



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT
AND THE ARTS

Reference: Art indemnity

(Private Briefing)

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE ARTS
Wednesday, 20 June 2001

Members: Mr Neville (*Chair*), Mr Gibbons, Mr Hardgrave, Mr Jull, Mr Lindsay, Ms Livermore, Mr McArthur, Mr Mossfield, Mr Murphy, and Mr St Clair

Members in attendance: Mr Hardgrave, Mr Jull, Ms Livermore, Mr McArthur, Mr Mossfield and Mr Neville

Terms of reference for the inquiry:

Art Indemnity Australia Program.

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Committee met at 9.52 a.m.

EDWARDS, Dr Robert, Consultant

DAWES, Ms Laura Louise, Indemnity Officer, Department of Communications, Information Technology and the Arts

GOSLING, Ms Karen, Acting General Manager, Cultural Development, Department of Communications, Information Technology and the Arts

WISHART LINDSAY, Ms Lois, Manager, Federation Community Projects and Art Indemnity Australia, Department of Communications, Information Technology and the Arts

HENRY, Ms Carol Anne, Deputy Chief Executive and Director, Art Exhibitions Australia Ltd

McKAY, Mr Robert Samuel, Deputy Chairman and Non Executive Director, Art Exhibitions Australia Ltd

FROUD, Mr Alan, Deputy Director, National Gallery of Australia

PERSAK, Ms Erica, Head of Collection Services, National Gallery of Australia

CHAIR—I declare open this public meeting of the House of Representatives Standing Committee on Communications, Transport and the Arts in its inquiry into art indemnity. Before proceeding, I wish to advise that although the committee does not require evidence to be given under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and can be regarded as a contempt of the parliament.

I welcome members of the Department of Communications, Information Technology and the Arts, the National Gallery of Australia and Art Exhibitions Australia and thank you for meeting with the committee today. As you know, we met in Melbourne earlier in the year and we want to progress this matter. When we went to Western Australia as part of another inquiry, we took the opportunity to go through the various cultural institutions in Western Australia and this problem came up again. It is something that we have to address. I now have to go and speak in the chamber; in my absence, Mr McArthur will become the Acting Chair of the committee. I will return as soon as I can. I apologise; it was not my intention to leave you on such an important occasion.

ACTING CHAIR (Mr McArthur)—Does anyone wish to make an opening statement on the record to update us on what has occurred since we last met or to expand on anything which appears in the transcript of our last meeting?

Ms Gosling—Not in terms of the transcript.

Mr Froud—Not as far as the gallery is concerned, thank you.

ACTING CHAIR—Nothing new?

Mr Froud—Nothing new.

Ms Gosling—Since the last committee hearing there has been a development that I would like to update the committee on. It relates to a government decision to underwrite the indemnity scheme with reinsurance through Comcover. This is a fairly recent decision, which was announced in the budget context. As it is a fairly recent decision, we are working through what it means for the day-to-day operation of the scheme. Essentially, the government's decision—particularly in the context of the value of the indemnity being raised during the Centenary of Federation year to \$1.5 billion—was that it was a very large exposed risk that the Commonwealth was carrying and that, in terms of good financial management practices, it would be appropriate to underwrite that exposed risk with reinsurance through Comcover.

This arrangement will commence on 1 July this year. We are working through exactly what that means in terms of the operation of the scheme. However, Comcover's decision to accept this risk in their insurance program has been largely based on the very good track record that this scheme has had over its 21 years and the very high standards that are employed in terms of security and handling procedures as managed by the managing organisations and oversighted by the department. Therefore, essentially the scheme is going to operate as it has to date and the department will still carry the same role in managing which exhibitions would be covered by the indemnity. The scheme will still carry the name art indemnity Australia scheme. There is a lot of goodwill and international recognition in that name. As far as we are concerned, it will not have any impact in terms of lenders of works for exhibitions. It will still certainly carry the Commonwealth's imprimatur and we will still have the high levels employed by the managing organisations in the operation of the scheme. But essentially it means that, if there were to be a claim, the Commonwealth would not be self-insuring for that exposed risk.

ACTING CHAIR—Can you be clear that there is no offsetting of the claim, laying off the insurance with other insurance brokers? Is the Commonwealth is covering the whole claim in their own right?

Ms Gosling—In terms of how Comcover covers the risk, I am not exactly sure whether they will carry it themselves. Certainly we are insuring for the full amount of exhibitions that we would indemnify.

ACTING CHAIR—There has been some sensitivity about a public risk in recent times. It is worth pursuing that. You have just taken it out with Comcover. Could you tell the committee about the background of Comcover? I am not familiar with that.

Ms Gosling—In terms of this particular decision?

ACTING CHAIR—No, their ability to run major insurance of this magnitude.

Ms Gosling—My understanding is that Comcover actually insures a range of risks for the Commonwealth in a whole range of areas. Not being a Comcover officer, I do not feel that I can help the committee in relation to how they deal with managing that risk.

ACTING CHAIR—Are you quite confident that, if there were a claim, Comcover would come up with the money? It is a big sum of money that we have got covered. We discussed the amount of cover last time. Your claims experience is good. But if you did have one claim, are you quite confident that Comcover would pay?

Ms Gosling—Certainly our advice from Comcover is that we are covering their risk up to the full amount of whatever exhibitions would be run in any given year. It is certainly our expectation that they would meet those claims.

ACTING CHAIR—How was the figure of \$1.5 billion arrived at?

Ms Gosling—With the number of exhibitions that were coming to Australia in 2001, the value of the works is obviously increasing over time. A number of exhibitions were being run this year, the overall value of which was higher than had been previously covered by the scheme. It was previously up to \$1 billion. For the Centenary of Federation, the government agreed to the increase to \$1.5 billion.

ACTING CHAIR—Is this process of evaluating the total value of the works of art undergone on an annual basis, or is it a five-year process?

Ms Gosling—The managing organisations have forward programs in terms of their exhibitions, but on an annual basis we would settle with the managing organisations the value of exhibitions for the coming year. With the Comcover arrangements, that will be necessary in terms of us providing advice to Comcover about what is coming up for the following year.

ACTING CHAIR—Do they have a list with a value next to each of the works?

Ms Gosling—Yes, each work is valued.

ACTING CHAIR—I am concerned as to where this risk is laid off. You are quite confident that Comcover will pay if there were a major claim?

Ms Gosling—Certainly our advice from Comcover is that they would carry the risk, that, as the Commonwealth's insurer, they would certainly be able to meet those claims if that were to eventuate.

Mr MOSSFIELD—I have a couple of questions. The state galleries have some concern that your two organisations are able to provide that Commonwealth coverage. Do you think that concern is justified, and what is your answer to the position of the state galleries?

