budget projections and the certainty of the budget position that we are putting forward.

**CHAIR:** Even though the Treasurer has boasted a \$1 billion surplus in the forthcoming budget? He has stated that on a few occasions in the upper House.

**Mr PIERCE:** Yes. The net lending result was within that order of magnitude. However, the point is that we know the net lending result for 1999-2000 with much higher degrees of certainty than we do for 2000-01, just by the mere fact that we have another year to go through for 2000-01 and we could assess the impact, obviously, much more clearly. It no doubt affects the result, but I think we have, through what we have done, tried to make it crystal clear what the effect on that result is. We are not trying to hide anything; we have made it very explicit. The mechanism was really there to try to reinforce the accountabilities for financial management back through SOCOG, rather than the whole of Treasury becoming the de facto finance arm of SOCOG.

**The Hon. D. J. GAY:** Mr Pierce, can you take us back a little and detail the full process involved in obtaining the extra \$140 million, from Treasury's point of view?



**Mr PIERCE:** Perhaps it may assist the Committee if I were to table our chronology of those events.

**Motion by the Hon. Patricia Forsythe agreed to:**

That the document entitled "Chronology of SOCOG/Olympic Events" be made public.

For completeness, the chronology commences on 1 July 1999 and refers to the reviews of SOCOG's budget, where there were quarterly reports, and that sort of thing. Perhaps I will take you through some of these events and also I might say something about the accountabilities that operate behind these which I think are quite important to bear in mind when looking at this.

On 24 May the finance and contingency committee meeting on which Mark sits was really the first time that we became aware that there was a report indicating that the existing contingency funding within SOCOG was not going to be sufficient. As it says there, there was a recommendation to inform the board of SOCOG of this and subsequently inform the Government. The next date is 13 June when Mark came and briefed myself and the Treasurer on the report that had gone on to the contingency committee.

That also happened to be the day on which there was a normal scheduled budget committee of Cabinet. Within that budget committee they resolved to request the Minister for the Olympics to come to a future budget committee meeting and report on SOCOG's budget position. There was another 14 June meeting of the finance committee which essentially reinforced what had been recorded on 24 May. In a formal sense Treasury became involved on 16 June when the Minister for the Olympics came and briefed the Treasurer on that position. There was then a subsequent meeting on 19 June at which the Treasurer and the Minister for the Olympics agreed on the need for the \$140 million. That went to a budget committee on 20 June with a recommendation and the rest you would be familiar with. Earlier there was a question about Treasury's involvement in the monitoring of SOCOG's budget. There is really, I suppose, two means by which we get involved in looking at that budget as shown here. One is through the finance and contingency committee on 24 May and subsequently when the Minister for the Olympics came and briefed the Treasurer.

When looking at this sort of chronology, in fact, in these sorts of things generally, it is important to have a clear view of the accountabilities that operate behind these type of events. The existence of a Treasury officer on a committee which is internal to an agency—I am not suggesting in any fashion that this occurred in this instance but on some other instances—can, in some people's minds at times, blur their understanding of how those accountabilities operate. That is why although I often get requests from agencies to nominate a Treasury officer to serve on a committee that is internal to an agency, and it is not something that we do automatically, we think about it fairly deeply. We do not want the people who are operating on that committee or within that organisation to misunderstand the situation; to view the existence of a Treasury officer on the internal committee of an organisation as some sort of implicit imprimatur for what that organisation eventually comes forward.

Eventually the organisation must come forward and deal with, not just a single Treasury officer on a committee but with Treasury the institution and Treasury within the budget committee context. Mr Ronsisvalle is on that finance and contingency committee to contribute to the operations of that committee in the best way that he can, just like every other member of that committee. As I understand it he has already made a contribution to that committee in terms of the nature of the reports that come to that committee and has made suggestions on how that might be improved.

**CHAIR:** Is he a full member of that committee? He is not there is an observer?

**Mr RONISVALLE:** The 15 February was the meeting I attended to observe but thereafter I was a member.

**Mr PIERCE:** From March onwards he was there as a full member.

**CHAIR:** You said a moment ago that you hesitate having Treasury officials on these committees. The other problem is because you have a Treasury representative, he is the channel of information or requests?

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

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

I suppose by way of example, if Mr Ronsisvalle becomes aware of issues within that committee that are of concern to Treasury then the appropriate response is to brief myself, and the Treasurer, and if those concerns are shared for us to raise it within the budget committee and ask that the budget committee call for a report from the respective Minister. That is the way in which we operate across all agencies and it is also the way in which we operate here. I labour the point about those accountability mechanisms a bit because these events can appear somewhat convoluted and complex but they are really of that nature because of the need to make sure that those accountability lines are clearly understood by people.

**The Hon. D. J. GAY:** Did the Minister for the Olympics come to you and ask for the \$140 million or did you approach him indicating that he would need \$140 million?

**Mr PIERCE:** No, he came to us saying he needed the \$140 million. Yes, he came to me.

**The Hon. D. J. GAY:** Thank you for this detailed chronology which says that on 11 April:

Minister Knight submits to Treasurer the February 2000 revised SOCOG budget. This becomes the basis for the State 2000-01 Budget.

On 12 April there was a finance committee meeting that Mr Ronsisvalle attended. In fact, he had attended earlier meetings. The chronology continues:

Latest details of ticketing revenue were provided. SOCOG executive advises that additional costs which have been identified will keep net ticketing revenue to budget.

Treasury representative seeks a change in the style of financial reporting to facilitate greater understanding and transparency of reports.

I congratulate him on that. A contingency committee meeting was held and the chronology continues:

A number of minor draws totalling \$1.333m of contingency funding approved. It becomes apparent that contingency funding has already been allocated to specific risks.

That was on the day after Minister Knight submitted for the revised budget. Importantly, the next date listed 26 April states:

Treasury officers brief Treasurer on issues emerging from the April Finance Committee meeting and that SOCOG were reporting that ticketing revenue could offset expenditure risks.

**The Hon. A. B. KELLY:** It still seems like it was on budget at that stage?

**The Hon. D. J. GAY:** My question was not to the Hon. A. B. Kelly. If he wishes to take the chair he can.

**Mr PIERCE:** I think there is a need to clarify that at that point in time we were dealing with what we have come to know as the February 2000 SOCOG budget which was the one—and that is what that meeting on 11 April was about—which dealt with the issues with which you would be familiar where the State was foregoing its \$30 million surplus and the IOC was foregoing some money. It was that sort of package that was being dealt with. That was the briefing on those issues, the conclusion of which was that SOCOG would have a balanced budget. That 11 April meeting certainly was not dealing with the issues that have been captured by this \$140 million-type issue. The subsequent dates to which you refer to—

**The Hon. D. J. GAY:** The day after?

**Mr PIERCE:** Is the day after, and then on 26 April, with that as a background and the reports to the finance committee were reinforcing the view that the SOCOG budget would be balanced. Because although there was additional expenditure risks that have been identified, as distinct from specific expenditures being nominated and funded, the view at that time was that those risks would be offset by additional ticketing revenue.

**The Hon. D. J. GAY:** The May budget indicated that there was a sum of \$50 million for contingency yet the 12 April meeting of the contingency committee—using the words from your own chronology—"It becomes apparent that contingency funding has already been allocated to specific risks."

**Mr PIERCE:** Yes, the important word is "risks" on which Mark may expand. What we became aware of at that time was that specific risks had been identified against which could be allocated to that contingency but whether those expenditures actually come to pass, that is a different question. But the level of risk analysis had developed to such a degree that what had previously been like an allocated quantity of funds could be tagged against specific risks which have been identified which may occur. I would suggest that is the purpose of having contingency amounts this late, within the process provided you have identified all the risks in that process.

**Mr RONISVALLE:** The Treasurer's briefing basically alerts him to changes in the gross flow—the two sides. There were risks emerging but there was the prospect of revenue. There was a variation against the budget, but the components were roughly offsetting each other at that stage. Whether they would completely offset each other was yet to emerge.

**The Hon. D. J. GAY:** That briefing occurred on 26 April. Were you one of those who briefed the Treasurer?

**Mr RONSISVALLE:** Yes.

**The Hon. D. J. GAY:** What about you, Mr Pierce?

**Mr PIERCE:** Given the nature of the budget process at the time, I cannot recall specifically where I was. Mark says that I was not present, and I do not recall being there.

**The Hon. D. J. GAY:** That was on 26 April. Your chronology indicates that on 28 April the Treasury database for the 2000-01 budget was closed.

**Mr PIERCE:** Any changes to the numbers in the budget stop when we go into production mode.

**The Hon. D. J. GAY:** You briefed the Treasurer on 26 April, which is two days before the database closed.

**Mr PIERCE:** On this issue.

**Mr RONSISVALLE:** They were changes in gross flows and not necessarily a net call against the budget.

**Mr PIERCE:** The conclusion was that aggregate expenditure and revenues had changed but the bottom line for SOCOG—and hence the impact on the budget—was still zero.

**The Hon. D. J. GAY:** That movement was happening yet you did not attend the next meeting of the contingency committee on 11 May.

**Mr PIERCE:** As it says in our chronology, Mark did not attend. You will appreciate that at the time it was a case of all hands to the pump to get the budget out by the required date. Therefore, Mark was not able to attend that meeting.

**CHAIR:** Was there any provision for a Treasury officer to attend in place of Mark? Was he named specifically as the only Treasury officer who could attend? Was it simply a Treasury position on the committee that you could have delegated to another officer?

**Mr PIERCE:** Mark was named specifically.

**CHAIR:** He was the officer nominated.

**Mr PIERCE:** Yes.

**The Hon. A. B. KELLY:** To continue from where the Hon. D. J. Gay finished, you closed your database for the budget on 28 April. Prior to that, it looked as though ticketing revenue would offset any extra increases in expenditure.

**Mr RONSISVALLE:** Broadly offset.

**The Hon. A. B. KELLY:** It looked as though you had allocated the risks—the \$50 million contingency—that would not necessarily be spent but which were identified as possible risks.

**Mr PIERCE:** The major change affecting the budget was the removal of the \$30 million surplus that we had been dealing with. That was a major input in the budget process.

**The Hon. A. B. KELLY:** It was not until almost a month later on 24 May that the finance committee identified some problems. The Treasurer was first alerted to the problem on 13 June.

**Mr PIERCE:** That is right.

**The Hon. A. B. KELLY:** I want to clarify that point: the first time the Treasurer was alerted to the problem was on 13 June, which was only seven days before the announcement of approval. So you got it through the budget committee and Cabinet. The 13 June date was some three weeks after the budget speech and the finance committee meeting was held after that as well.

**Mr PIERCE:** Yes.

**The Hon. J. R. JOHNSON:** Mr Pierce, you said a short while ago that this is the first time that SOCOG has sought to draw on the Treasury since Sydney was awarded the Games eight years ago.

**Mr PIERCE:** Yes.

**The Hon. J. R. JOHNSON:** You have no doubt observed and received advice from your own sources about the problems experienced by all Olympic cities in financing their Olympic Games. Montreal will continue to pay for years to come, as will Barcelona. I take it that that will not be the case with New South Wales.

**Mr PIERCE:** No . It has been often said—the statement still applies as we sit here today—that the costs of the Olympics have been accommodated within budgets over the years while preparing for the Games. In the past few years we have run significant surpluses and we expect to continue to do so to ensure that there will be no addition to the State's indebtedness. The process has been managed so as not to have a negative effect on the balance sheet and to ensure that we are not paying in the future debts associated with the Olympics.

**The Hon. J. R. JOHNSON:** So our handling and financing of the Games is unique in modern Olympic Games history. Is that correct?

**Mr PIERCE:** That is true.

**(Short adjournment)**

**Mr PIERCE:** I wish to clarify one point for the record. I said earlier that this was the first time that SOCOG had approached the Government to get funding from the general government sector for its activities. It has been brought to my attention that between 1993-94 and 1995-96 a total of \$30 million was allocated from the budget to SOCOG. That was essentially seed funding to get SOCOG started. It was a repayable loan and it was repaid in 1996-97. That completes the story.

**The Hon. D. J. GAY:** Mr Pierce, I asked you earlier about the meeting on 26 April when Treasury officers briefed the Treasurer on issues emerging from the April finance committee meeting at which SOCOG reported that ticketing revenue could offset expenditure risks. You were not sure whether you attended that meeting. Have you been able to clarify whether you were present?

**Mr PIERCE:** On Mr Ronsisvalle's advice, I was not at the meeting.

**The Hon. D. J. GAY:** I referred earlier to budget paper No. 1, which is the Treasurer's speech. Who wrote the Treasurer's speech?

**Mr PIERCE:** I suspect about 15 people. What tends to happen is that Treasury will prepare a draft that is initially in the form of a series of dot points rather than in the form of—dare I say—prose. The Treasurer and his office then write the speech around those dot points. It then comes back to Treasury where the factual material within the speech is checked and cross-referenced against the other budget documents to ensure that we can identify where numbers in the speech can be found within the budget papers. What tends to happen is that at unseemly hours of the evening we—me, one or two of my officers and the Treasurer and some of his staff—sit down and draft the final version in unison, but I would have to say the Treasurer is very proud of the fact that a lot of this is written in his own personal hand, with a pen on a piece of paper, rather than sitting at a terminal, or anything of that sort.

**The Hon. D. J. GAY:** It has his mark about it.

**Mr PIERCE:** Indeed. It is definitely not the case that this document is, as it used to be many years ago, delivered to Treasurer just before he goes into the House. It is his piece of work.

**The Hon. D. J. GAY:** You were not specific on the timetable and the dates of the preparation of that speech.

**Mr PIERCE:** I was not asked about that earlier.

**The Hon. D. J. GAY:** Could you be, please?

**Mr PIERCE:** I do not have a calendar. The budget goes to the printer on the Friday before the budget, which means we would have been probably finalising it on the Wednesday or the Thursday night beforehand. We would have gone through that final writing episode. It would have been the Wednesday or the Thursday, most probably the Thursday, prior to 23 May.

**The Hon. D. J. GAY:** What is that, about 16 May or 17 May?

**Mr PIERCE:** Yes. I would have to check a calendar, but from the viewpoint of this chronology, if you like, it was in between when the databases closed and the 24 May financial contingency committee meeting.

**The Hon. D. J. GAY:** Can you recollect who wrote the sentence, "With this Budget all of the Olympics and Paralympics costs are covered—every single last cent. The Games are now paid for"?

