

**Public Accounts
Committee
Parliament of New South Wales**



**Report on Brief Review of:
The Sydney Opera House Trust;
Harness Racing Authority of
New South Wales; and
New South Wales State Cancer
Council**

Report Number 30

February 1987

The New South Wales Public Accounts Committee is composed of five members of the Legislative Assembly of the New South Wales Parliament. Its functions and powers are defined in the Public Finance and Audit Act and its role generally is to serve as a Parliamentary watchdog of government expenditure to ensure that government organisations are implementing government policy as efficiently and effectively as possible.

1986-87
Parliament of New South Wales

Public Accounts Committee
of the
Forty-eighth Parliament

Thirtieth Report

Inquiry pursuant to Section 57 (1) of the Public Finance and Audit Act, 1983, concerning The Sydney Opera House Trust, Harness Racing Authority of New South Wales and New South Wales State Cancer Council.

(Transcripts of Evidence are included as an Appendix to this Report.)

February 1987

Members of the Public Accounts Committee

The members of the Public Accounts Committee are:

Mr John Murray, M.P., Chairman

John Murray, formerly a teacher, was elected Member for Drummoyne in April, 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years and served four years as Councillor on Sydney County Council. He is currently a member of the Prostitution Committee and the House Committee.

Dr Andrew Refshauge, M.P., Vice-Chairman

Andrew Refshauge was elected as Member for Marrickville in October, 1983. He previously practised as a Medical Practitioner with the Aboriginal Medical Service and was a past President of the Doctors' Reform Society. He is currently a fellow of the Senate of the University of Sydney.

Mr Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February, 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government, on Planning and Environment, and on Energy.

Mr Phillip Smiles, M.P.

Phillip Smiles was elected Member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of small business, emergency services, welfare and financial analysis.

Mr Allan Walsh, M.P.

Allan Walsh was elected Member for Maitland in September, 1981. Following eight years as a Mirage Fighter pilot with the R.A.A.F., he was involved in business management. Allan Walsh has also taught industrial relations, management and history at technical colleges.



Committee Members. From left: Andrew Refshauge (Vice-Chairman), Phillip Smiles, Colin Fisher, John Murray (Chairman), Allan Walsh

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CHAIRMAN'S FOREWORD

This report arises from the Committee's examination of the 1984-85 Auditor-General's Report.

Following its preliminary examinations the Committee decided to seek further information from The Sydney Opera House Trust and the Harness Racing Authority of New South Wales.

In the case of the New South Wales State Cancer Council the Committee viewed the matters raised by the Auditor-General to be such that it resolved to conduct a public hearing.

This report is not a complete review of the above organisations nor is it intended to be. It is limited to matters raised by the Auditor-General and to matters that arose during the conduct of the Committee's inquiries.

In relation to The Sydney Opera House Trust the report canvasses an additional aspect concerning the maintenance of fire safety equipment within the Opera House. The Committee was firstly concerned with the issue of the operating loss incurred by the Park and Ride Service. It was also perturbed about the failure of the Trust to reply to earlier correspondence relating to the maintenance of fire safety equipment.

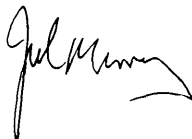
As regards the Harness Racing Authority of New South Wales the Committee initially requested advice relative to the Authority's financial viability.

Regrettably, during its preliminary correspondence with The Sydney Opera House Trust and the Harness Racing Authority of New South Wales, the Committee received responses which were tardy or evasive in their nature. Accordingly the Committee resolved to also conduct public inquiries of these two organisations.

Eventually the Committee received their co-operation in gaining information and explanations. Nevertheless, the Committee is most concerned that it was necessary to require two of these bodies to

attend public hearings of the Committee due to the absence of prompt replies and clear explanations in the first instance.

I would like to thank my fellow Committee members for their contribution to this report. Also I extend my appreciation to the staff of the Committee's secretariat for their usual competent effort in the production of this report.

A handwritten signature in black ink, appearing to read 'John Murray', with a stylized flourish at the end.

John Murray, M.P.,
Chairman.

CONTENTS

<u>SECTION NO.</u>	<u>PAGE</u>
1. Summary and Recommendations	1
2. Introduction	5
3. The Sydney Opera House Trust	7
4. Harness Racing Authority of New South Wales	14
5. New South Wales State Cancer Council	24
<u>Appendix</u>	
Transcript of Evidence given by:	
The Sydney Opera House Trust	31
David Lloyd Martin, General Manager Ian Stephens, Assistant General Manager Brian Frederick Springall, Financial Controller	
Harness Racing Authority of New South Wales	50
Michael George Cummings, Chairman Colin Bryan Robertson, General Manager Anthony George Mullins, Executive Assistant Keith Howard Lambeth, Administrative Manager	
New South Wales State Cancer Council	75
Keith William Steel, Chairman Elaine Henry, Director Peter John Shehadie, Finance Manager	

1. SUMMARY AND RECOMMENDATIONS

1.1. The Public Accounts Committee conducted brief inquiries into the operations of the Sydney Opera House Trust, the Harness Racing Authority of New South Wales and the New South Wales State Cancer Council. The inquiries were limited to a number of matters arising from the Auditor-General's 1984-85 report to Parliament and some additional items that arose during the course of the respective inquiries.

The Sydney Opera House Trust

1.2. The Committee's inquiry centred on the operating loss of the Park and Ride Service, the maintenance of fire safety equipment and the measurement of the Trust's performance in the achievement of its objectives.

1.3. This brief report of the Committee recommends:

- . the charge for the Park and Ride Service be increased to eliminate the subsidy being provided to patrons;
- . the Park and Ride Service be reviewed upon the construction of the proposed parking station in close proximity to the Opera House;
- . future annual reports contain detailed objectives and priorities of the Trust as well as financial and non-financial performance measures showing the level of efficiency and effectiveness; and
- . no further action concerning the arrangements for the maintenance of fire safety equipment at the Opera House.

Harness Racing Authority of New South Wales

- 1.4. The Committee's inquiry concerned a number of matters raised in the 1984-85 Auditor-General's Report to Parliament. These matters were the Authority's accumulated deficiency of \$450,673, an excess of current liabilities over current assets of \$101,959 and liabilities in respect of employees' accrued entitlements.

During the course of the Committee's inquiries additional information was sought on the implementation of the recommendations of an Efficiency Audit conducted following a review by a Committee of Inquiry in 1983.

Since the Committee of Inquiry was held and the Efficiency Audit conducted, a restructuring of the management has taken place and the new general manager has implemented many changes.

The Authority's 1986 Annual Report incorporates enhancements suggested by the Public Accounts Committee including performance measures. The Authority's annual report has been improved although the Committee recommends the development of additional performance measures. These measures should relate to timeliness, regulatory effectiveness, cost minimisation and the Authority's market share.

The Committee notes the progress being made in a number of areas. The Authority's achievements include computerisation, and separation of judicial and administrative functions of the stewards. More recently the Authority has introduced changes to reduce overtime costs. Other initiatives relate to licence renewal, processing of name applications and clearance procedures.

- 1.5. However the Authority failed to provide the Committee with comprehensive details of the recommendations of the 1984 Efficiency Audit. The Committee is therefore unable to state

whether all recommendations have been implemented or thoroughly considered.

The Authority advises that under present funding arrangements it is difficult to forecast any significant reduction in the accumulated deficit.

1.6. In this brief report the Committee recommends:

- . a post efficiency audit be conducted;
- . the financial arrangements between the Authority and the Totalizator Agency Board be re-negotiated to provide for the Authority's first claim on the Totalizator Agency Board distribution pool to cover both current operating costs and an additional amount to extinguish the Authority's accumulated deficit within a 5 year period;
- . additional performance indicators be developed, embracing the performance criteria of timeliness, cost of services provided, regulatory efficiency and effectiveness and market share;
- . the consultants review of the Authority be completed within the next six months;
- . guidelines for the determination of claims on the Benevolent Fund be formulated and statistics on the number of applications received, approved and rejected, be published in the annual report; and
- . the on-going role and use of the Benevolent Fund be critically examined.

New South Wales State Cancer Council

1.7. The major concerns of the Committee focussed on the purchase and subsequent sale by the Council of office accommodation, the

termination payment made to the former Medical Director of the Council upon the abolition of his position and the circumstances surrounding the Council's financing by way of mortgage a home for the former Medical Director.

1.8. In this brief report the Committee has made the following recommendations:

- . the Council complete a feasibility study, as a matter of urgency and critically determine on a cost/benefit basis the need for all of its operations to be based in the Sydney Central Business District; and
- . that statutory authorities exercise extreme caution in the formulation of employment contracts that could involve excessive termination payments and costs.

1.9. In relation to the mortgage financing of the former Medical Director's home, the Committee recommends no further action as the loan was repaid in September, 1986.

2. INTRODUCTION

- 2.1. The Public Accounts Committee expressed interest in the activities of The Sydney Opera House Trust, the Harness Racing Authority of New South Wales and the New South Wales State Cancer Council following its examination of the 1984-85 New South Wales Auditor-General's Report. In the case of The Sydney Opera House Trust, it was a matter of continuing interest for the Committee given the Trust's failure to reply to earlier correspondence regarding fire protection equipment.

The Sydney Opera House Trust

- 2.2. After examination of the Auditor-General's 1984-85 Report the Trust was requested to provide information on the reasons for the operating loss incurred by the Park and Ride Service and actions being taken to ensure costs did not exceed income.
- 2.3. In July, 1985 the Committee sought further information concerning the arrangements for the maintenance of fire protection equipment at the Opera House.

Harness Racing Authority of New South Wales

- 2.4. Following its review of the Auditor-General's 1984-85 Report the Committee wrote to the Authority in January 1986 seeking advice concerning factors which contributed to the then financial position.
- 2.5. As at 30 June, 1985 the Authority had an accumulated deficit of \$450,673, current liabilities exceeded current assets by \$101,959 and there was a liability of \$223,016 in respect of employee's accrued entitlements.

- 2.6. Following the public inquiry the Committee's Secretariat visited the Authority and reviewed some aspects of the implementation of an Efficiency Audit conducted following a Committee of Inquiry in 1983.

New South Wales State Cancer Council

- 2.7. The Committee was concerned about the matters raised by the Auditor-General in his 1984-85 Report. Accordingly, in March, 1986 the Chairman of the Cancer Council and senior officers were requested to appear at a public hearing of the Committee. Their appearance was followed by further correspondence and visits by officers of the Committee to the Council's premises.
- 2.8. The Committee initially sought information on:
- . the circumstances surrounding the purchase and sale for \$400,000 of a building for office accommodation;
 - . the reasons why the building was unoccupied for some eight months; and
 - . a loan to the Medical Director for purchase of a house, previously owned by the Council.
- 2.9. As a result of the Committee's inquiries further information was requested from the Council relating to payments made to the Medical Director upon the abolition of his position.

3. THE SYDNEY OPERA HOUSE TRUST

Background

- 3.1. The Trust was constituted under the Sydney Opera House Trust Act, 1961. It is a body corporate and is capable of suing or being sued, and of purchasing, holding, granting, demising, disposing of or dealing with real and personal property and of doing and suffering all such other acts and things as bodies corporate may by law do and suffer, subject to the control and direction of the Minister.
- 3.2. Following the completion of the Opera House in 1973 the principal functions of the Trust have essentially been to maintain and promote the uniqueness of the Sydney Opera House as a centre for vibrant performing arts and cultural activities for the broader population of New South Wales and visitors from around the world. It also aims to project a strong, consistent image in order to attract the maximum use and enjoyment of its facilities at minimum cost to the State.
- 3.3. In its 1985/86 Annual Report the Trust states it is charged with:
- . the administration, care, control, management and maintenance of the building and site;
 - . the management and administration of the Sydney Opera House as a performing arts and conference centre;
 - . the promotion of artistic taste and achievement in any branch of the musical, operatic, dramatic, terpsichorean, visual or auditory arts; and
 - . scientific research into, and the encouragement of, new and improved forms of entertainment and methods of presentation.

Reasons for and Scope of the Current Inquiry

- 3.4. The Committee received information in 1985 concerning the arrangements for the maintenance of fire protection equipment at the Opera House.
- 3.5. On 25 July, 1985 the Committee sought advice on:
 - . whether some aspects of the maintenance work, not requiring tradesman's qualifications, could be carried out by the Trust's fire team, thus resulting in cost savings; and
 - . the present arrangements for the maintenance of the equipment and details of consideration of alternative, less costly, arrangements.
- 3.6. By 15 January, 1986 no response had been received from the Trust and the Committee again raised the matter. On 24 January, 1986 the Trust responded by giving the Committee a resumé of its internal management problems. The Committee did not consider this an adequate reply to the questions raised.
- 3.7. It was not until 27 February, 1986 that the Committee received a detailed reply from the Trust. However by this time the Committee had resolved to hold a public hearing.
- 3.8. Moreover the Trust had not replied to the Committee's letter of 16 January, 1986 concerning the issues raised by the Auditor-General's 1984-85 Report, namely the operating loss incurred by the Park and Ride Service.
- 3.9. The scope of the inquiry was limited to:
 - . arrangements for the maintenance of fire protection equipment at the Opera House; and
 - . the Park and Ride Service.

During the conduct of the Committee's inquiry additional information was sought by the Committee on the Trust's objectives, and the method/s used to measure the achievement of its objectives.

Park and Ride Service

- 3.10. Given the Trust's objective to run the Opera House at minimum cost to the State, the Committee was concerned that the Park and Ride Service had run at a deficit for some time. The Committee noted the following deficits had been incurred in operating the Park and Ride Service:

1982-83	\$102,289
1983-84	\$32,553
1984-85	\$74,460

- 3.11. Accordingly the matter was taken up with the Trust on 16 January, 1986. The Committee requested the reasons for the operating loss and the actions being taken to ensure that costs did not exceed income. A reply by 17 February, 1986 was sought but was not forthcoming. In the circumstances and combined with the tardiness in replying to earlier correspondence concerning the maintenance of fire safety equipment, the Committee resolved to hold a public hearing on 17 March, 1986.
- 3.12. The Service was introduced in 1973-74 to overcome the fact that there was not sufficient public parking available in close proximity to the Opera House. The charge for the service is \$4.50 and this includes parking and return bus journey for all occupants of the car.
- 3.13. At the public hearing the General Manager of the Opera House explained to the Committee that in order to make the Park and Ride Service an attractive and viable alternative for Opera House patrons that the Trust felt the fee for the service had to be aligned to the three-hour parking charge at the Domain

Parking Station. The net effect of the arrangement is that patrons are given a free return bus ride to their motor vehicles.

3.14. The view of the Trust was that if the charge was increased beyond the three-hour parking fee at the Domain Parking Station the Opera House would lose patronage. This would effect not only revenue for the Park and Ride Service but also Box Office revenue.

3.15. At the time of the inquiry the Park and Ride Service charge was \$4.50 and this equated with the current three-hour Domain parking fee.

3.16. It was indicated to the Committee that the fee would be increased immediately the City Council altered the fee structure at the Domain Parking Station. It is understood this will happen in April, 1987.

3.17. The Committee acknowledges the disability faced by the Opera House due to the lack of adequate public parking facilities in the immediate vicinity. It has been the source of public criticism for many years.

3.18. Presently the Government is in the process of redressing the problem and tenders have been called for the construction of a parking station under the Domain-Botanical Gardens.

3.19. The Trust has indicated that upon completion of the parking station it would be in a position to eliminate the Park and Ride Service.

3.20. **The Committee recommends:**

. the charge for the Park and Ride Service be increased to eliminate the subsidy being provided to patrons; and

- . the Park and Ride Service be reviewed upon the construction of the proposed car park in close proximity to the Opera House.

Maintenance of Fire Protection Equipment

- 3.21. At the public hearing in March 1986 the General Manager, Mr Martin, indicated the delay in replying to the Committee was a management problem that should not have occurred. He indicated that upon receipt of the Committee's inquiry the matter was immediately the subject of a briefing paper to the Trust. Unfortunately, the officer responsible was then embroiled in an industrial dispute and also transferred to another State Government Department. As a consequence the reply was delayed.
- 3.22. The substance of the Committee's questions in relation to the maintenance of fire protection equipment was related to information it had received indicating it may be possible to effect cost savings if the maintenance was undertaken by the Trust's own fire team rather than by outside contractors.
- 3.23. The Trust was of the view the potential cost saving was not sufficient to warrant the change in responsibility or the loss of an independent overview of the system by outside contractors.
- 3.24. Despite the fact that there was then a potential saving of some \$69,000 if the maintenance work was carried out by the Trust's fire team, the Committee accepted the rationale behind the Trust's decision to use an independent contractor.
- 3.25. The Committee is cognisant of the proportions of a potential disaster at the Opera House and understands the reasons behind the Trust's decision.

In the circumstances, the Committee is satisfied with the response it received, albeit unduly delayed, and recommends no further action.

Management Effectiveness

- 3.26. The Committee noted the difficulty faced by the Trust in achieving its overall objective due to the unique design of the building and the many one-off and non-standard items used throughout the building. As the building ages, maintenance of the Opera House is becoming essential and more costly.
- 3.27. In evidence before the Committee the Trust's officers explained the details of the management by objectives approach that had been adopted; the corporate goals and the basis of setting priorities.
- 3.28. Basically the management engaged consultants and in conjunction with the consultants set up a series of objectives for the Opera House and for each division and each department. The objectives were then prioritized on a needs basis.
- 3.29. While the management's initiative in setting objectives and allocating priorities is welcomed by the Committee, it is recommended that detailed objectives and priorities be disclosed in the Trust's Annual Report. The Committee notes the 1986 Annual Report at least contains a statement of the Trust's responsibilities.
- 3.30. During the course of the Committee's inquiries the Trust's management indicated that its principal performance measure was its budget. In addition to financial performance measures it was also indicated that non-financial measures were set.
- 3.31. An example of a non-financial performance measure cited to the Committee was the settlement of hire contracts within seven days.
- 3.32. While the Committee has no reason to doubt the Trust's commitment to the introduction and use of performance measures it believes that there are a number that could be introduced.

Measures to be introduced should include: venues available for letting, days available, days dark.

3.33. The Committee recommends:

- . in the interests of disclosure the performance measures be published in the Trust's Annual Report.**

4. HARNESS RACING AUTHORITY OF NEW SOUTH WALES

Background

- 4.1. The Authority is constituted under the Harness Racing Authority Act 1977. Its main functions are to control and regulate harness racing, acting in a manner conducive to the development and welfare of the harness racing industry and the protection of the public interest.
- 4.2. As at December 1986 the Authority had an establishment of 39 full time staff. The total staff numbers are allocated among the five administrative departments as follows:
Administration (8); Public Relations (3); Racing (10); Registration (11); and Stewards (7).
- 4.3. The Authority also administers a Benevolent Fund to assist any person associated with the harness racing industry "who is in indigent circumstances", (Section 13B (4)(a) of the Act).
- 4.4. Prior to the legislation the industry was self-regulated with the N.S.W. Trotting Club acting as the controlling body of some 47 groups.

Committee of Inquiry

- 4.5. A Committee of Inquiry into the Finances and Future Viability of the Trotting Industry in NSW reported to the Parliament in March 1983 and the Board of the Authority was reconstituted by legislation later that year. The Committee of Inquiry recommended that "a managerial efficiency audit be carried out".

The 1983 Committee of Inquiry noted that the industry was fragmented and that there were many interest groups. An indication of this is the nine diverse bodies acknowledged in the Authority's annual report, ranging from the NSW Standardbred Studmasters' Association to the NSW Reinswomens'

Association. An Advisory Council of Harness Racing Associations was formed to bring together these diverse groups and to give the industry in New South Wales a single voice.

Reasons for and Scope of Current Inquiry

- 4.6. In January 1986 the Public Accounts Committee wrote to the Authority concerning matters raised in the 1984-85 Auditor-General's Report. Information was sought on:
- . the Authority's accumulated deficiency of \$450,673;
 - . an excess of current liabilities over current assets of \$101,959; and
 - . liabilities in respect of employees' accrued entitlements.
- 4.7. In view of the Authority's tardiness in replying the Committee resolved to conduct a public hearing. This was held on March 17, 1986.
- 4.8. During the Committee's inquiry additional information was sought on the implementation of the recommendations of the Efficiency Audit conducted following the 1983 Committee of Inquiry.

Financial Matters

- 4.9. At the time of commencing operations in 1977 the Authority was funded from registration fees charged to participants and a levy of 4% on the income of all registered racing clubs. Large losses were experienced in the Authority's initial years which the Authority stated were due to the inadequacy of the fees. The registration fees were substantially increased in 1979.
- 4.10. In 1981 the 4% levy system was replaced by a first charge against the Totalizator Agency Board trotting distribution

pool, thereby aligning the Authority with funding arrangements in the galloping and greyhound industries.

- 4.11. In 1983 the Treasurer agreed to write off all the outstanding interest on a 1977-78 working capital advance of \$200,000 and to convert it to an interest free repayable advance.
- 4.12. The authority's financial position has improved considerably from the situation which prompted the Committee's initial follow-up on the 1984-85 Auditor-General's Report. For 1985-86 the Authority had an operating surplus of \$100,295 which allowed a reduction of \$25,295 in its accumulated deficit, which reduced to \$425,377 as at 30 June 1986.
- 4.13. The 1986 Annual Report of the Authority states that charges for services are based on the 'user pays' principle and are sufficient to meet operating costs, including the recovery of capital expenditure. This statement is inconsistent with the Authority's past operating deficits and budgeted operating deficit for 1986/87. Current liabilities exceeded current assets and investments by \$9,061 as at 30/6/86, which is a considerable improvement over the \$101,959 in the prior year. The Authority has also been unable to significantly reduce its accumulated deficit.
- 4.14. The Authority is reimbursed from the Totalizator Agency Board (T.A.B.) distribution pool for its administrative costs. There is a single payment from the T.A.B. to the Authority made in July each year. According to figures published in the T.A.B. Annual Report the Authority's total administrative costs have increased at a significantly lower rate over the last five years than the two other racing bodies (the A.J.C. and the Greyhound Racing Control Board). This has meant that clubs and in turn participants in Harness Racing have benefited because they receive the remaining share after payment of administrative costs.

4.15. The Authority advises that under present funding arrangements it is difficult to forecast a change in its financial position and any significant reduction in the accumulated deficit. At the request of the Minister the Authority is currently examining a plan for the reduction of the accumulated deficit.

4.16. The Committee recommends:

- . the financial arrangements between the Authority and the Totalizator Agency Board be re-negotiated to provide for the Authority's first claim on the T.A.B. distribution pool to cover both current operating costs and an additional amount to extinguish the Authority's deficiency within a 5 year period.

4.17. The Committee notes the initiatives of the Authority to increase betting interest and hence turnover on harness racing, by the promotion of conditioned handicapping and divided stakes. Conditioned handicapping was formally adopted as the handicapping system from 1 August, 1986.

4.18. The Authority engaged consultants to prepare an accounting procedures manual as required under the Public Finance and Audit Act, 1983 and advises that this task was recently completed.

Superannuation Liability

4.19. In 1984-85 the Auditor-General's Report noted that the Authority's liabilities in respect of employees' accrued entitlements totalled \$223,016.

4.20. As at 30 June, 1986 there were liabilities in respect of employees' accrued entitlements of \$239,478 for which the Authority has made provision.

- 4.21. The Committee considers no further action in relation to employees' accrued entitlements is necessary as provision has been made.