Ms Gosling—I will answer that first and then I might ask my colleagues if they want to add anything from the perspective of being a managing organisation. From where the Commonwealth sits, this scheme has been running for 21 years. It does have a very good track record. It has very high standing internationally. As the Commonwealth, we are focussed on national organisations, and the aim of the scheme was to assist major cultural exhibitions coming to Australia. That is partly because of the high cost of commercial insurance for insuring valuable artworks. There is also a diplomatic element in terms of negotiating the loan of works from foreign countries.

For all those reasons, when the scheme was established it was decided that there needed to be some sort of process to vet who had access to the scheme. Two managing organisations were given that right: the National Gallery of Australia—obviously—was seen to have that capacity; also, Art Exhibitions Australia was established by the Commonwealth in 1980 as a managing organisation to independently manage the exhibitions coming to Australia. From the evidence given to this committee at its last hearing on this issue, my understanding is that certainly New South Wales put the view that they would like to have direct access to the Commonwealth's indemnity scheme. My understanding is that some of the other states have indicated that they might perhaps like to have some different working arrangements with Art Exhibitions Australia. I am not quite sure whether they went so far as to say that they wanted direct access to the scheme.

In terms of New South Wales's position, and wanting to come on board as a managing organisation, I really should mention that, concurrent with the committee's deliberations on the art indemnity scheme, the Cultural Ministers' Council Standing Committee, which is the group of officials that advises the Cultural Ministers' Council, has also embarked on a review of the Commonwealth, state and territory indemnity schemes. I think it is useful for the committee to know that, in terms of where the Commonwealth sits. We are actually working through that process with our state and territory colleagues as well. In that forum, we are hearing that New South Wales would like direct access as a managing organisation.

From the Commonwealth's point of view, this scheme has a really excellent track record, and that is partly because of the very high standards we have imposed through our guidelines, particularly our security guidelines for handling of works, for transportation arrangements and for when works are actually on display. This is one of the reasons why the scheme has been so successful and why we have such excellent international recognition and an excellent international reputation in the scheme.

ACTING CHAIR—Are you suggesting that, if the states became involved, a chain of responsibility would be lacking?

Ms Gosling—With an increased number of managing organisations, it is our view that we would be managing a higher level of risk, because we would have a higher number of players in the scheme and a higher number involved in how it operates. Essentially, that is the view. The other thing we have to take into account is the involvement of Comcover. As I said previously, one of the reasons that Comcover has agreed to insure the Commonwealth's indemnity risk is partly because of the Commonwealth's excellent track record. Comcover would certainly be very keen to see the current security and procedure arrangements continue to be implemented through the managing organisations. Comcover insures Commonwealth risk. Therefore, if a state gallery became a managing organisation, there would be an issue we would need to work through with them about whether that was still perceived from their point of view as a Commonwealth risk or whether, in fact, it was a state risk. Their preliminary advice to us is that they would probably see it as a state risk, but that is really preliminary, oral discussion that we have had with them: we certainly have not worked through it in detail. As the government's decision in relation to Comcover was announced in May and comes into effect on 1 July, we are heavily involved at the moment in trying to work through some of these issues with Comcover.

ACTING CHAIR—The legal set of arrangements between your organisation and Comcover—is that what you are working through at the moment?

Ms Gosling—Yes, essentially, and we are looking at what risks they will insure—or are able to insure—under their charter.

ACTING CHAIR—Mr Edwards, would you please add your view of this very crucial question that Mr Mossfield has raised?

Dr Edwards—The situation is that when the whole scheme was established they did have limited resources in staff and in funding, and the Commonwealth took the initiative to create our body to bring in world's best practice and to have a system of risk management which would be understood by all of our international partners. AEA does not actually get indemnity for itself, all of the indemnity has gone to the states and to the Commonwealth. We do not have galleries of our own. We have been the honest broker in the situation because often the states do not necessarily agree where exhibitions should be. They want to keep their costs low, they feel the guidelines are too expensive and they would much rather go to the big venues, to Melbourne and Sydney and so on. We have tried to be an honest broker and we have been able to, as I think is shown in the papers we tabled on the last occasion. My colleague can give you the percentages.

The policy of the government is to maximise the access within the system of risk management, and we have adhered to that policy over the last 21 years. So we go to Perth and we go to Adelaide, Tasmania and so on, so that as many Australians as possible have access, rather than simply going to the major cities which, because of their larger market, have a greater capacity to have one-off exhibitions. Cities like Sydney and Melbourne are fairly well served because with a big population base of five million they have not got any difficulty and in recent years their tendency has been to become impatient with their arrangements with their colleagues, and have been having one-off exhibitions in Sydney. That is something which they fund. They have had a state indemnity fund and that process has gone along very effectively.

It has always been our policy that where we have a popular exhibition and make surpluses, we cross-subsidise exhibitions to go to Perth and to Adelaide. Some of those exhibitions in Adelaide can lose up to \$300,000, but it is not a loss; it is an investment, and it is an equalising and sharing of the funding and the access. One question comes to mind: is there a premium on Comcover and who has to meet that premium? I am very pleased that the department will still be the risk manager because you will get uneven strengths in the different galleries. It is unquestioned that they are very professional and so on, but major exhibitions with budgets of \$5 million or \$6 million, and with 70 lenders from all over the world, are really very major projects. We have never really become involved in projects which the galleries would do as a normal part of their responsibilities through state funding.

ACTING CHAIR—This is state galleries?

Dr Edwards—Yes. Also, if the shift is contemplated to the states, it means that we are then calling on state government funds, whereas we have always raised our own funds from the private sector and from the projects. All the projects have been self funding and we have given maximum access, and we have cross-funded projects to ensure they go to the other states. In the

past, the states have not been very good at that, but they are developing their professionalism and so on, and I think that in a way we have not only been an honest broker, but tended to set the standards and raise the level, and so the states have continually improved their professionalism and so on.

Mr MOSSFIELD—Can you support that criticism of the states with evidence that they have not been good risk managers?

Dr Edwards—I have not seen the results of the state covers, but I think when that information is to hand you will be able to see whether they have had more claims or whatever. We have had in hand \$6 billion in art. We have not had any claims at all. There have been two small damage claims which occurred in a gallery. We have been able to develop a system which is more expensive than the state system because the states can always subsidise, from state government allocations, their funding and staff costs and so on.

We were set up to privatise that on behalf of the Commonwealth. Through sponsorship and admissions to exhibitions and through running retail outlets for exhibitions, we have always been able to fund with non-government funds. This change means that governments will have to fund. Although the galleries obviously can raise sponsorships and so on, they are going to have to use government funds, and they could do it more cheaply. I know that they are dissatisfied with the guidelines: they are too stringent and too costly, because the risk management that is in place involves a lot of security, packing and transport and so on. I am not doubting their professionalism in doing it, but the strengths in that area vary. There are times when there are funding constraints on the states, and the resources of people and money you need to do these major exhibitions are very considerable, and that has been beyond the capacity of any one organisation. We were involved in the establishment of the Visions program, so that the Commonwealth could extend exhibitions into regional areas, which was something we did not do because the guidelines on security and transport for regional museums were too strict. With our support, the Commonwealth put the Visions program in place, and that is doing an enormously valuable job getting collections to regional areas. The indemnity itself has really been for the big major projects. It was always the government's intention that they should come here, but they could only come here with Commonwealth resources and with private sector support.