**Mr PIERCE:** Look, I cannot remember specifically. But in all probability it was probably written by the Treasurer.

**The Hon. D. J. GAY:** Did it worry you?

**Mr PIERCE:** On the information we have, no.

**The Hon. PATRICIA FORSYTHE:** Did you understand it to mean construction costs or other costs?

**Mr PIERCE:** I think that is an important point. There are a number of components to that statement, one of which is obviously construction costs associated with the permanent venues, and that is obviously what is being referred to. We talked about the final payment being made and handing over the cheque for that final payment. The other parts of the statement obviously referred to not only those

costs but the costs of running the Games and make the point that this budget makes ample provision for those remaining Olympic expenses, remembering that budgets are based on forecasts—and forecasts with information you have at a particular point in time. The provisions referred to would be not only the provisions within the SOCOG budget, but also provisions within the budget in general, which obviously include the Treasurer's advance and the size of the surplus that we had. So, the expectation is between those there was ample provision for the costs of operating the Games whatever they may turn out to be.

**The Hon. D. J. GAY:** Can you show me where in that speech it says any of that?

**Mr PIERCE:** Well, it certainly refers to the budget results further on in this speech. I think you need to bear in mind that this is a speech and you are communicating a general position, rather than going through an accounting exercise, which is what the rest of the budget papers do.

**The Hon. D. J. GAY:** Mr Ronsisvalle, did you have any concern when you saw the Treasurer's budget speech that accompanied the Treasury papers?

**Mr RONISVALLE:** I actually do not recall seeing that part of the budget speech prior to the budget.

**The Hon. D. J. GAY:** But I expect that you, as a Treasury official, would have listened to the Treasurer's speech as delivered to Parliament and accompanying the budget papers or, if you did not listen to it, as Budget Paper No. 1 you would have read it at some stage.

**Mr RONISVALLE:** At some stage after the speech was delivered, yes, I did.

**The Hon. D. J. GAY:** Did it worry you?

**Mr RONISVALLE:** Not on the basis of information we had at the time of preparation of the budget speech. It was a reasonable statement.

**The Hon. D. J. GAY:** That is following the April meeting?

**Mr RONISVALLE:** No. When I say I read the speech, it would have been on the day or the day after, prior to the contingency meeting.

**The Hon. PATRICIA FORSYTHE:** Where you comfortable?

**Mr RONISVALLE:** Yes. All speeches are drafted on the basis of information you have available at the time. I mean, subsequent events may make you uncomfortable with a statement or not, but I do not think I am uncomfortable with what the Treasurer actually said there.

**Mr PIERCE:** I might also point out, going back to what I referred to earlier about lines of accountability, it was really on 24 May that the information about the \$51.4 million became available within the finance committee. Given those lines of accountability, that may or may not have eventually come to Treasury from SOCOG. The SOCOG board might have had other information available.

**The Hon. PATRICIA FORSYTHE:** Can you explain that a bit further?

**Mr PIERCE:** It becomes available to the finance committee on 24 May but that report to the finance committee may or may not eventuate in a submission to Treasury seeking additional funding, because that finance committee reports to the board of SOCOG and they may, as I said before, have had other advice available to them or have alternative views about how to deal with the problem, and

they may have decided we can fix this through some other means and we do not need to go through Treasury.

**Mr RONSISVALLE:** The chronology clearly states that the finance committee was recommending to the board that it inform the underwriter. As John has pointed out, the board may have had a different view and may have had different strategies to deal with the shortfall that the finance committee may or may not have been aware of at that stage.

**The Hon. A. B. KELLY:** And that was the day after the budget anyway.

**Mr RONSISVALLE:** Yes.

**The Hon. D. J. GAY:** But these things do not happen in just a month, the deterioration of that position. The meetings that you attended in February and March and April must have indicated that that was happening. Surely you would not have gone to the trouble of briefing the Treasurer on 26 April had not there been a concern?

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

**The Hon. PATRICIA FORSYTHE:** So was the briefing that was given to the Treasurer on 26 April giving an optimistic view about ticketing revenue?

**Mr RONSISVALLE:** I do not think you would say that it was optimistic. It was based on advice that SOCOG executives had provided to the finance committee.

**The Hon. PATRICIA FORSYTHE:** Which was what?

**Mr RONSISVALLE:** That ticketing revenue could have been above the amount that was allowed in the February 2000 budget.

**The Hon. PATRICIA FORSYTHE:** On what basis was that conclusion drawn?

**Mr RONSISVALLE:** The SOCOG executive responsible for ticketing provided briefings. He is actually a member of the contingency committee and provided briefings that the ticketing could be \$20 million to \$25 million above what was budgeted at various times.

**The Hon. PATRICIA FORSYTHE:** Is that before the \$18.6 million identified as likely additional costs in terms of ticketing operations of marketing?

**Mr RONSISVALLE:** Those additional costs progressively came to the finance committee. They did not arise at any particular point in time. They developed. I suppose that by 24 May that is when the \$18.6 million was fully articulated. Prior to that there were smaller amounts mentioned for increased costs associated with ticketing.

**CHAIR:** The \$18.6 million is shown on the chart as February 2000. It was identified in February, not in May. So it is the cost of the call centre.

**Mr RONSISVALLE:** There would have been nil.



**Mr PIERCE:** There would have been nil in February and \$18.6 million in May.

**The Hon. PATRICIA FORSYTHE:** What advice was the Treasurer being given? Which SOCOG official would have advised about the likely ticketing revenue prior to your briefing the Treasurer on 26 April?

**Mr RONISVALLE:** The executive that is most closely associated with ticketing is Michael Eyers. The two committees operate concurrently.

**The Hon. A. B. KELLY:** He explained all this to the Committee yesterday.

**The Hon. D. J. GAY:** So it was Michael Eyers who told you that there could be extra money coming from ticketing?

**Mr RONISVALLE:** Yes. To be fair to him, he pointed out that there was a considerable degree of uncertainty associated with ticketing revenue. There was an upside. We talked about the possible magnitude of the upside. I remember at one point jotting down a figure of between \$20 million and \$25 million. Subsequently we talked more at various meetings about the possible upside. That figure was not revised but more risks were being put on the table. Progressively that buffer from ticketing revenue was eroded.

**The Hon. D. J. GAY:** Who was it at the 24 May meeting that actually detailed that the risks had now exceeded the existing contingency funding by \$51.4 million?

**Mr RONISVALLE:** The papers for the committee are prepared by the finance branch of SOCOG and distributed to members for consideration at the meeting. The details of the \$51.4 million came out as part of those board papers.

**The Hon. D. J. GAY:** Yet you as a Treasury official, as Mr Pierce detailed earlier, have a responsibility and were at that meeting and ultimately SOCOG ended up going to Treasury to do the mea culpa rather than Treasury going to SOCOG?

**Mr PIERCE:** If I may, I think this highlights again the point I was trying to make previously about accountabilities. If there was an issue that SOCOG wanted to bring to the attention of Treasury and the budget committee it would be SOCOG that did that. That is where the accountability lies. Treasury being on the committee means that we are better informed about what they are going to come to the committee with. The finance committee at that meeting resolved to report to the SOCOG board and to recommend that it approach the Government. So there is one line of accountability through the SOCOG board. The other is, if we at a Treasury level believe that is not happening quickly enough or we want to make sure that it is on the budget committee agenda, we will raise it at the budget committee and ask the budget committee to ask for that report. Both of those mechanisms were exercised in this case.

**Mr RONISVALLE:** At the 24 May meeting I made very clear the need to report these budget variations to the Government and the committee resolved to go via the mechanism that John has described, to go through the board to the Government just in case the board had some other views it wanted to bring to bear on the issue. But that certainly was my role at the finance committee meeting on 24 May.

**The Hon. D. J. GAY:** Yet we went through till the 14 June finance committee meeting and eventually 16 June when Minister Knight went to the Treasurer rather than Treasury and the Treasurer

saying, "Hey, you blokes, you have got problems here. You are way outside the guidelines. You are unfunded. Come in and please explain." Why did that not happen?

**The Hon. A. B. KELLY:** This shows that the Treasury officials did it on 13 June.

**The Hon. D. J. GAY:** Mr Kelly, if you want to be sworn to answer the questions you can. Otherwise, leave it to the officials who are here.

**The Hon. A. B. KELLY:** You complained yesterday that I did not say anything, Duncan. It goes both ways.

**Mr PIERCE:** There was a scheduled budget committee meeting on 13 June. Given what Mark had learnt at the finance committee on 24 May and reported back to us about that committee we recommended that the committee ask the Olympics Minister to come and brief the budget committee.

**The Hon. D. J. GAY:** Did Treasury fail its Minister in leaving him to make that speech to the House when he delivered the budget in May that the Olympics were fully paid for? Can you understand that people could see that Treasury has failed the Treasurer?

**Mr PIERCE:** No, I cannot and I do not believe that we have, as I said previously.

**The Hon. D. J. GAY:** So he knew? Did he know?

**Mr PIERCE:** He knew what we have told you, as this document indicates he knew. Going through the statements in the speech, yes, the permanent facilities have been built. Does the budget make provision for the remaining Olympic-related expenses? I would say that within the aggregate budget position of the State, given what we know today, it does.

**The Hon. PATRICIA FORSYTHE:** Mr Ronsisvalle, if you did not attend the 11 May contingency meeting, when would you have received minutes of that meeting?

**Mr RONSISVALLE:** I do not recall when I received the minutes. I can come back to you on that. The minutes generally are provided with the following meeting notes.

**The Hon. PATRICIA FORSYTHE:** At any time between the meeting of the contingency committee on 12 April and when you apparently attended the next meeting on 24 May, when did you become aware of an apparent change in the budget position?

**Mr RONSISVALLE:** When I read the agenda papers for the 24 May meeting. I was not in a position to actually review the notes from 11 May.

**The Hon. PATRICIA FORSYTHE:** And when would you have read those notes?

**Mr RONSISVALLE:** The agenda papers generally arrive the night before the next day's meeting.

**The Hon. PATRICIA FORSYTHE:** So somewhere around the time of the State budget?

**The Hon. A. B. KELLY:** After the State budget?

**Mr RONSISVALLE:** Yes.

**The Hon. PATRICIA FORSYTHE:** That is the day of the State budget.

**The Hon. A. B. KELLY:** But it was not at night-time.

**Mr RONISVALLE:** Yes. On average, the papers turn up about 5 o'clock on the day before the meeting.

**The Hon. PATRICIA FORSYTHE:** Just so that I am absolutely clear, between 12 April and 24 May in your mind you had no reason to be concerned about the apparent change in budget position?

**Mr RONISVALLE:** I think it is fair to say that there had been some deterioration in SOCOG's position but until 24 May there was not sufficient cause to need to act to respond to those concerns.

**The Hon. PATRICIA FORSYTHE:** What sort of factors are you talking about? You said there had been some deterioration.

**Mr RONISVALLE:** The expansion of the amount of money that was being claimed against the contingency. That is obviously a matter of concern. But at the April meeting I think about \$33 million was identified. Ticketing revenue could have offset that to a large degree. It was not until we got to the 24 May meeting. Effectively the amount of money that was being talked about as above contingency was about \$50 million and the ticketing upside had disappeared from the numbers.

**The Hon. PATRICIA FORSYTHE:** Did you do a risk analysis on the issue of the ticketing revenue?

**Mr RONISVALLE:** Treasury is not in a position to judge the veracity of the SOCOG forecasts as to ticketing. SOCOG provided estimates of best case, base case, and worst case. The base case is the case that produced about \$20 million more in revenue than was in the SOCOG budget.

**The Hon. PATRICIA FORSYTHE:** But you must have been tracking the issue of ticketing revenue since the problems emerged last year?

**Mr RONISVALLE:** Very few tickets were actually being sold over that period. There was not any extra information available to Treasury to assess whether those budgets were going to be met.

**The Hon. PATRICIA FORSYTHE:** But you were talking about that as the offset for the emerging issue.

**Mr PIERCE:** If I may, this was quite appropriate because that is the nature of the reports that the finance committee was receiving. It is a point quite generally that Treasury officers in a number of circumstances may have feelings in their bones about what a particular agency's budget position may be like. But you cannot use that as a basis for formal briefings to a Minister. It is like trying to cut across the accountabilities that operate within an agency. The appropriate response is to call for information, to look at the basis of the reports that have been coming forward and, if you like, to test the feelings that people may have by virtue of their experience—and Mark has plenty of that—against the evidence that people can put forward. We seek to be as well informed as we can when the evidence does come forward and to respond to it appropriately.

**The Hon. A. B. KELLY:** There was a News Ltd campaign that, it was said, got an extra \$150 million. Was that concluded at that stage?

**Mr PIERCE:** I am sorry?

**The Hon. A. B. KELLY:** The News Ltd campaign for \$50-odd million worth of tickets that were sold, that we were told about yesterday, that was still not concluded at the same time, was it?

**Mr RONSISVALLE:** I think it is fair for me to say that I do not think that was properly concluded at the time, on 24 May. But the uncertainty as to what that campaign would actually produce is an issue that needs to be factored in when you are trying to work out what the most likely ticketing revenue figure is. To this day, the actual ticketing revenue is very uncertain.

**The Hon. J. R. JOHNSON:** As it is with all organisations that run functions.

**Mr RONSISVALLE:** Yes.

**CHAIR:** Going to your own chronology: on 26 April you say that "SOCOG were reporting that ticketing revenue could offset expenditure risks." You said "could", not "should" or "would". The "could" means that there is a question mark. If the Treasurer was preparing a speech to be delivered on 23 May in which he used a statement which could be regarded as understandable rhetoric, to repeat twice "with not a single cent in debt" and "every single last cent", he would have had a little question mark in his mind, one would think.

**The Hon. J. R. JOHNSON:** And it is still true.

**The Hon. Dr P. WONG:** It is not true.

**The Hon. D. J. GAY:** It is because they borrowed some more.

**Mr PIERCE:** Bear in mind that these were additional revenues that could offset uncertain expenditures. The expenditure side had risks and uncertainties attaching to it, as did this part of the revenue side. So that it was not as if there was a known, specific, tacked-down expenditure that had to be incurred, which people were hoping, through manna from heaven or something, would then be offset by the revenue. The expenditure side itself was subject to risks as well.

**CHAIR:** Mr Pierce, did you have any sense of apprehension or nervousness, if you like, when two things were changed? One, in the middle of what seems to be some uncertain position with the finance, the SOCOG board does not meet in May? And, two, the finance committee—going by your chronology – has always been meeting in the second week of the month but, if you look at the finance committee dates, 12 April and 15 March, suddenly the May meeting jumps to 24 May, which is the day after the Treasurer delivered his speech.