Benevolent Fund

- 4.22. The fund originated when the Trotting Club regulated the industry. After the Trotting Authority was formed the fund remained with the Trotting Club for a few years. The fund had its origins in the transfer of all fines imposed on trainers and drivers, by the Trotting Club, to the Benevolent Fund. For the past eight years the fund has been self financing from interest earned.
- 4.23. There are no written guidelines for the Benevolent Fund, other than the legislation which refers to assistance to persons associated with the industry who are in "indigent" circumstances. A representation is usually made on behalf of the person by an association, such as the Trotting Owners & Drivers Association. The existence of the fund is not publicised. When an application is received senior management checks with the person's relatives and friends to evaluate need. The fund still serves a purpose in assisting people not adequately covered by accident insurance or workers compensation. All drivers are required by the Authority to have personal accident insurance.
- 4.24. The Benevolent Fund is under the control of the Minister. The Authority is delegated to approve amounts under \$2,000, and all applications are considered by the Board. In the case of on-going payments, reviews are periodically made to ensure that the recipients circumstances have not materially altered. As at 30 June 1986 the fund balance was some \$191,000, payments during the year 1985-86 were only \$4,000, although the fund earned interest of \$28,000.

4.25. **The Committee recommends:**

- . **guidelines for determination of claims be formulated and that statistics on the number of applications received, approved and rejected be published in the annual report; and**
- . **the on-going role and use of the Benevolent Fund be critically examined, due to its self sufficiency, low payments and a proposed amendment to the Workers Compensation Act, 1926.**

Management Initiatives

4.26. The Public Accounts Committee is pleased to report that a number of improvements in the Authority's administration are evident and specific initiatives have been taken. Many of these improvements appear to result from the implementation of the recommendations of the Efficiency Audit completed by the Public Service Board in early 1984.

A restructuring of management has taken place and the new General Manager has implemented many changes.

4.27. **Recent initiatives** undertaken by the Authority include the following:

- a. **Licence Renewal** - In July 1986 a new system of licence renewal was introduced in the Registration Section, Plastic licence cards are produced by computer. This has allowed faster processing of licence renewals and has improved safeguards in the processing procedure.
- b. **Processing of Name Applications** - Stud Book and registration details are now transmitted to the Australian Harness Racing Council in Melbourne, using the Authority's computer network link. This system has allowed for speedier processing of Name

Applications and the issue of Registration Assessment Certificates. The Authority advises that complaints have been eliminated, whereas previously complaints regarding registration delays were a daily occurrence.

- c. **Clearance Procedures** - In consultation with interstate controlling bodies, an improved system of clearing horses between the States has been developed. The system allows for instantaneous transfer of a horse's records, thus ensuring that file records are current at any point of time.
- d. **Reduction in Overtime Costs** - The Authority has been successful in obtaining a variation to the hours of duty clause of the Crown Employees (Harness Racing Authority of NSW) Award. Ordinary working hours were previously 8.30 a.m./4.30 p.m. This has been expanded to 7.30 a.m./6.30 p.m. allowing for better utilisation of labour and significant savings in overtime costs.

4.28. However, the Authority has failed to provide the Committee with comprehensive details of the recommendations of the Efficiency Audit. The Committee is therefore unable to state whether all recommendations have been implemented or thoroughly considered. In this regard the Committee is critical of the Authority and its management.

4.29. The Committee recommends:

- . given the difficulties that the Authority has faced in the past and the Committee's concern about the Authority's continued regulatory effectiveness, that a post efficiency audit be conducted.

Need for Performance Indicators

4.30. The Authority's 1985 Annual report did not set out performance statistics in an appropriate format, which would give a clear

indication of trends and relative performance. Additional statistics were requested by the Committee. These included statistics on disqualifications, licence suspensions and cancellations, the Sires Stakes series (number of prizemoney earners etc.), and claims against the Benevolent Fund.

4.31. The Authority has requested its internal auditors to advise on the development of suitable performance measures. Some of these were included in the 1986 Annual Report.

4.32. **Current Performance Indicators are:**

- . average number of forms processed per employee (Registration Department); and
- . average number of races per employee.

Consultancy Review of Efficiency and Effectiveness

4.33. The Authority's 1986 Annual Report indicates consultants are carrying out a review of all the Authority's departments over a three year period. The Committee is of the view that this is an unduly long time frame given the size of the Authority. Introducing change over such a lengthy period could be disruptive of the Authority's administration which could result in ad hoc departmental changes rather than comprehensive reform of the Authority.

The Committee recommends:

- . the Consultants review be completed within the next six months.

4.34. The Authority is also liaising with the Programme Evaluation Unit of the Public Service Board with a view to submitting a five year plan for programme evaluation, as required by the Management Performance Committee.

4.35. The Committee notes the steps the Authority has taken towards performance evaluation and the initial indicators included in the 1986 Annual Report. However the development of indicators needs to be part of a reporting system to management, as a basis for decision-making and not merely a once a year effort for the purposes of the annual report.

4.36. The Committee is concerned about a tendency to rely on intuitive assessments rather than a methodical analysis of statistical trends and development of performance indicators.

4.37. The Committee recommends:

- . the development of additional performance indicators relating to provision of service and regulation of the industry. Such indicators might include:

a. **Timeliness**

Time taken to issue a Licence (Registrars section)
Time taken to issue a Registration Certificate
(Registrars section);

b. **Regulation**

The Committee believes that the Authority should devise objective measures of its performance in regulating the industry. As this is one of the Authority's basic functions it is imperative that this be done;

c. **Cost**

Administrative cost per unit(s) of work
% of administration costs; and

d. **Market Share**

The Authority's 1986 Annual Report highlights increased T.A.B. sales on Harness Racing but fails to mention the declining proportion of racing sales in relation to galloping. While there may be reasons for this which are beyond the Authority's control (such as number of

race meetings able to be covered by the T.A.B. and T.A.B. closing times), the Committee believes that steadily declining market share is a corporate issue which should be addressed.

Potential Conflicts of Interest

- 4.38. The Committee recognises that some members of the Authority may have an interest in harness racing and that it is not unreasonable for members of certain statutory authorities to include industry participants.
- 4.39. However, this situation gives rise to a potential conflict of interest. Accordingly members of the Authority should be cognisant of this and aware of the onus on them to ensure that in any dealings with or in matters that come before the Authority they fully disclose any interest. The Committee endorses the Chairman's recognition of this factor and notes he has refrained from racing horses on his own behalf.

5. NEW SOUTH WALES STATE CANCER COUNCIL

Background

5.1. The New South Wales State Cancer Council was established under the State Cancer Council Act of 1955. The objectives of the Council under Section 4 of the Act are:-

1. (a) to assist and foster research and investigation with respect to the causation, prevention, diagnosis and treatment of cancer;
- (b) to assist and foster postgraduate and undergraduate education and training, and education of the public, with respect to cancer;
- (c) to assist in providing training and instruction in technical matters relating to the diagnosis and treatment of cancer;
- (d) to co-ordinate, so far as is practicable, the activities of all institutions, hospitals and other bodies engaged in research and investigation with respect to the causation, prevention, diagnosis and treatment of cancer;
- (e) to conduct public appeals for funds for carrying out the above objects;
- (e.1) to carry out the objects set out in paragraphs (a), (b), (c), (d) and (e) of this sub-section in association or jointly with any organisation, societies or other bodies whether in Australia or elsewhere, which have objects similar to the objects of Council;
- (f) in consultation with the Health Department to advise the Minister on problems relating to:

- (i) the provision of hospital accommodation for the treatment of persons suffering from cancer;
- (ii) the provision of facilities for research and investigation with respect to the causation, prevention, diagnosis and treatment of cancer;
- (iii) the establishment of a cancer institute;
- (g) to advise the Minister on such other matters relating to cancer as the Minister may from time to time require;
- (h) to initiate and refer to the Minister recommendations on any matter relating to cancer.

2. The Council may do and perform all acts and things that are necessary or convenient for giving effect to the objects set out in sub-section one of this section.

5.2. For many years the Council was directly involved in clinical cancer research and employed a Medical Director and operated hospital facilities within the Prince Henry/Prince of Wales Hospitals Group.

5.3. In 1985 the Council embarked upon a major re-organisation with the objective of restructuring the Council to allow it to take on a more dynamic community based mission and supportive role for cancer related activities throughout New South Wales.

Reasons for and Scope of Current Enquiry

5.4. The Public Accounts Committee considered the matters raised in the Auditor-General's Report were of such a nature that a public inquiry was warranted. Accordingly, in March, 1986 senior executives of the Cancer Council were asked to attend a hearing of the Committee.

- 5.5. The scope of this inquiry was limited to the following:
1. the circumstances surrounding the purchase and sale for \$400,000 of office premises;
 2. mortgage loan to Medical Director;
 3. these items were reported to Parliament in the Auditor-General's Report for 1984-85. During the course of the enquiries the Committee sought additional information on payments to the former Medical Director upon the abolition of the position.

Purchase of Premises

- 5.6. In November, 1983 the Council purchased premises at Randwick for \$400,000 to provide office accommodation. The premises were never occupied by the Council. For a period of some eight months the premises were unoccupied. In evidence, the Committee was informed that the costs during this time to the Council in maintenance, security and the like was \$25,000 and income forgone was estimated at \$35,000.
- 5.7. In evidence the Chairman of the Council stated that the original intention was to move the Council's administration centre to Randwick to be closer to the oncology centre at Prince of Wales Hospital. The premises were never occupied by the Council and in September, 1986 the premises were sold.
- 5.8. On the basis of evidence tendered the Committee formed the view that the purchase of the Randwick premises was, in hindsight, a poor choice of investment by the Council and it was fortunate to sell the building in the short term and recoup the purchase price. Costs were incurred by the Council for maintenance, security and associated costs and a significant loss of income occurred.

- 5.9. The Committee noted that the original intention of the Council was to move its office accommodation from Martin Place, Sydney to a lower cost site. The proposed move should not be affected by the policy decision to withdraw from active clinical research at the oncology centre at the Prince of Wales Hospital. The Committee noted with concern the Council's continued occupation of high cost prime Sydney Central Business District rental accommodation at some \$80,000 per annum.
- 5.10. The Committee noted that the Council was undertaking a feasibility study on its future office accommodation needs.
- 5.11. The Committee recommends:
- . that the Council complete the feasibility study as a matter of urgency and critically determine on a cost/benefit basis the need for all of its operations to be based in Sydney Central Business District.

Termination Payment

- 5.12. Following an inquiry by external consultants and the Council's decision to withdraw from active involvement in clinical research, the position of Medical Director was abolished in December, 1985.
- 5.13. The Committee was advised that salary and various allowances payable to the Medical Director were approximately \$90,000 p.a. In addition the Council financed, by way of mortgage, the Medical Director's residence at Centennial Park. This financial arrangement was stated as being part of the Medical Director's contract of employment. The Committee noted that the loan was repaid in September, 1986.
- 5.14. Further enquiries were undertaken and the Committee reviewed copies of legal advice received and considered by the Council.

- 5.15. The Committee has noted that in his 1985-86 Report the Auditor-General commented that the termination moneys paid to the former Medical Director are still subject to audit review.
- 5.16. The Committee further notes that funds available to the Council are derived, in the main, from government grants and public donations intended for cancer research.
- 5.17. The Committee recommends:
- . statutory authorities exercise extreme caution in the formulation of employment contracts that could involve excessive termination payments and costs.

Fund Raising

- 5.18. The Committee noted fund raising expenses incurred by the Council for 1984-85 were \$513,000 and for 1985-86 were \$499,000. Income by way of donations was \$436,000 and \$691,000 respectively. Thus in the two year period net income was \$115,000.
- 5.19. However, the Committee notes in the same period bequests of \$4.2M were received. While the Committee recognises that there may be some correlation between bequests and fund raising expenses, in the main funding raising expenses would generally relate to donations.
- 5.20. Moreover the Committee acknowledges that additional bequests and donations may not necessarily arise due to increased fund raising promotion by the Council in the short term and that some promotional expenses must be viewed as generating donations of an on-going and long term nature.
- 5.21. Nevertheless the Committee wishes to record that the Council will need to monitor its fund raising expenses and income generated very closely and that the Committee will have a continuing interest in the results of the Cancer Council's fund

raising program. The Committee foreshadows a further review of this aspect of the Council's operation.

Transcripts of Evidence

<u>Organisation Represented and Witnesses</u>	<u>Page</u>
The Sydney Opera House Trust	31
* Mr D. L. Martin	
* Mr I. Stephens	
* Mr B. F. Springall	
Harness Racing Authority of New South Wales	50
* Mr M. G. Cummings	
* Mr C. B. Robertson	
* Mr A. G. Mullins	
* Mr K. H. Lambeth	
New South Wales State Cancer Council	75
* Mr K. W. Steel	
* Ms E. Henry	
* Mr P. J. Shehadie	

MINUTES OF EVIDENCE
TAKEN BEFORE
THE PUBLIC ACCOUNTS COMMITTEE

At Sydney on Monday, 17th March, 1986

The Committee met at 10.15 a.m.

PRESENT

Mr J.H. MURRAY (Chairman)

Mr C.M. FISHER

Mr P.M. SMILES

Dr A.J. REFSHAUGE

Mr A.P. WALSH

DAVID LLOYD MARTIN, General Manager, Sydney Opera House, of 40 Vaucluse Road, Vaucluse,
 IAN STEPHENS, Assistant General Manager, Sydney Opera House, of 18 Musgrave Street, Mosman, and
 BRIAN FREDERICK SPRINGALL, Financial Controller, Sydney Opera House, of 17 Hawthorn Street, Loftus, sworn and examined:

CHAIRMAN: Did you receive a summons under my hand to attend today's hearing?---A. (All witnesses) Yes.

Q. Have you a submission which you would like to add in addition to the evidence you will be giving today?---(Mr Martin) I would like to reserve that right if I could, yes.

Q. Mr Martin, for the committee's benefit I might ask you to outline your Trust's objectives?---A. The principal mission of the Trust is to have the leading performing arts centre in Australia. It has an objective to maintain that building for future generations and to contribute to the cultural life of the city, the State, and of Australia. That is the general mission. We actually have an exact wording which I do not have before me but I would be happy to submit it.

Q. That is sufficient?---A. In broad outline that is it, and its final objective is to run that building at the minimum cost to the State.

Mr WALSH: Mr Martin, I notice from your latest annual report that you have introduced a management by objectives approach. Could you explain how this has been applied in the trust? The agreement also mentions that corporate goals have been set; could you expand on this for the committee?---A. Last year with the help of a consultant we set up a series of objectives for the Opera House itself and for each division and for each department. They were principally objectives which were prioritized on a needs basis. In other words, the most essential items were tackled first. It was felt that the Opera House, after its operation for 11-12 years, is facing a tremendous problem with maintaining the building. Maintenance is extremely important. A lot of the items that went into that building were of the nature of a one-off item, and when it comes to replacement those items are just not available.

CHAIRMAN: For example?---A. A foolish example, but door handles. They were a unique item of the Opera House, created for them by the architects. Light fittings: all the light fittings virtually were designed by G.E.C. Philips, a consortium of lighting consultants, when the building was built. Lots of those items are no longer obtainable and we have to look at trying to replace them over a period of time. We also were established when the imperial measures were in. Shortly after we opened we went to metric measures, which also made it very difficult to replace a lot of items.

The lights that go right round the perimeter of the Opera House were a one-off item, extraordinarily expensive to replace. We argue with the architects that there is very little difference, that the diameter of the globe is 2 inches, ^{less,} but they see this as a break with the standards of the house. It so happens that with the new building around Circular Quay it is quite likely that those lamps will be extended all the way round Circular Quay and more of them will be built at a much lower unit cost because of the quantity than when we might be ordering just a few lamps to replace the odd ones that get damaged.

Q. You mean those standard lamps?--A. The standard lamps that go right round the perimeter of the boardwalk of the Opera House. This is repeated throughout the building with a whole range of items. The tiles that were selected, in the event, turned out to be not extremely serviceable. We have had to replace all the tiles in every kitchen, several years ago in fact, because they were totally impractical and condemned by the authorities, so we face what I would call unusual costs all the time.

I would have to say that the building itself is a great building that is known throughout the world. You can go anywhere at all and if you say you are from Sydney Opera House that creates an image in people's minds; they know exactly where you are from and probably what you are about, but at the same time the building is totally inefficient in its design. It is uneconomic. We have security staff of 42. If you have a regular theatre you could staff it probably with a stage doorkeeper and, if you were lucky, a commissionaire. Those sorts of examples are throughout, and we have reports now saying that we should really step our security up.

Q. Having trouble with stage door Johnnies, are you?--No. We are not having those sorts of problems, but the building is open 16 hours a day, 363 days a year. We are in fact manned 24 hours a day. You could go down there at any time of the day - 3 o'clock in the morning does not make any difference - you will find people wandering around the Opera House and we have a report that suggests that we should seriously look at our security arrangements with a view to stepping those arrangements up. We have already opened discussions with government as to the implications of that report.

Mr WALSH: Would you have a copy of your corporate plan for the Committee?--A. I have not got it available, we could certainly make that submission.

Q. You mentioned the Trust sets goals and objectives and you gave some priorities. Could you indicate how the Trust actually measures its achievement of goals and objectives, and could you give some examples of performance measurements in use?--A. I would have to say that our principal measurement of performance is ^{our} budget that is prepared each year and we have some specific objectives with regard to increasing revenue and minimizing costs, but I would have to make those submissions to the Committee. I do not have them readily available at this moment.

Q. With the budgetary criteria for that measurement, how would you rate your performances against the objectives you have set, and what areas do you consider require improved performance?--A. Our principal measurements: as far as revenue is concerned we show individually very good increases in our rental revenue each year as against previous years. Our catering performance: subject to the occasional problem, such as when we had to close the Bennelong Restaurant for six weeks last year to carry out refurbishment programmes, our catering revenue from 1977 has shown substantial increases each year. Our performance with regard to concessions: we concentrate on primarily increasing all of those aspects of revenue and, on the other hand, we are continually seeking to minimize costs, but with the maintenance and capital replacement programmes it is a very confused figure. Our budget each year includes capital as well as recurring costs and distinguishing within the budget is not that easy for the outsider, although internally, of course, it is somewhat easier to manage.

Q. Could one of your officers give us some examples of performance measurements and use other than the budgetary ones you have mentioned?
 ---A. (Mr Stephens) We set ourselves an objective last year in about September to decrease the time that was required to settle with people who are hiring the facilities; in other words, exchange cheques and finish off the contract. The objective was set at seven days, whereas prior to that it had taken regularly three and four weeks, sometimes as high as six weeks. That objective was attained at the beginning of the year so the hirers are now getting their funds in more quickly and we are improving our own financial position.

Q. Mr Springall, the regulations under the Public Finance and Audit Act require disclosures from the accounts of the deferred entitlement of employee benefits. Did the Trust seek exemption from these regulations? If not, why were the figures not shown in the 1984-85 accounts?---
 A. (Mr Springall) Well, the Trust stands in the same position as other Consolidated Fund departments in that it pays an amount to the Treasury each year on account of the current and deferred liability. Once the Trust has made that payment in fact it has no further liability to meet that, so there was no liability on behalf of the Trust that was required to be recorded.

Q. Mr Springall, I find it hard to tell from your accounts whether provision was made last year for superannuation liabilities. Was provision made and, if not, why not?---
 A. Yes. The employer's liability, as I just said, is paid to the Treasury and in fact any outstanding charges were accrued and would have been included in the amount accrued as at 30th June, so the amount would have been included in there but, as you say, it was not specifically covered.

Q. You also say you expect to collect your debts in full. Who would be the debtors? Was Computicket a debtor of the Trust, and would you have any debts outstanding for more than six months?---
 A. In fact the debtors range over a whole number of categories from hirers who owe the Trust money in respect of rental of a hall; we have catering debtors in respect of functions that are held at the House, miscellaneous debtors, and also debtors for tour packages that regularly come through the House. There are quite a number of them and they are recorded, but as far as "are there any debts over six months," yes, there are now. We have had a number of debts that, whilst we expected them to be received at the time, it has since turned out that we were a little bit optimistic in that regard. These are regularly reported to the Trust at three-monthly intervals as progress reports on our activity to collect them.

Q. And Computicket?---
 A. Not that I am aware of.

(Mr Martin) Yes, Computicket, of course. The collapse of Computicket occurred long before Mr Springall joined the Trust. We were not a direct creditor of Computicket. The Australian Opera, which is also a major client of the Opera House, was a creditor to the extent of, I think, \$300,000 or more. And we would have been entitled to 12-1/2 per cent of that revenue if and when it was recovered. There was an amount recovered, of which we received our 12-1/2 per cent, but in effect it was never taken into account because the money was never paid in as box office revenue to the Australian Opera. As far as our own relationship with Computicket was concerned, we were a debtor of Computicket for a small amount of about a thousand dollars.

Q. Have you ever had to write off bad debts?---
 A. We have.

Q. Have you made provision for those bad debts?---A. (Mr Springall) We did not as at last year because at the time all the indications were that we would collect the money. Unfortunately, as I indicated earlier, some have since proved not to be possible to collect. And we say this on the advice of the Crown Solicitor's Office who have indicated this in a number of cases. In fact we are putting some debtors up for write-off at the end of this month.

CHAIRMAN: There is no real worry about that because the Treasury picks up the tab if you make a loss, do they not?---A. (Mr Martin) Not quite. We have never gone to the Treasury to seek funds to write off a bad debt.

Q. If you do not get the money and that shows up as another aspect of your financial position, the Treasury will pick that up. They pick up your liabilities?---A. (Mr Stephens) Perhaps it is worth explaining that the allocation from the Treasury is by way of an annual grant and it is only in very special circumstances that that grant is supplemented; for example, if salary rates increase then we seek, and have recently got, supplementation for that. Otherwise it is a fixed annual sum within which we have to operate. The basis of the annual sum is estimated given our estimates of income and expenditure for the year, subject to adjustment by the Treasury, and then a balancing sum as an endowment to the Opera House Trust, and that sum is not supplemented any further within that financial year, so we have to make up the difference or forego some expenditure.

Q. Treasury would come in each year with a supplement?---A. There is an endowment each year, yes.

Q. No, a supplement over and above your budget?---A. (Mr Martin) Only an amount for increases in salaries granted during the national wage case.

(Mr Stephens) And in this year there was an extraordinary item resulting from massive increases in workers' compensation insurance, I think, throughout the whole of the State. The result of that was we went back to Treasury and we understand they have agreed to it.

Q. What sort of money are we talking about?---A. That was \$360,000. The supplementation, I think, was made up of \$220,000 for increased salary costs in the national wage variation and about \$150,000 for the workers' insurance premium.

Mr WALSH: How much will you be writing off for bad debts this year? ---A. (Mr Springall) I was just thinking, there would be about six cases. I think individually there are rather small amounts running mostly to a couple of hundred dollars per case, so I think the amount would not be very large at all.

Mr FISHER: Mr Martin, could I direct a few questions to you in respect of the Park and Ride Scheme?---A. (Mr Martin) Certainly.

Q. I note that the Park and Ride Scheme continues to operate at a net loss. Last year the accounts showed the loss was approximately \$74,000. Could you comment on the reasons for this?---A. Well, the price which we feel we can charge for the Park and Ride service is more or less governed by the three-hour charge for parking in the Domain parking station.

because if we exceed that amount then it is more attractive to somebody to go into the Domain parking station and pay the council charge rather than the Park and Ride fee. The bus fare is free, in effect.

But if I could go back in history a little, the Park and Ride service was introduced in 1973. It was estimated at that time that it would cost \$100,000 a year, \$2,000 a week. In fact it performed much better than we had originally anticipated, but we are paying the cost of the government buses, which is very high and has increased through the years. We responded to the query and I can supply you with further details of the bus charges, but currently the charges range between \$526 a night and \$998 on a Saturday evening for forward and return journeys because the buses have to be available from 5 o'clock in the afternoon until midnight, so they are in effect an eight-hour shift.