ACTING CHAIR—Could we just go back to Mr Mossfield's point about the states. I would like to be clear about that. In the last hearing, the state galleries were putting a pretty strong argument about taking over the insurance. Was it a factor of cost: are they really trying to flick the cost to the Commonwealth?

Dr Edwards—Yes.

ACTING CHAIR—Would you care to make a comment on that?

Dr Edwards—We have worked with the states to develop state indemnity schemes. Victoria now has a very successful indemnity scheme of its own. I think there have been some changes in New South Wales. With AMP buying the state insurance office, there may be some change in arrangements there which may have something to do with costs. Western Australia has had difficulty, but I understand they can now apply for one-off indemnity. Brisbane certainly has an

almost unlimited indemnity. In this year, as Ms Gosling was saying, where the value is very high, the managing organisations—the National Gallery and our organisation—were able to take second risk and third risk at a very low cost. That has been very helpful in difficult times.

If a state had access to indemnity, it would be very doubtful whether we could continue to operate the way we are operating, because, with the lower dollar, the costs overseas have been increasing, and the demand from the public for exhibitions has been diminishing: we are only able to get numbers like 2000 and 3000 with the very popular exhibitions like *Monet* and *Renoir to Matisse* and so on.

ACTING CHAIR—You are making a pretty key statement when you say that if the states had access to your scheme you could not operate.

Dr Edwards—If they had the indemnity and they were organising their own tours and so on, I do not think the market would stand any more. The popularity over the years of exhibitions has meant that they have had more and more excellent exhibitions, and now there are several hundred exhibitions a year. If the states then want to manage and operate their own scheme, I do not think there is room for our organisation. We would have to say, ‘We have made our contribution.’

ACTING CHAIR—You are saying to the committee that you should have a status quo position—that is, you are managing the risk under your own control, you are handling the \$2 billion insurance and your insurer fully understands your modus operandi. Is that what you are saying to us?

Dr Edwards—Yes.

ACTING CHAIR—And any dilution of that would basically defeat the objectives of the scheme?

Dr Edwards—Yes. I understand that the premium that is arrived at is on the basis of our risk management, our impeccable record. That has been very successful and successive governments have supported it—successive state governments have supported it—and there has never been any word that we were not fair dealing.

ACTING CHAIR—On the evidence we had last time, there was a suggestion by the states that it would be helpful if you helped them with the exhibitions in country areas and in Adelaide and Perth. That is the sort of message I was hearing. Was that a fair comment?

Dr Edwards—That is absolutely right. We do not receive any money from anybody on 1 July every year. We have to raise our own money, and each project raises the money. We say that we have got a great Rembrandt exhibition, so we convince people to support it and then from the admissions and everything we get the money. We have got no capacity to help anyone if we have not got projects. If we are just nibbling at the edge and doing small and minor projects and so on, we have got no capacity to raise the funds. The funds for those projects are state responsibility.

ACTING CHAIR—To pay the insurance premiums, is that what you are talking about?

Dr Edwards—No, to organise the exhibitions. Where would we get a million dollars to do an exhibition to go to Hobart, Brisbane and so on?

Mr MOSSFIELD—On that point, when you do go Australia wide, is it on a regular basis? Do you ever bring an exhibition in where you only go to one or two states, or do you go to every state on all occasions?

Dr Edwards—The control is not in our hands; it is in the lender's hands. It depends how long they will lend you the works. We always try for a maximum of five venues, and most of our exhibitions have been five venues. If you borrow Rembrandts, Picassos and so on, the lenders just will not let you have them out. They usually say three months, and in six months we try to put three venues in. This has always been a successful and satisfactory arrangement because arbitrating between the states is a very demanding task. The two management organisations sit down three or four times a year—

Mr JULL—Basically, you are saying that all the international negotiations should be in your hands or in the Commonwealth's hands—

Dr Edwards—Not necessarily. There is a big advantage in negotiating nationally as a state. If the state of Western Australia goes and negotiates, it is not the same as the Commonwealth negotiating.

Mr JULL—That was really the question. What capacity do the states have to go and negotiate?

Dr Edwards—They can link with the network, they have got their colleagues there and so on. We would argue that our exhibitions, because of the national status, have been of a higher calibre. They will say they have not and they can do the same thing. The Commonwealth provides through the Australia Council for contemporary art, which has to be subsidised because it is not so popular. The states have their galleries, they have their allocation, they now have the GST and they have responsibility for their state and their regional areas. Where they have the capacity in funding, they can bring in any exhibitions they wish. We do not have any monopoly rights or anything like that.

The Commonwealth has just said there are occasions when really great exhibitions, which are really costly and so on, cannot happen without their support. All I am saying is that if you transfer that over to the states, it is a different situation. I do not think we would have the capacity to generate non-government funds nor obtain government funds, and it would be silly for us to wither and die without having a real role, because I feel the role that we have put forward has been very satisfactory from everyone's point of view. It would have been much better to say, 'Okay. Thanks a lot. Government policy has changed. We no longer want to give access. We no longer want to be the main negotiator. We no longer want to support these major exhibitions. We're going to give it to the state as a subsidy of the state.' My case is: why would you want to do that when the system is working very well and the states are given money, they have got rights through their galleries and so on, they can negotiate it and they can do the whole thing? If they can do it better than us, we would stop anyway because all our interest is in. We have got no shareholders. We have got no motive to make profits. All we have got is the motive to survive, and we can only survive if we are doing major projects.

We built up a reserve because it would be irresponsible to carry the risk management on exhibitions such as the present one, which is worth \$1.3 billion, if we did not have reserves to meet all eventualities. The government has always said, 'We will set you up. You can manage the indemnity; you can have the indemnity, after fair negotiations in dealing with the states and the Commonwealth and so on,' and we have always been able to have agreement on that. The government has also always said, 'Don't ever come back for any money. You can go bankrupt; we will not save you.' And we have not. We have raised \$35 million from sponsors; we have turned over \$120 million, and we have had 15 million visitors, and everyone seems happy. Now there is a change. All that I am saying is that the Commonwealth set us up to do a task, and we have done it well. If you want to change it, that is fine: change it, and then our board of directors will have to consider their position.

ACTING CHAIR—You are putting a very strong argument that the point of view raised at the last hearing about the states getting a bit of the action is not valid?

Dr Edwards—I have quite often gone negotiating with a state gallery director. It has always been a collaborative effort. We have always been disappointed that the states have not played a bigger role. We have had three directors on our board, and it is not as though we are some organisation that is sitting around trying to make money or something. We only want to do our job, fulfil our brief and give access to the public. Changing it over would mean that there would be a totally different sort of arrangement.