**Mr PIERCE:** I am sorry. Are you referring to the SOCOG board itself or the contingency committee?

**CHAIR:** Also to the finance committee. The board is not meeting, but the finance committee is not meeting either. Its meeting is delayed from the second week, which, by coincidence, then falls on the day after the Treasurer delivers his speech to Parliament.

**Mr PIERCE:** As I understood it, Mark communicated to the committee that he would not be available to attend a meeting during that period of time leading up to the budget, and that he would not be available for a meeting until the budget was over. Effectively, that is how the 24<sup>th</sup> emerged; it was just availability of people because of the demands of the budget.

**CHAIR:** I am just saying that in your mind it seems as if the hand was off the tiller, so to speak, for that few weeks when there were some potentially serious financial problems developing. Did you have a sense of apprehension about lack of information or supervision at that point?

**Mr PIERCE:** No, not really, given that it is a couple of weeks. I was not of the view that a couple of weeks would make that much difference.

**CHAIR:** But in regard to the Budget Speech?

**Mr PIERCE:** No. As I say, you have to go back. If the information that was available to us on 24 May—and we are getting into hypotheticals here a bit—was available to us earlier on in the process, say at 11 May, would we have been in a position to act in any way different? Given that the database was closed off and that we were into printing documents and producing things, I would suggest to you that we would not have been in a position to make an adjustment within the budget.

**CHAIR:** No, the Budget Speech.

**Mr PIERCE:** I think, as I was saying before, the budget does make provision for what we now understand to be the remaining Olympic-related expenses because the budget has provisions for variations in expenses separate from whatever variations may be within the budgets of the individual agencies.

**The Hon. D. J. GAY:** Both Mr Pierce and Mr Ronsisvalle indicated that they accepted the figures that were provided by SOCOG, certainly on their face value. Is that correct?

**Mr RONISVALLE:** You have to have a basis on which to question. You can question that data at the finance meetings but, if satisfactory explanations are provided, you are forced to accept the numbers.

**The Hon. D. J. GAY:** Is that because SOCOG had a history of providing you with accurate forecasts?

**Mr RONISVALLE:** My history of involvement with SOCOG goes back only a few months; I have not actually been involved for that long. But—

**The Hon. D. J. GAY:** But you are a professional.

**Mr RONISVALLE:** Yes. But each time when you query the data they have got an explanation which—

**The Hon. D. J. GAY:** I am sure they have got an explanation. But is it not a fact that SOCOG's projections have been proven to be less accurate than you would have desired?

**Mr RONISVALLE:** They have proven that the outcomes look like they were going to be different from what was projected back in February, yes. The business of running an Olympics is a unique event, and because of that there is a need to allow some margin for let's say a greater level of inaccuracy in actual projection. It is not something that the State has actually done a number of times.

**Mr PIERCE:** From a broader perspective, the variations in SOCOG's forecasts are within the bounds of variations within other organisations. So, from that perspective, whilst we would have concerns about that and we try to address that through the reporting that we ask agencies to do to try to provide greater clarity about the possible variations, it is within the normal course of Treasury business to deal with the sorts of changes that we are talking about here. If I might make one more

point. The other distinction with SOCOG, as distinct from other agencies, is that when other agencies have variations, quite often those variations not only impact upon the year that you are trying to manage itself, but, because it is an ongoing operation, it affects future years. In SOCOG's case, of course, we are really talking about one-off events, which are more easy to accommodate within the budget position than things which go on for years and years.

**The Hon. D. J. GAY:** Given those two answers: the 26 April meeting that Treasury held with the Treasurer, is it fair for me to assume, Mr Ronsisvalle, that you did not just give the SOCOG view of the world to the Treasurer, that you went beyond the SOCOG view of the world and would have put your own feelings and your own understanding on the SOCOG view of the world?

**Mr RONISVALLE:** Certainly, I would have pointed out the risks on both sides of the equation. But I suppose at the time those risks were roughly balancing each other. I mean, there may have been a slight disparity between the two, but the difference between the two was not anything that would cause alarm. So the Treasurer would have been left with the impression that SOCOG is something that we have to monitor closely, but there is not a need to haul them in to see what is going on at the moment.

**The Hon. D. J. GAY:** So you are indicating to the Treasurer on 26 April that SOCOG is something that we need to monitor closely. Two days before, as your own chronology indicates, the database was closed off, which was in fact some three weeks before the Treasurer's Speech to the House was finalised. So you had comprehensively briefed the Treasurer on 26 April?

**Mr RONISVALLE:** Yes. But, again, that briefing would have said that, while we need to monitor them, at this stage there was nothing to actually cause alarm as far as the State 's budget is concerned.

**The Hon. D. J. GAY:** Was concern with the track record the reason why, when the \$140 million was given, it was given on the joint signatories of the Treasurer and the Minister?

**Mr PIERCE:** The requirements are that before that contingency can be accessed, it needs the approval of the Treasurer. That, really, is in recognition that, as the date on which the operations actually start gets closer, then it is to be expected that an agency responsible for delivering those Games, when it comes across a problem, if it can readily fix the problem by incurring additional expenditure then, given the time pressures of operations, that is a natural response on the part of the operation. That is not criticising anybody responsible for operations at all. It is the nature of what they have been charged to do.

However, we may have a view that when a problem emerges, whilst it may appear significant within the operational level of a particular management unit, from the broader State perspective, you might form the view that, rather than spending money to fix that problem, we will live with that problem and not spend the money. Obviously, as we go closer to operations, this requirement to come back to the Treasurer is really to provide a balance to those pressures which will be horrendous for people to manage in order to address problems as they emerge.

**Mr RONISVALLE:** If I could clarify the answer. At that meeting with the Treasurer on 26 April, as part of that briefing I would have made it clear that obviously the amount of money that was being claimed against the contingency was increasing and that was a concern, but at this stage it was not something we needed to react to in a strong way.

**The Hon. PATRICIA FORSYTHE:** If you said it was a cause of concern, and earlier you have referred to the need for the Treasurer to monitor the situation, and that is said on 26 April, and

you have referred to the need to look at this as margins for error, how could the Treasurer have given such a definite statement to the Parliament on 23 May?

**Mr PIERCE:** As I said before, it is accommodated within the State's overall financial position. It is not as if this level of expenditure is going to drive the State into debt.

**The Hon. PATRICIA FORSYTHE:** You said earlier that it is seen in the context of the State's overall financial position. In fact, in an earlier answer you mentioned the Treasurer's Advance. What is the role of the Treasurer's Advance in this context?

**Mr PIERCE:** This year, I should point out, the Treasurer's Advance increased from \$160 million to \$200 million, \$40 million of which is against capital. The role of that is really to deal with events during the course of the year—uncertainties in the levels of expenditure within agencies at the time the budget was brought down, one-off expenditure items which may emerge which would not have been anticipated at the time the budget was brought down, or a policy change during the course of the year which requires some sort of funding. In that sense it is the State's contingency reserve, although we try not to refer to it in those terms. It is no different—I mean, every jurisdiction's budget has something similar.

**The Hon. PATRICIA FORSYTHE:** What is the amount in the current budget?

**Mr PIERCE:** It is \$200 million in total: \$160 million for recurrent and \$40 million for capital.

**CHAIR:** Where is the \$140 million at the moment? Did that get transferred to SOCOG or is it still in your hands?

**Mr PIERCE:** It was appropriated as part of 1999-2000 to the Crown Transaction Entity, which is like a set of accounts within Treasury, and from there it was transferred to SOCOG.

**CHAIR:** So it is now in SOCOG's hands?

**Mr PIERCE:** Yes.

**CHAIR:** But SOCOG cannot use it without the Treasurer's approval?

**Mr PIERCE:** That is right. SOCOG cannot access that without the Treasurer's approval.

**CHAIR:** What would stop SOCOG from accessing it—just that legal requirement?

**Mr PIERCE:** Yes, that is right.

**CHAIR:** Could the SOCOG treasurer spend it? I know that Mr Egan must approve it in law, but is there anything to stop SOCOG from spending the money if it is in SOCOG's account—

**The Hon. A. B. KELLY:** Not if a person does not want to go to gaol.

**Mr PIERCE:** Yes, that is right.

**CHAIR:**—and then advising the Treasurer.

**Mr PIERCE:** It is very clear: SOCOG cannot incur expenditure, it cannot incur a liability for an expenditure without getting the Treasurer's approval.

**The Hon. Dr P. WONG:** Mr Pierce, on 12 April you told the Committee that your representative sought a change in the style of financial reporting to facilitate greater understanding and transparency of reports. By then did you have suspicions or concerns about the possible financial affairs of SOCOG or, indeed, the financial risk movement at that time?

**Mr RONISVALLE:** The short answer to that is that I wanted to spend less time reading the board papers. I wanted a report that I could make sense of more easily, and so I spent less late nights reading the papers.

**Mr PIERCE:** The information was there. One of the things we would like to have, sitting on any board, is reports which clearly articulate what the position is, rather than ones where the board members effectively have to do the work of the executive.

**The Hon. Dr P. WONG:** Was it unclear before that?

**Mr RONISVALLE:** The style of board papers which was presented to the finance committee was the style that was provided in February and March. It was in April that I suggested there needed to be some modifications.

**Mr PIERCE:** It might be true to say the information was there and in that sense it was clear, but Mark was suggesting ways in which it could be presented to the committee, which meant that the committee members themselves had to spend less time wading through the detail.

**CHAIR:** Earlier I asked you how SOCOG had spent the \$140 million. You said that the law requires Mr Egan's approval before it can be expended. Where is that legal requirement? We could not find it in the Appropriation (Further Budget Variations) Bill 2000. I know it may have been stated.

**The Hon. D. J. GAY:** It may be a new requirement just for this \$140 million. Is that the case?

**Mr RONISVALLE:** To go through the history of conditions imposed on the SOCOG budget, there have been various times when there has been a need to get the Treasurer's approval to access a contingency. Section 47 (7) of the SOCOG Act requires the Treasurer's concurrence to the budget, and Treasury imposes conditions as part of that. If SOCOG does not meet the conditions one would assume it is in breach of that component of the Act.

**CHAIR:** It is not in the bill we passed for the \$140 million; it is in the Sydney Organising Committee for the Olympic Games Act.

**Mr PIERCE:** Yes.

**The Hon. PATRICIA FORSYTHE:** It is not only the Treasurer. Is it also the Minister for the Olympics?

**Mr PIERCE:** Yes.

**The Hon. D. J. GAY:** You indicated that this was not just for the \$140 million. Am I correct in assuming that it referred to the previous contingencies as well?

**Mr RONISVALLE:** The condition that the Treasurer is imposing, that will apply to the whole of SOCOG's contingency, which is the \$140 million plus the \$50 million. While risks have been identified against those contingency items, the contingency committee of the SOCOG board has yet to approve a draw against that contingency fund for those items.



**The Hon. D. J. GAY:** That indicates to me that prior to this \$140 million, for the \$50 million and the contingency that was out there before, the Treasurer had to sign off on each of those before they were expended.

**Mr RONSISVALLE:** What I am saying is that that \$50 million has yet to come before the contingency committee for approval for a draw to be made against the contingency funds. At that time, under new conditions, that \$51 million will need the Treasurer's approval. So that \$51 million has yet to be approved by the Treasurer as a draw against the contingency.

**The Hon. D. J. GAY:** Was there a contingency before this \$50 million?

**Mr RONSISVALLE:** Yes, I think there were previously expenditure and revenue contingencies.

**The Hon. D. J. GAY:** What sum was that?

**Mr RONSISVALLE:** We are advised that it was about \$142 million in total. A component of that was a revenue contingency which had additional conditions. If I recall, that had specifically that the Treasurer's approval was required to draw against that revenue contingency.

**The Hon. D. J. GAY:** I am sure you will tell me if my representation is inaccurate. Would it be accurate to say that the Treasurer would have to have been aware that there were drawings being made on contingency because he had to sign off on them?

**Mr RONSISVALLE:** No. The few draws that have been against that contingency fund are under the old SOCOG conditions. Those rules did not require the Treasurer's concurrence. It is under the new conditions that any draws against the contingency will require the Treasurer's concurrence.

**The Hon. D. J. GAY:** So it was only the \$50 million and the \$140 million that had the new conditions.

**Mr RONSISVALLE:** What has happened is that the \$140 million has had the new conditions imposed and retrospectively we have gone back and added them to the \$50 million.

**The Hon. D. J. GAY:** According to your chronology, on 25 January the Treasurer contacted Minister Knight's office regarding the absence of the submission of the December 1999 financial report. Nearly four weeks after a finance report was due from SOCOG, Treasury had to follow up.

**Mr PIERCE:** The report would have been due on 21 or 22 January. The reports follow—there is a lag after the end of the period that you are reporting against. At that time SOCOG was dealing with issues that are completely separate from this \$140 million. It was dealing with those issues, which people are aware of, that are dot pointed there under 27 January. The advice back from the Minister's office was that they were not in a position to provide that report until they had dealt with those issues that are covered by those dot points.

**The Hon. D. J. GAY:** So you got a letter on 27 January?

**Mr PIERCE:** It was actually a phone conversation.

**The Hon. D. J. GAY:** In the chronology it says that a letter arrived on 27 January dated 19 January from SOCOG Minister Knight re inability to provide financial reports until budget position is clarified; relates to the need to find expenditure savings to maintain the \$30 million surplus. To

paraphrase this, Michael Knight is writing back saying, "Sorry, I cannot do that report. We are a bit strapped for cash. I need to put some cuts in place. We will contact you later."

**Mr PIERCE:** I think it was "We can't provide that report", which was a report against the pre-existing budget. He came forward at that time and said, "Rather than reporting against that budget, I am proposing a budget which is put together on a different basis", which is the basis that you see there.

**The Hon. D. J. GAY:** When did you finally get it?

**Mr PIERCE:** On 27 January.

**The Hon. PATRICIA FORSYTHE:** As part of that, was the decision to outsource SOCOG's revenue operational programs and budgets to the OCA directly related to the fact that SOCOG had budget difficulties?

**Mr RONISVALLE:** I think the Government took a view that the Games could be managed better by rearrangement of operating responsibilities.

**The Hon. PATRICIA FORSYTHE:** Is that because with the OCA being a central agency of government there is a closer relationship between the monitoring of OCA than SOCOG?

**Mr RONISVALLE:** That is probably a better question to be addressed to the Olympics Minister.

**Mr PIERCE:** That is a decision in which Treasury was not involved.

**The Hon. PATRICIA FORSYTHE:** Can I clarify this? My first question to you today was about the oversight role of Treasury to SOCOG, and my second question—but other people intervened—was about the direct relationship between Treasury and the OCA. You might now clarify what the difference is between the Treasury's role in relation to SOCOG and its role in relation to the OCA.