CHAIRMAN: So there are four return journeys for a thousand dollars?
---A. No. The cost of a bus for three forward and return journeys, plus an additional return journey on a Saturday evening, can cost as much as \$998.

Q. That is four for \$1,000. It costs \$450 to run the bus from the Domain to the Opera House and back?---A. (Mr Stephens) Several times. It is a circuit.

(Mr Martin) Several times, yes.

Q. I see. What you are alluding to is four sessions, not four trips?---A. Yes.

Q. That is four a session?---A. Yes. To give you some idea how much the price of a bus has increased, when we started in 1973-74 the cost of a bus Monday to Friday was \$40 per night, a Saturday \$50, a Sunday \$60, and a bus to make the return journey - return journey only, in other words, that is a half - was \$25. They range as high as \$998 so that gives you some idea how much the UTA charges have increased over that 12-13-year period. It is something over which we have no control, but, on the other hand, the Domain started at \$1,800 a week and on 1st July, 1974, the council agreed to reduce their charge to \$1,500 a week and they stayed with that charge for nine years. In 1983-84 they increased it to \$2,850 per week, and the City Council do in fact heavily subsidize Park and Ride themselves. They have been quite generous because when they gave us notice of the increase in 1983-84 they gave us a figure that was substantially greater than the \$2,850 that they eventually charged us, and I must say they have been extremely helpful. That is not to say that the UTA are not very helpful, but they are also very expensive.

Mr FISHER: I gather from what you say you do not feel you can raise the charges without losing customers?---A. Correct. That in effect happens every time. There is a drop and gradually you get those customers back, but the real governing factor is if you can actually go into the Domain and buy a ticket for less than a Park and Ride ticket, and have the benefit of a three-hour park in the Domain with free bus ride. you in effect can beat the system. But we are currently planning to review it, certainly from 1st April, 1987. That is on the information we have got from council on their charges at the present time. If they were to move their charges in the meantime we could immediately increase the Park and Ride, but we are right at the limit at the moment at \$4.50.

(Mr Stephens) Perhaps it is worth saying that the revenue we collect with the Park and Ride scheme is quite separate from revenue collected

otherwise at the Domain. They are two entirely different sets of sales, and if it is cheaper for somebody to go and buy a Domain parking ticket, then the Sydney Opera House gets none of that revenue, it goes into the City Council's revenue. If they go and buy a Park and Ride ticket, we at least get the revenue from that.

Q. Even though you lose on it?--A. (Mr Martin) That is correct.

(Mr Stephens) But we are not losing as much as if there was no money at all.

(Mr Martin) It was a conscious decision in 1973-74. There was no doubt about it that one of our disabilities was the fact that there was no reasonably adjacent parking area for the Opera House. It has been a source of criticism, and I think that the action of the Government now in calling for tenders - it looks as though a tender will be let to build a parking station under the Domain-Botanical Gardens area immediately adjacent to the Opera House which can link up with the new approach construction that is currently taking place down there. It would be highly desirable and then, of course, we could eliminate the Park and Ride altogether and the parking station operation would be totally separate. We would have nothing to do with it.

Q. So you really are looking towards the Bennelong parking station as the only real solution. You have no plans to attempt to make the scheme viable prior to that?--A. I think our attempts to make it viable would in fact make it less viable. To increase the price at this stage could result in a loss of revenue to the Opera House, not simply because of the price increase but because of this balance between the Domain parking station charges and our own charges. In other words, if we move out of line with those charges we think it could have a drastic effect on revenue. It is not the price effect so much as the balance between the two charges.

Q. You have given us an indication of the cost of UTA buses. Have you called tenders for private enterprise to operate that bus service?--A. It has really never been an option. In the beginning we certainly explored every avenue and in those days it was given to us to understand that we should use the government bus service.

Q. You talk about parking facilities for those patrons who have their own vehicles. You mentioned earlier about the great appeal that the Opera House has as a tourist attraction for Sydney?--A. Correct.

Q. What provision is made for tourists, or even country people, who have no transport of their own to be transported from the Opera House to their accommodation?--A. Well, the Opera House is very close to Circular Quay and, of course, we have Sydney's principal transport interchange at Circular Quay with ferries, buses and trains. There is also the Sydney Explorer, as far as the tourists are concerned, which is used quite a great deal with tours coming to the Opera House, plus the tourist industry buses which at the moment are severely disrupted because in the past they always had the benefit of parking in the forecourt.

Now that is not available but you will see every day in Macquarie Street quite a number of tourist buses; the whole street parking arrangements in Macquarie Street are being changed with the work taking place in the forecourt. That actually is a long-term

situation. In other words, there will never be a time that the buses will be able to come back into the Opera House. The difficulty is that the modern tourist bus invariably has air-conditioning units on top of it and they do not have sufficient clearance below the podium level to come on to the site, go underneath the steps, make the turning circle on the other side and come out again. They cannot do it. It is a 12-foot clearance and the modern tourist bus is much higher than that.

Q. I am thinking of the patrons who attend a function in the evening, opera or drama theatre. Have you any provision for taxis or a taxi rank where those people can get back to their hotels in the city?
 ---A. There is provision. There is a taxi phone available at the stage door. The difficulty is not so much with the arrangements so far as taxis are concerned. They are available, and they are readily available during the day, but late at night, particularly on Fridays and Saturdays, it is extraordinarily difficult to get a taxi in Sydney, and being at the end of the peninsula it can be very difficult to persuade cabs to come down and collect patrons who, they will say, invariably pick up a cab by chance and do not wait for the one they have ordered. That is a problem that we have wrestled with over the years. We confer constantly with the Taxi Council and we do have a reasonable facility.

Q. My experience has been it is almost impossible to get a cab when a theatre comes out and I think that plenty of country people find the same problem.

CHAIRMAN: And city people, probably.

Mr FISHER: At least you have a vehicle somewhere in the city?
 ---A. We now constantly have a man on duty whose job it is to try and assist those people, and the other evening I received a note, last Friday, that he actually took two people home it was quite impossible to get a cab for, took them home in a car. He lives on the north side. He took them to their hotel in Bondi.

Q. I have even heard tourists say that it detracts very considerably from the Opera House, the fact that they cannot get public transport from the theatre, particularly in the evening. And I just thought it was one of those things. If we want to ensure that the Opera House is viable, and thinking of that \$8,000,000 Treasury allocation, attracting of patrons would be important?---A. Well, the fact is that invariably the performances are sold out, but the problem of the taxis is one over which we have very little control. I guess we could have talks with the UTA about bus arrangements that might be able to take people from the Opera House to Circular Quay even - some sort of feeder bus.

We have talked about that on occasions but, again, it is a costly operation. It is like Park and Ride. I would suspect on the recent costing we did the loss on having one feeder bus would be at least equal to or greater than the Park and Ride loss we have sustained.

CHAIRMAN: Do you really need a Park and Ride system?---A. I think that if we did not have the Park and Ride system we would certainly lose patrons and, of course, so much of our revenue relies on a percentage of the box office. And that would have a serious effect on the general revenue, yes.

Q. But you have a wonderful transport interchange there and, as you say, the performances are invariably booked out?---A. I think the figures

on Park and Ride show that we park between 300 and 600 cars on a very regular basis, and there is not any alternative available for those people. I suspect that a lot of them would not continue to support the subscription that they hold. I would have to say, if you asked me to sum up in one word the greatest difficulty we have with the operation of the Opera House, I would say in that one word access. It is difficult to get there, I cannot pretend that it is not.

Once you get there there are no escalators to take you above the ground level. There are lifts available for invalids and the very elderly but even they are difficult to find within the House. They are problems over which we have no control and we felt that in the Year of the Disabled we would make an effort to see if escalators could not be put in the House. It was found that at that stage it was feasibly impossible. There was even a scheme to put them up the outside of the building but, of course, the architects would not have a bar of that under any circumstances. Indeed, the Minister for Public Works wrote very strong letters saying that was not an option we could consider.

Q. \$74,000 is a reasonable subsidy, is it not, for the provision of transport, because that is what it is?---A. That is correct. But there is not an alternative, and we hope that after 1988, after that car park is finished, that will be the end of the Park and Ride cost item as far as the Opera House is concerned.

Mr SMILES: Mr Martin, I wonder if I might ask two brief questions to clarify some points raised in your response to Mr Fisher. Firstly, are you absolutely bound to use Urban Transit Authority buses for the Park and Ride scheme?---A. It was my understanding we were, but I cannot say with absolute certainty because in recent years we have certainly not tried to break that arrangement.

Q. Has the Trust received at any time a submission, or in fact was there a submission, from a private bus operator? ---A. Only in the beginning, yes, we did. It seemed that the Public Transport Authority, as it was then, I think, seemed to be the only organization that really had the setup, the buses available, the flexibility they could build into the system. For example, at the present time it is very easy for the UTA inspector on duty when he assesses the crowds coming out of the House to call in additional buses. There is no private operator that could do that.

Some services finish around 10, 10.30, 11 o'clock at night in the area of the Opera House, and it is quite an easy thing for him to call those drivers down to just make a return journey to help take some of the crowd back that will accumulate because two performances might finish at the same time. Much as we endeavour to avoid those problems, it happens that the opera theatre and the concert hall will finish at the same time, so you have 4 000 people exiting maybe at, say, 10 o'clock and a fair proportion of those will be Park and Ride patrons, but the inspector has the flexibility. He must be able to say, "I have a problem here," and be able to call in buses on very short notice.

Q. Given that situation, what would be your guesstimate of the frequency or the total number of times that incremental call-in was put into operation last year?---A. I would really be guessing but I have a feeling around two or three times a week, but I would not want to be held to that. We could investigate and provide that information.

Q. That is supplementing the one bus that is doing shift work?
 ---A. No. We usually schedule up to six buses.

Q. I would like to turn now to the fire fighting operations. You may recall that the Public Accounts Committee wrote in July last year?
 ---A. Right.

Q. Wrote to the Trust, and when we did not receive a response we wrote again in January of this year. Could you explain why we received no response to the Committee's earlier or initial letter?---A. Yes. That was purely a management problem, it should not have occurred. At that time, though, it was immediately submitted to the Trust with a paper explaining what the situation was, and it was intended to be replied to forthwith. At that time the parking dispute broke out at the Opera House. The man who in fact was responsible for that particular area of our operations was heavily committed, he was right in the forefront of the parking dispute. I am not suggesting the two items were related, but he was offered a job in Public Works as a principal engineer and he left us, and our re-sub system did not come up with the letter. That was the reason. The response was not in fact given until, I think it was, 27th February.

Q. Mr Martin, I wonder if I could ask you how you would describe the overall financial position of the Trust?---A. Considering the operation of the Trust, and the performing arts generally, very strong.

Q. Mr Springall, the Trust had a deficit of \$660,000 last financial year. Do you anticipate a deficit this year?---A. (Mr Springall) If I could explain that deficit slightly. The deficit arose from the year before when, with the introduction of accrual accounting, the Trust was required to bring to account the accrued liability for long service leave and recreation leave, and this was done by way of charging its accumulated fund, which brought about a deficit of some \$800,000, from memory. In point of fact during 1984-85 when the matter was raised in the first place with the Auditor-General, it was discovered that should not have been raised. In fact we are now in the process of writing off that provision against each of the succeeding year's results so that in fact that deficit will disappear. In fact it only really came about because of the book entry raised for accumulated long service leave and recreation leave.

Q. Mr Martin, you made mention earlier, I think, in response to Mr Walsh's question, of the fact that you were pleased with the rentals to Trust management for the concession rights and the like which, by and large, generated increased income from year to year. However, I note that last year's income was slightly down on previous years. What specifically was the reason for last year's decline in income?---A. I would not have thought - we actually showed a very small increase last year but our earned income - - -

Q. I can see there is only a slight diminution?---A. I just cannot turn immediately to the figures.

Q. Page 32 of the report, Mr Martin?---A. I am sorry. Yes, our grants in 1984, the year ending 30th June, 1984, amounted to \$173,000, including a grant from the Australia Council of \$100,000. The grants last year were only \$76,000, which were a substantial decrease. We tend to take the gross revenue, and I thought it was that increase. In the review the New South Wales Government statutory endowment was a reduction of \$30,000 from the previous financial year. The Trust was ab

to call on last year's cash surplus of \$1,178,000. This was added to the Government's endowment of \$8,370,000 to make a financial base of \$9,430,000. Sorry, I am reading the wrong part. The Trust's earned income rose from \$13,948,000 to \$14,360,000. I think the presentation of the accounts shows that. They are not related, I must admit. The rentals increased 3 per cent. We will have to get Mr Springall to explain some of those variations in the previous year.

CHAIRMAN: Are there any other hidden costs that are not shown in the accounts there?--A. There are some that are not shown in the revenue statement. If you turn to page 39 of the annual report, the outline budget for 1985-86, this year shows a special allocation of \$1.1 million from the Premier's Department capital works programme as part of a three-year programme for the refit of the Sydney Opera House, and there is also a small amount of money within the Department of Public Works capital budget to carry out certain works which would be classed as corrections of fundamental errors in the building itself. For many years that fund was the source of funds for the completion of the Sydney Opera House grand organ, and since then it has been maintained in a small amount, and that shows up in the public accounts that are published by the government in the programme budget. There are the three different items, if you like, for programme budget for the current year.

Mr SMILES: Mr Martin, in terms of generating additional income is the Trust considering new initiatives in that area for this year and later years?--A. Well, the principal area where we can increase income is in the catering area, and we can do that by looking at new ways and means of attracting customers. We have a tourism and marketing section which concentrates on the overseas visitors. That has been growing very considerably each year, and in the current year all the indications are that the result at the end of the year will be a substantial increase on last year and that tourism and marketing section is usually looking at ways - it combines some of the attractions of the Opera House with the catering. That is one particular area.

We do have a limited entrepreneurial budget and we continue to present attractions that can generate income for other aspects of the House, but one has to be very cautious about that particular form or source of revenue because it can also have very substantial losses, and I would have to say that we do have a very conservative outlook as far as the Sydney Opera House is concerned.

If you were to compare it with, say, the Victorian Arts Centre or the Adelaide Festival Centre, I would say that within the performing arts community we would be regarded as very conservative and unimaginative in our approaches there, but we also happen to not have suffered the large reversals that they do because I think it has always been the policy of the Trust that we limit our activities to within the building and the environs. Those other arts centres in fact present shows throughout Australia. It is always on the basis that they have to present shows and generate shows to keep their halls open. Because of our location in the largest city of Australia, the particular architecture of the building which attracts the tourists, we are very fortunate as against our associates in other States who really do have an uphill battle, but we are mindful of increasing revenue. It is certainly one of the prime issues so far as our chairman is concerned. He is always encouraging, I guess is the word, us to look at new forms of revenue where we can generate funds.

(Mr Stephens) Perhaps it is also worth adding that with the new forecourt development the concessions and facilities that are there will

also enlarge our opportunity to generate revenue so we are looking forward to taking advantage of that in two years' time.

(Mr Martin) I think additionally that car park when it is completed - and I do not anticipate it would be completed at the beginning of 1988 but I hope some time during that year it will be - will also be an enormous asset and will at least have the immediate effect of reducing the cost of Park and Ride or eliminating the cost of Park and Ride.

Q. I must say, having been an entertainment promotor for 10 years, I am delighted to hear you adopt a conservative approach. But flowing from the comment about concessions, has an announcement and/or invitation for involvement been presented to the public for those concessions on the forecourt?---A. (Mr Stephens) No. That will be done shortly. We do not know exactly what will be available to the Trust at this point, that is in the process of being discussed with the Department of Public Works, but for the concessions that we know will exist, now that we are aware of the sizes and the spaces that can be occupied we expect to invite those interested in occupying those spaces within the next month or - - -

CHAIRMAN: I was a little surprised at Mr Springall's response to the question in terms of the deficit. The 1984 deficit was \$97,000, 1984-85 \$138,000. I am not quite certain what the deficit is this year, even though you say it is \$660,000. With that background why would you anticipate you would have a deficit next year in that proportion?---A. (Mr Springall) Maybe I misunderstood but I thought we were speaking of deficits in the accumulated funds which primarily arose as a result of bringing those charges into account. The other deficit which I think you referred to just a moment ago would have been the deficit from the year's operations.

Q. Trading?---A. Yes. They are two distinctive figures with different meanings.

Q. We are interested in that. We are interested in what your trade deficit is and what your trading position is?---A. Right. Well, the original question, I think, was did we envisage having \$660,000 deficit again. Obviously, no, we do not. The budget as it is framed at the moment is aiming for breakeven, and certainly at the moment our income is up and our expenditure is on line, so I certainly do not expect any situation like that to occur. What I was trying to do basically was to explain how that enormous figure came about. It had really nothing to do with the trading operations of the House but, rather, a view that was taken at the introduction of the new accounting system during 1983-84.

Q. But, as I understand it, it could be even greater than that if you included under repairs, maintenance and additions those costs which have been picked up by Public Works?---A. If they were brought into our accounts, yes.

Q. In reality they are additions to the costs of maintenance, are they not?---A. Yes.

Q. What about superannuation payments and reserves and workers' compensation reserves? Are they funded?---A. Well, we stand in the same position as a Consolidated Fund Department as regards superannuation in that we pay an instalment to the Treasury whilst a contributor is actually working, and it becomes payable when the contributor retires.

Q. But you do not fund for that on reserves?---A. No.

Q. The Treasury picks that up?---A. That is paid into the Treasury.

Q. But your payment is equivalent to the outgoings when somebody retires?---A. I am sorry -

(Mr Martin) Our payment is based on the current salary figure that we are paying. We are paying what we would normally create a provision for to the Treasury as we go along.

(Mr Springall) Exactly, yes.

(Mr Martin) In other words, we are paying our liability as we go. Treasury are accumulating the fund or accruing the sinking fund, and they then fund this liability when it falls due.

Q. So in effect you are funding for liabilities for long service leave or superannuation?---A. (Mr Springall) Certainly.

(Mr Martin) Yes. There is a charge each week.

Dr REFSHAUGE: Are you saying if you did not have that, this accrual account for last year would not be that large? What would it have been?---A. (Mr Springall) I could not -

Q. Because you are not going to have it this year, are you?---A. No. In point of fact the Auditor-General when he agreed to the review charge agreed that the accumulation for recreation leave should be written off. That is for 1983. Half was written off the 1984-85 valuation. The accumulated long service leave, I think, will be written off as employees actually take long service leave, so we expect that to extend over a much longer period. I think when we originally looked at it it was a period of eight or nine years. It will go down only gradually. The figure we have there will go down most certainly by, say, two hundred and something thousand dollars for the accumulated recreation leave. After that it will go down at a more gradual rate.

CHAIRMAN: So you will not be providing for recreation leave?
---A. It is provided for each year in our ordinary budget, the actual amount of recreation leave, that is the actual payment in our estimates. That is the basis of the funding by the Treasury.

(Mr Martin) What happened, up until 1983-84 we had been like any other government department. We had to account on a cash basis, and at 30th June if we had not paid accounts, tough, that was next year's budget. You did not get that money again, and that was the way we operated. Right through that period we accumulated cash reserves simply because there are always accounts you will not have paid at the end of the year. In 1983-84 they said, "Now we are going to make you provide for long service leave and provide for recreation leave." They estimated our liability as being about \$1.1 million, I think it was, so that was a once only charge, \$1.1 million, so we had a huge deficit that year because we had had to create that charge. Then everybody had a look at it and said, "Well, really, this is nonsense. It is not a good idea at all because you in fact are paying money for superannuation to the Treasury and you simply fund your annual liability for long service leave and recreation leave. You just fund it. You do not need a reserve there so let us write off half the recreation leave last year by getting rid of half that reserve last year, and the long service leave reserve we will write off, but when it is finished you will have to just meet those payments out of your annual account," which is really just accountants playing with numbers.

It had quite an effect on the way our numbers appear in the account, but it has made it very hard for comparison purposes to really get at the nitty gritty of what happened. What in fact is happening is that we are increasing our revenue, and our costs are well within budget expenditure where, because of earned revenue, we made a deliberate decision to perhaps fund some capital works ourselves which we may not have originally provided for in the account, but we have the funds available and therefore we do it. But all of that is changed from what happens now because you have to include in your accounts comments to the effect where your original budget is varied by subsequent budgets, and we have a budget review in February which is presented to the Trust. It was presented at the last Trust meeting.

Dr REFSHAUGE: You said at the beginning that one of the objectives is to run the Opera House building at minimum cost to the State government, and that a measure of your performance is basically your budget. With the change of budgets I am still not sure whether you made a loss or surplus last year. The figures we have are that you made a loss of \$660,000 but you expect to do better because of the change of accounting system. Are you sure you are actually reaching that objective of running at the minimum cost to the State and how can you convince yourselves and us that that is happening, apart from saying the numbers are right?--A. We set the budget which, so far as revenue is concerned, is always a stretching budget unless we know we have a specifically soft spot, that there may be some change in a major hirer's position, or there may be some change that in effect we have to account for. We just cannot ignore the fact, but normally we are seeking to increase our revenue in our budget each year, and we know that when we review in February we have increased those figures, our revenue figures, above our original expectations. We also know that we are containing costs wherever possible and certainly the measure is against the budget. Our internal budget, of course, does not take account of these outside accounting changes but so far as our monthly monitoring of the figures and that sort of thing is concerned we are not concerned about the reserves. I am correct in saying that.

(Mr Springall) Can I just add one point on that deficit of \$660,000. When the Treasury originally set its statutory endowment they took into account the amount of cash fund that we had on hand, which at the time was \$1.178 million, so in fact the Treasury made the decision that in funding the operation we were to consume those funds, so in fact the overall result was that we did not achieve the deficit that we actually set out to do in the original budget, which you could see, if you go to page 33, was \$1.178, which was the original forecast deficit for the year. Because we had utilized cash funds we had in hand and some expenses did not quite make it, the deficit only amounted to \$660,000, so when you say measuring our performance against the budget, in fact we came in much better than we originally thought we would.

Q. You expect to have a deficit this year?--A. In fact there was no surplus of funds this year. We had the same sort of thing so in fact we started with, I think, about \$200,000 which was in fact fully committed for outstanding charges and what have you, so at this stage I have to say no.

Q. The vast majority of your income is government subsidy, is it not?--A. Yes.

Q. Do you see any way you could become less dependant on the taxpayers' money in the future?--A. Becoming more positive in the other

activities we undertake, especially in the catering and tour management, and I think this is something we are always striving to do.

Q. Salaries represent the Trust's major expenditure and I note that overtime payments are also a significant expenditure because of the nature of your work?--A. Yes.

Q. Do you keep statistics on overtime worked?--A. We monitor it, of course, through the budget in that we measure each month the actual expenditure against the budget and where variations occur we inquire as to actual hours and so forth. I do not believe so.

(Mr Stephens) The cost is more important than the actual hours worked.

CHAIRMAN: What you are really saying is you do not know the amount of overtime within the wage bill?--A. Yes. We know that overtime - I thought you meant the number of hours worked - but only in the different sections. We do know the amount.

Dr REFSHAUGE: Divided into sections?--A. Yes.

(Mr Martin) I think we may have misunderstood the question slightly. In other words, we do not have a special set of figures or statistics with regard to overtime but they are very carefully monitored and accumulated and we know exactly the overtime worked within departments and within sections, and it is monitored very closely. But, as you rightly say, operating seven days a week, and in some sections 24 hours a day, it is a fact of life that we face a large overtime bill.

CHAIRMAN: You might send some of those figures through to us?
--A. Certainly.