ACTING CHAIR—Mr Froud, what is your view of this whole debate?

Mr Froud—I have a couple of comments. Firstly, in response to the question about responding to the states' position, I think that there are a couple of issues. First of all, to recap for those who were not with us in Melbourne when some information was provided, the National Gallery has been a managing organisation within the scheme for about 11 years now. I think we have been responsible for managing 12 exhibitions. Looking at the question of the average number of venues that might be associated with an exhibition, as Mr Edwards has indicated, that is really determined by lenders. Given the significance of the works that are usually included in these exhibitions, lenders typically will not be without their critical works for periods longer than around seven months. Nine months is probably the absolute maximum, but seven or eight months tends to be about the maximum period.

Given the logistical arrangements involved in bringing an exhibition together, the risk management issues associated with that mean that you have to stagger consignments and things over a period of time. Therefore, by the time you actually get an exhibition in, get it up, have a reasonable season, take it down, move it to another venue and get it up again, in our experience we principally look at only two venues within that window of opportunity of about seven months of access to works of art. On some occasions, we have had three venues, but we have never had more than three venues in any of the exhibitions we have been associated with.

The National Gallery also has an extensive travelling exhibition program which is directed at satisfying our national obligations to provide access to the national collection of works of art. We visit every state and territory every year with those exhibitions. In the evidence provided in Melbourne, at that point we were looking at the year which ended in June 2000, and we indicated that we had had exhibitions which had been to 327 locations around the

Commonwealth. In the material which was provided to the committee, I think we provided some information on the geographic distribution of that. So we have a strong commitment to access. We understand and recognise that the collection is available for the nation and that it must be distributed and made available across the whole of the nation, both to metropolitan areas and to regional and remote locations.

I believe that the cornerstone of the scheme and its success to date has been the commitment to risk management and the commitment to ensuring that Australia's international reputation as a responsible borrower of very precious works of art is maintained. That has been at the forefront of the minds of all who have been associated with the scheme to date. I think it is absolutely critical that that continues. Regarding the point that was made by Ms Gosling earlier about how broadening that access brings with it a broadening of risk, that is not to say that you should not do it, but that you have to do it with careful consideration. Another issue that has also been raised in discussion relates to the fact that the premium which will be payable to Comcover under these changed arrangements is a cost to the Commonwealth. Clearly, that is a cost to the Commonwealth.

ACTING CHAIR—Which changed arrangements are you referring to?

Mr Froud—Until the end of this financial year the indemnity scheme was effectively operated on a non-insurance or, if you like, a self-insurance arrangement with the Commonwealth, whereby the Commonwealth met any claims that might arise out of providing the indemnity, with the changed arrangements announced in the budget, going forward from 1 July this year. There will be an insurance policy entered into for the value of the cover required from 1 July, and that will be an insurance policy effected with Comcover. There will be a commercial premium payable for that, and I understand that the Commonwealth will be paying that.

ACTING CHAIR—When you say the Commonwealth, which arm of the Commonwealth will be paying? Ms Gosling?

Ms Gosling—I personally will not be paying, I hope. The Department of Communications, Information Technology and the Arts will need to budget for that.

ACTING CHAIR—Have you got a figure for that?

Ms Gosling—It will depend very much on a year-to-year basis in terms of the value of the exhibitions during that given year, and Comcover will take into account a range of considerations. These will include the value of the exhibitions, the length of the particular exhibitions during that year and the number of transit stops to get the works here, so it is complicated.

ACTING CHAIR—Okay, but we want to know what the figure is going to be.

Ms Gosling—Depending on the value of all of those things, it would possibly be of the order of \$1 million to \$1.5 million annually.

ACTING CHAIR—So that is a line item in the budget?

Ms Gosling—We will now have to factor that into the department's budget.

ACTING CHAIR—Do you pay that to somebody?

Ms Gosling—We pay that to Comcover.

ACTING CHAIR—You just write the cheque and send it across to Comcover?

Ms Gosling—Yes.

ACTING CHAIR—So that is quite a big change since we last talked.

Ms Gosling—That is quite a substantial change.

ACTING CHAIR—It is very important we get that on the record.

Ms Gosling—Before Mr Froud goes on, I just want to reiterate what he said on the Comcover point. The scheme is operating as it is now, and it is essentially that the scheme will be underpinned by that insurance coverage. That is really how it is going to work.

ACTING CHAIR—If we can just go on from that, if you are now paying a premium, how does Comcover evaluate their risk with your organisation?

Ms Gosling—As I said, they will take into account a range of considerations during any given year. They will look at the value of the works for the particular exhibitions planned, they will look at the duration of the exhibitions for that year and they will also look at the number of transit stops and the type of transportation that will be required.

ACTING CHAIR—If you are going to pay the premium in advance, surely you cannot—

Ms Gosling—What we will do is sit down with the managing organisations and say what we have planned for that year, and we will actually have to work out what the value of those exhibitions will be. We will present that to Comcover, and they will come back to us, taking into account all the things I have just mentioned, and give us a figure for the premium. Then we will have to assess whether we can meet that. If we cannot, we will need to go back to the managing organisations and renegotiate that. But I would have to say that that element is pretty similar to how it operates now. How it operates now is as follows: the Commonwealth has a ceiling on the indemnity cover, and so we go through that process of negotiation with the managing organisations under the current arrangements. It is just that we will now have to supply this information to Comcover, which will come back to us with a premium for the year.

Mr McARTHUR—Given that situation, who makes the evaluation of your skill and ability to transport works of art, both internationally and across Australia? Since you are the experts, are you evaluating yourselves? How do people decide whether you are good or not so good?

Ms Gosling—We evaluate the managing organisation's arrangements and also we take advice from the Australian Protective Services. They give us advice under our security guidelines, in terms of the transportation and handling arrangements for any—

Mr McARTHUR—Is that your own work—the protective services?

Ms Gosling—No, that is the Commonwealth's Protective Service, so that is separate to the department.

Mr McARTHUR—I am still in some difficulty as to who makes this evaluation. At the last hearing, you gave some quite interesting information about the movement in aircraft of works of art that had a human courier, and you gave some of those details. Under this new set of arrangements, who is going to check out whether you are still doing a good job? Who makes that judgment?

Ms Gosling—In terms of security, we would take advice from the Australian Protective Service, which is an arm of the Commonwealth. We would take that into account. In terms of expertise within the department, having assessed the risks in relation to the indemnity scheme for over 20 years, obviously an element of expertise has been built up in determining whether the arrangements for a particular exhibition are throwing up any peculiar or unusual risks. So we would look at that as well.

Mr McARTHUR—So the department is doing it?

Ms Gosling—With the advice from the Australian Protective Service. If we had an issue about something that had to come via submarine, we would say to the Australian Protective Service, 'We think this is a bit unusual, what do you think in terms of what this does to the risk?' We would take their advice into account. They provide us with advice under the security guidelines.