**Mr PIERCE:** As I said before, SOCOG is classified as a public trading enterprise in the sense that it is outside the general government sector. In contrast, the OCA is part of the general government sector so the OCA expenses are net aggregated within the aggregate State budget results, and we would monitor the OCA in the same way that we monitor any other government agency. So the OCA would be given a budget, and I would presume it reports to us monthly. I should think it would be a monthly report rather than a quarterly report.

**The Hon. D. J. GAY:** Mr Pierce, the meeting that was held for the acquisition of the \$140 million, the people who attended that meeting were Minister Knight, Dr Richmond—

**Mr PIERCE:** Yes.

**The Hon. D. J. GAY:** —Dr Richmond's financial adviser from the OCA and the deputy head of SOCOG, Mr Evers.

**Mr PIERCE:** Yes, that is correct.

**The Hon. D. J. GAY:** Absent from that meeting were the head of SOCOG, Mr Hollway and the finance director of SOCOG. Given the contingency or the money that was asked for was \$50 million for SOCOG and \$20 million for the OCA, it seems strange to me that there was an absence of the head and the finance wing of SOCOG.

**Mr PIERCE:** I hope you do not expect me to comment on the relationships between people in that neck of the woods because I am not in a position to do that. I just know that part of monitoring what the OCA was doing at that time and being asked to do was a review of SOCOG's financial position. I must admit that it did not surprise me that those were the individuals who were coming to report to it because they were the ones who had been conducting the review and said, "We had the deputy CEO of SOCOG there and the President of SOCOG's board".

**The Hon. Dr P. WONG:** Mr Ronsisvalle, as a member of the finance committee, when was it first brought to notice that SOCOG had exceeded its existing contingency of \$51.4 million, which was reported on 24 May? As a member of the finance committee when were you first aware of it?

**Mr RONSISVALLE:** It would have been the night before.

**The Hon. Dr P. WONG:** You were not aware of it before then?

**Mr RONSISVALLE:** No. The papers for these meetings generally arrived the evening before the meeting. I do not recall specifically when those papers turned up but normally in all cases I take them home and read them at home the night before the meeting.

**The Hon. Dr P. WONG:** So suddenly there is an overshoot of about \$51.4 million, and yet the Treasurer was not advised of the fact, from 26 April until 23 May?

**Mr PIERCE:** From 24 May to 13 June. As I indicated previously, 13 June was the date on which there was a budget committee meeting scheduled. It was the first meeting after the budget, and it was really the first opportunity that Treasury would have had to raise any concerns we had arising from that 24 May meeting.

**The Hon. D. J. GAY:** Did Treasury have any involvement in the production of the April finance report and the figures that were detailed in that report? Were any questions asked by SOCOG of Treasury in order to quantify sums with regard to requests for help in the financial assessments?

**Mr RONSISVALLE:** The SOCOG executives produce the report without discussions with Treasury. The Treasury then receives the papers, and at the finance meetings we ask questions to clarify various items.

**The Hon. PATRICIA FORSYTHE:** I return to an issue raised earlier. You said that one of the issues raised in April relating to the offset of expenditure was possible shifts in ticketing revenue. You highlighted the fact that you had obviously had some advice from SOCOG. In view of the fact that media reports in February highlight the fact that by the end of March there were expected to be some problems with Blazer Consultancy in not being able to complete a deal for the sale of up to 3,000 premium gold packages, what advice did SOCOG give about the provision of deals in relation to premium tickets? Was there any suggestion in April that SOCOG would lose revenue as a result of a failure by Blazer Consultancy, or any other organisation, to follow through on its contract?

**Mr RONSISVALLE:** Risks associated with those deals are one of the items contained in the \$51 million and probably in the \$33 million, the April figure. Those were the offsets against potential additional ticketing revenue.

**The Hon. PATRICIA FORSYTHE:** However, notwithstanding that they were still given a fairly positive report in April about ticket sales?

**Mr RONISVALLE:** I think you should bear in mind that we talked about potential additional ticketing revenue. Whether it was going to fully offset the risks—we did not actually get to that point. Whether there was a gap of \$5 million or \$10 million is not significant in the overall scheme of things. It is when it becomes a larger number that you need to take some action. Given the scale of money that is still to be spent between now and the time of the Olympics, again \$10 million is not a very significant amount.

**The Hon. PATRICIA FORSYTHE:** But it might be significant, in a contingency of \$70 million or \$50 million?

**Mr RONISVALLE:** On the other hand, there could be savings elsewhere on programs which could offset that \$10 million. At the time, we did not actually know.

**The Hon. PATRICIA FORSYTHE:** I return to the decision on 27 January to outsource SOCOG's venue operational programs. Who made that decision?

**Mr PIERCE:** I do not know that we could, with any authority, inform you of that, I am afraid.

**The Hon. PATRICIA FORSYTHE:** According to your chronology, on the same date the Minister for the Olympics briefed the Treasurer on SOCOG's budget difficulties. Was Treasury present at that briefing?

**Mr RONISVALLE:** On 27 January, yes.

**The Hon. PATRICIA FORSYTHE:** Was the issue of outsourcing part of that discussion, or was it quite a separate issue?

**Mr RONISVALLE:** The Minister raised that at the meeting, yes.

**The Hon. PATRICIA FORSYTHE:** That it intended to happen, or that it was the advice of the Treasurer that it should happen?

**Mr RONISVALLE:** The Minister was putting forward a proposal of how he would bring the SOCOG budget back into balance, and part of that was the outsourcing to OCA.

**The Hon. PATRICIA FORSYTHE:** To be absolutely clear, does the fact that OCA takes responsibility mean that the lines of accountability are now clear?

**Mr PIERCE:** I do not know whether they are clear. It means that OCA is responsible for performing those tasks at the price for which OCA is charging SOCOG. Presumably, SOCOG feels that there is a line of accountability from OCA to SOCOG, because they are the ones performing these functions. There is also a line of accountability from OCA, through the Minister, to the Treasury, just like any other agency, in monitoring their ability to perform those functions at that price for which they have said they will perform them. So we will be monitoring that, just like everything else.

**The Hon. D. J. GAY:** Mr Pierce, it has been suggested that the move was not done for that reason, but for the reason that OCA had an ability to move into other departments and access resources that SOCOG could not access. Is there any validity in that?

**Mr PIERCE:** I do not know about accessing resources in other departments for their own purposes. It is certainly true that OCA has been involved and has relationships with other departments through the procedures that were put in place for dealing with the Olympic services that have been directly provided by those other agencies—the police, the health and the transport people. As you

would be aware, we have had a process whereby, for those services that those other agencies need to provide to deliver the Olympics, they develop their proposals on how they are going to do it and what it is going to cost, and they have been submitting those to a committee that involves OCA and the Treasury.

Last year we had a reserve set aside within the budget for agencies that the Treasurer controlled. The agencies would come forward and make their submissions to that group, including OCA, and on the recommendation of that committee the Treasurer would transfer funds out of that reserve directly into the budgets of those agencies. That has been the nature of the relationship between OCA and those agencies. I dare say, it means that they have a high degree of insight into how those agencies operate and what they are going to be doing. However, that is in relation to how those agencies are going to deliver the services that they are responsible for, rather than suggesting that OCA has an ability to appropriate resources out of those agencies so that OCA can do what it is supposed to do. I see no suggestion of that.

**CHAIR:** There is a rumour—it would be good if you could refute it—that there was some manipulation of this information about the problems with the SOCOG funding so that the \$140 million would only appear after the budget was presented to the Parliament, so that the Government could present a good-news budget. Would you like to comment on that?

**Mr PIERCE:** Treasuries generally are never known for being slow in coming forward with what some people may regard as bad news. It is always in our interests for people to be made aware of that early. If we had had our druthers, this information would have been available earlier and would have been included explicitly within the presentation of the budget. I would suggest that if that information was available, I still would have taken the position that, for reasons of reinforcing the accountabilities for financial management within SOCOG, the \$140 million would have been appropriated out of the 1999-2000 budget year. For them in 2000-01, that would have happened anyway. It would have been easier for us, and for a whole lot of other people I think, to have managed that within the general preparation of the budget and the associated appropriation Acts rather than dealing with it in the way in which we have had to deal with it.

**The Hon. PATRICIA FORSYTHE:** With regard to 3 July—which is very recent obviously—I notice that it is said that the approval of the Treasurer and the Minister for the Olympics is required prior to drawing on the contingency item. Was it as late as 3 July that it was made clear that that was to be the position?

**Mr PIERCE:** That is the date on which it was formally signed off. However, we made that very clear on 19 June. I remember making the point that these were the conditions that were going to be attached to this.

**The Hon. PATRICIA FORSYTHE:** So it was Treasury's suggestion that the Minister for the Olympics should sign off on the spending proposals for SOCOG?

**Mr RONISVALLE:** The Minister is also president of the board.

**Mr PIERCE:** It is in that role that we would naturally want to have any drawing on that contingency not only endorsed by Minister Knight but also by the Treasurer.

**The Hon. PATRICIA FORSYTHE:** You do not see any conflict between his role as Minister and his role as president of SOCOG in the context of the signing off on these figures?

**Mr PIERCE:** I am sure the Minister is able to deal with both of his roles quite adequately.

**(The witnesses withdrew)**

**Motion by the Hon. Patricia Forsythe agreed to:**

That the letter tabled by Mr Sendt during his evidence be made public.

**(Luncheon adjournment)**

**ROGER BRUCE WILKINS**, Director-General, Cabinet Office, of 1 Farrer Place, Sydney, affirmed and examined:

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

**Mr WILKINS:** I am in attendance in response to a summons I have from Chair of the General Purpose Standing Committee.

**CHAIR:** Are you familiar with the terms of reference for this inquiry?

**Mr WILKINS:** More or less.

**CHAIR:** As you are aware, if at any stage you wish to have your evidence heard in camera by the Committee that can be done but I must warn you that the Parliament can override the decision of this Committee and make your evidence public. Do you wish to make an opening statement?

**Mr WILKINS:** No.

**The Hon. PATRICIA FORSYTHE:** What is the oversight of the Cabinet Office of the Olympic Games?

**Mr WILKINS:** We have specialist government agency charge of putting on the operations and overseeing the operations of the Olympics. The Cabinet Office has had a role only in respect of the normal procedures of government in relation to the needs for Cabinet oversight when Cabinet has met and decided matters through budget committee and the Olympics committee of Cabinet. We play the role of Secretariat but we do not have any specific role in relation to the operations of the Olympics.

**The Hon. PATRICIA FORSYTHE:** Which members of Cabinet sit on the budget committee?

**Mr WILKINS:** If everybody is there and not everybody is needed to be there, the Premier, the Deputy Premier, the Treasurer, the Special Minister of State and other ministers as necessary and co-opted.

**The Hon. D. J. GAY:** Not the Minister for the Olympics?

**Mr WILKINS:** Not as a matter of course but he would be there if there are matters dealing with the Olympics.

**The Hon. D. J. GAY:** Is the Olympics committee of Cabinet a separate committee?

**Mr WILKINS:** No, there are two committees: One is the Olympic Committee of Cabinet and the other is the budget committee of Cabinet.

**The Hon. D. J. GAY:** Is the make-up of the Olympics committee different?

**Mr WILKINS:** Yes, the Minister for the Olympics is on the Olympic Committee of Cabinet and so too is the Minister for Sport and Recreation.

**The Hon. PATRICIA FORSYTHE:** Are they the only two members?

**Mr WILKINS:** No. Which committee do you wish to know about?

**The Hon. PATRICIA FORSYTHE:** The Olympics.

**Mr WILKINS:** I have given you the list of names of the budget committee and now you would like to know the names of the Olympic Committee?

**The Hon. PATRICIA FORSYTHE:** That is what you were just asked.

**Mr WILKINS:** I would have to confirm that on notice but off the top of my head it is the Premier, the Treasurer, the Minister for the Olympics, the Minister for Sport and Recreation and there may be additional members. Maybe Mr Richmond could help you with that too.

**The Hon. PATRICIA FORSYTHE:** On what dates this year has the budget committee met to discuss the Olympics or would have had the Olympics on its agenda? How often has the Olympics committee met and on what dates this year?

**Mr WILKINS:** We are going into areas where you are asking me to reveal the confidential deliberations of Cabinet.

**The Hon. D. J. GAY:** No, just the dates.

**Mr WILKINS:** No, you want to know specifically what things were on the agenda.

**The Hon. PATRICIA FORSYTHE:** No, in relation to the budget committee on what dates this year did it meet to discuss issues in relation to the Olympics?

**Mr WILKINS:** That is the difficulty.

**The Hon. D. J. GAY:** You are pulling the fifth very early. We are just on dates. We have not gone to the crux of it yet.

**Mr WILKINS:** It is a problem.

**CHAIR:** We will refer only at this stage to the dates the committee met.

**Mr WILKINS:** I have to take that on notice because, as you would appreciate, the budget committee of Cabinet meets very frequently. The Olympics committee of Cabinet meets fairly frequently as well. I do not, off the top of my head, know the dates that they met.

**CHAIR:** Were you at the meetings?

**Mr WILKINS:** Some. I do not attend the Olympics committee meetings of Cabinet. One of my deputies takes the notice as secretary of that committee.

**The Hon. PATRICIA FORSYTHE:** On what dates did the budget committee meet to discuss the issues in relation to Olympic finance this year?

**Mr WILKINS:** This year? It is a very difficult question to answer even if I was able to divulge what is on the agenda of Cabinet because it would have presumably discussed questions of finance throughout the last financial year which may have involved Olympic matters throughout the last financial year.

**The Hon. D. J. GAY:** The question was specific to this year?



**Mr WILKINS:** Specific to 2000?

**The Hon. D. J. GAY:** Yes.

**Mr WILKINS:** Off the top of my head I do not know that. I also think there is a question about whether I can, in fact, give out confidential information.

**The Hon. PATRICIA FORSYTHE:** Treasury has had no difficulties advising the Committee that the budget committee approved the provision of \$140 million for SOCOG and has given the Committee a date so one presumes they actually met on that date. Treasury has had no difficulty providing the Committee with that information.

**Mr WILKINS:** They should have had a difficulty.

**The Hon. PATRICIA FORSYTHE:** Can you provide the Committee with any other dates this year that it may have also dealt with the issue?