Dr REFSHAUGE: Is sick leave a problem with the employees? Do you have a problem with the amount of sick leave?--A. In some sections, but I think if it was compared statistically across the State, I do not think it is a problem in any area. We do not have a high incidence of sick leave although there are individual cases. Again, we have a very good system for monitoring any excess sick leave entitlements being used.

Q. What is that statistic?--A. Normally within the department our staff branch will advise where there is evidence that people are using sick leave in excess of what might be normally expected - without the appropriate medical certificate, in other words - and that would go back to the branch manager who would be expected to interview that person and discuss the problems that he may have. If the problem continued, well, then, I think the next step is staff management would interview that person.

Q. Would you have an expectation that the type of work being done by your employees would lead to a higher level of sick leave?--A. I do not think so. Some of it - no, I would say no, although our workers' compensation figures would probably be a better guide in that regard.

(Mr Stephens) The figures at the moment are not too bad. Some areas of operation are more prone to risk than others. For example, study may show there are more minor injuries in one area than others, and that is certainly reflected in our workers' compensation claim history. There is also a piece of conventional wisdom that says people working

extended shifts also have a higher rate of sick leave than others. I do not know that that is evidenced with our operation. There does not seem to be any markedly large disparity between the sick leave record of those people working nine to five and those people working shift work, apart from the factors I have mentioned to you, the nature of the job is more risk prone.

Q. Could you also send us some information on the numbers and types of claims and cost of workers' compensation? On your other objectives, although we have obviously concentrated much more on the cost to the State, do you have any other performance measures worked out, apart from becoming the performing arts centre of Australia and maintaining the building for future generations and contributing to the cultural life of the city and the State?--A. (Mr Martin) I think we are fortunate that Australia's leading performing arts companies all play in the House for a considerable part of the year, the Australian Opera, the Australian Ballet, the Sydney Theatre Company, Sydney Dance Company, Sydney Symphony Orchestra, and we also have Musica Viva who bring some of the leading chamber music ensembles to Australia. In effect, by having a close working relationship with those organisations, we are able to reach our cultural objectives, if you like.

Also, within our entrepreneurial activities our policy is three-fold. We have an obligation that we will look at presenting attractions when we have dark nights available. If there is a dark night then obviously we might have a problem. I am happy to say that is not a problem so far as the presentation is concerned. If there are attractions in Australia which we feel should be shown in Sydney, and but for the Sydney Opera House they were not to be presented in Sydney, then we would take obvious steps to do so and, in particular, in the last two or three weeks we have presented a number of the attractions that came to Australia for the Adelaide Festival and the Perth Festival, and that is part of our policy there.

The other entrepreneurial policy that we have is that we endeavour to encourage organisations that we would hope may develop to a long-term hirer but who, in the first instance, just need that encouragement to start, and if I can cite the most recent example of that, it was our arrangement with the Australian Chamber Orchestra, which last year undertook what turned out to be a very successful season, and they are improving on that again this year. We do that usually rather than taking a liability for their costs. We would encourage them by taking a percentage of the gross and no fixed charge. In other words, we would look at our total costs, that is Opera House costs, and the costs of the performing company, and then say that our costs might represent 25 per cent to 40 per cent of those costs, then that would be the percentage of box office that we would take without any guarantee so that we could in fact take some of the risk, but we do not become involved in their business necessarily when we are worried about the costs that they may be incurring, and we do that quite a bit.

(Mr Stephens) It might also be worth mentioning that there is some internal competition for the use of space, and the more actively spaces are used for theatrical performances the less space is available for hire, so that there tends to be a counter-balancing effect on the income that is able to be generated. If it is being used for a performance it is not available for an independent function.

(Mr Martin) Finally on that, of course, we have our Bennelong programme which is the Opera House's contribution, if you like, to an

education programme that has developed over the years. It has been supported by the private sector; CSR have contributed \$200,000 to that Bennelong programme in the last six years. They have been sponsors, and continue to be.

CHAIRMAN: Has the opening of the Wharf Theatre had any effect on your audience?--A. No. In fact it has been a major asset for the Sydney Theatre Company, and I must say that their performance with the Wharf since it has opened has been extraordinarily good. I do not think the two are necessarily related but their production of Company was splendid. A number of their shows last year were very, very good indeed. I am referring there to the box office.

Q. So they are not trialling them at the Opera House; they are trialling them down at the Wharf?--A. No, that is right.

Dr REFSHAUGE: In one of the earlier questions there was a suggestion that the patrons of the Park and Ride system who perhaps use the Opera House are wealthy. Have you done any surveys to see in fact who the Opera House is catering for?--A. There have been surveys done over the years, and certainly our principal performances are patronised by - I do not think wealthy is quite the term so much as educated. There is no doubt that opera and ballet are attended by those who have had the advantages of a better education, particularly tertiary education, but the Bennelong programme, for example, is an attempt by using extraordinarily low prices to encourage people to come in and learn something about the performing arts. We have had from time to time deliberate campaigns and other forms of advertising promotion to attract people, say, from the Western Suburbs which are sort of - you have to cringe a bit when you say this, but unfortunately that is the word, particularly within government circles. They are trying to attract those people and provide for them and we endeavour to play our part there. We have a great number of free attractions on which we hope attract all sides of the community.

Q. Just unrelated to that question: in your accounts you do mention that there is some capital works provision, more as notes to the budget. The Public Works Department - does it work on the Opera House and does it pay for it? Do you have that more specifically mentioned as a note on page 39, the outline of the budget for 1985/86?--A. The special allocation to the Premier's Department or the - - -

Q. No. Public Works, I understand, last year did work that they costed at \$454,000?--A. Correct.

Q. I could not find it - - -?--A. No. It is not in our accounts and we cannot really take it in except as a note to the accounts, but it is more specifically mentioned in the programme budget presented to the Parliament.

CHAIRMAN: It is a hidden subsidy really, is it not?--A. Yes. But it is not hidden there, it is quite clear.

Q. It is not in your accounts?--A. No.

Q. So it is somewhere else. I call that a hidden subsidy?--A. Right. When I say it is in those other accounts, it is in that Sydney Opera House programme budget. I mean, there is no attempt - maybe in future years where we have it here as the notes to the outline budget, we should include it there.

Q. I do not think the committee is objecting to you spending that money. It is just that we want to know the financial position of any organisation which is funded by government departments. If it is not in the accounts we do not know how you are performing?---A. (Mr Stephens) We are not spending that money; the Public Works Department is spending that on the Opera House from its own source of funds. We do not actually have any direct control over how that money is spent.

(Mr Martin) Which I guess is the essential difference between the \$1.1 million provided this current year by the Premier's Department to the capital works area. We do have a considerable input and control over how that money is expended, but as far as the Public Works money is concerned it is totally under the control of Public Works and it is their own funds.

Mr WALSH: Mr Martin, as General Manager obviously you are aware of your overtime payments, and I think you mentioned a weekly, or monthly, was it, report basis?---A. No. We monitor them monthly as far as management is concerned.

Q. As the General Manager do you have a clear understanding of the reasons why each department has its particular overtime bill and, secondly, as an objective do you have in mind a positive programme of having that overtime reduced?---A. Actually the answer to that is yes, we do, and did. In the current year when we were in a very bad position when we were preparing our budget we actually had three levels of overtime: one that might be considered as one which took into account a reasonably generous level of activity; a second level which we would believe would be the normal operating minimum level; and then a third level which we could only say would have to be the squeeze on everything. That was the figure we ultimately went with, but we found that we either had to start closing and losing revenue unless we lifted it, and we did in fact lift it to the number 2 level which enables us to operate and provide the services that we have to promote.

It is quite impossible, given the nature of the business, and it is quite unrealistic, to believe you can reduce overtime without in fact adding to other areas of your expenditure. In other words, you have either to have more bodies to do the job and that, of course, has far-reaching long-term effects because the nature of our business is peaks and troughs and, of course, if you staff to establish a staff that will work those peaks without overtime, or the very minimum of overtime, you have then got yourself in a nice long-term problem because when you hit the troughs then you cannot cut back as much, and it is that sort of delicate balance that we have to find.

Overtime is monitored very closely through all departments. To a great degree it is beyond our control because our principal hirers in fact are the ones who will be determining their programmes and how they want to work, and in the main that sort of overtime is reimbursed in any case. In other words, the hirers who have called for the services in fact reimburse. I would hazard a guess that it is a fairly high percentage of the overtime. For example, in the stage services, which is in fact one of the biggest areas of overtime, something in excess of 70 per cent of all wages, salaries, penalties and overtime is recovered from the hirers. In the lighting section, working with the hirers, we recover, I think, about 47 per cent of all salary costs, which includes overtime, of course, and in the sound section - they are the three departments - something just over 50 per cent of all their costs is recovered directly from the hirers. So it is monitored very closely

and how I can recall those particular figures, it is something I look at every month to make sure we are not falling back on what I would call the standard recoveries.

(The witnesses withdrew)

(Short adjournment)

MICHAEL GEORGE CUMMINGS, Barrister at Law, of 53 The Drive, Concord West,
 COLIN BRYAN ROBERTSON, General Manager, Harness Racing Authority of New South Wales, of 25 Park Road, Baulkham Hills, and
 KEITH HOWARD LAMBETH, Administration Manager, Harness Racing Authority of New South Wales, of 40 Renway Avenue, Lugarno, sworn and examined:

CHAIRMAN: Did you receive a summons under my hand to attend today's hearing?---A. (All witnesses) Yes.

Q. Is there a further submission you would like to present to the committee?---A. (Mr Cummings) There is only one matter, Mr Chairman. I am not sure whether the members have received a copy of the 1985 Annual Report. They have been sent under separate cover to all Members of Parliament but they may not have reached you yet.

Q. Mr Cummings, can you tell this committee briefly the objectives of the Harness Racing Authority?---A. Perhaps, Mr Chairman, in answering that question, in the 1985 Annual Report, copies of which have been circulated to members, the aims and objectives of the Authority are set out at page 1. We stated as the primary aims and objectives:

- (i) To ensure that harness racing meetings throughout New South Wales are conducted in accordance with the rules and that proper safeguards are implemented to protect the public interest.
- (ii) To develop a viable industry for the benefit of all participants involved in harness racing.

The secondary aims and objectives are stated to be:

- (i) To maintain an efficient service organisation to meet the needs of clubs, associations and persons associated with the harness racing industry.
- (ii) To expand the range of services available to all sections of the industry by use of modern technology.
- (iii) To keep the cost to the industry of meeting these aims and objectives within a reasonable level consistent with effective achievement.

Mr FISHER: Could I just pursue that a little further, Mr Cummings. Could you advise the committee how your organisation measures the achievement of those objectives. That is, what performance measurements do you use and can you give us some examples? ---A. Perhaps I could ask Mr Lambeth to answer that question, principally because the Authority in the last two years has undergone a radical change in its approach within its internal administration and also in its approach to the services we are able to provide to participants. We have come a long way on computerisation and the prospects are in the near future that if we get a grant from the Racecourse Development Committee we will be able to go a lot further. Our only restriction at the moment is the capacity of the machine we have which, I understand, is running at about 98 per cent full, so if we get more space we can offer greater services. As to knowledge of the internal measurements I think Mr Lambeth might be able to help you.

(Mr Lambeth) Mr Fisher, basically at this stage we are reviewing our performance measurement techniques, and in the past we have

basically been running with the idea of measuring our performance on the basis of TAB turnover, which is one way of measuring our activities but does not encompass the whole management picture. We do operate a registration department which requires some measurement in its performance and it is not related to the racing side of things, to TAB turnover, but looks to be the logical measurement technique at the moment.

Q. So you have not divided up your different functions as set out in the objectives?--A. No. We are holding discussions with our internal auditors in developing appropriate criteria for measuring these things but as yet we have not come to a solution for it.

Q. So at this stage you really could not say that the Authority has been successful in meeting the objectives until such time as the review you spoke of is completed?--A. I would have to agree with you there in total form although we still maintain that the TAB turnover is a pretty good indicator of our success for the industry overall.

Q. Could you indicate other areas where you feel some improvements could be made to meet those objectives?--A. I am sorry, Mr Fisher. I am not sure what you are driving at there.

Q. Apart from the TAB turnover there must be other areas in terms of measuring your objectives where you feel there should be an investigation and some measurement of that performance evaluated?--A. In other words, that measurement criteria that I was talking about in regard to the registration department, which is a criteria for measuring our breeding industry as against our racing industry.

(Mr Cummings) Perhaps I could just extrapolate on that a little. I think it has to be remembered that in essence the Authority is a service organisation. It would be very easy for us, for example, to say that because the numbers of foals that have been born increased, therefore the industry is more attractive to participants. Whilst you could say that is a performance indicator it means simply that a number of people have decided to send mares to stallions. It is nothing that we generate that causes that to happen. For example, over the last few years, whilst there was an increase in TAB turnover, there was a drop off in foalings. That was for no other reason than that there was a drought and the people on the land - we have a fairly large hobby element in our industry who might have one or two horses - simply did not send their mares to be served, did not have the money. So if you looked at that simply as a performance indicator you would say that our objectives had not been met and that the numbers had dropped, but we have no control over that.

Again, to lay it to TAB turnover is not really a proper measure either, simply because whether or not harness racing achieves TAB turnover is not a decision of ours. It is a decision of the Totalisator Agency Board as to which meetings they cover. If they decide to cover no harness racing meetings and all gallops then we have no turnover.

I think to put the thing in perspective, for a number of years the Authority - and I am not being critical of past management in any way, but for too long the Authority worked on what might be called, at the Authority level, a gut feel reaction. We have now started discussions with our auditors to give us some meaningful performance indicators. It would be just as easy for me to say that in my term

as Chairman of the Authority, because we ran fairly close to budget allowing for adjustment items, that was a good enough performance indicator. As a businessman if you ring the till and break square and that is what you intend to do that is as good an indicator as you would want. It would be the best, so until these things are developed and, as I said, with the total change in the internal measurement of the Authority really there is no definitive answer one can give to your question. There are many, many factors that can affect it.

Q. Just to pursue the matter of TAB turnover, it is really only a measure of the volume of betting?---A. That is right.

Q. And not in any way in terms of the development of the industry as a whole?---A. Well, again it comes down to the benefits that flow from that because if you are achieving an increase in turnover then, hopefully, at the end of the year there is going to be more prize money distributed to clubs and there will be lesser complaints about the Authority being funded off the top of the pool because everyone is getting their money. All of these things historically have some significance but, as I said, they are not really a true performance indicator. Our auditors are now looking at that and I think until they come up with some definite indicators I can only give you guesstimates. It has been a very imprecise industry up until now.

Q. Could I pursue the matter of the legislation: the Harness Racing Act provides that one of the functions of the Authority is to undertake research and investigation into all aspects of the trotting industry. Could you inform the committee what areas are currently being investigated by the Authority?---A. There would be a number of peripheral matters that probably relate to Authority decisions. We do not have the staff nor the funds presently to embark on major research projects. I am not even certain that I could identify major research projects at the moment.

One of the areas that personally I would like to see developed is the level of administration or administrative parity of club committees, club secretaries. I believe there is a large wastage and lack of knowledge in those areas. We had planned to hold an industry conference this year but there has really been so much to get through in the last couple of years in terms of bringing the industry into what we see as a properly regulated industry, and to bring about some changes we believe are vital for the future, that we seriously have not got the staff to sit down and do those. But just as an example of the sorts of procedures we have undertaken, we introduced a system of two year old races last year that was called the Nursery Stakes. That was fairly well researched but it was researched at board level because, as I said, we do not have the staff.

My members have given their time unstintingly to these sorts of research projects and as a result of that we have turned around this year and brought us back to a situation the industry was in 10 years ago with two year old racing. It has been dramatic; people just would not race their two year olds before. Now, this has a number of spin-offs with new owners putting the sale prices up, which has happened in the last two years. I think the total increase has been about 21 or 22 per cent which flows back to the breeders. We are now also going to a system of all mobile racing in New South Wales so that any track that is licensed for mobiles will only run mobiles and no assessments for horses. So that becomes true condition handicapping.

These have been individual research programmes by members of the Authority supported by the staff where appropriate.

Q. So it is fair to say that in the last year there have been no reports completed into areas of research, or have there been?---A. Well, by whom? I have to ask that.

Q. Has your Authority conducted any research and have there been any reports as a result of those inquiries?---A. As I have said, certain members have done various research albeit on a limited basis into various aspects of the industry, the workings of it, but in terms of producing what you and I might ordinarily refer to as a research project report, no. There have been a lot of individual efforts.

CHAIRMAN: As I see it, the Authority's major objective is to control and regulate the industry. First of all, how do you actually measure that and, secondly, if that is your aim or your objective how would you comment on the fact that in the Sydney Morning Herald of Friday, 7th March, we note that there is a horse trainer before the court on a charge of murder, previously employed by the New South Wales Harness Racing Authority; the Daily Telegraph of Wednesday, 12th, there is a report on a trainer who had offered a man money to bash another man, and \$800 to burn his car? If you are aiming to control and regulate the industry, if one looks at those two reports there you are not being very successful?---A. Can I just, before I answer that, Mr Chairman, ask the level of immunity one has in answering questions before this committee because I would be concerned that in answering that I may breach somebody's confidence.

Q. I am not asking you to comment on those specific cases.
---A. No.

Q. But I am asking how do you measure your objectives in controlling and regulating the industry?---A. With respect, Mr Chairman, none of those reports go towards controlling or regulating the industry. A man has been charged with murder. He is before the court. It is not a matter arising out of racing. I think if you read the reports it is alleged that it relates to a domestic situation. Now, I do have some concern should the man be committed for trial as to where the Authority goes, and in that regard I am presently seeking some Crown Solicitor's advice.

Q. What you are saying is that it is outside the area that you do regulate?---A. Yes. We control meetings. There was another instance, if I can refer to a gentleman who was found in a boot of a car. That man had appeared before us prior to that incident and had in fact had his licence withdrawn for failing to disclose criminal convictions on his application form. That went on appeal and the appeal was upheld, so that where there are instances of discovering these things we do take action. It is always difficult. We have a general power, I think from memory, in the Act to look after the prestige of the sport as a whole or for the good of the industry. The case you refer to after committal becomes one of those. It is very delicate but we are seeking advice.

Q. Also, one of your primary aims is to develop a viable industry. Is the industry viable now?---A. Yes.

Q. On all counts?---A. That is a far-reaching question. There will always be people who will race horses, be it galloping or harness

racing. They will always race greyhounds. And they will lose money because their horses or dogs are no good. Now, if that is a viable industry then that is a bad indicator. On the other hand, if one is lucky and gets a million dollars he thinks it is a very viable industry. You are really catering for in part pleasure, in part greed, in part pure speculative investment. There are people who will say that it is no good, "I can't win." There are others who will say, "Isn't it terrific. I have bought a new house, had a couple of wins." There is no easy answer to that.

On the overall situation, though, I would have to say there is a very viable industry at the moment. I believe in the last three years it has become more viable through Authority decisions. This year, for example, for the first time ever we took the metropolitan and provincial clubs and we told them when they would race. That simply meant that we were able to maximise TAB coverage, maximise turnover, and this year to date the figures show that turnover is up 11.5 per cent. In the recent four week review by the TAB board our figures were up 28 per cent as opposed to galloping 17 per cent. That is only a four week figure but it is a continuing growth throughout the year, and it is proving successful.

Our attraction of a sponsor in Carlton United Breweries for the Sires Stakes has been an outstanding success, especially in the country areas. We are now putting on \$15,000 races in the various country areas and so far I think we have had three or four tracks that have had record crowds, record gates, record turnover, so it is coming back. I would love to ask you to recommend we get more money. Really all it needs is a further injection of funds.

Mr FISHER: Could I just turn to the matter of registration. It might be a bit more appropriate to direct my question to you, Mr Robertson. I notice that the legislation gives the Authority power to register trotting clubs, owners, trainers, drivers and bookmakers and to cancel or suspend these groups of people. I could find no information in your latest report as to whether any licences had been cancelled or suspended. Could you inform the committee whether any licences have been cancelled or suspended and, if so, what were the reasons?---A. (Mr Robertson) Mr Fisher, there are on occasions reasons to review licences. Cancellation of a licence could be subject to a show cause before the Authority as to why that licence should not be acted upon. Or, on the other hand, as I understand, it could be by action of stewards on recommendation. I might clarify my position here by saying that I joined the Authority on 19th August last year so please accept any shortcomings in my answers as being attributable to that fact alone. Are you asking why specific names and facts are not disclosed, or simply that there were persons acted against by way of cancellation of licence and not disclosed in the Annual Report, because I would think that the Authority would not be able to go into any detail in a public report as to penalties on people within the industry.

CHAIRMAN: Why would you not be able to do so?---A. I was just thinking purely on the basis of privacy.

Q. Is it private? I mean, it is a public authority and your actions are accountable to the public. Why would you not publish those sorts of statistics and information?---(Mr Cummings) I think, to put it in its proper perspective, I would doubt that there has been more than - I will not vouch for the figures - half a dozen people who

have appeared before us and had their licences cancelled. One I have referred to was one that I can specifically recall, there have been others. On occasions we have had people and we have re-issued them with a very restricted licence.

Q. They would be drivers, would they, or would they be bookmakers?
 ---A. They can be owners, drivers; bookmakers at the moment we have very little to do with other than to register them because they are now dealt with by the Bookmakers Revision Committee which looks after, I think, tax returns, misconduct, various other things. The Director of the department and the secretary or general manager of each Authority sit on that. All we get now from the department is a request to say, "This man has been convicted of X, please remove him from your list," and we automatically adopt that under the Bookmakers Revision Committee.

In terms of cancellation we, as I say, have taken that action with some people but by and large I think mainly the stewards are the effective front line, if I can put it that way, in that they suspend, disqualify for periods. It is very difficult to say that somebody should be then put out for a further period of time or have their licence cancelled once the stewards have dealt with it. As an example, we dealt with one gentleman last Thursday at our meeting. The stewards recommended that his licence not be re-issued. He appeared with legal representation. As a result of that there was a resolution that he be granted a licence but on a very restricted basis and that he not be granted any automatic renewal under our system of automatic renewal for, I think it was, two years, so each year it came up for review by the board not as an automatic renewal, so if it was a direction - and we tend to follow various directions from government departments in terms of a report, or directions from the public for that matter - I do not believe that it is a matter I would be prepared off my own bat to do.

Q. I would contend, and I am sure the committee would agree, that it would be in the public interest to have that information made available. Maybe you could provide it to the committee, in the first instance?---A. Yes. Mr Robertson has just referred to another matter: we do publish in our gazette each month suspensions, various judgments of the Appeals Tribunal relating to disqualifications, and in fact the licence revocation is reported there as well.

Q. That is the Government Gazette?---A. No, our own. We have a Harness Racing Gazette.

(Mr Robertson) The stewards' reports on penalties imposed at licensed meetings, of course, are available to the public and are published.

Q. You can provide that information?---A. (Mr Cummings) Yes. It is a matter of going through the minutes. I would not vouch for how many, but there have been some.

Mr FISHER: Do you keep any figures as to the number of licences issued in respect of each category?---A. Yes, Mr Fisher.

Q. Is that not a matter which should be in your report, or have I overlooked it?---A. I think it is there. If memory serves me correctly it is on appendix 2, the last page. There is a four-year statistical summary of registrations with sires, services, foals, names, trainers, drivers, bookmakers and bookmakers' clerks. Then there is the number of meetings held. It has been our practice to always include this.