Dr Edwards—For every exhibition scheduled—there may be 50 lenders—the schedule contains who is lending it, who is handling it, copies of the passports of the people who are handling it and what security is in place, right through until it gets to Australia and goes back again. So there are 50 of those schedules often for one big exhibition, and that is the document that is handed to the department. Before anything can move, that document has to have an independent assessment made by a security authority.

Mr McARTHUR—What is the role of Art Indemnity Australia in all of this?

Dr Edwards—They have to approve the risk and the risk is judged on whether there is likely to be theft. So if it is small gold objects, the risk is going to be high. It might be a 10-point risk, so then we have to put in additional security for that. There may be a terrorism risk, which we have had with French exhibitions because of the atomic testing, and with exhibitions from Turkey with the Kurds and so on, and we have had to put plain clothed people into the exhibition. But all that has to be foreshadowed and documented before we can start or move anything, even before the minister signs the deed. There are massive documents. It is not just a discussion; it really is documented right down to minute detail.

Mr McARTHUR—I accept that.

Mr Froud—I would like to add another issue in terms of process. There are guidelines that have been developed over many years and the experience gathered over those years is reflected in them. Whilst the department takes an arm's length objective position to assess and to manage the system and leaves it to the managing organisations to actually engage in the detailed arrangements of logistics, the arrangements must conform to the guidelines that have been developed. The department then independently takes expert advice, for example from the Australian Protective Service or from others, in order to form a view and provide advice to government and to the minister. In the case of Art Exhibitions Australia or the gallery, we are clear about what the parameters are for operating within the scheme because we have been through those processes for quite some time. We are familiar with that.

I think there is an issue about broadening that opportunity to other agencies or to state galleries because it would then oblige those state galleries to develop the level of expertise that we have developed over a period of time. I think it can be easily claimed that we would have the expertise. But I would have to say, because the guidelines and the obligations on agencies are quite strenuous, that we have an understanding of the detail, and the states do not yet have an understanding of that detail.

CHAIR—That was a good point. To what extent are the state schemes consistent with the Commonwealth?

Dr Edwards—We have been involved in most of them in preparing their guidelines. We have tried to make them as consistent as possible.

CHAIR—We have tables here of the various ones, and some do not have a defined amount. Their state treasuries seem to give an all encompassing cover.

Dr Edwards—Yes, Queensland is like that, as is Western Australia and, I think, New South Wales.

CHAIR—I suppose the National Gallery pretty well covers most of the ACT exhibitions anyhow. I suppose it is only Queensland in a way, isn't it?

Ms Gosling—Perhaps I could just also reiterate, Mr Neville—it may have been while you were absent. I was telling the committee that the standing committee of the cultural ministers' council, which is the officials' group that advises cultural ministers, is also currently undertaking a review of the Commonwealth, state and territory schemes, and one of the issues that would be looked at in that context would be to what extent there is scope to integrate those schemes.

CHAIR—Why are the states so twitchy about it? They seem to feel deprived, and yet you have this idea that the National Gallery always does one of its major exhibitions in conjunction with at least one of the state galleries. Why are they twitchy? I just do not understand.

Ms Gosling—It is one of the requirements of our guidelines that any exhibition that is indemnified go to at least two venues in the country.

CHAIR—One of which is generally the National Gallery.

Mr Froud—Only those that are managed by the National Gallery. In the case of Art Exhibitions Australia, they would not necessarily include the National Gallery.

Dr Edwards—We do sit and discuss it. Say one went to Western Australia last year, we would send one to Adelaide next year. There is a process through which we try to be equitable but the states all want it and, if the lender says you can only go to three venues—

Mr McARTHUR—Do you think you are winning that argument? I agree with the chairman; the last set of evidence really suggested that the states were a bit unhappy that they were not getting a fair go.

Dr Edwards—The states have always had redress because they do not have to have any of the exhibitions we do. We develop them with the states and we have always got six galleries wanting everything we do. Somehow we have to discuss and arbitrate and be fair, but they have never turned an exhibition down. If they turned it down, we would not do it because we always consult them first.

CHAIR—I think the problem is they would like more. Do you ever do more than two?

Dr Edwards—We can do any number. It is really the marketplace that dictates it.

CHAIR—I just get the impression by looking at the posters and going to the exhibitions that it is Brisbane and Canberra, or Canberra and Melbourne, or Canberra and Sydney.

Dr Edwards—Oh no, Adelaide too. I would ask my colleague the percentage which we have.

Ms Henry—The percentage of exhibitions over the last 20 years for AEA exhibitions has been New South Wales 23 per cent, Victoria 23 per cent, Queensland 17 per cent, South Australia 13 per cent, Western Australia 13 per cent, Tasmania five per cent, ACT five per cent and the Northern Territory two per cent. On a per capita basis, the statistics were quite good. We brought in the *Gold of the Pharaohs* exhibition in 1997 and we had an audience of 900,000. The population of the country then was about 17 million, so it is a very high percentage of the country that goes to see them. We are also entering into arrangements with Ansett Airlines and the galleries always have regional bus tours. The whole idea now is to make regional access much more easy, and packages are being sold to regional areas and to interstate. We work with gallery societies.

CHAIR—Is that a statistic of 17 million?

Ms Henry—In the country at that time.

CHAIR—I would find it hard to believe in that, unless you assumed that there were a lot of tourists who also went to see those exhibitions and that some people went more than once. There are only 19 million people in the country, yet you say that you get 17 million attendances.

Ms Henry—No, 900,000 people went to see the exhibition and the population was 17 million. So a high percentage of the population of the country saw the exhibition.

CHAIR—Sorry, I totally misunderstood your comment.

Mr McARTHUR—If the National Gallery was unhappy with Art Indemnity Australia, what would you do about it? How would you bring that unease or dissatisfaction to the attention of the board? What would happen?

Mr Froud—I think in the case of the National Gallery, given that the National Gallery is a Commonwealth agency and the indemnity scheme is administered by a Commonwealth department, and as it turns out both our agency and the department are within the portfolio and we report to the same minister, I would imagine that if we had an issue it would need to be raised with the minister. If our board or our governing council had concerns, then I would imagine we would be taking those issues up with the secretary of the department and the minister. I would imagine that would be our form of redress. However, that is an abstract and technical question.

We have never had a problem with the scheme but it does actually draw out a point and that is that, whereas state and territory institutions have the opportunity to participate either with the National Gallery or with Art Exhibitions Australia and, through that, get access to the Commonwealth indemnity, independently they can also access their own state indemnity schemes. In the case of the National Gallery, of course, we do not have any entree to any state schemes. We have only one scheme that we are able to access and that is the Commonwealth scheme.