**Mr WILKINS:** No, I cannot.

**The Hon. PATRICIA FORSYTHE:** Will you take that question on notice?

**Mr WILKINS:** I will take the issue on notice as to whether it is a proper question to answer and if I can I will.

**The Hon. PATRICIA FORSYTHE:** I will help you by suggesting that Treasury has advised that on 13 June the budget subcommittee of Cabinet resolved to invite the Minister for the Olympics to brief the future budget committee meeting on SOCOG's budget position. The Committee has some information and it would help if it had a complete picture of the number of occasions this year the budget committee met?

**Mr WILKINS:** I will take the issue on notice and I will come back to you.

**CHAIR:** Will you seek advice from the Premier or the Minister for the Olympics?

**Mr WILKINS:** Yes.

**The Hon. D. J. GAY:** From both?

**Mr WILKINS:** I would have to discuss it at a ministerial level probably with the Treasurer and the Premier and maybe with other members of the budget committee as well. I do not make decisions about divulging information about Cabinet lightly without consulting with the Government.

**The Hon. D. J. GAY:** I refer to general matters. If organisations such as SOCOG were to need extra funding would that matter need to go through Cabinet for final ratification?

**Mr WILKINS:** The question is a bit vague. I would have thought that if it required money out of Consolidated—

**The Hon. D. J. GAY:** It is deliberately vague because you are concerned with specifics that would preclude you from answering.

**Mr WILKINS:** We are dealing here with realms of convention, okay? I would say conventionally, usually, if there was a matter coming out of the Consolidated Fund of a large amount that would normally go through the budget committee of Cabinet. It would not necessarily have to go to full Cabinet.

**The Hon. D. J. GAY:** Would that be a matter that would normally go to the Olympic Committee as well as the budget committee?

**Mr WILKINS:** It could but that is not necessary. I mean it is essentially a budgetary matter.

**The Hon. D. J. GAY:** Who would prepare the Cabinet paper in matters, for instance, that involved SOCOG in which the Minister for the Olympics and Treasury are involved?

**Mr WILKINS:** That would vary. I do not think there is a strict rule about that. I would imagine the critical thing is whatever paper is prepared would just need to be adequate for the deliberations of the committee. I do not think there is a strict rule about that. The normal procedure would be in a budget committee proceedings that Treasury would prepare papers for that committee but other departments might as well under the auspices of other Ministers.

**The Hon. D. J. GAY:** Were there ever special Cabinet meeting about this matter?

**The Hon. A. B. KELLY:** You are going pretty close to the wire.

**The Hon. D. J. GAY:** I object. If the honourable member is going to answer the questions he should be sworn.

**The Hon. A. B. KELLY:** I said your questions are going pretty close to the wire.

**The Hon. D. J. GAY:** The witness has the luxury to refuse to answer when the Government's tame dog interferes.

**CHAIR:** As the witness has already demonstrated he is quite capable of indicating whether he can answer the question.

**Mr WILKINS:** What was the question?

**The Hon. D. J. GAY:** Was there a Cabinet meeting to discuss Olympic SOCOG finance?

**Mr WILKINS:** This is a matter that Cabinet has discussed since the inception of the Olympics under both governments.

**The Hon. D. J. GAY:** Was there a Cabinet meeting specifically during April/May 2000?

**Mr WILKINS:** During the April/May period? This falls under the rubric of that the general issue that I raised. I will have to take the general issue about answering those questions on notice. Could I get a note of the various questions raised by the honourable member?

**CHAIR:** It would be an unusual Cabinet meeting when the Olympics were not discussed, as you just said. It would almost happen at every Cabinet meeting?

**Mr WILKINS:** I would have thought that it happens on a regular basis.

**The Hon. D. J. GAY:** Is the Treasurer's Speech which is part of the Budget Statement normally a matter for discussion at a Cabinet meeting? Over the years has it been one of the items discussed?

**Mr WILKINS:** It varies. The substance of the Treasury's Speech is to pull together obviously a number of decisions that have been made through the budget process which spans quite a period of time. In that seems the substance of the Treasury's Speech comes out of the deliberations of the budget committee of Cabinet and maybe the full Cabinet. Actually putting together the speech is a matter for the Treasurer of the day. The Treasurer of the day may liaise with his Cabinet colleagues in constructing the speech or he may choose to write it himself.

**The Hon. D. J. GAY:** It could be unusual for Cabinet and/or the Cabinet Office not to sign off on the Treasurer's speech accompanying the budget.

**Mr WILKINS:** No, I do not think it would be unusual for us not to sign the speech. I think we would have faith in the Treasury and the Treasurer to be able to construct a speech that gave effect to the budget as decided through the budget process. I cannot remember having signed off on a Treasurer's speech—if I may put it that way.

**CHAIR:** In other words, there is no procedure whereby you or Cabinet approves the Treasurer's speech.

**Mr WILKINS:** No, the speech is essentially a vehicle for putting before Parliament what a complex committee process has determined to be the budget. The speech puts that before Parliament; there is nothing magical about it. The important part of the process from the point of view of Cabinet deliberations is not the Treasurer's speech but the substance of the budget.

**The Hon. D. J. GAY:** You are willing to say that quite easily yet you are not willing to indicate whether there were meeting dates—a seemingly innocuous matter.

**Mr WILKINS:** I do not see that they are comparable issues.

**The Hon. D. J. GAY:** Do you not concede that there is a certain incongruity about that?

**Mr WILKINS:** The problem with the questions that you are asking is that you would like to know basically when Cabinet was deliberating on certain issues. I can certainly and without difficulty provide the dates on which the budget committee of Cabinet met, but you want to know what Cabinet talked about at those meetings. I think that begins to go into the grey area of divulging the confidential deliberations of Cabinet. That is the sole issue about which I am concerned.

**The Hon. PATRICIA FORSYTHE:** My question certainly did not seek that information; I merely sought the dates on which the budget committee of Cabinet met when the Olympics were on the agenda.

**Mr WILKINS:** Yes, to talk about certain issues.

**The Hon. D. J. GAY:** A specific issue.

**The Hon. PATRICIA FORSYTHE:** Just the Olympics; that is all that I have asked about. I have not asked about any particular aspect of that; I merely asked on which dates this year the budget committee of Cabinet discussed the Olympics.

**Mr WILKINS:** As I have said, I will have to take that on notice.

**The Hon. D. J. GAY:** That is different from what you intimated we were looking for: a full list of the topics discussed by Cabinet.

**Mr WILKINS:** No, I did not think you were looking for a full list of topics. I thought you were asking me when the budget committee of Cabinet dealt with questions relating to the Olympics—which is precisely what I think your question was. I am saying that that is a grey area.

**The Hon. PATRICIA FORSYTHE:** In view of the fact that we have some dates courtesy of the Treasury, it would help us to have the full picture.

**Mr WILKINS:** I understand your contention.

**CHAIR:** Can you confirm the dates that we already have from the Treasury?

**The Hon. A. B. KELLY:** When Mr Wilkins sees them.

**Mr WILKINS:** I will certainly see whether I can do that.

**CHAIR:** Perhaps we should give the witness a copy of the chronology. As a gesture of goodwill, the Treasury has indicated when it reported to different bodies, including the budget committee of Cabinet.

**Mr WILKINS:** I will certainly look at that information.

**CHAIR:** If you wish, you may decide to confirm whether that public information is correct.

**The Hon. D. J. GAY:** I hope Mr Wilkins will go beyond deciding what he wishes to do and will confirm all the meetings that took place.

**CHAIR:** At least that is a beginning.

**Mr WILKINS:** Would you like to know whether I can confirm material dates in the document tabled by Treasury?

**CHAIR:** Yes—that would be the minimum effort.

**Mr WILKINS:** That depends on the issue that you want me to deal with. Were there any other meetings?

**CHAIR:** Are any other dates required?

**The Hon. D. J. GAY:** We were quite specific.

**Mr WILKINS:** So you wish me to confirm dates in this calendar year on which the budget committee of Cabinet dealt with issues relating to the Olympics.

**The Hon. D. J. GAY:** Yes.

**The Hon. J. R. JOHNSON:** Is the period this whole year or did you ask for dates in April and May?

**The Hon. PATRICIA FORSYTHE:** Just this year.

**CHAIR:** You must bear in mind that that does not mean the budget committee of Cabinet necessarily discussed Olympic finances on those dates.

**The Hon. D. J. GAY:** I reiterate that the period is this calendar year not this financial year from 1 July.

**Mr WILKINS:** As I said, Mr Chairman, I will take on notice the issue of responding to that question.

**CHAIR:** Are there any further questions for Mr Wilkins?

**The Hon. A. B. KELLY:** I would love to ask him some questions, but not about the Olympics.

**CHAIR:** We do not have the Director General sitting in front of us very often.

**Mr WILKINS:** Those matters are probably subject to Cabinet confidentiality.

**The Hon. D. J. GAY:** We have many questions but we know that we will not get answers to them. So let us move on so that we can ask questions in another area.

**(The witness withdrew)**

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

**ROBERT LUKE ADBY**, Executive Director, Finance, Olympic Co-ordination Authority, 1 Farrer Place, Sydney, on former oath:

**CHAIR:** We have received a copy of a document from you, Mr Richmond. The covering letter states:

I refer to the Standing Committee Inquiry into Olympic Budgeting. As requested by the Committee, please find attached information in relation to questions raised at the hearing yesterday, 4th July 2000.

Are you tabling that document?

**Mr RICHMOND:** I am, Mr Chairman.

**Motion by the Hon. A. B. Kelly agreed to:**

That the document be tabled and made public.

**Document tabled.**

**CHAIR:** Mr Richmond, do you wish to add any further comments?

**Mr RICHMOND:** There is one matter that I would like to clarify for the record. I have received a copy of yesterday's transcript. It was probably the way in which I constructed my answer. The fifth paragraph on page 25 contains a reference to the meeting with the Treasurer. My intention in my response was to indicate who was present at that meeting from SOCOG, and that was Mr Evers. On the third line from the bottom of the page after the words "chief of staff", I had hoped to have a full stop and to explain that Mr Barbeler is the finance director and that he and Mr Evers were called by the Committee. I did not mean to imply in any way that Mr Barbeler was at the meeting. I put it that way as I was responding to a question asking about the finance director of SOCOG. I responded by saying that Mr Evers was at the meeting representing SOCOG. I then said, "The finance director is Mr Barbeler, who is here today".

**The Hon. D. J. GAY:** That is why we needed you to appear before the Committee again.

**Mr RICHMOND:** It may have been the way that I put it, but I did not intend to suggest that he was there when he was not. I was simply clarifying that he is the finance director.

**CHAIR:** He was not present.

**Mr RICHMOND:** No. I thought I had said it in such a way that there would be a full stop after "chief of staff". I then said Mr Barbeler was the finance director. I was simply trying to clarify who from SOCOG was at the meeting and who the finance director was—who was not present. However, he appeared before the Committee yesterday to give evidence.

**CHAIR:** You will have the opportunity to go through the transcript.

**Mr RICHMOND:** Yes. That passage jumped out at me because it is not what I intended to convey.

**The Hon. PATRICIA FORSYTHE:** Dr Richmond, page 6.11 of budget paper No 2 states:

OCA is also seeking to develop other marketing and operational strategies for Homebush Bay that will assist in achieving the financial viability of the Olympic site.

I think it is referring to the long-term operational costs of the site post the Olympics. Have there been any developments in that regard since the budget was prepared and printed? Are there any strategies to ensure the long-term viability of the site?

**Mr RICHMOND:** Only in the sense that we are preparing material that will eventually go to the Government and then to the Parliament, as is required under the OCA Act. Prior to winding up the OCA, we are obliged to report as to arrangements in respect of the post-Olympic management of assets. We are certainly giving some preliminary consideration to some of the things that we may want to put before the Government. However, at this stage it has not progressed beyond some discussions and meetings within OCA and with some stakeholder groups. The next part of that process will be briefing the Minister and the Premier and providing a submission to Cabinet in due course.

**The Hon. PATRICIA FORSYTHE:** Would that include creating something such as a trading enterprise a bit like the Darling Harbour development?

**Mr RICHMOND:** It is conceivable that it could.

**The Hon. PATRICIA FORSYTHE:** But plans are only at the discussion stage. Has there been any seed funding?

**Mr RICHMOND:** No.

**CHAIR:** I wish to clarify a comment made yesterday that part of the contingency was to cover possible litigation. The document that you have supplied today contains table 6.1 "Net Budget Impact of the Sydney Olympic and Paralympic Games". The Sydney SuperDome is shown as an outflow cost and then you have other contributions below it. There have apparently not been as many rental bookings for the SuperDome as predicted. Has that affected in any way the income flow of SOCOG or the OCA?

**Mr RICHMOND:** No, it has not affected our income flow. If it is the case that the SuperDome has not received a high level of bookings—and I believe that is so—it would certainly have affected their income flow.

**CHAIR:** When you say "their", do you mean the SuperDome operators? Will it have any flow-on for the Olympics?

**Mr RICHMOND:** No. Our relationship with the SuperDome is: first, as the organisation that commissioned it to undertake development; and, secondly, as the organisation whose land on which it operates. SOCOG has a relationship through a contract with the SuperDome to provide access during the Games period. However, we do not have a direct relationship in terms of its level of operating revenue and those kinds of issues. They are risks that the SuperDome operators bear.

**The Hon. D. J. GAY:** Is not any profit or loss from the SuperDome part of your contingency?

**Mr RICHMOND:** No. Any arrangements for profit in relation to the operation of the SuperDome would be as reflected in the project agreement. I do not recall those arrangements offhand—or even whether they are there. But, if they are there, they would relate very much to long-term profits. They certainly would not be factored into any OCA budget parameters. The only thing factored in would be the payments that I explained to you, Mr Chairman. The SuperDome is located in the Homebush Bay precinct, which OCA owns, and it makes certain payments.

**The Hon. D. J. GAY:** And if they cannot pay?

**Mr RICHMOND:** There is no reason to believe that they cannot pay their estate levies at this point in time, and if they were to become a risk obviously we would treat them like any other risk and go through a process of risk analysis. But, in terms of a debt under a contract, you would not be making provision for that unless you had substantial evidence that you have sent a bill and people are overdue in paying.

**The Hon. Dr P. WONG:** How about legal liability?

**Mr RICHMOND:** In respect of what?

**The Hon. Dr P. WONG:** In respect of breach of contract, a breach of agreement between the Government and other bodies, namely, the Entertainment Centre?

**Mr RICHMOND:** If somebody breaches some agreement—

**The Hon. Dr P. WONG:** If the Government breaches of agreement who pays? Does the OCA pay, does SOCOG pay, does the Government pay? Who pays?