Q. Yes. I had overlooked that section. Could you relate to the committee the sort of activities that the Authority carries out to ensure that the public interest is protected and that unscrupulous trainers or bookmakers are not operating in the industry?--A. We provide Authority stewards for every meeting conducted in New South Wales, be they permanent members of the panel or casual stewards employed by the Authority. At metropolitan tracks - at Harold Park I think the number is four stewards go there for every meeting this year. Around the provincial area, principally where the TAB meetings are, and at TAB meetings, it is two in the country, and once you get out a bit further there is always at least one steward at every meeting.

Q. Do you believe that is sufficient to properly regulate and control trotting?--A. I would like to see more. It is very hard to answer that because racing is a rumour industry. It is very hard to look at hard facts and figures. If I could just give an example. I myself the other Friday got a trifecta dividend at Harold Park over the radio, and I think a 33 to 1 shot won the race, a 33 to 1 shot ran second, a 4 to 1 shot ran third, and the odds on favourite was out of a place. The trifecta paid, I think, \$1,100. Now, immediately I thought there was something wrong here and I asked the stewards to get the figures. I rang the TAB and it simply turned out that 28 good souls throughout the country at various TAB agencies had boxed those three, so 28 people split up the pool. Immediately it is suspicious when you hear it.

Q. The Committee of Inquiry in 1983 concluded that the Authority had not been effective in controlling and regulating the trotting industry. Do you feel that the position has improved and, if so, on what grounds can you base that improvement?--A. Very simply. Firstly, the Minister took the step of replacing the whole of the Authority as it then existed at that time, brought in a new Authority, of which I was fortunate enough to be chairman, in I think October 1983. We have no club representatives on the Authority. They were chosen for different reasons; myself because I had been on the Greyhound Racing Control Board for seven years and knew something about racing administration, Barry Rose because he was the chairman of the Committee of Inquiry. We have two other gentlemen who have no club affiliations, and although Len Smith was appointed who was a retired steward and club executive, no one had any direct acquaintanceship with clubs. Having seen how it works in other areas, with the problems you have when club representatives sit on authorities, I am delighted with the Authority I have at the moment. I hope it keeps going that way. It has enabled us to make decisions without the old accusations of favouring one section of the industry over another. It has changed.

Q. That partly answers the next question, which was that the Committee of Inquiry also reported that the Authority did not have the support and confidence of the industry?--A. No doubt about that.

Q. Would you believe that position has changed since then?
---A. Yes. I think the factional elements that were there before are no longer there. I also think that the changes in senior level staff have made a very big difference. The former secretary is no longer with us, nor the Chairman of Stewards. I think now that if you were to poll a section of the industry you would get a very favourable report.

Dr REFSHAUGE: As far as disqualification is concerned I understand the Act also gives the Authority the power to disqualify any

owner, trainer or bookmaker from participating in or being associated with the industry. How often has this power been used since the Authority was established?---A. By the Authority or by the stewards?

Q. By the Authority. Maybe before that you could explain the stewards' authority and what has been done?---A. If there is some misconduct at a meeting stewards hold an inquiry. They then, based on the evidence, in their wisdom or whatever, either suspend, disqualify, fine or take no action against the person. They might disqualify them for six months or 12 months, something like that. We now do not review that decision at all.

Q. Do you have responsibility for the stewards?---A. We have responsibility for the stewards, but if I could just finish, there is now a Harness Racing Appeals Tribunal on which two judges of the Industrial Commission sit and the appeals go directly to them. They no longer come to the Authority. The old situation of an appeal to the Authority and then a further appeal has gone and it is one that is, I think, very important because it has made us more accessible to the public. In terms of that it is judicial review of the stewards' decisions rather than Authority review of stewards' decisions now. The only area we would go into would be a recommendation that a licence not be re-issued or a registration matter such as a foal not be registered or some such thing.

Q. So in fact a lot of the regulation powers and the disqualification powers, although they are there in the Act, are not being used?---A. No. They are being used by the stewards.

Q. They are not being used by the Authority?---A. We do give directions. For example, if we find that there is excessive use of whips or the mobile starts are not very good, we will say to the stewards, "We expect you to tighten up in this area," so that is the sort of direction we give. It is up to them to implement it.

Q. How often do you review what the stewards are doing?---A. Fortnightly.

Q. How do you do it?---A. By reports. We will get reports on various things. Members will bring their observations to bear at the table. They attend meetings regularly. If you see something or you continue to see something that is not good, then we can act on it.

Q. Does the Authority employ the stewards?---A. Yes.

Q. Who in the Authority chooses the stewards?---A. Our Chairman of Stewards was chosen by the Authority itself. We had a sub-committee interview and then recommendations to the Authority and the full Authority interviewed the short list. For ordinary stewards I think on the last occasion we employed somebody there was a report to the Authority, an interview the Chairman of Stewards conducted, our view being that at that stage it is a matter for him to sort out the people he believes have ability and will fit in with the panel. It is very much a matter of them getting along together and being able to cooperate because they do cover a lot of meetings. On the last occasion I think we then brought one person before Mr Robertson and myself for interview with a view to a recommendation to the Authority. That person did not accept the position. The time before that I think we took a recommendation from the Chairman of Stewards because we only had one suitable applicant, but we do review each position.

Q. Do complaints about stewards come to you?---A. Yes.

Q. Do you deal with them?---A. Well, I would have to say that in the last 12 months I doubt if there has been a complaint. There have been some complaints about mobile starts but I do not think there has been a complaint about a steward. I would have to check the minutes but I do not think there has been a complaint.

Q. Do complaints about stewards go to the Chairman of Stewards before coming to you?---A. I do not know. No, I think you would find that people now are quite prepared to approach the Authority or individual members of it. I have made it widely known that if I am at a meeting anyone can approach me, no matter what it is about. We have made ourselves accessible. I think that at almost every meeting in the Sydney area we would have at least one member there. If there is anything wrong they will whinge.

Q. You said that you sometimes disqualify horses. What sort of reason would you use?---A. There is one case that the Ombudsman just inquired into where somebody sold a horse at a sale on specific instructions as vendor that it was not to have papers. We then got an application to register it. It was not signed by both parties so we refused to register. They then asked that the matter be referred by the Registrar to the Authority. We considered it and because of the importance of the stud book and the mutuality of people in terms of registering horses we refused it. They then went to - I think Mrs Crozier intervened at one stage. We refused to alter our situation. I think the Minister was approached. Again we just said, "Look, that is the way it is." There had been indications there were going to be court proceedings. That is the only way we will alter our registration procedures, and the Ombudsman just accepted that.

Q. As far as disqualifications by the stewards are concerned are they recorded anywhere?---A. Yes.

Q. Where?---A. I think there is a book. They would also be put on the computer against the peoples names.

(Mr Lambeth) Yes. A copy of the stewards' report is typed up at the meeting and then a copy of that is forwarded to the Authority. Then it is placed on file, but, before it is, the penalties imposed at each meeting - be it fines, warnings, anything at all - are recorded against that driver's name in our computer system, so that it is available for stewards' further inquiries later on. It might even be that the Appeals Tribunal might want to look at his history.

Q. And they are all published in this gazette?---A. No.

(Mr Cummings) No. The appeals that go to the Appeals Tribunal are reported in our monthly gazette.

Q. Just selected judgments of the appeals, not the stewards disqualifications, suspensions?---A. (Mr Lambeth) No.

(Mr Cummings) They get recorded pretty much in the metropolitan area. People do not worry about the fact you have got it. People are being disqualified for seven days, 14 days, warnings issued. There is an enormous number of them. If you have all of 46 clubs racing in the State by the time you publish them they are over in a lot of cases

and it is only the major ones that would have any impact. The Trotguide generally publishes all the stewards' reports in the metropolitan area.

Q. Why are there so many of these going on? Is this an indication that you are not controlling the industry?---A. With respect, no.

Q. It seems to me - - -?---A. If we had motor cars up front - you have horses that are jockeying for positions. You have people racing competitively for prize money. I would commend to you the Carousel series in October, which is a series for usually 27 to 28 horses. People have put horses away for 12 months just to get on to that race. It is really chariot racing because they are racing for \$35,000. They put the little fellow away and they go hell for leather.

Q. Do you think the penalties should be increased?---A. On major races now the stewards do have a policy of going out and saying to the drivers before, "The ante is up for tonight," but it is very hard to say that somebody is not going to try to knock someone off if he is coming down the straight and the other one is catching him. The AJC have the same trouble. You have incidents in racing every day of the week. It is just there, you have to live with it.

Q. The amount of fines collected in 1984-85 was \$28,310. It seems to me that compared with the amount of prize money - - -?
---A. That is one race. The fact is that it is unusual for the stewards to fine when they give a 14 day suspension.

Q. Do you think fines are worth having?---A. Fines are a reasonable deterrent where the offence has not been too bad, yes.

Q. Is it right that the maximum fine is \$500?---A. Yes.

Q. Do you think it should be raised?---A. I have no objection to it being raised. I believe there would be occasions for a major race. It is hard to say. I would think if you got to the stage of a \$1,000 fine, for example, the stewards really should be looking very seriously at suspending as an alternative.

Q. Is suspension a deterrent in any way?---A. Yes. For a professional trainer who has a large team of horses a 24 day suspension is a major imposition. You expect those sorts of trainers to keep out of trouble and by and large they do. For a hobby trainer it might not be such a great imposition because he has only got one horse. It might be that if his case is much more serious he might get three months and the professional will only get 28 days because of the inequality in penalties.

CHAIRMAN: How do your fines compare with other sports like horse racing and dog racing?---A. I do not know.

Q. Would the other gentlemen know?---(Mr Robertson and Mr Lambeth) No.

Q. That would be a reasonable measure to evaluate, would it not?
---A. (Mr Cummings) No. Again you would have to look at the prize money element. My guess would be we are under galloping, over greyhounds. If you look at metropolitan racing in Sydney where your average prize money per race is \$15,000 your average turnover on any Saturday

is \$7 million or \$8 million, as opposed to \$1 million on a Friday night. That is seven or eight times the fine of \$400 which you would expect if you get that sort of performance indicators. It is not unusual for the AJC, I think, to hand out fines of \$500, or even \$2,000 or \$3,000 for someone. It can have a major effect.

Dr REFSHAUGE: At metropolitan race meetings how many individual suspensions, fines, penalties, would there be on average?---A. Anything from none to - I would be guessing - a dozen.

Q. That would be average. You would say some on average?
---A. On an average there would be some, yes. You cannot have racing without incidents.

Q. You are not having racing without incidents. Whether you can is another question?---A. There was a suggestion from a Member of Parliament some years ago that we should use lanes - it does not work. If you are going to have tough competitive racing you are going to get incidents. We have fairly tight tracks in New South Wales. Everyone talks about wanting a 1,000 metre track; maybe that would cut down the incidents. But we are racing tight. The public like it. Our crowds have held up well for the last couple of years. I think you just cannot have racing without incidents.

Q. Do you think the public go partly for the incidents as has been suggested in other sports?---A. I do not know. I do not really think so. I think our sport has a very, very big attraction to the ladies. They like the slowness of it, the fact that you can see your horse go round three or four times. A lot of people who come would not be big bettors and they just get enjoyment out of being close to the action.

Q. Do you think suspensions and disqualifications have increased or decreased in the last few years?---A. I could not answer you. I would have to take out some figures.

Q. Could you provide us with those figures?---A. Yes.

Q. Do you think that would be a useful thing to do regularly? Would it be a useful measure to see the number of suspensions and disqualifications and reasons for them?---A. Yes, it is, because some time ago when I first was appointed chairman of the Authority one of the largest areas we had complaints about was the barring of horses, and even though a horse was stood down for breaking in a race, stood down for two or three trials or 28 days, it came to be accepted by the participants that it was simply a 28 day bar, and only a few people ever remembered that it was trials. I would think that at that time I would have been having 50 complaints a week about horses being barred, so we just simply took the bar off and said, "Now you do it from trials," and that has proved a much more effective way of controlling it in that you can say you have to trial once satisfactorily if you never had an offence before. If it is a bad breaker you have to have half a dozen trials.

Q. When you say "breaking" I presume that means they start galloping?---A. They start galloping.

Q. What do you mean by trials?---A. Trials are trials that are run on race tracks that are not races - gymkhanas, Sundays, just like a barrier trial at gallops.

Q. So you are suggesting that instead of being barred for 28
- - -?---A. We now make them go and compete once, twice, three times,
to six or seven trials before they are allowed to compete in a race.

Q. Is breaking seen to be an inherent fault of the horse or an
inherent fault of the trainer? I mean, what is the rationale?
---A. The rationale is that pacing is an unnatural gait. They are
hobbled, and the tendency for horses as they speed up is to be into
a gallop so hobbles do control them. It can be any number of things.
It could be that a horse is suddenly checked. Anything can cause them
to break. Some just naturally go into a gallop.

Q. How many staff does the Authority employ?---A. (Mr Lambeth) The
Authority employs 37 staff.

Q. And how many of those are involved in administration and how
many involved directly in trotting?---A. All involved in trotting.

Q. What are the divisions you have to indicate where that 37 is
divided up?---A. Well, it is departmentalised into seven departments
in our accounts.

(Mr Cummings) It is on the back page of the Annual Report, the
breakup.

Q. That includes your stewards?---A. Yes. At the moment I think
there are a total of six stewards on the panel so the Chief Steward
is one, the Deputy Steward is one, and there are four other stewards.

Q. How many would be in that middle section under the
administration manager?---A. Senior accounts clerk, a cashier, a mail
clerk; the number down the bottom is indicated as 5 clerks. It is
only the stewards that do not have a number.

Q. I have not looked there but can you tell me how much you paid
in salaries last year?---A. I do not think we can give you that figure
offhand. They are taken up into their various departments and I do
not have the details.

CHAIRMAN: You might submit that at some later stage?---A. Yes.

Dr REFSHAUGE: I would have thought salaries would be an obvious
one to have as a separate item?---A. If you look at the operating ex-
penditure on page 17, so that we do have some measure of control at the
beginning of each year we set up a budget for each department. Our
TAB allocation which is worked to budget by the department each year
is then allocated amongst those various departments so that during the
year we get an on-going report as to how they are performing against
that budget. So we have registration, racing, public relations,
administration expenses. They are really the four principal areas
that are covered by the organisational chart at the back.

Q. As far as your administration expenses are concerned that seems
to have increased by about 17 per cent from 1983-84 to 1984-85. What
is the major reason for that increase?---A. I do not think I can answer
that offhand. If I refer to some other papers I might be able to do
so. No. I just cannot answer it offhand.

Q. Can Mr Lambeth answer that?---A. (Mr Lambeth) No, I am sorry,
just at the moment I cannot give you an explanation of that.

Q. Has your administration area expanded in that year?---A. (Mr Cummings) Yes. It did, to a little bit, I should say.

Q. More staff?---A. We appointed a general manager in place of a secretary and then put in an administration manager. Without going back and having a look at what actually is charged to administration expenses - I did not think to bring the department by department breakup - I just do not know that.

Q. What about for this year, 1985-86, have you budgeted for an increase in administration?---A. Again I do not have the budget figures with me.

Q. Do you know if you are on target in your budget figures in that area?---A. On administration? I would say yes because I think we are above target overall.

Q. What do you mean by "above target"? Is that what you are spending?---A. No. We are showing a surplus.

CHAIRMAN: That is part of your monthly accounts, is it?---A. Yes. Registrations are up again and they are our major area of profit.

Dr REFSHAUGE: It seems there was an even larger increase in the administration expenses associated with the Sires Stakes series. Last year you budgeted \$180,000, and had an over-run of about 80 per cent. What was that for?---A. I stand to be corrected on this, but if memory serves me, we entered into a sponsorship agreement with Carlton United Breweries. Because of the timing of that sponsorship deal we agreed to accept payment in the next financial year so that in early July we received the sponsorship moneys which wiped out that deficit. In other words, we paid the prize money out on their undertaking to refund it. That will be a continuing thing although in this year in the accounts it will level off because we have received it and paid out for that year, but we have always been getting it in the next year because of their sponsorship involvement.

Q. How much is their sponsorship involvement?---A. Is this figure for publication?

Q. Yes.

CHAIRMAN: Give us a rough estimate, just roughly?---A. Roughly \$300,000, give or take a small percentage.

Mr SMILES: Given that delay in repayment from your sponsor how much of that supposed over-run in this accounting year will have contributed to this increase in overdraft money on working capital? ---A. The full figure of the sponsorship.

Dr REFSHAUGE: What is this year's budget for the administration of that Sires Stakes series?---A. I am sorry, gentlemen. Perhaps I should explain how that works.

Q. Please do?---A. Looking at it on paper there one gets concerned about the apparent discrepancy in the figures. The Sires Stakes is funded on the basis of \$250,000 off the top of the TAB pool, which is then matched dollar for dollar by the club, so that any club can apply to run a Sires Stakes race and provided it is prepared to put up dollar for dollar on the \$250,000 that comes in it gets a race. In addition

to that we have sponsorship money now where we are saying to the clubs overall, "You put in 40 per cent of the money and you will get 60 per cent through the sponsorship of the fund," so that they are not really - whilst they are shown as an income figure, it really is a top of the pool allocation.

We also get acceptance moneys from starters in those races which are then broken up between ourselves and the club on the basis of 60/40, which runs to about 10 per cent of the prize money. This year - I do not know whether any of them are in these accounts - they are still on a \$30 foaling fee for foals which goes directly to the Sires Stakes Trust to be used to boost prize money for next year, and is being used this year on last year's imposition, so those figures are really an accumulation of all these various incomes and expenditures.

Q. When you say that, was it the income of the Sires Stakes series or the expenditure off the top of the TAB? I do not understand the terminology.---A. If you look at income, for example, there is an item there "New South Wales Sires Stakes" and there is a budget figure of \$250,000. That was provided quite apart from the administration distribution which is item number 4 of \$745,000. Now, the actual figure is boosted by various other money, and some sponsorship money by contributions from the clubs. Then it comes in and it goes out but it is a separate item. It is not really part of our operating budget.

Q. What about the \$150,000 that comes from the top of the TAB pool?---A. That comes from the top of the TAB pool, yes. That is before any distribution to clubs.

CHAIRMAN: Was it \$300,000 you said was the sponsorship money or \$30,000?---A. I am sorry, it is \$200,000.

Q. Even at \$200,000 I cannot reconcile that figure with the fact that, as you had sponsorship, it is really only a difference of 10 per cent because instead of a 50/50 breakup it is now 60/40?---A. Right.

Q. So on those figures it should only be 10 per cent of your - - -? ---A. No. I am sorry, the clubs put in dollar for dollar in relation to the \$250,000.

Q. That gives you, say, \$500,000?---A. Yes. The prize money for this year, I think, is \$915,000 total which will be paid out so the clubs receive extra money. In some instances we have said to them by and large it has been 40 per cent or something like that. There is no fixed allocation of that from the sponsor. It is simply you put it where you feel it is best. If they want to move into a particular town and do something we might put a race on there for them, no problem. Total prize money this year is \$915,000.

Dr REFSHAUGE: The 1983 Committee of Inquiry concluded that the Sires Stake series should be disbanded as it was extremely costly and did not meet its objectives in terms of providing various benefits to the industry. Why have you not disbanded the series?---A. Because it is now an outstanding success.

Q. What has changed?---A. Sponsorship, simply that. If there was one thing that the Sires Stakes needed to give it something to grapple with, to give it a bit of credibility, to give itself a boost - the way in which it was being run previously and funded right from

its early days was a disaster but the simple injection of funds, and I must say the placement of those funds, especially in country areas, has turned it around. It is now the outstanding success story of harness racing. I am sorry, but the Committee of Inquiry were wrong.

Q. Who is eligible to race in the Sires Stakes series?---A. Any horse the progeny of a stallion standing in New South Wales.

Q. By "standing" you mean residing?---A. Yes, he stands. If a horse stands a season in New South Wales his progeny, even if he happened to die at the end of that season, are still eligible as long as he stood exclusively in New South Wales for that year. He must stand the full season in New South Wales, then that progeny is eligible.

Q. Roughly how many different trainers or owners, trainers particularly, would be involved in the Sires Stakes?---A. I would think everyone that can get a horse to go in it.

Q. How many would that be?---A. There are 73 or 74 races programmed this year for two and three-year-olds. Any horse is eligible with a sire in New South Wales.

Q. So most trainers would be eligible?---A. Everyone is eligible. As long as the stallion is a New South Wales stallion the horse is eligible.

Q. Going back to your budgeting system, it does seem that you are saying that all of your actual expenditure this year is close to or better than your budgeted figure. How often do you analyse your actual expenditure budgeted?---A. Monthly. We get a monthly report from the administration.

Q. Who is involved in that analysis?---A. It goes to all of the members. We also have a finance sub-committee consisting of myself ex officio and one of our members who generally goes through it very carefully each month, but we have a monthly full report to the board of each department, budgeted, actual and last year's performances.

Q. That information is co-ordinated from what, all departmental staff members?---A. It is co-ordinated by the computer, it is computerised.

CHAIRMAN: We would be interested in those Sires Stakes. You might send some information in, in terms of the viability of the Stakes, because it is at variance - - -?---A. Mr Chairman, I will get my public relations gentleman to write you a book on it.

Mr WALSH: Mr Cummings, I note the 1984/85 figures published in the Auditor-General's report, the board fees and expenses of nearly \$37,000. In your annual report, however, on page 17 that fee appears as \$13,653?---A. I am sorry - board fees, yes.

Q. So we have there a difference of \$23,000 odd. I assume that addition has been added to administration expenses, is that correct? ---A. I do not know the document to which you are referring.

Q. The Auditor-General's report.

CHAIRMAN: Income and expenditure statement?---A. Mr Lambeth has just pointed out to me they are described here as fees in the annual report and the expenses have been added to administration expenses.

Q. What are the board fees? Four board members get \$13,653, is that right?--A. No. I get four thousand and something dollars - I am not sure of the exact amount - plus, I think it is, a \$900 expense allowance. Board members get two thousand and something each.

Q. The difference, the other \$23,000?--A. (Mr Lambeth) The rest of the expenses are travelling expenses of particular members. One of our members does live at Scone and has to travel to Sydney all the time.

(Mr Cummings) There would be, I think, in that also at least twice a year there are Australian Harness Racing Council Meetings, which is the federal body, which the Deputy Chairman and myself attend, travelling and accommodation. It rotates from State to State. There would be just general travelling to meetings. I think we are paid 17 cents a mile or kilometre or something.

(Mr Lambeth) The majority of it would be travelling expenses.

Mr WALSH: About the board itself, Mr Cummings, how many of the board are associated privately with the trotting industry, and do you consider that there is a potential conflict of interest for members in the function they are fulfilling?--A. (Mr Cummings) I personally have no interest. I own no horses. I will admit to a bet. Mr Rose, who is the Deputy Chairman, is a stud master with the Camyrallyn stud at Scone. Mr Scott does own and breed a few horses. Principally he was from a commercial background. Mr Moremon, I do not think, owns any harness racing horses. He does own some gallopers. He may have an interest in a horse. Bill Treuer, who does own horses, both harness racing and gallopers, was a former president of the New South Wales Club but presently holds no official position. I can honestly say I think the important distinction is not to have serving club officials on a board if you can avoid it. I think you still need people who have a knowledge of the industry to be able to understand it. Quite honestly, if I had simply been appointed as chairman without some experience of seven or eight years in the greyhound industry I would have been lost. I was lost when I started there, for a couple of years. You have just got to get an understanding.

Q. An efficiency audit of the Authority was carried out by the Public Service Board in 1984. What were the main recommendations of this audit, have the changes recommended by the audit been implemented, and do you feel the changes have had a positive effect on the Authority? --A. The main recommendations were that the position of secretary be abolished and a general manager be appointed. That has been implemented and I must say I think that has been an outstanding success so far. We have split the functions of stewards so that they no longer are involved in handicapping; they simply conduct race meetings or officiate at race meetings.