There is one other point that I want to make in terms of that opening statement. With the changed arrangement with Comcover coming in as a player from 1 July and with the cost of insurance being met by the Commonwealth, I could see that, with access to that scheme and with managing organisations being broader than Commonwealth institutions, it would be possible that some of the benefits that might arise from that would actually go to the states. In terms of managing these major projects, sometimes we actually achieve financial surpluses, while at other times we in fact incur losses. In the case of a surplus, let us say, if the states were actually having access and were providing to their patrons in other states access to exhibitions and, as a consequence, made financial surpluses, those surpluses would in fact be subsidised by the Commonwealth because the Commonwealth would be meeting the insurance cost.

Mr McARTHUR—Is the Commonwealth paying \$1 million?

Mr Froud—Correct; the Commonwealth is paying that sum. At the moment, at least the managing organisations are Commonwealth entities as well, and if there is to be any surplus generated that goes to Commonwealth agencies which, in turn, are obliged to apply those surpluses for the same objectives going forward.

Mr McARTHUR—I get the impression since we last spoke that there has been a rearrangement, and the thing is more of a commercial set of guidelines, that you are actually paying the premium, you know what the risk cover is and people are evaluating that on an annual basis.

Ms Gosling—That is correct.

Mr McARTHUR—So that is a move forward since we last spoke.

Ms LIVERMORE—The states are still under an arrangement similar to that which was in place at the Commonwealth level previously. The states are all indemnified by the government.

Ms Gosling—It varies quite a bit from state to state in terms of what their arrangements are. I certainly do not profess to understand the nuances of all of their schemes, but essentially, as far as I understand it, New South Wales obtains insurance through a Treasury managed fund. There is a fund membership fee calculated annually on the level of coverage required. Victoria has an indemnity scheme that is also backed by reinsurance, but I am not sure to what extent premiums are passed on. I am trying to assist the committee but in a way I am not claiming to understand it fully.

CHAIR—Could you just clarify this point: Comcover is a Commonwealth agency, is that right?

Ms Gosling—Yes.

CHAIR—And all Commonwealth departments and agencies can use that. Is your argument that, if it is being reinsured through Comcover, the states are getting a benefit?

Mr McARTHUR—The states were trying to get a benefit. The argument, as I hear it, is that, if the Commonwealth is paying the premium, the Commonwealth should run the art indemnity and not dilute the managerial arrangements to the states. Is that a fair comment?

Ms Gosling—I suppose there are two issues. In terms of the evidence that the committee heard at the last hearing, there are all of those issues even in relation to an indemnity scheme where, as it previously operated with the Commonwealth self-insuring for the indemnity risk, there were some concerns about the states having direct access in the role of being managing organisations under the scheme. The Comcover development in one sense has added a complexity to that possibility and what we are trying to do is work through what it would mean. Even under the old arrangement it would be fair to say that the states, if they were to have direct access as managing organisations, would have been obtaining a benefit from the Commonwealth in the sense that they were being relieved of some commercial insurance premiums by having access to the indemnity scheme. But in this environment with the Comcover coverage the Commonwealth, through our department, is actually paying the premium now for that insurance underpinning for the indemnity scheme.

CHAIR—Are the states making any contribution to that?

Ms Gosling—No, the Commonwealth will find that money. If a state gallery were to become a managing organisation then the Commonwealth would probably want advice from us on whether the premiums needed to be passed on. Whether the Commonwealth would actually pick up a premium in relation to a state gallery as a managing organisation is an issue that the Commonwealth has just not had to consider to date; but it would have to.

CHAIR—We have just cut a person off in the middle of her train of thought. I thought it was important because of the line we were pursuing.

Ms LIVERMORE—That is very kind of you but I have the answer here in front of me.

Ms Gosling—That is good. I am very relieved about that.

Mr McARTHUR—What you are really saying is, from the last discussions we had it is a much tidier argument now: the Commonwealth are paying the money, they want to have control of the risk element and therefore if the states want to be part of it they should pay, or stay outside the guidelines and outside the whole operation.

Ms Gosling—Certainly, the Comcover arrangement has changed the nature of the exposure that the Commonwealth has got. It is now meeting that exposure through an annual premium every year, and that has changed how the Commonwealth might view the state coming in.

CHAIR—How much is that premium?

Ms Gosling—As I was explaining before, we are budgeting in the range of \$1 million to \$1.5 million annually. It would be something that we would get advice from Comcover on, on an annual basis, in terms of looking at the value of the exhibitions for that year, the duration of the exhibitions for that year and also the transport arrangements, such as the number of transit stops, et cetera.

CHAIR—If either of your two organisations, the National Gallery or Art Exhibitions Australia, is sponsoring an exhibition, having the benefit of the Comcover umbrella, are all of the state galleries that take that exhibition totally indemnified?

Dr Edwards—Yes, totally.

CHAIR—So the argument is that they are getting the benefit from the Comcover.

Mr McARTHUR—As I understand it, so long as you are in control of it. That is the key point.

Ms Gosling—We are managing the risk. In terms of whether the states are getting a benefit, as Dr Edwards pointed out previously, the states are now participants in the scheme.

CHAIR—But are they participants in the insurance?

Ms Gosling—In the art indemnity scheme. They are beneficiaries in the sense that, for example, at the moment the Renoir to Picasso exhibition is showing at the Art Gallery of New South Wales. Anything particularly that Art Exhibitions Australia organises has to go to a venue in one of the states. In terms of state galleries and the residents of each state they are in fact receiving a benefit in that exhibition that is currently showing.

Similarly, *Monet and Japan* is being organised by the National Gallery of Australia. At the moment those works are being transported to go on exhibition in Perth. They are participants in the scheme at the moment. As Dr Edwards said, it is open to them at any point to say to Art Exhibitions Australia, 'We're not interested in that particular exhibition. We don't want it at our venue.' But in fact the practice has been that there has been a fair level of competition between them to get the exhibitions put on by AEA.

CHAIR—But they are getting a peripheral benefit—that is the point I am trying to come to—because of the Comcover umbrella. Is that it?

Ms Gosling—The art indemnity scheme is currently supporting exhibitions that are being shown in state galleries at this point in time.

CHAIR—And they are not making a contribution to the Commonwealth premium?

Ms Gosling—No.

Dr Edwards—They are also getting quite significant value because, as a minimum, we always give them 20 per cent of admission costs.

CHAIR—I noticed that.

Dr Edwards—In the case of *Renoir to Picasso*, the budget was approximately \$6 million, and I think our estimate of profit would be \$50,000.

CHAIR—Someone picked up \$23 million, didn't they?

Dr Edwards—That is the total, yes.

CHAIR—On one exhibition?

Dr Edwards—That is the total of all exhibitions. But, in this one instance, we would find and invest something like \$5 million to \$6 million. We delegated them the shop where they make hundreds of thousands of dollars, and it is quite likely that, because the Commonwealth has indemnified that, they will probably benefit by a minimum of \$1 million each in—

CHAIR—The one I was quoting was the *Van Gogh*, where \$23.6 million went to Victoria.