**Mr RICHMOND:** With any contract, obviously if there is any breach of contract in somebody's view, they have recourse under the contract to enter into negotiations and ultimately take the matter to court. I am not aware of any breach of contract in regard to the SuperDome. We are currently in negotiations with the SuperDome in respect of the original building contract. That is a negotiation we have been having for sometime. SOCOG and OCA are also in negotiation with them about the cost of the occupancy of the SuperDome during the Olympic Games period, but we are also in that sort of negotiation with a range of other people. I am not aware of any issues where anybody, either OCA or SOCOG or, on the other hand, SuperDome is alleging breach of contract. I am certainly not aware of that.

**The Hon. PATRICIA FORSYTHE:** If the role of the Sydney Entertainment Centre were to change, what is the effect of that on the Millennium Consortium and any payment to government?

**Mr RICHMOND:** It would depend on whether the role changed and the way in which it changed. I would have to say, given there is a review on foot and we have been injuncted in relation to that review by Arena Management, who runs the Sydney Entertainment Centre, I would feel obliged not to proceed further with responses in relation to that matter.

**The Hon. PATRICIA FORSYTHE:** But in the estimates committee you indicated quite clearly—

**Mr RICHMOND:** Yes, and my answer is there for the public record. I do not particularly wish to go over that again, even though it may be the same answer, and probably would be.

**The Hon. PATRICIA FORSYTHE:** I think it was the same answer I was looking for. You were able to give a precise answer on that occasion.



**Mr RICHMOND:** I am not in a position to be able to do that when the matter is before the court. The legal advice would be that I could not comment on that. I have tried to deal with the generic arrangement between SOCOG and the SuperDome. I am not able to enter into that other issue.

**The Hon. D. J. GAY:** Could I go to the chronology you have kindly put in place. I am now operating with two chronologies.

**Mr RICHMOND:** Yes, I understand that.

**The Hon. D. J. GAY:** I have the Treasury's chronology and your chronology.

**Mr RICHMOND:** I am not sure I have both. Yes, we have them both now.

**The Hon. D. J. GAY:** I note the second item in your chronology. On 15 March you indicate that finance committee identifies—and I am assuming this is SOCOG's finance committee?

**Mr RICHMOND:** It is indeed, yes

**The Hon. D. J. GAY:** Through some strange reinvention you or Mr Adby has taken over the role of reporting or running of SOCOG.

**Mr RICHMOND:** I am sorry, I do not understand how you would form that view. We were asked to produce a chronology. We have done our best to do that. It relates to the SOCOG issues and, yes, it is the SOCOG finance committee.

**The Hon. D. J. GAY:** I will come back to my aside later.

**Mr RICHMOND:** Thank you.

**The Hon. D. J. GAY:** On 15 March your chronology indicates the finance committee identifies \$26.7 million of emerging additional risks.

**Mr RICHMOND:** Yes.

**The Hon. D. J. GAY:** The Treasury chronology indicates for the finance committee balanced outcome and expenditure risks with potential offsetting from ticketing revenue, to which they said Mr Evers had indicated that ticketing was going to go better than expected. The contingency committee identifies \$32.5 million from non-Games time contingency and \$7.5 million from Games time contingency. I am assuming that the \$26.7 million and the \$7.5 million are figures that relate to the same thing.

**Mr ADBY:** No.

**The Hon. D. J. GAY:** Can you clarify that?

**Mr RICHMOND:** I might ask Mr Adby to do that.

**CHAIR:** You could break down that figure of \$26.7 million?

**Mr ADBY:** I might have to take that on notice but, in any case, the \$50 million that is in the Treasury document is referring to the existing contingency from the February budget. That is the schedule you had yesterday. It had the February 2000 risks, and they came to \$50 million. Of that, \$32.5

million was provided for contingency risks outside the time of the Games or the Games time; \$17.5 million in that original \$50 million were set aside for Games times risks. In my chronology of the \$26.7—

**The Hon. D. J. GAY:** That is emerging additional?

**Mr ADBY:** That was emerging additional, and that \$26.7 million—

**CHAIR:** Was over and above the \$50 million?

**Mr ADBY:** Yes. That \$26.7 million was a calculation I did myself across the things that were listed in the papers. So, if you go back to the minutes of the meeting, they do not actually show \$26.7 million anywhere. That is my calculation.

**The Hon. D. J. GAY:** That \$26.7 million is your calculation from the figures presented of the emerging additional risks, is that correct?

**Mr ADBY:** That is right.

**The Hon. D. J. GAY:** That was done on 15 March, and on 13 April, at the finance meeting, you identified additional risks of \$33.9 million?

**Mr ADBY:** That is right, yes.

**Mr RICHMOND:** That is a cumulative number.

**The Hon. D. J. GAY:** That is additional above the \$50 million, as you indicated before?

**Mr RICHMOND:** It is additional above those that are shown as against the \$50 million.

**The Hon. D. J. GAY:** So we have you as the finance person on 15 March and 13 April identifying that extra risks above the \$50 million contingency had gone from \$26.7 million to \$33.9 million. It was also indicated by way of this Treasury document that there was a Treasury official at those same meetings.

**Mr ADBY:** That is right.

**The Hon. D. J. GAY:** Did you keep your calculations to yourself or were they part of the deliberations of that meeting?

**Mr ADBY:** At the meeting I did not add up my \$26.7 million and say here is \$26.7 million. My recollection is that the whole meeting discussed the risks and there was quite considerable discussion, where people were talking between \$22 million and \$30 million, and that \$26.7 million was my assessment of it. But the committee in general—

**The Hon. A. B. KELLY:** Can I ask a follow-up—

**The Hon. D. J. GAY:** I have not finished.

**The Hon. A. B. KELLY:** It is relevant to what you are asking.

**Mr RICHMOND:** Can I just clarify that. Mr Adby does that to provide me with an update where he thinks things are going and, conversely, the Minister for the Olympics, as part of the process.

**The Hon. D. J. GAY:** I am accepting without qualification Mr Adby is telling me what actually happened. I am not disagreeing.

**CHAIR:** The chart does say finance committee, not Mr Adby.

**Mr ADBY:** The whole committee was part of the discussion.

**CHAIR:** He obviously knows it, but I am just saying it is more than his own knowledge. It is the knowledge of the committee.

**Mr ADBY:** And the minutes of the following meeting recognise all those things.

**The Hon. A. B. KELLY:** Can I just ask a point of clarification. Going on from the same point in that chronology that Treasury supply us, on 12 April it says, "and advises that additional costs which have been identified, will keep net ticketing revenue to budget." Over the page, on 26 April, it says, "The April finance committee meeting and that SOCOG were reporting that ticketing revenue will offset expenditure risks." Was that extra \$33 million at that stage presumed to be covered by additional income from ticketing?

**Mr RICHMOND:** It would not be fair to say it was presumed. The whole committee, not just Mr Adby, or Mark Ronsisvalle—

**The Hon. A. B. KELLY:** Yes, I meant the whole committee.

**Mr ADBY:** The whole committee discussed the fact that we still did not have a reconciliation from SOCOG as to the total tickets, and we were very aware that there was a value in terms of the percentages assumed to be sold, and if that was overexceeded and looking at the reconciliation of the stock of tickets, there was an upside of up to \$60 million or \$70 million. We were waiting for that assessment from SOCOG. So there was a real chance that the outcome of the ticketing review would cover those risks. The whole committee discussed that and took that decision.

**The Hon. D. J. GAY:** Can I just go back to what I was asking. So that Treasury official was at both of those meetings where, on 15 March you identified \$26.7 million by way of discussion as the emerging additional risks, and then on 13 April \$33.9 million as additional risks?

**Mr ADBY:** My recollection is yes.

**The Hon. D. J. GAY:** And those two meetings certainly took place before the meeting in Treasury? I draw your attention to 26 April when Treasury officers briefed the Treasurer on issues emerging for the April finance committee meeting, that SOCOG were reporting that ticketing revenue could offset expenditure risks. You indicated that was part of the evidence but you also indicated that the additional risks have grown from \$26.7 million to \$33.9 million in less than a month.

**Mr ADBY:** That is true.

**The Hon. D. J. GAY:** And the Treasury official at those meetings, it was indicated in evidence this morning, was the same Treasury official who briefed the Treasurer?

**Mr ADBY:** Yes, and again he would have heard that additional revenue had a chance of covering those risks.

**The Hon. D. J. GAY:** And one would have assumed that that Treasury official detailed that those additional risks beyond the contingency had gone from \$26.7 million to \$33.9 million?

**Mr ADBY:** You would have to re ask him that, sir.

**The Hon. PATRICIA FORSYTHE:** A few moments ago you referred to a review of ticketing. Can you tell me what dates we are talking about?

**Mr ADBY:** As I said yesterday, there were two issues with the ticketing at that time. One was this reconciliation of the number of tickets. The second issue was on 7 May we were due to launch another big-ticket program. We did not get advice as to the outcome of the second issue or that there was probably little chance of a larger upside on ticketing until 14 June. At the finance committee meeting on 14 June we were advised not to have any further hopes of a much higher ticket mark-up.

**The Hon. A. B. KELLY:** What was that date again?

**Mr ADBY:** On 14 June we got a final conclusive statement on our propensity to get a higher level mark-up on the tickets. Not a mark-up on the tickets but a higher level of revenue.

**CHAIR:** Just to clarify something that has come up already, 15 March and 13 April—\$26.7 million and \$33.9 million—you could argue that there needs to be a comment to say, "offset by ticketing revenue, net emerging risk is nil."

**The Hon. A. B. KELLY:** Yes, that is right. On your note you have actually put only one side of the ledger.

**The Hon. D. J. GAY:** Is that helpful?

**Mr ADBY:** Yes, it is, because as I said, nobody on that finance committee or contingency committee was prepared to do otherwise.

**The Hon. PATRICIA FORSYTHE:** I am sorry, would you say that again?

**Mr ADBY:** Nobody on that finance committee or contingency committee was prepared to consider the matter in any other way. Nobody was prepared to act other than waiting till we got a result with that ticketing number.

**CHAIR:** Which you thought was about \$60 million?

**Mr ADBY:** No, the ticketing exercise is done on an assumed 60 per cent sell-through. Even at that time, February, March, April, SOCOG was attempting to do a complete reconciliation of its stock of tickets. Tickets were coming back from overseas, they were coming from all sorts of places. So the reconciliation of the stock of tickets and the value of tickets that would go on sale to the public was very important in terms of projecting the possible revenue above budget. The second issue was this next big ticket launch, which was not starting until 7 May. I think it would have been extraordinary for the committee to do anything with a number that small when that issue was still ahead of it.

**CHAIR:** I think you mentioned earlier that it could have been up to \$60 million above the budget?

**Mr ADBY:** This is my understanding. Michael Eyers would have to confirm it. The total face value of the ticket stock exceeds the budget expectation by about \$ 70 million. So there is a contingency

in the tickets built into the way in which the budget is created. So if you sold over the number of those tickets you have an upside.

**The Hon. D. J. GAY:** So on 24 May there was a joint meeting of the SOCOG contingency and finance committees and the figure was then \$51.4 million unfunded risks and not covered by contingency. I am reading directly from your chronology. Did you have a part in the development of those figures for that meeting?

**Mr ADBY:** No. The movement from \$33.9 million to \$51.4 million was a product of the ticket reconciliation part of the process. That is a very involved process.

**The Hon. PATRICIA FORSYTHE:** When did the ticket reconciliation process occur?

**Mr ADBY:** The ticket reconciliation process was ongoing, on my understanding. I do not know when it started but I think it was January right through to May.

**CHAIR:** Are you now saying that on 24 May the \$54.1 million would not be covered by the ticket sales? You had that information?

**Mr ADBY:** We still had not been told that it was not covered by the ticket sales. The reconciliation part was now saying that there was one big upside and a number of small downsides that almost cancelled themselves out. That brought the number back to about half a million, which is in your paper for May. The only thing we then had hopes on was the ticket marketing that was going on at that time. We did not have report on that. But the members of the contingency committee on 24 May decided that the underwriting was possibly on and approached the Minister. We needed to advise the president and we needed to start to put some process in place.

**The Hon. PATRICIA FORSYTHE:** But they were comfortable on 26 April that ticketing revenue would offset emerging budget problems?

**Mr RICHMOND:** Confident that it might, bearing in mind—

**Mr ADBY:** Sorry, 26 April, was that not the meeting with the Treasury?

**The Hon. PATRICIA FORSYTHE:** Yes.

**Mr RICHMOND:** The actual ticket sales program started on 7 May. So by 24 May you were well into that even though it was not completed, leaving aside interstate football, until 7 June. But you were well into that and there was no startling evidence emerging that there was going to be a big upside. But as Mr Adby points out, it was not until 14 June that there was a formal confirmation of that. But in the period of three weeks there was a very significant number of tickets on the market and a lot of sales were transacted. So it was much clearer what was happening by then than it would have been in April, of course, because we had not started selling tickets again.

**Mr ADBY:** The meeting of 26 April that you referred to I assume is a meeting of Treasury officers with the Treasurer. I do not believe that the Treasury officers would have had any further information other than 13 April.

**The Hon. PATRICIA FORSYTHE:** Why was not the problem of the \$8 million that was identified to us late yesterday in relation to possible risks around the distribution of tickets already known at the end of April? In all this we are talking about revenues likely to offset some of the additional risks. It seems that the \$18.6 million, which includes a \$8 million figure for distribution, emerged as a figure only in May.

**Mr RICHMOND:** The sequence of events in relation to ticketing was that when Michael Eyers assumed the role of deputy chief executive officer responsible for tickets—ticket marketing and ticket sales—a series of activities ensued. One was reviewing how we were going to move to the next phase of ticket sales given that we had lost a lot of time because of the previous problems, and what capability existed in SOCOG to do that. That meant reviewing the call centre arrangements, Internet arrangements, and the mail house. One of the issues that came up in that period was the capability of the sponsor to deliver the tickets. A decision was taken to require door-to-door delivery. That resulted in a series of discussions with both the sponsor and the local provider.

It was only over a period that the actual cost of that crystallised, given that there had been some opportunity to obtain some benefit from the sponsor. So we started out with a situation in which there was a certain amount of opportunity under the sponsorship agreement. There was then the idea that we may have to go out to a new contractor. Until we went through negotiations with both parties that was not clear. As soon as it became clear, those sorts of numbers were being put to the committee.

**The Hon. PATRICIA FORSYTHE:** On what date did that crystallise?

**Mr RICHMOND:** I am not in a position to—

**The Hon. PATRICIA FORSYTHE:** Are we talking about April-May?

**Mr RICHMOND:** We are talking about over a period of a couple of months when all those negotiations were going on. They were going on not only in Australia but across the oceans with the IOC and the sponsor. It was a lengthy period of final deliberation to clarify those sorts of numbers.