We have set up a special racing division under the Administration Manager. We have set up a special panel of handicappers. We have consolidated all licensing into the registration department, previously the stewards used to licence persons as opposed to horses. When that was taken over it was a total shambles. It is now in proper order. We have consolidated the administration and as far as I am concerned I think all the major recommendations of the efficiency audit have been implemented with outstanding success.

Q. In that administration breakup there you have the number of administration stewards. What was the total number of stewards, part

time and fulltime?--A. As of last Thursday there are six fulltime stewards. The part-time stewards, there are about four or five spread around the country, called on as needed, but they are casuals so we call them casual stewards. If there is a meeting at Griffith the fellow who lives in the Griffith area will cover that. There is another fellow based at Lithgow, another one based at Broken Hill, another one at Tweed Heads, but they are only called on as needed.

Q: The annual report states that the Appeals Tribunal heard 62 appeals in 1984/85 but gives no further information on these or comparative figures for previous years. I note also from your accounts on page 17 that the cost of appeals rose from \$8,600 to \$31,000 odd in 1984/85, an increase in the order of 260 per cent. Does this mean the number of appeals has also increased dramatically and, if yes, do you think this reflects in some way dissatisfaction with the Authority's administration of racing?--A. The increasing costs, firstly, as I am informed, are because Judge Goran when he was conducting the appeals was being paid a daily rate, being a retired judge at the time. We now no longer have to pay those figures. The budget figures that were set were, I think, a guesstimate based on a previous year's figures and, quite honestly, it is something that I do not enter into in our negotiations with the department. The department sets a figure and it is what we call an adjustment item on the budget. I believe the Appeals Tribunal should be free to run its own course independently of the Authority. I do not wish to buy into that.

As far as I am concerned the department set up the Appeals Tribunal. It is by their direction a part of our accounts. If it was not part of our accounts I would be perfectly happy to have it out. I do not buy into their figures at all. I do not even bother checking them. It is a matter for them to make any adjustments.

Q. The \$31,000 in effect is being paid to the tribunal by the department on their criteria of repayment?--A. All we have done is to provide a secretary, which we do not charge them for, and the use of our board room to hear appeals. It is as simple as that. In terms of the number of appeals I think they probably are up. I think that new people are coming in and - I am not being critical in any way when I say this - they take two or three years to learn the industry. The participants are getting a pretty good run at the moment on appeal but, again, that is a matter for the judge. I make no specific comment

CHAIRMAN: One thing I would put to you, if members of the board or the trust have an interest in the industry - in other words, they own or are in partnership with trainers - would there not arise a conflict of interest here, especially in terms of your role as an appeals body? --A. We are not an appeals body any more.

Q. You are to a certain extent. You send stewards into certain areas, and there could be a conflict of interest in your directions in that area?--A. There could be, but I would suggest that the incidence of involvement is so small that the benefit of the experience offsets it. There is always a potential for conflict, I recognise that. I think it is therefore of vital importance that the chairman at least not have any interest. I would love to race, in fact I seriously considered at one stage racing some horses. But when I thought it through it simply was going to put too much pressure on everybody if I did.

Q. So you would agree?---A. Yes. I agree there is a potential conflict. I would hate to think, though, that the long term benefits of the experience gained by the members on any board - and it is the same in the greyhound industry, it is the same with the AJC - members do own and there is a potential for conflict. I believe if your chairman can be independent, truly independent, and make sure that does not arise you have got the best of both worlds. I really think so

Q. What you are putting to the committee is the experience that those who are members bring to the board's decisions outweighs any potential conflict?---A. Yes, far outweighs.

Q. Have there been any incidents where members have had to face the board in terms of the horses they race?---A. No, because principally if a horse offends it is the driver or trainer who in the first instance bears the brunt so nobody trains or drives. We do not at this stage maintain a register of owners and I would be very, very doubtful whether any of the members would be silly enough to run around putting thousands of dollars on their own horse. Now, that may happen. I am not saying it does not.

Q. If I paid \$100,000 out for a horse, as an owner I would like to have some say in the way that it is driven.---A. Yes.

Q. Quite obviously the owner will have some input into the way the horse is driven around the track. It could cause a conflict? ---A. Yes. I acknowledge it is there. I do not know any instance where any member of the Authority has been in that situation. I think there have been occasions where it has happened in galloping with a leading owner as a member of the committee. It has not happened in the Authority whilst I have been there but I still maintain that the experience far outweighs any possible conflict and I would think that if it did arise that member would disqualify himself from any proceedings. Naturally I would expect that.

Q. It does not always happen, does it? You are dealing with human nature?---A. Of course it does not.

Q. People have to declare their interest in local government. Is there any provision in your constitution to cover a similar action? ---A. In what respect?

Q. If a matter comes before the committee or the trust that person of necessity has to declare his interest?---A. We have had instances where people have declared interest.

Q. Is it equivalent?---A. I would assume it is under the general law, quite apart from the fact - - -

Q. You might be able to interpret the law better than I can, but why would it be equivalent under the law to declare an interest in a matter before the trust when there is nothing in the constitution which asks you or requires you to do that?---A. It might be just simply that any member of any board who has an interest, and if he does not declare that interest that decision would be invalid. It leaves that decision open to challenge. Whether he has an obligation, if he does not do it - all the reported decisions I know of where somebody has not done that have been upset.

Dr REFSHAUGE: You say that the advantage of people knowing the industry by being involved is worthwhile when they come into the Authority?---A. Yes.

Q. It could still be reasonable to ask them to divest themselves of any involvement once they are appointed to the Authority and still have the advantage of their previous experience. Would you see that as a worthwhile change of direction?---A. No, I would not, quite honestly. The benefit of the experience - just as a simple illustration, I had a fellow approach me from a university to say he wanted to do some thesis. He came out and talked to me about a thing called a hopple shortener. I said, "There is no way we would use them." I could not imagine how you could have one of these stuck in a horse.

It is terribly important, and I think the members' maintaining an interest has a number of benefits. Firstly, they still go to meetings regularly, they maintain their interest. They are approached at meetings with various problems. It is almost impossible to calculate how many problems are cut off by their being able to talk to people and say, "Look, this is the situation." Now, if they have none of that interest - I know myself I find it a fair bit of effort to go to a meeting, just to get out to a meeting at night is very difficult. For these people it is their life, their enjoyment, their love of it, they just go. Every Friday night they are at Harold Park, every Monday night they are at Bankstown. They are members of the Authority, but they are still being spoken to in their private capacity. If you divested them of all their interests I doubt you would get people of that calibre serving on the Authority.

Q. So you do not think there are people who have an interest and would be able to take the responsibility of being a member of the board without having some direct financial interest in a horse?---A. No. I do not think that either. There may very well be those people around. All I can talk of, from my own personal experience, is members of my Authority at the moment. I have no doubt that there may very well be other people who no longer own a horse, or presently do not have a horse, or who may have retired or something like that. They may be around but their abilities I do not know. I am just talking purely of my own members.

Q. The board members are only appointed for three years. If you want to be on the Authority it does not seem - - -?---A. With respect, if you take, for example, the Deputy Chairman, Barry Rose, and ask him to divest himself of all of his interests he would have to sell all his stallions, his property at the stud farm, or he would not be available to the Authority, because that is his income. Jeff Scott has a property at Robertson where he has had 20 odd brood mares for a number of years. They are pets, they are all too fat, they very often do not get in foal, and he looks after them too well. These are the sorts of things. It is very easy to say to divest yourself of your interest but they spend many years salting that little brood mare away. They like their horses.

Q. I am not saying one cannot find people who do have an interest who will not be honest, but it seems - again I put the question to you - that people who do not have any direct interest could divest themselves of that interest for a three-year period?---A. That is not really - it begs the question. I could just as easily say we will divest ourselves of our interests.

Q. Is that what your answer is?---A. No. It is not capable of answer, with respect. It is pure speculation. I come back to the

present members and say I regard the experience that they have as being eminently suitable for the Authority in the current context of how it is operating. I still believe that it is vital to have an independent chairman, totally independent. There at least there is a safeguard where you can balance that independence with interests on the other side, but as to whether there are other people, I just do not know.

Q. With regard to the staff of the Authority, is there any requirement for them not to have an interest?--A. Yes. I think there is. If they did acquire an interest we would expect them to disclose it.

Q. They do not have an interest?--A. Yes.

Q. As far as you know there is nobody employed who has an interest?--A. As far as I know.

Q. Apart from their professional interest?--A. (Mr Robertson) Certainly an absolute prohibition would lay to the area of stewards. The mail girl is probably a totally different proposition. We cannot pay her enough to own one, anyway, but it is a standard that they do not have any involvement in the industry by way of ownership.

Q. Do you think they are hampered in their duties by not knowing the running of the place?--A. No, I do not. They can still know the running of the place without having physical ownership. The people that gravitate to the racing industry generally have a deep love for it. They dedicate themselves to the industry without the necessity of physical involvement by way of ownership. Having a bet is a different proposition - but not the stewards.

Mr SMILES: Mr Robertson, page 21 of the 1985 report refers under operating expenses to public relations. I note that in 1985 there is a slight actual expenditure over that budgeted, and whether budgeted or actual that is somewhat above the 1984 actual. Could you broadly tell the committee how that expenditure has been incurred? --A. Regrettably, whilst I would be delighted to answer you because I have an accounting background, I was not there at 30th June 1985. I was not involved in the structuring of the accounts and I cannot answer, I am sorry.

(Mr Lambeth) You will note further in the notes it mentions - and we have mentioned before - that we have a gazette which is published. Now, that production of the gazette necessitated the addition of an additional staff member to help produce it and actually the cost of producing that book, whilst it breaks even, with a certain amount of salary involved is taken up in the public relations section.

(Mr Cummings) There was one over-run that we did that year when we produced the Sires Directory as a service to the industry for the first time. I think it was a 24-page supplement, printed on better quality paper so people could keep it. That was a fairly large over-run on printing costs.

Q. Mr Lambeth, was not some minor gaol sentence associated with the Authority or one of the members of the club?--A. (Mr Lambeth) Answer inaudible.

CHAIRMAN: Those figures you were giving us on harness racing expenditure, they are not under public relations. That is a separate

item there. It is self-funding because income is \$116,000 actual and expenditure \$116,000. I think what Mr Smiles is looking at is the item on public relations?---A. Yes. What I was saying was that even though the harness racing is a separate item the additional staff and members' salaries included in the public relations section is not included under the actual expenses.

(Mr Cummings) Would it be of any assistance, to perhaps short circuit all of the questioning in this regard, if we supplied the committee with the information? If there are any problems which then arise or any explanations we would be only too happy to give them.

Q. We have a document here which indicates that harness racing expenditure is breaking even. Now, we are entitled to ask why, and you give us an answer that you have increased the staff on that and you have put that under public relations. That is what we are interested in. We are not interested so much in every dollar or cent. We want to make sure that every aspect of your operation is being developed? ---A. Perhaps if I could say this: we did not come here today prepared for the extent of the inquiry which is being embarked on so if we are in error I do apologise to the committee. It was looked at in terms of the general observations that were made in the committee's letter to us, that there was an over-run or excess of assets over liabilities, and certain material had been prepared to show the effect on our operations in that regard, but certainly as to the whole gamut of our accounts we just did not bring the files. Now, if there has been a falldown in communication I do apologise, but I must say of the answers that we are trying to be as informative as we can, but I cannot say how accurate they are in recollection. I am going back a number of months.

Q. Our problem is that you have a \$100,000 over-run. You must expect the committee members to ask you enough questions to find out about that?---A. Yes. I accept that but it is a question of where is the over-run.

Mr SMILES: Sorry, Mr Cummings, but I would like to refer to the 1985 report at least in two other regards. Accepting and hearing your explanation, at least in some other areas I would appreciate further information, even if it requires supporting information being sent to the committee. Mr. Lambeth, on page 22 of the report under application of funds the first listed is purchase of fixed assets in 1985 \$93,000. What sort of fixed assets does the Authority purchase?---A. (Mr Lambeth) Basically it is office equipment. We do have a computer these days, which I am sure you appreciate, but the balance of it is mainly made up of office desks and typewriters and that sort of thing. We own four motor vehicles and I think that is basically all of it. There might be a little bit of equipment for the stewards.

Q. So the motor vehicles are included in that fixed assets listing, are they? ---A. Yes.

Q. I notice on page 27 of your report you have non-current assets. If I could draw your attention to the non-current assets, section 2(b) (a) motor vehicles, furniture, equipment \$207,905. That is your historical cost value for these items as I understand it. I pause there, seeking an explanation. Given that is the historical value, unless there is a major refurbishment for vehicles or office equipment, the comparative figure of \$93,000 spent in one year is

fairly high. Is that a fair assessment?---A. One of the items amongst that \$93,000, there could be several motor vehicles purchased, but it also included the programming for some of our computer programmes. You know we have been capitalised. I cannot give you a complete list of the breakdown of that \$93,000, but it was along those lines.

CHAIRMAN: What sort of motor cars would you have?---A. Two Toyota Corona motor cars and two Datsun utilities with canopies on the back for the freeze branding officer, so in the 12 months we had the four vehicles we did not replace so there is half the money there.

Mr SMILES: Is that a total purchase price or are you allowing for that purchase being on a leasing basis?---A. No. We do not lease vehicles, we purchase them outright. I would like to go back to the public relations because it seemed there was a bit of confusion about it. I mentioned the fact about the gazette. The additional staff member was not only employed for the gazette. We also went into this as a promotion on our part so that is one of the reasons why his salary is included in the public relations section. That may clarify things for you.

Q. With regard to the benevolent fund to assist persons associated with the harness racing industry who are in indigent circumstances and require assistance, with that in mind I note the contents on page 29 of the 1985 report and I would like to ask Mr Robertson two questions. Firstly, with regard to administration of that fund, do people apply? ---A. (Mr Robertson) Yes, they do.

Q. And on what basis are payments made?---A. Payments are made on submission after acceptance of the claim. If there has been a proper claim payments are effected to the supplier of the service in the case of a funeral, if one can call that a service, on the presentation of documentation.

(Mr Cummings) It may also be an additional grant. For example, if somebody has had a fire or something like that. There was one case of fire: there was a grant made when a man had his house burned out, and we organised that until insurance came through. Those sorts of things come to the Authority.

Q. I notice the payments totalled some \$4,650 and the cost of the administration of the fund was \$1,400-odd, in other words, 70 per cent of the total bill for payments. Do you think that makes the fund quite viable in terms of costs?---A. (Mr Robertson) Could you refer me to the page again, I am sorry.

Q. Page 29. There are certain informations there in regard to section 4, subsection (ii), but essentially rather than worry about specific amounts, although it is listed, we can see in the second last line on page 29, payments made, that the grants totalled \$4,660 for the year to 30th June 1985?---A. Yes.

Q. I note from elsewhere that the cost of administering the fund was some \$1,400?---A. That year, from reading of the accounts, would appear to be a low claim experience year. In 1984 it was \$11,981 in payments from the fund.

(Mr Cummings) You would appreciate, Mr Smiles, you just do not know when you are going to get a claim.

Q. I appreciate that. Would that explain the relatively low payments?---A. (Mr Lambeth) Yes. As you can appreciate, the interest on it exceeds the payments out of it quite substantially and it just keeps growing. It was transferred from the New South Wales Trotting Club who previously administered it and most of the administrative expenses involve not only dealing with the claims but investment of the money.

(Mr Cummings) One of the matters that has been of concern to the Authority has been the uncertainty in relation to workers compensation coverage for people in harness racing. After the act is amended, as we think it will be, to provide coverage for everybody then a lot of the concern with the benevolent fund may disappear. It is more or less there just in case we get a specific need or something like that. Once that area is sorted out we may look at doing something, disbanding, dispersing it - it is a tax deduction.

Q. Mr Lambeth, I wonder if I might now look at the issue of loans to officers secured by bills of sale in your balance sheet, an amount of \$18,765. What are the loans for?---A. (Mr Lambeth) Those are loans which are advanced to stewards under an industrial agreement which was reached. People who use their motor vehicles for government use consistently can be made a low interest loan for the purchase of that vehicle, and we currently - at 30th June I think there are four loans involved that are still current at the time.

Q. What sort of interest rate and what sort of term do those loans have?---A. The term is three years, the maximum loan is \$7,500, and the interest rate was 4 per cent. They are all covered in the Treasury regulations pertaining to those sorts of loans.

(Mr Cummings) And all vehicles are secured by bills of sale.

Q. I notice that the Authority's fixed assets are listed at some \$317,000. You mentioned the four motor vehicles and, of course, we are aware of the computer project. Are there any other significant assets above and beyond those three items?---(Mr Lambeth) Leasehold improvements are mentioned there but most of them have been written off over the term of the lease and do not have any realisable value. Nothing comes to mind at all that would be substantial. Really they are of a minor nature.

Q. Referring to debtors and prepayments, they are shown as something over \$228,000, over double the previous year's figures?---A. Yes.

Q. How much of this is debts and what are those debts for?
---A. Basically the reason why it has jumped so much, as Mr. Cummings explained earlier, the money for the promotion of the Sires Stakes series by the sponsor had to be funded by the Authority and was paid in July, so it was after the end of the financial year. At the end of July the debts returned to their normal sort of level.

Q. I wonder if I could look at the issue of your banking and overdraft. Does that \$228,000 include the loan of the State government of \$200,000?---A. No. That is shown as a capital debt of \$120,000. If you look at page 16 of the report under capital and retained earnings the first item is a capital debt.

CHAIRMAN: In other words, you do have debtors of \$228,000 in addition to the government as a debtor?---A. That is right.

Q. How much was that figure? I thought it was \$200,000?
 ---A. Sponsor's money?

Q. No?---A. (Mr Robertson) It was originally \$200,000, reduced by two payments.

(Mr Cummings) Down to \$120,000 now in these accounts.

Q. That is the one you are paying off at \$40,000 a year?
 ---A. Yes.

Mr SMILES: Mr Robertson, with regard to the 1984/85 report there was comment on the fact that the Authority's current liabilities exceeded current assets by \$100,000, and I am also mindful that there was a large increase in the Authority's bank overdraft last year of nearly \$180,000. Do you regard this as a weak financial position for the Authority?---A. (Mr Robertson) No, I do not. The position that is reflected in the working capital in the current liability/current assets picture is a picture typical of the racing industry in any State, particularly the Authority's, in that it is financed on a line ball budget. It operates off a cash flow that gets a very large injection of funds by way of first charge against TAB distribution. Those funds are paid in one single hit in early July so at 31 July, or even indeed after the first week in July, the current position would be entirely different to that reflected at 30th June. The current assets would run along with current liabilities, suddenly reversed by the inflow of cash in offsetting bank overdraft. It happens, as I have said, in the racing industry.

The other sources of revenue; registration fees again are received up front in the early part of the year, and that just about completes the funds flow to the Authority. And then, of course, it is consumed as the year goes past. It goes into an overdraft position at 30th June by virtue of accumulated losses incurred in prior years. The only saving factor in that, of course, is accumulated provisions in other areas which would be reflected as a reduction in overdraft. There is also an equation that is virtually imposed on the Authority, and that is the need to repay a capital debt out of current funds but still achieve a line-ball budget figure.

Q. Mr Robertson, given that, and particularly the earlier part of your statement, would it be easier for the Authority if the instalments were paid month by month?---A. It would not alter the picture at 30th June if those instalments were received month by month. They would just simply match costs and income as the year progresses rather than getting a large cash inflow at the beginning of the period. The large cash inflow does have an advantage in that at the beginning of the year we go into a credit situation whereby we are able to invest funds and generate interest out of that. Were it to be paid in instalments presumably then that advantage would lie with the TAB rather than with the Authority.

Q. If we are looking at the bank overdraft that is apparently, according to the report, unsecured but given the variation in levels of income over the year coming into the Authority does that variation provide problems in securing such a relatively large unsecured bank overdraft?---A. Not to my knowledge.

CHAIRMAN: There are one or two questions in terms of provisions which we will not ask you because you do not have the information

available. We might put that on paper and forward it to you?
---A. (All witnesses) Yes.

Q. That bank overdraft, would that have been promoted in any way to pay back the \$40,000 prize money?---A. (Mr Cummings) No. That simply arises from the arrangements. I simply told the bank we would not give them security. If they want business, it is absolutely ridiculous. Sure, we could have provided security but I was not prepared to do it. They get enough out of us during the year.

(The witnesses withdrew)

(Luncheon adjournment)

KEITH WILLIAM STEEL, Chairman, State Cancer Council, of 36 Cherry Street, Warrawee,
 ELAINE HENRY, Executive Director, New South Wales State Cancer Council, of Lot 21, Calabash Bay, Berowra Waters, N.S.W. 2082, and
 PETER JOHN SHEHADIE, Finance Manager, New South Wales State Cancer Council, of 27 Division Street, Coogee, sworn and examined:

CHAIRMAN: Did you receive a summons under my hand to attend today's hearing?---A. (All witnesses) Yes.

Q. Mr Steel, have you any further submission you would wish to present to the committee or will you proceed with the oral questions?
 ---A. (Mr Steel) Proceed with the oral questions.

Q. Can you tell the committee very briefly why the State Council exists, in essence what are the objectives of that council?---A. The new directions that the council has taken in terms of the objectives are prescribed in the Act of its incorporation and they are to concentrate on the welfare of patients and their families throughout the whole breadth of New South Wales, to develop as far as we can public and professional education in the field of cancer, to finance cancer research, and to raise funds to achieve these ends. In the course of this we are required to give advice on certain matters to the Minister and to co-operate with the Department of Health.

Dr REFSHAUGE: As you have said, the objectives of the State Cancer Council relate under the Act to the State Cancer Council Act of 1955. Do you think those objectives or the emphasis on them should have changed significantly over the last 30 years? Could you point out where you are going in different directions now, what are the particular areas that are appropriate as of the Act of 1955, and what further changes do you think are required now?---A. There are some minor changes I think we have discussed. Do you have a copy of the points we did concede after the interdepartmental committee?

(Mrs Henry) I might have them here.

(Mr Steel) If they are not here we are only too happy to supply them. There has been some thought given to actual changes in the form, they are only minor.

Q. In the first question you mention the welfare of patients. Is that part of the charter under the Act?---A. It is provided for in the Act but it is not something to which we have given primary emphasis in the past.

Q. You see this as a new direction for you to be going in?---A. We see this as a good development, a big development.

Q. It is obviously important to work out how well you are doing as far as achieving your objectives is concerned, the previous objectives or the major priorities of your previous objectives. Have you any measure of the performance of how well you have achieved that?
 ---A. It is a very subjective form of judgment. I do not believe you could give a satisfactory answer to that. I think the sort of answer we give you - if you want to deal with the sorts of inquiries and the problems we get, I think Mrs Henry has spoken to me something like four times a week about complaints about people who have been to their GPs and have failed to be advised there are things they ought to be doing,

and you get a situation where last Friday we had the librarian of our own body diagnosed for immediate treatment in hospital for a bilateral breast cancer where she had been seeing her GP for some time. This is, in our judgment, why we are not doing as well as we might.

Q. For the new directions in which you should be going, you have not only to set what they should be but also to assess whether you are achieving the objectives. It is easy to say, "We will look after the welfare of patients, public and professional education, and our role in raising funds is obvious." Do you know if you are going to be doing any good for the welfare of the patients, and how do you know?--A. The resolution of the council that gave effect to this selection of new directions was last November, and we have now set up a patient care committee - that is the title it has been given - which I think has been welcomed in the limited circle to which it has addressed itself so far.