Dr Edwards—Yes, that is right. In this instance, each of those three galleries for that exhibition will probably make a clear \$1 million cash out of—

CHAIR—Do they get the total shop proceeds?

Dr Edwards—They get the total shop proceeds.

CHAIR—Plus 20 per cent of the door takings?

Dr Edwards—Well, they get 20 per cent up to a certain figure, and then they get 50 per cent.

CHAIR—Is that the door take after expenses or gross?

Dr Edwards—That is gross. And they complain.

Ms LIVERMORE—According to my briefing notes, the states did have access to the Commonwealth indemnity scheme in its early years. Can someone explain how that worked and why it changed? Can anyone talk about that aspect?

Ms Gosling—Yes, I understand that the states did have access to the scheme during the 1980s and the government took a decision in the early 1990s for that—

CHAIR—Explain it to us, Ms Dawes.

Ms Dawes—Access to the scheme was extended to the states at the end of the 1980s, particularly for the bicentennial year, because of the huge load on the scheme. There were so many exhibitions coming to Australia that everybody was involved in it. It could not be handled just by the two managing organisations. The decision was then reviewed in the early 1990s and particularly in the mid-1990s, looking at what the access—

CHAIR—Did they get coverage between 1988 and the mid-1990s?

Ms Dawes—No, they only had coverage up to about 1992.

CHAIR—But some took advantage of it, over and above the bicentennial exhibitions?

Ms Dawes—That is right, yes, a couple of states did. There were a few incidents in terms of handling in the early 1990s, and that was one of the main reasons for reviewing that position.

CHAIR—Is that clear?

Ms LIVERMORE—Yes.

Mr McARTHUR—I would like to raise a more intangible issue. I get the impression that the board of Art Indemnity Australia is very high quality, and that there has been an unusually high degree of cooperation between the states and the galleries. Do you think that there is a personal element in the success of this scheme? Do you think that you are able to make it work because of some of the people involved?

Dr Edwards—Yes, I would agree with that.

Mr McARTHUR—So, would you put on the record that, if for some reason some of this interpersonal goodwill evaporated, the scheme might come under a bit more strain?

Dr Edwards—Yes, I think it could, potentially.

Mr McARTHUR—Would you care to add to that?

Dr Edwards—Our organisation has one focus; it does not have a whole plethora of responsibilities. The galleries have responsibilities for the state collections, the dispersed national collection, and they have heavy demands because of conservation and other issues. So exhibitions make up just one strand of their activities. Then each gallery has a responsibility to do 30 to 60 exhibitions a year—that is part of their state obligations. We are able to have a board and develop a staff focusing on risk management of exhibitions. We are not involved in the broader picture, and so we have become specialists in that particular area. If that experience is lost, then we will have a different set of arrangements. There could be an increased risk. That is not to say that the states might not do it very well indeed.

CHAIR—I am not trying to be too definitive but, just in general terms, how many exhibitions would an individual state put on that might rival the sorts of exhibitions that either of your two organisations might normally carry? Have there been instances with a significant international exhibition where a state has gone it alone?

Dr Edwards—Yes, certainly.

CHAIR—To the same level that you would normally fund?

Dr Edwards—Yes. Sydney has a brilliant record of doing exhibitions, because it is a very large gallery and it has a big population base.

CHAIR—Do they do that because that is a conscious decision of their board?

Dr Edwards—Yes.

CHAIR—Or do they do that because they have spoken to you and find it difficult to get those exhibitions run in the National Gallery or distributed through other galleries?

Dr Edwards—No. I think they have had difficulty with getting partners among the other state galleries. Where we always aim for five venues or three or so on—

CHAIR—So, if you cannot fit it in the National Gallery and they cannot get any other states to take it, they have to do it on their own. That is when they fall out of the Commonwealth loop, is it?

Dr Edwards—Yes, and that is when they have had the state indemnity and they have done some excellent exhibitions—but it is not on the basis that it is the Commonwealth's policy of giving broad access. They do them for Sydney. If a scheme is set up to suit Sydney, it will not suit Hobart and Adelaide, which are much poorer and do not have the resources and so on.

CHAIR—What about this undercurrent from Western Australia that we detected? I am just trying to think of how they explained it to us.

Mr McARTHUR—South Australia and Western Australia claimed, I think at the last hearing, that they were not getting a fair go in such opportunities.

CHAIR—It was east-coast-centric.

Mr McARTHUR—Yes, all the exhibitions were going to the big populations.

Dr Edwards—If there were a change, I think it would be more that way. Our pressure is always just to go to the big galleries.

CHAIR—Hence those percentages you quoted.

Dr Edwards—Yes.

CHAIR—That is just Art Exhibitions Australia. Alan, does that also reflect your figures?

Mr Froud—Our experience with exhibitions that we have managed has been principally to partner with east coast galleries, and so we are looking at Queensland and New South Wales. We have actually taken only one exhibition to New South Wales, because basically we share the same market—Sydney and Canberra share the same market. So, in our experience, Melbourne and Brisbane have been the two major partners. We have taken shows to South Australia; and the *Monet and Japan* exhibition, as we know, is in transit at the moment and will open in Perth on 7 July. Certainly the comment was made by South Australia and Western Australia at the last hearing that they felt they were not getting a sufficient share. However, what is always an imperative for us is the economics of putting on these very substantial exhibitions at great financial exposure. The population concentration of the east coast is a reality and, whilst we have an obligation and a desire to ensure that access is equitable and that we take exhibitions to all states—and we will continue to seek to do that, even under the indemnity scheme—I think it will always remain that the majority of opportunities will fall to the east coast states.

Mr McARTHUR—Just on the sheer economics of it.

Mr Froud—I think so. I think that is the major driver there.

Ms Gosling—I have some statistics on that. Of all the exhibitions since 1990—I only go back that far with these particular statistics—in terms of the distribution of art indemnity exhibitions: South Australia has received six, which is nine per cent of the total since 1990, with South Australia having eight per cent of the population; and Western Australia has received five exhibitions, which is seven per cent of the total, with Western Australia having 10 per cent of the population.

The other point I would make is that, in terms of whether any individual state could negotiate with lenders—whether they have the ability to seal the deal with lenders and get works to travel just to one state—is something that also needs to be taken into account. I think it goes back to your point, Mr Chairman, in relation to the sort of personal involvement of some of the members of the Board of Art Exhibitions Australia. In terms of trying to actually attract exhibitions, there is perhaps a perception that you are more likely to do that if you can do it at a

national level—if you are representing Australia rather than a particular jurisdiction. I think that is something that also needs to be taken into account.