**The Hon. PATRICIA FORSYTHE:** But it would have been known by the finance committee or others in SOCOG that that was not an issue resolved in April. Would someone at the level of the finance committee or elsewhere in SOCOG have known, for example, that that was an issue not yet crystallised, not yet resolved?

**Mr RICHMOND:** Yes, certainly it would have been an issue. It was a risk that was being addressed at that time. People would have been aware of it as a risk. Michael Eyers yesterday said that it was not until 16 March that bids from the tender for ticket delivery actually arrived in SOCOG. I think that was in response to a question from you. So from that day forward there was some indication of the likely quantification, but the firm quantification would have occurred only with the culmination of the negotiations with the tenderers and with the sponsor.

**CHAIR:** So when SOCOG made a decision to have door-to-door delivery it made the decision on that policy without knowing what the costs may be?

**Mr RICHMOND:** It made that decision in the context of what it understood were the obligations of the Olympic sponsor. It had an obligation to do just that, to provide door-to-door delivery.

**CHAIR:** So there was no change?

**Mr RICHMOND:** Not in SOCOG's view. However, there has been a protracted discussion with the sponsor, who has taken a different view. Again, it is this area of the contracts which has been the subject of discussion over the last few months. Again, that is an area in which we are still facing some risk in terms of the final outcome. It is a very complicated issue in terms of sponsorship rights that people have and how the activity is carried out. In the case of ticket delivery there was an expectation by the SOCOG board that the sponsor would provide door-to-door delivery. It was the

SOCOG board's view that it should be required to do that. That decision triggered a whole series of complex negotiations and the need to go out to tender to seek alternative quotes within the Australian market to achieve that door-to-door delivery, given the great risks that attend the ticket delivery process. We needed a very secure system of delivery for these very valuable items. That has been the subject of a lot of discussion in recent times. As I said, it is still a matter that is on foot in terms of what the final—

**CHAIR:** What was the other way of doing it? Registered post?

**Mr RICHMOND:** Registered posted did not provide the level of security—

**CHAIR:** Is that what SOCOG thought?

**Mr RICHMOND:** No, it was looking at another system of distribution whereby people went to central points.

**CHAIR:** Collected the tickets?

**Mr RICHMOND:** Yes. That had its limitations. I again stress that that is one of the issues that is yet to be fulfilled in terms of the final outcome of the ticket distribution process and what positions might be taken by the parties. That could well be a matter on which there is commercial resolution subsequently.

**The Hon. D. J. GAY:** Mr Adby just indicated that part of the problem was the ticketing shortfall that occurred from 7 May on with SOCOG. You also indicated that you did not have a part in the preparation of SOCOG's financial statements for the 24 May meeting. Is that correct?

**Mr ADBY:** No, I do not put the papers together for the meetings.

**The Hon. D. J. GAY:** So the answer is: yes, it is correct; you do not put those papers together?

**Mr ADBY:** I do not put the papers together.

**The Hon. D. J. GAY:** But in your chronology and area that you do have responsibility for it is \$20 million of identified risks for OCA? That is on 26 May. I assume that OCA's risks are not ticketing risks. How did they just arrive on 26 May?

**Mr ADBY:** A number of programs were outsourced to OCA such as catering, cleaning, spectator services, and overview of interstate football. After that outsourcing in February OCA established a number of review committees that included independent members. Those committees reported to a steering committee, which David chaired. When those reviews were finalised the steering committees fed papers out to a number of people. One of the things that each of the program reviews covered was budget risks. In essence, I am saying that I received the last of those on 26 May. On 24 May I had the SOCOG number. On 26 May I went through all those reports. I made an assessment in my mind of what I felt those risks were likely to be from those reports. The reports put some numbers in them. I reassessed some of those numbers. One of my staff worked with me on that. The number is not conveniently \$20 million. It is very close to that number when you add up all those programs. That is how the process came to me.

**The Hon. D. J. GAY:** Starting in February those committees were feeding information into a steering committee that Mr Richmond was on. Are you on that steering committee as well?

**Mr ADBY:** No.

**The Hon. D. J. GAY:** Mr Richmond, are you on the SOCOG finance and contingency committees?

**Mr RICHMOND:** No, I am not.

**The Hon. D. J. GAY:** It really is a tangled web, is it not?

**Mr RICHMOND:** No, I do not think that is a tangled web at all. To elaborate, if I might, it is very easy to take one strand of activity and extrapolate it through this period from February to May. However, there were many hundreds of things going on. In relation to that point of time when OCA became much more involved in understanding the detailed operations of the organising committee we really are talking from February onwards. There were a number of processes that we needed to go through before coming to a view about what the risks are likely to be. The first one was the ticketing process. Mr Eyers and I had to work with Alan Marsh, who was on secondment from the Darling Harbour Authority, to get the ticket sales back on the agenda.

The capability to sell tickets was very deficient in terms of what we had to do, hence the expenditure we have talked about. That then was a factor in determining where you get to in terms of the revenue. Mr Eyers also undertook a number of reviews of significant contracts, one of which we have mentioned. It was related to ticket delivery but there were a range of other contracts that he was looking at including the IBM contracts. That again was a significant issue, which is reflected in the costs. OCA undertook the review of the programs that Mr Adby has talked about. Those reviews were primarily concentrating on the adequacy of those programs and identifying risks.

Each of those reviews, when complete, was progressively referred to Mr Adby and his team to take those numbers and have another look at them, to see just what would be a reasonable position to take in assigning a number, if one were of a mind to, to that particular program as a risk. That was an output into the \$20 million figure. At the same time, I started to co-chair a number of significant SOCOG operational committees with Mr Sloman. I was not prepared to rely just on the data that had come out of the reviews; I wanted to understand much more fully how the organisation was operating before I started thinking about validating any of those risks.

The other thing that we did as a condition of the outsourcing was that we undertook jointly that OCA would approve every operating plan for each venue. There are 50-odd venues: the competition venues, the non-competition venues, ranging from the Olympic Stadium to the venue where you provide the uniforms to the staff. We are about three-quarters of the way through that process. Once again, that was a testing process in terms of: Were the operational plans adequate? Were there any gaps in terms of risks to operations and risks to finance? In that period we constantly took the outcomes from those operating reviews back to Mr Adby's team, so that his person who was also looking at the risks that had been identified in what SOCOG calls its functional areas, that is, the catering could look at those.

What we were looking at was the on-the-ground impact, venue by venue, and trying to get as good a picture as possible. When you pull all of that together, we have undertaken a very substantial set of reviews within the SOCOG organisation. You cannot take any one of those streams to just track through, because they came together. They came together, effectively, in the deliberations between myself and Mr Adby, and in the deliberations between myself, Mr Adby, Mr Eyres and the Minister, in June, when we finally felt we had a reasonably clear picture.

That has been the process we have gone through. It has taken time. But, nonetheless, at least we are in the position now where we were able to address fairly competently the risk that were identified by the SOCOG staff, through the contingency committee, the \$101 million. We accept that



they are risks. We were able to identify the \$20 million worth of risks in the outsource programs. We have identified—and I have alluded to—a number of other risks which, for commercial reasons, we are not putting on the table, and we were in a much stronger position to have gone back, as we did, to the Minister, on the advice of the SOCOG board, to address the issue of what extra might be needed to get us through, as I said yesterday, the final end game of putting on the Games, going through the Games period and the wind-up process.

It is very important to understand that we have been busy doing these things in order to try to get—as is our obligation, because we have a responsibility to report on finances, and we have a responsibility to the Government; as the underwriter, we are the servants of the Government—the best picture that we can about what the likely needs are. It is that process that we are looking at. You have one strand of it—and an important strand—but please be assured that there has been a lot of work going into this, even though at the end of the day we are not pretending that we have come to the definitive view. We are still making an estimate of our best guess at the risk, and that is what we approached Treasury on.

**The Hon. D. J. GAY:** The point of clarification that I needed was quite important to my understanding of what had happened. You clarified the fact that these were progressively reported to Mr Adby as they happened.

**Mr RICHMOND:** That is right.

**The Hon. D. J. GAY:** So, Mr Adby, from February on, you were becoming increasingly aware of what ultimately ended up as a \$20 million contingency in OCA's area. Is that correct?

**Mr ADBY:** That is right.

**The Hon. D. J. GAY:** Given that you were also meeting on the finance committee of SOCOG on 15 March and 13 April, and on the SOCOG contingency committee on 11 May, where you heard of \$26.7 million in emerging additional risks, \$33.9 million in additional risks and \$49.1 million of additional risks, did you deem it unnecessary to indicate to that committee, at which there was a Treasury official, that you were also having progressively reported to you risks from OCA that ultimately added up to \$20 million?

**Mr ADBY:** The number of reports that I had to me at 15 March was zero. The minutes of the SOCOG finance committee reflect \$12.1 million for risks in OCA outsource programs recognised to that point in time. The balance of them I basically got in May.

**The Hon. D. J. GAY:** Before or after the 11 May meeting?

**Mr ADBY:** On 26 May.

**The Hon. D. J. GAY:** Does the 13 April figure of \$33.9 million reflect SOCOG's contingencies?

**Mr ADBY:** That reflects SOCOG's risks, not the OCA ones.

**The Hon. D. J. GAY:** So the situation on 13 April should, in reality, be \$46 million, if you add the \$12.1 million?

**Mr ADBY:** There was no decision at that time—

**The Hon. D. J. GAY:** Is that true?

**Mr ADBY:** I am sorry, if you would let me answer. There was no decision at that time as to how outsourcing risks would be covered financially, that they would fall as something that SOCOG would have to fund or not, or whether they would fall back onto the other side of the equation.

**The Hon. D. J. GAY:** You indicated to the Committee that at the 13 April meeting the progressive reporting had indicated \$12.1 million of OCA risks, and that was reported to that meeting; and, by way of answer, you indicated that that figure is to be added to the \$33.9 million of SOCOG risks, which, on my arithmetic, puts the risk at that date at \$46 million.

**Mr ADBY:** Yes, but not necessarily funded by SOCOG.

**The Hon. D. J. GAY:** No. Part of it was OCA. I accept that. That was at the meeting on 13 April, the meeting that the Treasury official was at, the same Treasury official who reported to the Treasurer on 26 April.

**Mr ADBY:** That is true.

**CHAIR:** I note that the paper that you have supplied to the Committee has on the back of it "SOCOG financial risk movement", an update on the chart that we received earlier. You have added an extra column. We appreciate all the information you are giving us. The extra column is headed "committed risks". What is the definition of "committed risks"?

**Mr RICHMOND:** Mr Chairman, that was in response to your specific request yesterday, when we were explaining or attempting to explain that some of the \$101 million was committed, if you like, or definitely spent effectively, while others were still risks. The best way we found to express that was to take out what were the committed risks, that is, the things which in our view at that point in time were definitely going to be spent.

**CHAIR:** So it has not been spent, but that is what you estimate will almost certainly be spent?

**Mr RICHMOND:** Certain to be spent. It was an attempt to arrive at an answer to the question that you asked yesterday. I said it was of the order of \$50 million, and it does turn out to be pretty well that.

**CHAIR:** Thank you for that. Another question that exercises my mind relates to the increase in the figures for the additional risks, that go up in April to \$33.9 million, in May to \$49.1 million and then to \$51.4 million. Is there any possibility that those are not so much new risks as they are a more detailed assessment by all these different divisions? These are not suddenly all new risks appearing; is it more accurate reporting so that you are getting closer to the truth, so to speak—not you personally, but all the different groups that are under the authority, like villages, Games work force, accommodation and so on? They may say in April, "We think the risk is \$5 million." Next month they may have reassessed it and say, "It is actually \$7 million." Is that part of the explanation for those money amounts creeping up?

**Mr RICHMOND:** That is true for some risks. However, I think quite a few of them are new risks that we are becoming more aware of. But, once again, it is partly because we are getting towards the end period and it is becoming much clearer to people that things are real risks. Even with the best written contracts, when you do get to implement them you find that there are issues that were misunderstood by either or both parties. So you are getting into that phase where inevitably you are going to find that. It is true of some of them, but there are quite a few new risks coming on.

**Mr ADBY:** There are two big new risks, Mr Chairman. IBM is trying to get a fixed-price contract on the IBM and Internet funding. That is a new one. As I said, in May, the ticketing distribution and marketing one was an entirely new one.

**Mr RICHMOND:** Mr Chairman, the IBM is an interesting one. SOCOG initially had the view that it was entitled to certain things at a fixed price under the contract. That was not borne out by independent legal advice. That is, again, an example of the sorts of things that do happen as you move forward. That sort of thing, unfortunately, does happen in all organisations.

**The Hon. PATRICIA FORSYTHE:** Mr Richmond, you have mentioned that you have reviewed a lot more of the contracts, I think you said about three-quarters of them had been completed. Are you now in a position to say whether you believe the money that has been allocated in the budget for ongoing maintenance costs, site costs and operational costs at the site is adequate? How much has been allocated in the budget for the ongoing work?

**Mr RICHMOND:** The three-quarters that I referred to related to the individual venues and their plans, rather than the contracts. The issue of site and operational arrangements would effectively be a combination of money that is in the SOCOG budget for the Games period and money in the OCA budget, and therefore within the Government budget. One of the exercises we have been doing is making sure that there is a reconciliation of those sums. At this point in time there could still be some risks. I could not say unequivocally that will not be. Of course, in very difficult circumstances, such as very bad weather over a sustained period of time during the Games, there certainly would be some risks because all sorts of things will emerge. We are certainly much more confident than we were in February, but I would not like to say unequivocally—

**The Hon. PATRICIA FORSYTHE:** But are you confident of the figure that is in the budget?

**Mr RICHMOND:** For the OCA figures?

**The Hon. PATRICIA FORSYTHE:** Yes.

**Mr RICHMOND:** I am reasonably confident about that at this point in time, yes; as confident as I can be, yes, for OCA.

**The Hon. PATRICIA FORSYTHE:** Yesterday you identified that money had not been set aside, for example, for the records and storage of records.

**Mr RICHMOND:** Correct—for the archiving of SOCOG records. That was one of the things that we will have to address and which will be addressed within the framework of the \$140 million.

**The Hon. PATRICIA FORSYTHE:** So that will be revised?

**Mr RICHMOND:** Yes, because we are only just going through the process.

**Mr ADBY:** That is a SOCOG budget.

**Mr RICHMOND:** That is the SOCOG budget, yes.

**The Hon. PATRICIA FORSYTHE:** If we look at some events that have been occurring of late, we note, for example, that the beach volleyball centre seems now to be behind schedule. There was a suggestion of working longer hours, et cetera. Is it still on budget? The other interesting issue that has

emerged in recent months is that of weeds at the Penrith rowing site. Obviously, that has to be dealt with before the Olympics.