Q. That is more what you are going to do, not how you are going to measure what you are doing?--A. (Mrs Henry) As part of the patient care committee we have set up a series of sub-committees. One of those is the patient research sub-committee, and that would be chaired by Professor Stephen Leeder who, as you probably know, is very keen on evaluation. We have not brought forward a programme yet because it was set up about a month ago. Inherent in that planning is the evaluation of a whole range of cancer services for patients and separate provision for the families so we will be taking into account the measurement of what is being achieved in New South Wales.

Q. As you can understand, there is concern if your measure of performance is anti-social to the public?--A. Yes.

Q. It is very easy to be persuaded in one direction because somebody close to people has a particular illness?--A. (Mr Steel) Fair enough.

(Mrs Henry) Again, it is the same in education. There are various measures made and used and we are now, as part of our operating plans each year, whatever campaign we are in, putting into that an evaluation component. It is true perhaps that we have not done that up until now. We have done it in a very minor way with omnibus surveys but we shall be doing that very much with the new look of the Cancer Council. We have experts in all fields coming to help the council in a voluntary capacity and some of those will be people who do market research. In fact we have someone on our appeals committee who runs the Bell and Bank group of marketing researchers, and they will be providing this so we can measure how we are doing in our various campaigns.

Q. When you say new directions will include a greater emphasis on research, is that research directly into cancer, different treatment? The new directions in which you are going will put a greater priority on to research, you said earlier?--A. (Mr Steel) A diminished priority on research. In the Act the objects for which the council was established were to assist and foster research and investigation. We are now engaged in active research and we have now given that away in favour of transferring our own activities to the Prince of Wales, to the University of New South Wales, and encouraging works through the centenary Institute as it develops, and other centres of research, by the fund raising process.

Q. So your own involvement in research for your evaluation in your own programmes will be fund raising for other people's research?

--A. Yes, for which we have an appropriate committee set up to judge the merit of applications for grants.

(Mrs Henry) We are the major body funding for cancer research in New South Wales and we give away half a million dollars each year in individual grants through the process of evaluation of the research grants committee where people lodge applications. They are sent out to external referees. They come back to a research grants committee made up of 15 people from all fields of oncology throughout New South Wales. One person leads the discussion. They discuss the application. They look at the referee's comments and they give it a rating. We have a cut-off point and people get a research grant according to scientific merit.

CHAIRMAN: Do you have any methodology organised to effectively measure the success of those grants?--A. Not the individual grants as such. The only feedbacks we get are the annual research reports that come to us and we publish in a research report. In the major funding areas of the oncology research centre, which is our major funding area, we have an outside scientific audit committee; three independent scientific people come each year to give a report straight through to council on the value of the work being done there. The carcinogenesis research unit at the university is fairly new. The programme is not under way as yet, but inherent in that programme will be a mechanism process for scientific audit and it will be the same no doubt at the epidemiology research facility at the Centenary Institute.

Q. What is scientific audit?--A. It means that three people of excellence in that particular area - and the area that we are looking at at the oncology unit is molecular biology into breast cancer - come and then appraise the programme. They look at results achieved, scientific papers that have been produced, they talk to the scientists about mechanism and methodology of the research, and write a report. They are people of outstanding merit and their work is considered to be of the highest regard in the scientific community.

Dr REFSHAUGE: I understand there was a report done by W.D. Scott in 1984 which looked at cancer services in New South Wales and considered some redefinition of roles was required. What did the report recommend in relation to the State Cancer Council?--A. It was looking actually at the role of co-ordination of council services in New South Wales, and it is true that it looked at the co-ordination of various facets of that for the New South Wales Cancer Council. The most appropriate area, it is felt, for the council to have a role is in patient care and that is why we have changed our direction. The four major things that they recommended we have taken on board in the last three months of council.

Q. What were those, the four major ones you have mentioned?--A. Yes. Patient welfare, if you like, if you want to see them as an umbrella statement. The funding of cancer projects in New South Wales, education both public and professional, and financing research projects, and I think the phrase was distancing council from actual research. I think the council has embraced all those recommendations and taken them on board. The other area was to co-ordinate the various bodies undertaking similar roles in New South Wales and to take an active part in that co-ordination, and that is what we are trying to do at the moment.

Q. Would that include co-ordinating the different oncology units in public hospitals?--A. No. You have to be careful. The Scott

report was commissioned both by the Department of Health and the New South Wales Cancer Council to look at their respective roles. Some of the roles in cancer belong to the Department of Health and we can give them support but we cannot undertake those roles. They are really service functions and the oncology research centres in the various hospitals. We try and stay apart from the hospital based activities and remain in the community if we can.

Q. I can see there might be difficulties with some patients who will be at some stage in hospital and at other times outside?---A. Yes. In fact what the patient care committee would be doing is probably setting up some pilot programmes in one hospital, perhaps North Shore or Prince of Wales, for continuing care of the cancer patient. That is, patients who have been treated in hospital and then go home for treatment or what-have-you. There is a mini pilot programme going on at the moment at the Prince of Wales Hospital but we need something a bit more major. If we set up the model with our funds and see that it works, and that is the type of excellence of care we are looking for in New South Wales for cancer patients, we can then transpose it to another hospital, so in that type of area, yes, we can have a role.

Q. Is it true that the National Health and Medical Research Council funds cancer research?--A. Yes.

Q. In what way do you think their funding and research and your funding and research does not clash?--A. It has been a problem in the past but we have got co-operation going now. Their committees actually meet before our committee. On our research grant application form, which must be signed as a true record by the applicant, we actually have various boxes where they must fill in whether they have applied for a grant from what organisation, for what project, how that project overlaps the project for which they seeking a grant now, and in that way we ensure that we are not going to fund from the Cancer Council what somebody else is funding.

Then we have an ad hoc agreement and when the national health grants come through from their committee, as I said before, they either phone them through and then follow up by letter or they send them directly to us. The chairman of our research grants committee then looks at those project totals, how much they were given, and we try to identify any areas that overlap. The last year, I think, there were about five or six of these and we took a further step in that we actually wrote back to the applicant and said, "You have received funds from NH and MRC for such and such work, for which you have requested a grant from us. Could you please show us how in fact it is the same or different, and why you should be supported by us, and please sign that as a record," which they have done, so we have put it back on to the individual applicant.

Q. This change in direction or emphasis in the directions you have been going, when was that decision made?--A. 22nd August 1985.

Q. So is there much development of, particularly, the patient welfare/family welfare at the moment?--A. As you would appreciate, at the council meeting when that was taken, as we said, the major things that were explained were the transfer of our direct research responsibilities to the oncology research centre at the P.O.W. hospital for the university carcinogenesis unit and so forth. We had to get an agreement on those and we set that in motion straight away. A sub-

committee of council was formed of all the medical members and then a sub-committee of the various hospital, university, etcetera, based. They worked through those several months setting that up.

Now, it was not until the Executive Director was appointed, and that was 27th December 1985, that any of the changes could be implemented and at the first meeting of council in January, I think 25th January 1986, we foreshadowed something like this would happen. We had a discussion paper presented to council and that was written on 25th February 1986. Since then we have set up the four sub-committees with a membership of four or five members. We have set up a cancer care co-ordination unit which at the moment comprises a nucleus of four staff members.

Q. When do you expect them to be reporting back to the Cancer Council itself?--A. The committees report each month after they have met and the patient care committee has met twice, one of the sub-committees has met, and the minutes of those meetings go through to council, each council meeting.

Q. When do you expect to have your programmes for the year fully under way?--A. We hope to have some of the work established within about six weeks, and that is on the patient information. One of the areas is this lack of information for the cancer patient on what to expect, what facilities are available for that cancer patient. We have already started work in the community on that and I imagine that some of that will be put forward within about six weeks. Others have longer term application. Palliative care is one of the sub-committees, travel and accommodation is one of the other sub-committees. I am not sure that the strategies will be formulated within six months, let alone any of the results coming forward within two or three years. It is a long term project, as you will appreciate.

Mr SMILES: I wonder if I might ask, Mrs Henry, how long have you been associated with the Cancer Council?--A. About four years. I started as an education officer at the back end of October 1981.

Q. Mr Steel, how long have you been chairman?--A. (Mr Steel) Since the Cancer Council Act was re-constituted in 1982.

Q. Mr Shehadie, how long have you occupied the position of finance manager?--A. (Mr Shehadie) Since April 1985.

Q. Mr Steel, with regard to accommodation, in the year 1983/84 the council acquired, as you may recall, for some \$400,000, the premises at Randwick for office accommodation. The Auditor-General reported in September of last year that the premises had recently been sold for the same amount. Were the premises ever occupied by the council?--A. (Mr Steel) No. We were preparing to occupy them. The vendor was still in occupation for most of that time.

Q. Why did you not continue with the initial application and occupy the premises?--A. Because of the change in our planning. We did plan to move out there to get closer to the oncology centre at Prince of Wales Hospital, and the change in our thinking about research intervened and we decided to stay in the city.

Q. So the change in the council's activities and approach to involvement in research mitigated your move to those premises?--A. Yes.

Q. Why was the property sold at cost?--A. Because we did rather well to get the original cost back. It was not something that we could have made a profit on. We went to auction and we did not get a bid which was as good as what we paid for it.

Q. Was there any time when the premises were unoccupied by the vendor as you mentioned?--A. Yes. There would have been a period of some months, I think, after the vendor moved out.

Q. Did the council consider the problems associated with getting a return on rental of that cost and why that had occurred - the initial purchase price?--A. You mean did we let it during the period of vacancy?

Q. I am sorry: I accept there have been some problems in trying to sell a place, to have it tenanted, and I accept that under normal real estate conditions it is preferable to have it unoccupied. I am referring to the fact that the property was sold for what you paid for it. Did the council consider in any depth the reasons for that, particularly pertaining to the original purchase price? In other words, do you concede there was a mistake made in the actual amount paid when the property was first purchased?--A. In the first instance? I do not believe we could have bought it for less at the time. Maybe, given the benefit of 20/20 hindsight, we could have dragged our heels and got it for a little less.

Q. Mr Shehadie, on the issue of the premises lying idle, could you give us any assessment of what it cost the council to have those premises lying idle in terms of maintenance and security and the like?--A. (Mr Shehadie) I did not bring that to mind when I did make that report to council, but I did put a recommendation to council or to our finance committee that it was my view that we should take whatever offer we could get for it and utilise the funds on the fixed interest market which would offset any loss we may have made on our books. It would have showed a capital loss of \$60,000. It was decided we would go to auction. We went to auction and did get a bid which was considerably lower. We negotiated with those people and we did get the purchase price back so in effect you cannot measure the loss, but in the loss of funds you could say an average cost of 12 per cent on \$400,000 for eight months would have been the net loss to council if we did not acquire that property.

Q. That, to my way of thinking, is something like \$35,000, that is actually on the capital sum. A guesstimate - what were the costs over and above for maintenance, security and the like?--A. \$25,000.

Q. Mrs Henry, why will not the sale of that property be completed until August of this year?--A. (Mrs Henry) Because of the arrangement that was made. I think Mr Shehadie alluded to the fact that it went to auction. We could not get the price, but the interested party there we negotiated with. They could not raise the capital, we were not willing to sell under \$400,000. They could get a loan from the bank if it were transferred back until 12 months' time. In the meantime they would go in as tenants and pay their weekly rental, and that seemed the best we could hope for at that time.

Q. Who was involved in the negotiation with regard to the rental?
--A. I think Mr Shehadie.

(Mr Shehadie) I was.

Q, Mr Shehadie, we know that the rental was assessed at \$37,000 per annum fairly simplistically, and that represents 5 per cent on costs. What are your views on that amount?---A. Rents in that particular area on a capitalised basis would have given probably a value of round about \$320,000. The people that we negotiated with, the College of Osteopaths have a college at the University of New South Wales. They were in the area of Bondi Junction and they had to get out of their premises. We negotiated a price, as already said, of \$400,000 plus \$20,000 so in effect our sale price is \$420,000, but it is taken up into a sale price of \$400,000 and a fee, if you like, of \$20,000. That is in effect not giving us a market yield. It is giving us round about 6 per cent on our \$400,000, which is not a good rate but it was much better than we expected to get in the circumstances.

CHAIRMAN: Do you pay tax on your commercial incomes?---A. No.

Mr SMILES: When that rate was set was there any input from real estate or property agents in the area to give you some assessment of what other commercial properties were valued at?---A. Yes. The location of that property is in a rather awkward situation. If it had been one block west it would have been a very marketable property. Because it is in the area alongside Ingles Stables it is in fact residential 1A and the property has a covenant over it which meant it could only be used for commercial premises. There can be no alterations to the building and that would restrict the resale of it. In that particular area it is not within the commercial area of Randwick. There was a survey done by L.J. Hooker and there was a survey done by Peter Crowley and Associates which gave the assessed rental of round about \$23,000 to \$24,000 per annum on that particular property.

Q. It seems to be a bit of a lemon. In other words, it is in an inappropriately zoned area near the stables. Why would you, if you wanted to set up an office, select a property like that?---A. Mrs Henry) What we were trying to do when the thought came through to council that we should be moving out to Randwick was to try and limit our activities to the one site. At that time we were doing cancer treatment cancer research and administration. The laboratories could have moved perhaps. If you are linked in with the patient care you could not transfer the treatment from the hospital so it was not that the other activities could transfer out to Martin Place. If we were putting everything to one site for ease of communication, etcetera, you would have to remove those activities we were doing in Challis House out to the P.O.W. Hospital, so in that instance there is not very much by way of office accommodation around the hospital. It was fortuitous that that particular property at 148 Barker Street did come along, and so it was probably worth more to us to get our activities on one site than perhaps for other people.

Q. I wonder, Mr Shehadie, if I might ask one further question with regard to the premises at Randwick. We have discussed the real loss associated with selling at cost. We have discussed the loss associated with perhaps what might be considered the below market rental. And we have discussed the issue of maintenance and security while the premises have been idle. Are there any other cost factors associated with the premises?---A. (Mr Shehadie) No, other than the intrinsic cost of having the funds not employed. The actual expenditure was \$25,500 in that period.

Q. Have you presented to council what you regard as the full cost of having purchased and not gone ahead with that building?---A. Yes.

Q. What do you assess the full cost to the council?---A. It cost \$399,950, from memory. We received rents of \$5,500 in that period and we spent \$28,000 on the premises, which gave a net cost of \$22,000, and then for balance sheet purposes that gives an actual cost of \$425,000. At July of last year when all the property was sold it was revalued for the balance sheet at \$400,000 on the basis that I had a signed contract to substantiate that figure.

Q. Were there any advertising fees expended by the council with regard to the sale of the property?---A. There will be some costs attributable at settlement, which is 20th August 1986, which will be the normal agents fees in relation to the auction cost.

Q. And they are likely to be what?---A. They will be scale fees based on a scale of \$400,000.

CHAIRMAN: What is that, \$7,000 or \$40,000?---A. I really do not know. I will have to check the scale first. They are on a sliding scale. I think it goes 2-1/2 per cent for the first section, 3 per cent for the next. It is on a tiered basis, each step up.

Mr SMILES: That is \$8,000, I understand. Mr Shehadie, the only other cost that comes to mind is legal costs. Can you recall what the total legal costs to the council have been with regard to the purchase and sale of this property?---A. I think the legal costs have been handled by our legal firm and there will be no cost to the council.

Q. That is a donation as it were. I wonder if I can now look at Challis House, Martin Place. In the 1984/85 annual report it states that the council offices in that building have recently been remodelled as a temporary measure. Mr Steel, can you recall what the cost of this remodelling was?---A. (Mr Steel) No.

(Mr Shehadie) It is \$16,000 for additional office partitioning.

Q. Mr Shehadie, the rental paid on the Challis House accommodation? ---A. We are very lucky in that regard that we have a relationship with the Senate of the University of Sydney which owns the building and we do get a concessional rent which, I think, is round about \$14 a square foot - I might be wrong with the \$14 - as against the \$20 to \$25 a square foot that is being offered for property in the Martin Place commercial area. The total cost there is round about \$80,000, which includes our share of outgoings on the building, plus cleaning.

Q. That is \$80,000 per annum?---A. Our actual rental content is round seven and a half thousand a month.

Q. Mrs Henry, why do you believe the council requires premises in Martin Place?---A. (Mrs Henry) Actually we are just carrying out a feasibility study to look at permanent accommodation to house the staff for the activities we are now undertaking. We are also doing a survey of people who come into the premises at Challis House to see why they come in, how they get there, etcetera. One of the important things about being a community organisation is to be accessible to the people who need you. We have not completed the survey but I have just had a quick look at responses and most people think it is an excellent location. Everyone knows where Martin Place is. It has access to rail and bus transport. People can readily identify where Martin Place is. If they ring up and ask for information or if they want to come and see one of our councillors, they can come in. If they want

to leave a donation when they are in town shopping it is accessible to them. So I believe if you are providing services to the community you have to provide the central access for those people.

Q. In the 1983/84 annual report this statement appears: "In keeping with the constant need to conserve funds the council has decided to vacate its premises in Challis House, Martin Place." Can you explain why the decision was taken some time in that 1983/84 year which now apparently has been reconsidered?---A. Yes. We house our education staff in Challis House. They need cars because they are obviously out all day and the car is going to various venues to give lectures on cancer prevention. They need a lot of literature. They need audio visual aids, need to take projectors and so forth. We do not have any parking facilities, as you probably know, in Challis House, and there is no loading area really. There is a little laneway at the back of Challis House which is always full, and it is very difficult for the staff to actually park somewhere to load up, and city parking is a fairly major cost factor. I think that was said with that in mind, plus the fact that we are expanding in the number of our staff and it was becoming more difficult to fit them on the one floor. If we take half a floor or quarter of a floor or what-have-you in Challis House we have to renegotiate the lease and the terms of that lease would not be as favourable as we are getting, and also the cost of just having part of a floor is much greater than having a full floor, so I think that is really what was behind those remarks in the annual report.

(Mr Shehadie) If I could just mention Barker Street. One of the terms and conditions of the contract is that the purchaser is to pay all the outgoings from the date of contract exchange, which is from 20th July 1986. I think our only commitment was a pro rata proportion of water rates from 1st July to that date.

Mr WALSH: Mr Steel, I understand the position of Medical Director has recently been abolished. Would you tell the committee the reasons leading up to this decision?---A. (Mr Steel) Following the report from the Scott inquiry where they recommended the emphasis on these other things - welfare and financing of research, public and professional education and so on - and the following report from the inter-departmental committee which was that we should indeed give over our responsibility for actual research, in the circumstances the view of that committee was that we would not require a Medical Director and we could make use of volunteers in the medical field, scientific committees, and rely on external expert opinion on the matters that we needed to refer. We should therefore concentrate our funds by means of an executive director on management processes rather than medical matters.

Q. Mrs Henry, what salary and other remuneration did the Medical Director receive and from what sources? Did he also have the right of private practice or receive income from other sources?---A. (Mrs Henry) I think by the time the Medical Director left the service of the Cancer Council his salary was round \$70,000/\$80,000. He did get on-call allowances, the same as other specialists. He got 16 per cent plus 4 per cent for forgoing the right to private practice, and that is in line with the salaried medical officers, plus his own contract. And then just recently, through the determination of Judge Macken, there was another 20 per cent on-call allowance that must have brought it up, I think, to somewhere around \$90,000, if I am not mistaken and he had other benefits.

Q. I would like to ask some questions concerning the mortgage loan to the former Medical Director for his residence. I assume that this is the residential property that was bought by the council in 1976 for \$125,000. Firstly, where was the residence; can you describe it, and why did the council buy it?---A. (Mr Steel) It was part of the contract that was made to bring the Medical Director from Melbourne to Sydney. The house itself was in Centennial Park, erected in 1908, I think, with some additions put to the rear of the house in 1930. I think it was bought there in that particular location because it was deemed to be reasonably handy to what was then known as the special unit of the Prince of Wales Hospital and to the school, Sydney High, which his family would be attending. That was fundamentally the reason.

Q. So it has always been the residence for the Medical Director?
---A. Yes, that is right. He occupied that from the time he came.

CHAIRMAN: What about the previous director?---A. He was a Sydney resident, he had his own home. This was a matter of persuading the Medical Director to transfer from his job in Melbourne to come up here, and this was part of it.

Mr WALSH: Would it be fair to say there would have been nominal rent associated with that purchase?---A. There was a reduction in the rate of interest. The fact is the reduced rate of interest that he was charged on it was greater than the council earned on its funds in those years, but that is by the by.

Q. The rental or the purchase?---A. The rental was reduced, yes, on the grounds that he was looking after his own superannuation. It was reduced to an amount roughly equivalent to what ^{the Cancer Council} would have been contributing to superannuation benefit.

Q. Could you give some indication of what that rental would have been compared to market rental?---A. (Mrs Henry) It was about 130 to 150, somewhere like that.

Q. Per what?---A. Per week.

Q. This sale price of \$125,000, considering you owned it for four years do you think it was a realistic sort of market price for the sale?
---A. (Mr Steel) That was the terms of the contract when it was entered into when he bought the place, that he would have the option to buy it.

Q. The property value?---A. Goes back to 1979/1980, whenever it was.

CHAIRMAN: What would it be worth now?---A. I would be reluctant to take a stab at it but I guess out there \$400,000, I do not know.

Mr WALSH: What moneys were expended by the council on the property during that period, what was the nature of the expenditure during the rental per se?---A. There would have been expenditure on the building before he took it over, before he bought it. I do not know of any expenditure after that.

(Mrs Henry) I do not have the details of that. I do not know if it would be applicable to have a written submission. I have not gone through the files, I do not know.

CHAIRMAN: You might be able to supply that to the committee at some later stage?---A. (Mr Steel) Yes. I am not conscious of anything

during my period as chairman but something may have been spent at the time of his taking over.

Mr WALSH: Moving on to the question of fund raising, the cost of fund raising as included in your report for 1984/85 is \$513,000. Can you identify what extra income was generated by this expenditure?

---A. I would have thought it was difficult to do that. Some part of the increase in donations would have flowed from it. It is a little too early to say because most of the expenditure was late in the year and benefits would have been expected to flow subsequently. I can hardly believe that in the time that we would have started to spend any money on fund raising, people deliberately died so that they could leave money to us by way of bequests.

Our expectation is that for the year ending June 1986 we will have a positive result, a small positive result in donations, excluding the possibility that we may get something like \$750,000 from the commercial undertakings which are contemplating setting up a mobile donation service for us. That was really the sort of thing we have been aiming at. About half of the \$750,000 might occur before June and the other half after June. I am keeping my fingers crossed.

Q. So you are actually expanding your fund raising programme? It is obviously expanding?---A. It was done quite deliberately last year as part of our aim to develop the funds that we have available. Some of the work that we did was experimental, some of it we will not necessarily be repeating, I think, on our experience. We are now setting out on a plan. When we review the experiences of the first actual 12 months of the campaign, which should be within a few weeks time, we will be contemplating also the things we do by way of direct mail campaigns and so on in the year ahead.

Q. Could you identify other areas you want to expand into for fund raising purposes other than, say, direct mailing?---A. (Mrs Henry) Yes. What we are trying to do is to get quid pro quo, if you like. We are going to occupational areas of various factories and so forth, giving them occupational health information on cancer prevention, and what we hope to do is to get an employee contribution scheme going for major companies, not just factories but in other companies like Telecom, for instance, where each employee can donate about 20 cents out of their pay packet to a central fund each week and that, with a number of employees and a number of firms, will amount to quite a substantial amount each year.

Q. What do you envisage your expenditure to be for fund raising for the next fiscal year?---A. (Mr Steel) This is the year closing June or the year after that, the full year?

(Mrs Henry) Year closes in June.