Mr Froud—Perhaps I could also make one further comment in response to the chairman's remark about the experience of individual states taking on exhibitions of this scale. I will cite two examples: the Art Gallery of New South Wales did the *Guggenheim* exhibition some years ago and a *Cezanne* exhibition. Both of those were just single venue exhibitions. They came to Australia and then they went on. Sometimes I think that occurs because there are some opportunities to be part of an international itinerary where only one Australian venue will be available.

CHAIR—Is that a case for a Commonwealth indemnity? If the general purpose is to bring to Australia, as part of an international itinerary, an exhibition that might not otherwise come here, is there a case then for that style of exhibition?

Mr Froud—I think there is. From the National Gallery's perspective, we would say that there are opportunities even for exhibitions that are drawn to our attention in which we would like to participate at times but cannot, because they go to one venue only and the scheme obliges there to be at least two venues. As far as the National Gallery is concerned, we have had an exception to that rule on two occasions: the *Queen's Pictures* exhibition, which went to New Zealand, Canada and Australia and was at one venue in each of those countries, which was a condition of the exhibition; and then recently the *Book of Kells* exhibition, which came to one venue only in Australia. But, generally speaking, of course, it is at two.

CHAIR—So, if the difference between a major exhibition with an international itinerary coming to Australia or not was that it could not go to the National Gallery, there might be a case for extending the Commonwealth indemnity to those one-off type exhibitions.

Mr Froud—Whilst there is a case, I think it still goes back to the same questions of risk management and whether the people—

CHAIR—No, I do not agree. Is it not the national interest then that is taking precedence: that Australia will not see this exhibition, unless there is some over and above assistance? This might also address the point that the Western Australians have made, because their percentage is down marginally on the rest and they are on the other side of the nation. It might be that they need a major exhibition and that it is not practical, either from a cost point of view or because of the commitments of the other galleries, to take it across to the eastern states. Should they be deprived of that? Is that not another case of perhaps where the Commonwealth indemnity should be extended—judiciously and on a very controlled basis? What do you think?

Mr Froud—I can see prima facie that there is a case for that in the national interest. However, from our experience with the *Monet and Japan* exhibition, I might say that the National Gallery of Australia is being obliged to provide a significant amount of expertise for the management of the exhibition across the country and in Perth. So we are sending conservators and logistics staff from our registration department to complement their capacities.

CHAIR—With great respect, that is to be commended—it is laudable—but it is not the case that we are discussing a one-off exhibition missing out in Australia.

Mr Froud—The point I make is about the degree to which they would have the expertise within their own staff to attend to what might be rather onerous obligations being placed on them, in terms of an international exhibition, in that we have some expertise that they may or may not have.

Mr McARTHUR—Just going back to my question about the management: it appears to us that the management of the art indemnity has gone very well for 21 years. Would you care to make a comment on the fact that the management has apparently been very good? What have been the factors involved in that?

Mr Froud—I think experience indicates that the management of the scheme is commendable. The incidence of claims has been very low, and that has been largely because of rigorous attention to the procedures and the controls that—

Mr McARTHUR—Is that because the board are good? I am trying get around to whether the board are good, or whether Dr Edwards made a big contribution. Why has it worked well?

Mr Froud—It has worked well because the system has been considered very carefully and developed very well, and there has been an absolute commitment to—

Mr McARTHUR—By whom?

Mr Froud—By all of the players. It has been managed by the department, consistently. The department has set the standards and ensured their compliance, and the managing organisations—currently Art Exhibitions Australia and the National Gallery of Australia—have been familiar with what the parameters, the controls and the systems are, and have worked within them. That framework has served us well, and once we move away from that framework we have to consider—

Mr McARTHUR—It appears that the management has been good. In other things that we have seen, on our travels, the management has not been too good. The impression we have is that you have managed this art indemnity very well.

CHAIR—Do you want to add to that Dr Edwards?

Dr Edwards—No. I thoroughly agree. On the one-off exhibitions, there is room for exceptions, if the case is made; but if you have a—

CHAIR—My next question to both of you was along that line and following Mr Macarthur's question: if there were to be these one-off exceptions in the national interest, in order to get a one-off international exhibition here, who should be the arbiter of whether or not it came under the Commonwealth or not? Who would be the arbiter? Would the method of application from that gallery be direct to the department?

Ms Gosling—In the first instance they might have some consultation with Art Exhibitions Australia, to see whether as a managing organisation they were currently prepared to be involved with it. I guess we are talking about a situation where, for some reason or other, that might not be the case.

CHAIR—That would breach your guidelines wouldn't it?

Ms Gosling—Currently, it would. Our current guidelines are that we have two managing organisations, and they are Art Exhibitions Australia and the National Gallery of Australia. Under the current guidelines, we do have some scope in very special cases for allowing an exhibition to be indemnified if it is only going to one venue.

CHAIR—So that already exists in some form?

Ms Gosling—Yes, that is already covered. More particularly, one of the current criteria is if the exhibition is going to provide a significant cultural experience not generally available to the Australian community.

CHAIR—That is virtually the case we are talking about.

Ms Gosling—In the case you are talking about, those two factors—

CHAIR—Who is the arbiter of that?

Ms Gosling—It would be the department, but our current guidelines would not give us scope to enable, for example, the Western Australian gallery—or any other state gallery—to be the managing organisation for that particular exhibition.

CHAIR—You would insist on one of the other two managing organisations—

Ms Gosling—As it currently stands, we would insist on one of the others. If there were some compelling case in terms of a particular exhibition, it would be something that we might take up with one of our managing organisations, to see whether there was any scope to negotiate it.

Dr Edwards—There is a case in point at the moment. The National Library of Australia wishes to have a very major exhibition called *Treasures of the World's Great Libraries* later this year, for its centenary. It is a one-off. They have talked to the department, to the minister, to us, to the gallery and so on.

CHAIR—What is the attitude of the department there? You would commission Art Exhibitions Australia to do a one off?

Ms Gosling—Art Exhibitions Australia is providing assistance to the library in that case.

CHAIR—If the committee wanted to make a recommendation, should we make a recommendation to the minister to formalise that process? There seems to be some sort of woolliness around the edges on how that would happen. You say that a lot of people have been talking, but if we had a formal procedure so that the department nominated either the National Gallery of Australia or Art Exhibitions Australia to oversee that on behalf of the Commonwealth and then the indemnity was extended, or something of that nature, would that be useful?

Dr Edwards—In this instance it is quite innovative, because the library actually has very good contacts with some of their servicing organisations. The library has asked us if we would risk manage and negotiate the loans but not take the financial responsibility. So our contract with them is that we provide all the services. We have a telephone hook-up weekly, we meet monthly and we do all the packing, freighting and security, but we are not actually funding it and we are not interfering with them. We are providing a service, and all it is is a refund of what we spend. It is not a—

CHAIR—Our objective was to have a look at this and to see if there were some limited areas where it could be improved. It was not to upset the existing framework.

Dr Edwards—Sure.

CHAIR—Thank you for your time today.

Resolved (on motion by **Ms Livermore**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11.15 a.m.