**Mr RICHMOND:** Yes.

**The Hon. PATRICIA FORSYTHE:** Is there money in the budget for that sort of work as well?

**Mr RICHMOND:** Yes, there is. In relation to the beach volleyball, that is obviously a quite complex project. Unless I was actually out there supervising the contract, I would not be in a position to tell you whether it is a day behind or a day ahead. But, broadly speaking, it is certainly on time at this point. The decision to move to extended hours was to give us a bit more leeway so that we really do make the time for the transfer of the site to the SOCOG operations for Games time; and it was more done by way of contingency to do that, rather than our concern that we were way behind. In fact, we were a little bit behind because there were a couple of issues on the site. We caught that time up. We then actually got a couple of days ahead. As I say, I am not in a position to say whether we are right on time, but we would be very close to time, in broad terms, at the moment. None of those issues, to my knowledge, at this point have any significant budget impact. They are all within the contingency allowances within the construction program.

**The Hon. D. J. GAY:** The existing or new one?

**Mr RICHMOND:** Within the overlay, which is outsourced to OCA and is reflected in the costs at the moment. But it is within the existing framework, not within the \$140 million. In relation to the regatta centre, I am advised from time to time that I have to refer to aquatic plants. These are plants that are fundamental to the quality of the water of the aquatic centre, which has to be of secondary quality, but in fact is usually primary quality, in other words, it is clean enough to swim in. Now, I would not recommend that because it is primarily a place for canoes and boats. They are fundamental to the quality of the water. However, in certain circumstances they will die under the water. They will shed their foliage and that creates problems.

We have instigated, with the co-operation of SOCOG and the canoeing and rowing federations, a program to provide a very high-quality playing field, as the language that is used, for the Games. That is certainly being addressed within the OCA budget, and there is provision in our budget for those sorts of things. For example, we announced last week or the week before that we were replacing certain equipment in the aquatic centre. One of the issues for the Olympic Games is that the standards that are set by the international federations are very high, and where we have to take action like that we have planned for that and it is included in our budget. So we will have a great field of play for the rowing and it will be addressed within the budget.

**CHAIR:** Mr Richmond, a moment ago you said that there is this unknown quantity of the weather. Mr Knight said the same thing yesterday. You are getting me worried as to what you think the weather will be like. When the budget is such a line ball issue, have you taken out rain insurance, or have you considered some sort of weather coverage?

**Mr RICHMOND:** All the planning has contingencies for dealing with weather. For example, the event plans have a contingency plan for some of the outdoor sports. If a couple of sessions or a number of sessions are missed, there are contingencies to hold them at other times. There is a plan for that sort of thing. The kind of thing we are talking about is very much the impact on the ground, particularly on spectators.

**CHAIR:** That is what I was getting at—ticket sales and the impact on income.

**Mr RICHMOND:** Ticket sales could be an issue, yes.

**CHAIR:** Does insurance cover loss of income through weather?

**Mr RICHMOND:** As far as I am aware, we do not have insurance cover for that sort of thing. However, ticket sales close to the event are obviously likely to be much better if the weather is good. The thing we are particularly concerned about is simply the propensity for systems to break down in very heavy weather for the ability to get the work force back to clean things up. It is much harder to do that in bad weather. Even rain at night has an impact on what your cleaning force can do, and you may find that you have got to put in extra resources. When it comes to things like public amenities, obviously you have to have very careful regard to the movement of people across what would normally be attractive grass areas; in rain you have to bring in additional material to protect those areas and to enable people to walk across them.

Those sorts of things are always a risk, both in the operational success of the Games and the experience people have. But of course they can cost more money. We have made provision for those, but at the end of the day we are not providing for 17 days of dreadful weather—and nor should we; that is not likely. But there is always a remote possibility that we get a week of bad weather which ends up having an impact both on revenue and on costs.

**CHAIR:** Have you taken into account the restoration of the Olympic stadium back to reduced seating and so on? Is that part of your budget or the Olympic stadium people?

**Mr RICHMOND:** That is part of the OCA budget and the contract with Stadium Australia. It does not come into the \$140 million.

**CHAIR:** That has been in the contract or it is already covered?

**Mr RICHMOND:** It is part of the contract, yes, but you are quite right—there are issues that will be impacted by wet weather. That is why we always hoped to have a reasonable proportion of good weather. That will make it a truly great Olympics.

**The Hon. PATRICIA FORSYTHE:** In relation to the decision to outsource SOCOG's venue operational programs and budgets—to use Treasury's words—to the OCA on 27 January, why was the decision taken and is it linked to the fact that on the same date the Treasurer was briefed about SOCOG's budget difficulties?

**Mr RICHMOND:** The decision was taken to strengthen SOCOG's operational capability of integrating our skills with the OCA's skills. That was the first reason. The second reason is that it was taken to stabilise a number of budget items by the OCA and the Government with the Treasurer's agreement, accepting the risk which attends to those items, hence the \$20 million that was now identified. One feature of the Games preparations has been that from time to time there have been significant items outsourced to Government where Government decided the risk was fairly high, better to manage that itself. That actually started in 1994 with the Olympic villages, which were originally to be procured by the organising committee through the private sector, but the Government was the underwriter.

The former Government decided it would be better if the Government took that over itself so that it took control. The same thing happened with transport, with ORTA and with the procurement of venues around the city, such as the existing government venues like the Opera House. That has certainly been a feature of the preparations, where the Government has decided that it is better to come up front, do it yourself and manage the risk, rather than allow the organising committee to do it and just accept whatever risk comes back to you. That has been a strong philosophy.

**The Hon. D. J. GAY:** I have a couple of questions about the volleyball stadium. I indicate that I am a supporter. I should be there.

**The Hon. A. B. KELLY:** Have you got a ticket?

**The Hon. D. J. GAY:** No, I have not got any tickets. They sent my money back. They are still trying to sell tickets for the events I applied for and got my money back, seven months after I sent in my application.

**Mr ADBY:** Some of us are in the same position.

**The Hon. D. J. GAY:** You would understand the feeling. Mr Richmond, have the concerns of construction workers and unions been addressed in relation to the damage to the structure? Has the cost of providing the extra security for construction been quantified within the existing guidelines?

**Mr RICHMOND:** Yes, the OCA budget does provide for additional security at Bondi. It was always fundamental to the delivery of that venue that we would have to ensure there was adequate capability to provide security. We have budgets to do that, and that has been done within the budget. In relation to the work force issues, there were some concerns more recently with the high winds with some of the seating plinths that were placed in position and, as is the normal practice, not fixed. Of course, with the very unusual winds they were blown away. The construction team on site and the contractor have been working through those issues with the work force. I am not totally up to date with where they are at, but I would expect, as is usually the case on building sites, that with the co-operation of the union, the contractor and the WorkCover representatives we would get to an agreement. We may well have reached that; I am just not fully across that.

**The Hon. D. J. GAY:** So it will not be beyond the existing contingency?

**Mr RICHMOND:** We would not expect so, no.

**The Hon. D. J. GAY:** Are you expecting the cost to go up as more of the beach is closed for construction?

**Mr RICHMOND:** Not specifically. I do not understand why you would expect the cost to go up.

**The Hon. D. J. GAY:** I do not know either. It was not my question.

**Mr RICHMOND:** As far as I am aware, there is a series of plans which have costs attached to them. The process of gradual expansion of the site across the beach is part of the plan. It is reflected in any of the costs that we have estimated for the project. I do not expect that to cost us any more.

**CHAIR:** Someone made the point that because of the weather the structure is actually sinking into the beach more than was anticipated.

**The Hon. D. J. GAY:** It is one of those matters the Minister referred to yesterday, I suspect.

**CHAIR:** A sinking fund.

**The Hon. D. J. GAY:** Perhaps the question meant that if there is more public dissent on it, the cost is likely to go up. If that is the case, where would the extra money come from?

**Mr RICHMOND:** If there was more public dissent and more resources had to be deployed to deal with that because there was a disruption to the building contract, that would certainly have to come out of the overlay funding of the OCA. I am confident that we will be able to deal with it in that budget. If there were issues in relation to the deployment of police or other security personnel, that would be accommodated in the OCA budget and the police budget. Once again I am confident that the issues will be accommodated within the budget. I do not anticipate massive problems there. But certainly from time to time there will be individuals or groups of individuals who will continue to make a statement about that facility, but we are well prepared to cater for that in our plans and our budgets.

**The Hon. D. J. GAY:** According to your summary I notice that on 14 June there was a meeting with Greiner, Knight, Richmond and Evers.

**Mr RICHMOND:** Yes.

**The Hon. D. J. GAY:** Then on the same day there was a meeting between Knight, Richmond, Evers and Adby, with the decision made to approach the Treasurer.

**Mr RICHMOND:** Yes.

**The Hon. D. J. GAY:** I understand that Greiner was the acting chairman of the finance committee at that stage.

**Mr RICHMOND:** Yes.

**The Hon. D. J. GAY:** Yesterday when I asked why he was not party to that, it was indicated that he might have been overseas.

**Mr RICHMOND:** As I understand it, the question was about the actual quantum of the \$140 million. As I understand it, the Minister received the briefing early in June from the chairman of the finance committee, Mr Sherman. He then had the discussions in the middle of June referred to, probably before the 14th but certainly there was a meeting on the 14th. The discussions on the 14th with Mr Greiner, who that evening was leaving for regional New South Wales—he was there only for a very short time, and subsequently went overseas—were very much on the issue that, given the deliberations of the contingency and finance committees on 24 May, it was inevitable that SOCOG would be beyond its budget if it continued to incur expenditure. That was the issue that was discussed there.

Next morning at the board meeting Mr Greiner, by telephone, and the President of the board, the Minister for the Olympics, addressed that issue at the board meeting. That was the issue that the board was concerned about: was the Government underwriting such that SOCOG could continue to operate? SOCOG was advised that the Government would be honouring its obligations, that the Minister would go to the Treasurer to talk about what process would be used to honour the obligations. In the evening the meeting with Mr Greiner was a very short meeting, because he left and was going to attend to some urgent business.

As I said yesterday, we did not get to discuss with him the additional money—he may have been aware of the \$20 million but certainly not the balance. That was the discussion yesterday when there was some speculation as to whether he may or may not have agreed with it. That was not discussed with him, but clearly the obligation by that point in time, in terms of the SOCOG Act, was that any decision to spend or even contemplate spending beyond the approved budget, which this would have been if it was to have gone to the board, must first go to the Minister, and that was effectively what was happening in that process. All the board was concerned about the next day was to

discuss the issue of whether or not the Government's underwriting was in fact on foot and to be assured that SOCOG was not at risk, which is what happened.

**The Hon. D. J. GAY:** It was indicated that you were at the meeting with the Minister for the Olympics and the Treasurer.

**Mr RICHMOND:** That is right.

**The Hon. D. J. GAY:** Mr Aaby and the Minister were there, amongst others. Notably, one person who was not there was Mr Hollway. We had the head of the OCA but not the head of SOCOG, and we had the finance officer from the OCA but not the finance officer from SOCOG. In your evidence today you clarified that he was not there, but it was also clarified by Mr Aaby that he had no role in the formation of SOCOG's financial statements. Given that the ask was \$50 million for SOCOG and \$20 million, in round figures, for OCA, it seems strange that the prime people from SOCOG were not represented at that meeting.

**Mr RICHMOND:** The \$50 million asked for SOCOG was very well documented and very well understood by Mr Evers, who is the executive in charge of finance. It was actually not the major issue we were trying to address at that meeting. What we were trying to address was the difficult task that Mr Aaby and I had had, which we briefed the Minister on, as to what was a reasonable quantum to now ask the Government to make provision for in order to get us through this last stage of the Games, into the Games, and the Games wind-up period. That was really the issue that we were spending the time with Treasury on. Treasury was aware of the SOCOG claims; they had been discussed in the contingency committee and the finance committee. There had obviously been some discussions between Mr Aaby and Treasury officers, and probably between Mr Barbeler and Treasury officers—I do not know as to the latter.

But the real focus was us saying, really now we are at the point where we should be saying to the Treasurer we think it would be prudent to make a more substantial provision. That really was the major issue that we were discussing. There was no debate at the meeting, nor had there been any real issues raised by the Treasury, as to the first \$50 million, because they were reasonably well aware of the contents of that. On that basis, the appropriate people to be there were the OCA people who had made the assessment, which were primarily Mr Aaby and I. Mr Evers was there because, as the executive in charge, he was fully familiar with SOCOG finances, and because one of the major items which was discussed, as it had been in late May and again at this Committee, was how are we likely to go on ticketing revenue, because at the end of the day that may well be the deciding factor in whether we use up or exceed the \$140 million.

**CHAIR:** As at 1 July, what proportion, if any, of the \$140 million has been spent? Is there a round figure of \$10 million or \$20 million, for example?

**Mr RICHMOND:** The only money that would have actually been spent, I would have thought, would have been the call centre.

**Mr AADY:** Probably \$0.2 million. To this point in time, there was a \$50 million contingency, and an extra \$140 million has been given. Effectively, they are \$0.2 million over the earlier contingency. Therefore the figure is \$200,000 of the \$140 million.

**CHAIR:** Was the \$140 million meant to cover your \$20 million risk?

**Mr RICHMOND:** Yes. \$50 million from SOCOG, the residue after applying the contingency; the \$20 million of the outsourced programs; some other numbers that I suggested quickly got into



double-digit figures; and then our estimate of what would be a reasonable thing to make provision as a general contingency.

**CHAIR:** Do either of you wish to say anything further?

**Mr ADBY:** I would like to confirm that it was the April meeting when the OCA risks were mentioned in the SOCOG finance committee. I am quite sure it was the April meeting, but I should confirm that.

**CHAIR:** That was 13 April?

**Mr ADBY:** Yes.

**The Hon. PATRICIA FORSYTHE:** OCA risks?

**Mr ADBY:** Yes, the outsourced risks.

**Mr RICHMOND:** Apropos the questions Mr Gay asked, yes.

**The Hon. D. J. GAY:** You referred to the figure of \$12.1 million?

**Mr RICHMOND:** That is the number.

**Mr ADBY:** I will confirm the number and the meeting. This is where the emerging outsourced risks were mentioned in the finance committee meeting.

**(The witnesses withdrew)**

**(The Committee adjourned at 3.34 p.m.)**