Q. 1986?---A. (Mr Shehadie) We expect to have an income of round about \$539,000. There will be expenses which we can relate to a fund raising programme but there are spin-offs which we cannot measure; like the amount of bequests we are getting has virtually doubled in the last five years and we believe people are becoming aware of us because of our fund raising activities. Our other donations are going up also and I think there is a spin-off from that actual expenditure in that regard.

Q. You have no identifiable percentage increase with the programme, in other words. You just spend the money and are not quite sure how you are going?---A. We have identified programmes for the fund raising such as the direct mailing and any specific programme. You might have seen on TV last night you can make a deposit through the State Bank, and we will be measuring that to see what kind of return we are getting from that.

(Mrs Henry) We have always relied on the community for our expenditure. We get about 93 per cent of our income. We have always done it in a passive way so that when we go and deliver education programmes or whatever care programmes we have, the money comes back in. We get quite a substantial amount from bequests, as you have heard, and donations, in memoriams where people give us money instead of sending flowers to funerals and so forth. But from last year, because we wanted to expand our facilities across the State, we needed actively to fund raise so we have segmented off a ^{cost} centre for fund raising. It does not include traditional income only the additional income. It only has new income from the direct mail programme, special events, that type of thing

CHAIRMAN: Therefore up until this year you were unaware of whether you were being successful in your fund raising efforts?---A. Well, through our passive programme we must have been or we would not have been getting any income, I do not think. We must have been doing something right for somebody to really want to donate to us.

Q. When Mr Steel was questioned as to the amount of income derived from the \$513,000 expended in 1984/85 he was not certain of the income that was brought in as a direct result of that. Would it be fair to say you possibly would have spent \$513,000 and yet raised a lesser amount?---A. (Mr Steel) I would have judged in the year ended 1985 we would have raised a lesser amount because we only increased our donations by 70 something thousand. The campaign only started in March 1985 and we did have some major expenditure to get the thing going. It is only in this year that things have really been - - -

Q. As a businessman you realise spending \$514,000 and returning \$70,000 is a very poor return so you have gone in a new direction. Is that a reasonable assumption?---A. I spent my lifetime in a business where we invested in new business, where we had to pay agents to write new business, and you did not collect premiums until the next 40 years had elapsed.

(Mrs Henry) You see, our market research has shown that we are well respected in the community as a provider of information and so forth but we had to go into a different part of the market when we were actively fund raising, asking people for funds, to what we had been in previously. We had to reposition ourselves.

When we did some market research it was showing that although people understood our messages we were giving them on cancer prevention and understanding, where to get information from and so forth, they were not readily identifying what they were getting as coming from the New South Wales State Cancer Council, so we had to spend some money to say, "Hey, here we are," to increase our profile in the community and to tell them what work we were doing for them. But to continue to do this work we needed more funds.

Q. Could you give us a breakup of that \$514,000, possibly the area where it is going?---(Mr Shehadie) This is for the 1985 year you are talking about, the \$513,000?

Q. Right?---A. The major item is advertising which was \$280,000, and was for various programmes. Last year we had a Cancer Action Month, which was press advertising, and I think we put a banner across the Harbour Bridge as well. There was press, TV. There was a special campaign of \$45,000 which, again, was associated with Cancer Action Month. The other major items were printing and stationery \$42,000, salaries \$60,000, and at that time the fund raising department of the Cancer Council had employed a public relations officer in our communications area to look after all our areas of communication with the public. That was \$38,000, which then would leave promotional items of \$8,000 - T-shirts, hats, etcetera. There are staff recruitment costs of \$13,000. They were the major items.

Mr WALSH: You were relying on your own people, in other words, to do the promotional activities for you?---A. Yes.

(Mrs Henry) We do have an advertising agency.

Q. That was \$38,000?---A. No. That was the cost of the advertising, but they get paid on a commission basis for what they actually place for us.

Q. That would all be in that?---A. Yes.

Mr SMILES: What was the name of that agency?---A. We have a new agency, Weeks, Morris and Osborne. At the time of the fund raising appeal it was Saatchi and Saatchi, Compton, Gough, Waterhouse.

Q. Why the change?---A. Well, it was to go along, I think, with the changes in direction of the council. At the back end of last year we called for pitches from various agencies. We set them a programme to help us first and foremost to overcome the fear that is out there in the community when you mention the word cancer, and how they would run a Cancer Action campaign, what ideas they could put forward for campaigns to get people to listen to our messages and Weeks, Morris and Osborne came up with the best one.

Q. How many agencies did you invite to participate?---A. Three.

Q. How were they selected?---A. Through word of mouth recommendation was one. We chose a small agency who had worked with the Quit for Life campaign of the Department of Health, who were extremely involved in health in social areas, and we chose one of the largest agencies we could find because we believed that there was a difference between the larger agencies and the smaller ones in being able to understand what we were trying to get across.

Q. Did you pay any or all of them a fee for their pitch or submission?---A. No.

Mr WALSH: How long are you going to let this very expensive advertising campaign run on before you can do a true evaluation, or are you just taking it year by year, is that the objective?---A. No. In fact again with the changes of direction and with the new member of the New South Wales Cancer Council we are adopting a different approach, if you like. We have asked that person to set up a working party of businessmen to first and foremost draft out a strategy for us so that we can have throughout New South Wales a series of committees of volunteers, business people, helping to run our fund raising programme, whatever fund raising they like to pursue. After the

strategy has been worked out and it has been ratified by council we then hope to have the members of the working party invite business people on to various committees.

Q. Do you have any indication of when you are likely to get some return back on that?---A. I would hope that whatever happens this year would break even and after July this year, yes, I certainly hope to see a return.

Mr FISHER: Could I touch on some of the financial aspects of the council and perhaps Mr Shehadie might be able to help. The cost of motor vehicles as shown in your last report is \$63,000. How many vehicles does this represent, what type of vehicles are they, and what are they used for? And, finally, do the staff take them home?

---A. (Mr Shehadie) I can answer the last question first: no, the staff do not take them home on a general basis. If someone is working back late or has to attend a lecture they then take the car to the lecture and it is returned the next morning. But there is a general embargo on private use of the motor vehicle fleet, except for the vehicle of the Medical Director.

(Mrs Henry)Also the Appeals Manager.

(Mr Shehadie) I am sorry. As part of the Appeals Manager's contract he does have a car for his exclusive use. We have two motor vehicles at the Prince of Wales Hospital which is to cover the patient care and co-ordinating girls. That is to allow them to visit patients and to transport patients to and from the hospital. We have three cars allocated to education to allow them to attend to our various lectures and country trips. We have one motor vehicle which is allocated to administration but, again, it is a pool car and it could go to any other person in the council who would require it. We have a fund raising car and we have a motor vehicle for the Medical Director.

Moving down, the motor vehicle for the Medical Director, as laid down in his contract, is a Fairlane 6 cylinder. Because we do a lot of country trips we then have three Falcon sedans which are 3.3 litre, and we have one Commodore wagon, a Laser and a Gemini.

Q. The Medical Director's car is no longer - -?---A. (Mr Steel) It is last year's accounts, that is right.

(Mr Shehadie) It was bought in August of last year, from memory, and under the government accounting we have to keep it for two years otherwise we are subject to sales tax on the resale value of it, so at the moment that is available to our new Executive Director for her use.

Q. Turning now to the matter of investments, I notice that the report indicated you had a yield in 1984/85 of 16.26 per cent on those investments. Without rocking the share market could you advise what the yields are?---A. I did query that with our ^{investments} Manager but he has used the formula which has been laid down by the committee. We are using now what is called, I think, the time weighted average and it takes into account any capital profits we did make on the investments. We did make in that particular year, I think, without looking at the files, round about \$281,000 capital profit on Howard Smith shares and that in effect threw up the 16.23. Again, on a more

conservative basis, with these funds invested on an average basis, for that same area I would come up with a rate of round about 12.99.

Q. That is on the \$1.2 million you have invested?---A. Yes. I can give you an actual breakdown if you want that.

Q. Perhaps you might just let the committee have that in due course?---A. It is not \$1.2 million, it is something like \$9.2 million.

(Mrs Henry) We get a yield of \$1.2 million each year.

(Mr Steel) The investment income is about \$1.2 million.

Q. With the change of direction in council - perhaps Mr Steel might care to answer - what are the financial arrangements for the oncology unit and the carcinogenesis research unit?---A. We transferred one to the Prince of Wales Hospital and the other to the University of New South Wales.

Q. And the financial arrangement in doing that transfer?---A. We have agreed to meet the annual costs for a period of, is it five years, in each case at the present level, and thereafter they will be required to approach us for grants to carry out specific research. In other words, we are protecting the careers of the people who are at present employed there at the present level.

Q. It will be the responsibility of the hospitals to maintain those units?---A. That is right, subject to whatever they can get from us by way of grants, so we will be looking at them strictly by comparison as equals with other applicants for grants.

Dr REFSHAUGE: Mr Steel, that maintenance of the present level for five years, is that taking into account inflation or is it at the dollar cost?---A. It is at the dollar cost.

(Mrs Henry) With salary scales as provided.

(Mr Steel) That is right, yes.

Mr FISHER: Do members of the council receive expense allowances or other payments?---A. No.

Q. None at all?---A. I am sorry, Professor Kellerman has to come down from Newcastle and we do pay his fare down from the Hunter.

Q. I notice in the annual report for 1984/85 that the administration expenses for the year amounted to \$592,000 against a budgeted \$407,000 which is an over-run of 45 per cent. What were the main causes for this large over-run?---A. (Mr Shehadie) The budget was actually revised in January 1984 but because we had reported the budget in the previous accounts we thought it was prudent, as we had published a budget in the accounts, to keep the same budget figures as we went into the accounts in this current year, but the actual revised budget figures were for administration \$488,000 as against \$592,000.

(Mr Steel) That is the 1984 year.

Mr WALSH: Where are you getting those figures?---A. (Mr Shehadie) I extracted them from the revised actual budget to compare them.

Mr FISHER: Can you supply a breakup of those administration expenses for 1984/85?---A. Yes.

Q. You may care to do that.

CHAIRMAN: Were you happy with the over-run?---A. There are reasons for it. The major reason was the Scott report which we had commissioned. We did agree to pay the distribution costs of that and photo copy costs to send copies to all interested parties in New South Wales. That was originally budgeted at \$50,000, it went to \$79,000. There were salary increases and staff recruitment costs as such.

Q: When you provide those other figures you might give us a rationale in association with that in terms of the reason for the over-run?---A. Right. We do have a breakup of it.

Mr FISHER: What component of the items of community services, professional services, welfare services and fund raising would be for administration?---A. Neither. We set up ^{separate} cost centres as such, and the administration is the pure administration costs of the Cancer Council. It does bear disproportionately a fair amount of the depreciation, and also for ease of accounting it does bear the full costs of the provisions for long service and annual leave as such in that particular area, but we have made steps now to have each cost centre bear the costs which are relative to it in that regard.

Q. If these administration expenses were added to the category of administrative expenses what would the all-up figure be?---A. Could you explain exactly what you are after?

Q. I am just trying to find out your total administrative expenses. ---A. As stated, that is the total administrative costs.

Q. That includes the welfare services and professional services? ---A. As I said, the welfare services stand on their own. In other words, that is a separate cost centre and only costs relating to that welfare section would go in there. ^{do not} We have a proportion of, say, Challis House ^{expenses} against any of these departments. In other words, there has been no splitting of expenditure from administration to other departments. In other words, administration has taken the cost 100 per cent. We have made no attempt to make a cost recovery as some private enterprises do for administration costs as a charge against various other cost centres.

Q. Would it be fair to say that the overall budgeted administration costs were \$720,000, an increase of 77 per cent on last year's budgeted figures and 22 per cent over last year's actual expenditure?---A. For 1985, on the figures I have available to me, the actual administration costs were \$576,000 compared to an actual cost in 1984 of \$480,000.

CHAIRMAN: That is 1984/85 you are talking about?---A. Yes. That is this particular figure here.

(Mr Steel) That is the Auditor-General's figure.

Mr FISHER: I wonder if you could let us have a breakup of those figures for the committee at your convenience?---A. (Mr Shehadie) Sure, yes.

CHAIRMAN: Does the council spend any funds on overseas travel?
 ---A. The Medical Director, as part of his contract and as part of the keeping abreast with various overseas activities in the research area, has made numerous trips overseas in the number of years. That is included in part of the research area. It would not all relate to the Medical Director but the majority of costs were. In 1984 travelling subsistence in that division was \$51,000 and in 1985 it was \$39,000 to \$40,000.

Mr FISHER: And 1983?---A. I do not have that available with me here.

(Mr Steel) I think under the guidelines the Premier set some time ago if someone is required to give a paper we are expected to pay the cost of his economy travel to deliver it, and those things would be included.

Q. And have the Premier's guidelines and restrictions on overseas travel had any effect on your council in terms of overseas travel?---A. I think you would have to say that they had a salutary effect in terms of the contract that was entered into in 1976 or whenever with the Medical Director. The Premier's new rules were entirely different from that contract and there was some dispute about whether we were in breach of it.

CHAIRMAN: A further question in terms of the \$125,000 loan to the ex-Medical Director, what is the status of the repayment of that loan?---A. On 27th December when his services terminated the mortgage provided for three months after the date of termination of his service the concessional rate of interest should apply and that nine months after that, or at any time prior to that, he could repay that loan, but he must repay it within 12 months of the termination of his service so on Thursday of next week the concessional rate will no longer apply and the day after Boxing Day the loan should be repaid.

Q. What was it, a first fixed mortgage loan?---A. Yes.

Q. What is the new rate?---A. That applies next week?

Q. Yes.---A. Your guess is as good as mine but we have always been guided by the State Bank in the rate for house loans.

Q. The going rate?---A. Yes.

(Mr Shehadie) It is a market rate set in relation to the overdraft rate applicable at the time.

Q: That loan, then, has to be repaid in full by the end of the year?---A. (Mr Steel) Yes.

Mr WALSH: On that same subject, did the Medical Director leave at the end of his contract?---A. His contract was until late 1985 and it was open to be renewed at the end of the time. I think the terms of the contract were that the contract could be terminated for misbehaviour or for any other reason, and his redundancy was deemed to be another reason. It was related to the fact that we did not need a Medical Director for research purposes.

Q. Could you indicate to the committee what the total cost of his employment was - for three or four years, was it?---A. (Mrs Henry) No. Longer than that, eight years.

(Mr Steel) 1976.

Q. In regard to the areas of separation pay, what is the subsidised cost for overseas travel and the low interest mortgage loan? Do you have any total figure?---A. I do not have any idea.

CHAIRMAN: Could you send that through?---A. Actually if you think there is some merit in having it you are welcome to it.

Dr REFSHAUGE: As far as your expenditure goes it seems that you are not fully expending all of the income that you could. You get income from investments and from government grants as well. You do not seem to be spending the whole lot. The State Government gives you a grant of a quarter of a million per se?---A. Half of which is to be used for research and half foreducation purposes, yes.

Q. It seems to me you have adequate funds without requiring government subsidies?---A. Were you planning on having the Act repealed at the same time, because that really is the price for appointing every member of council and dictating the terms of our behaviour. Actually I think you get us fairly cheap, but it is a fact that we do get \$250,000 from the State, half for research, half for administration. The first half of it comes at Christmas time. We have to survive until then so we do need to have some money in the bank. When this question was asked, I think 12 months ago, the response that we gave then was that we had deliberately sought to lift our invested funds so we would have income from investment which would permit us to perform at what we thought was perhaps a higher level than we had done in the past. This year I think the amount of our surplus income was rather less than the year before. It could well be that in the current year we have no surplus income because we are operating at a rather ^{higher} tempo.

Q. As far as your fund raising is concerned you have described how there has been a lead up time before you get a return on your activities and there has been a certain amount of development of your fund raising programme. Has the development stage finished now? Do you have your fund raising programme all set to go or are you still developing the fund raising programme?---A. Well, we have moved into a new phase area, a three months direct mail campaign. We have got a much clearer idea of what we are trying to do in direct mailing. What we do in other directions depends a little on the outcome of that campaign.

Q. With all the fund raising programmes you have at the moment what would be the annual cost of fund raising? What would you expect to be the annual cost of fund raising, say, for future years without any new fund raising programmes, again assuming you continue with these ones?---A. I do not believe I could give you a useful answer on that. We will have a better idea of it when we finish this 12 months review of the experience of the last 12 months, but I think I could only then give you an answer as to what we are likely to be doing in the next 12 months and not thereafter. We can produce something for you if you want it.

Q. Do you make that answer because you do not know what the result of this campaign will be?---A. It is a pretty fluid approach that we have to have to it.

CHAIRMAN: You make the point, though, that you receive \$250,000 and you need that for administration?---A. Yes. We are entitled to use half of it for administration. The other half must be used to support research programmes, and to the extent of \$125,000 it does, but we have put half a million in to support research directly.

Q. But last year you had a surplus of \$735,000. Would it not be fair to say you really did not need the \$250,000, you did not expend it?---A. We had a surplus of only \$500,000.

Q. Maybe you could give it back to Consolidated Revenue to be used for other governmental purposes?---A. That is true, but I would have thought that by comparison with what happens in some other places - - -

Q. That is what does happen?---A. No.

Q. If you do not spend it, it goes back?---A. We do spend it and we spend it very rapidly when we receive it for fear that it may be taken back.

Q. My accountancy works out that you have not spent it?---
A. That was someone else's money we have not spent.

(Mr Shehadie) I think I should point out to the committee that the council in 1983 changed its accounting from a cash basis to a historical basis, and there is reflected in these accounts half a million dollars as the basis of that adjustment. Our reserves are virtually inflated by what accountants call a book entry inasmuch as previously they were on a cash basis where everything was written off in the year it was expended.

It was decided, I think, in the 1982/83 year they would adopt historical cost accounting and that flowed through in the 1983 year and in effect an amount of \$408,000 was brought back as, for want of a better word, revenue or as what we accountants call prior year adjustments. There is no profit to measure that by but in accounting you must have a debit and a credit, and the credit is the revenue and the corresponding side is the increase in our reserves.

Q. Of that \$4.4 million you received last year, you would have taken some money from there and put it into reserves in terms of your investment areas?---A. Yes, we would have.

Q. So that is over and above the \$735,000 surplus?---A. (Mr Steel) No. That is what goes to the reserves, creates our funds.

(Mr Shehadie) Are you reading from this one?

Q. No. I am just reading from figures you have quoted me.
---A. I will have to look up the \$735,000 because I cannot readily see that in front of me.

Q. You had an income of \$4,340,000, an expenditure of \$3,615,000, the difference there is \$735,000?---A. That is our operating income? Right.

Q. Yes. Now I am asking you was that \$735,000 placed into reserves in your investment areas of \$9 whatever-it-is million, or were moneys taken out before we arrived at the \$735,000 and invested?---A. No. Those were additions to our reserves. The

whole of the surplus goes to reserve. The budget for the current 12 months has an operating deficit of \$720,000 so that fundamentally we will be back to square one.

Q. That is a budget, though?---A. That is right, that looks to be the way it is turning out.

Q. Budgets tend to vary?---A. If I could just advise on estimated revised budget for the 1985/86 year, it is anticipated as at February 1986 we will have a deficit this year of \$435,000. That is in line with our own direction of what we are going to do.

Mr SMILES: Mr Shehadie, the deficit of \$400,000-odd will be contributed to by what aspects of your new direction?---A. It is in various increases over various costs. We expect our June income in this half year to drop by half a million dollars because interest rates will be falling off, and we had a phenomenal first year period of bequests and we do not expect the amount of bequests we had up to January to flow into the second half year.

On our expenditure side we will have a saving in administration of \$57,000 due to some programmes that we have not gone ahead with, mainly in the Newcastle region where we were going to set up a regional office in Newcastle. That has been deferred until 1986/87. Education services: we did have various programmes budgeted for in that period which have not gone ahead. That was a saving of \$106,000. The main deficit will be in the decrease in revenue. Expenditure: there will be a major saving of \$791,000 in this financial year, but again that is inflated by special projects we were going to finance that Mr Steel was talking about for a mobile display unit, which may or may not occur this year. It is up to the corporate sponsors whether they give us the money. If they give us the money we will expend the money in that area.

The other major areas: our patient family support area, there will be an increase in costs in that area, but in the main there will be a fall off of revenue which we have budgeted for that will give us the deficit because I do not think interest rates will stay at their 19 per cent and 20 per cent for the second half year. They are falling off as at the end of February.

Q. Mr Steel, I would appreciate your response to this hypothesis. Given the outline of the council's financial position as presented this afternoon, the need for the government supplementation, if I might call it that, of about a quarter of a million dollars a year is not so much the need for a grant per se - given but not returned - but rather for the provision of operating funds or cash flow during the lean months of your operating year. Is that a fair assumption or hypothesis?---A. (Mr Steel) I could not describe it as something which relates to our lean months because if that had been the basis on which the grant was given in 1985, or whatever the equivalent of it was, then we would have had to survive for six months without any grant at all; those lean months come at the start of the year before we receive any grant and it is our job to provide for that. We do seek to carry in our invested funds, under bank bills and things of this kind, about a third of the year but in fact we would carry about five months requirements in near cash so that we can cover all our requirements during the first six months.

The real thing that concerned me, looking back on this, is a historical item. When I was asked to come in and take an interest in tidying up some of the affairs of the council in 1982 the problem that we had then was that we had a budget for \$2.2 million, I think, in that year or something rather more than that, where we had certain income of something like \$600,000 from investments. The balance of our requirements was to come in the form of this \$250,000 from the government and the rest from bequests, and there was no certainty in my mind that you could guarantee that people were going to die, much less leave you money, so I set about changing the pattern of our behaviour so that we were carrying some cash in invested funds so that we could cover a reasonable standard of operation forever, if need be, no matter what happened.

I believe that is about the position we have now reached. We could do more with more money. We would do less with less, but we see it as our task as a council to try to carry on with a pretty stable basis of operations and to do rather more in the State than has ever been done in the past. That is the aim.

Q. Mrs Henry, I would like your response to this hypothesis: that the council in view of the evidence presented to the committee this afternoon, and on its overall history, is probably operating at a level, in terms of administration, that could be assessed as high and that there would be a relative cost benefit to the taxpayers of New South Wales if some, if not all, of the functions of the council were returned to the Department of Health. Could I have your response to that hypothesis?--A. (Mrs Henry) The activities that we do are quite different from the Department of Health, as you know, and they need to be. You need a small organisation where you can get to the grass roots level. You need your people out there in the community doing the jobs that the people want. You cannot gauge that from a large organisation.

I cannot see that it would be to the benefit of the community if it were. We have a shell of expertise at the council built up over a number of years, and what has been demonstrated in the last few months to me is a great deal of goodwill out there in the professional community and with members of the public. Only an independent organisation or some organisation that is seen to be independent can harness that goodwill and that energy and make it work for them so, no, I do not think your hypothesis is workable.

Q. Thank you for your explanation. Could I ask you to focus on that part of my hypothesis that implied a high level - - -?
--A. Of administration?

Q. Administration?--A. No, it is not actually. It is about 18 per cent, I think, and I do not think that is high. I think that the majority of the people in the administration may be cast off into some other area, if you chose to define it that way. It is just that we try to keep our cost centres down to a minimum, to number six I think, and people that may perhaps appear elsewhere in other organisations happen to be lumped under administration, but even so I do not think that 18 per cent of your funds is a large amount.

We have a lot of committees working. We have to do committee work, we need staff for that. But overall I would say I

certainly feel the senior staff in administration carry out their tasks. In any other organisation the people doing the administration would be three times the sum that we have got at the moment. I mean, people down there work very long hours, and I do not think that you would get that.

(The witnesses withdrew)

(The Committee adjourned at 4.35 p.m.)

