

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO WESTERN AUSTRALIAN TOURISM COMMISSION'S
INVOLVEMENT IN MAJOR TOURISM EVENTS**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 5 SEPTEMBER 2011**

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 1.50 pm**CHITTY, MR DAVID****Managing Director and Promoter, Sunset Events, sworn and examined:****CHERNOV, MR ANDREW****Director, Legal and Business Affairs, Sunset Events, sworn and examined:****LEGGE, MR JAMES****Director, Finance and Operations, Sunset Events, sworn and examined:**

The CHAIR: Good afternoon. On behalf of the committee I welcome you to the hearing this afternoon. Before we begin, I am required to ask you to take either the oath or affirmation.

[Witnesses took the affirmation.]

The CHAIR: You will have signed a document titled “Information for Witnesses”. Have you read and understood that document?

The Witnesses: Yes.

The CHAIR: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record, and please be aware of the microphones and try to speak directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during this afternoon’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as a transcript of your public evidence is finalised, it should not be made public. This prohibition does not, however, prevent you from commenting in general once you leave this hearing. Would anybody like to make an opening statement?

Mr Chitty: We are happy to proceed.

The CHAIR: Okay. The first question is, I guess, a broad one. Was, in your view, the One Movement for Music event a success?

Mr Chitty: Certainly not from a financial perspective. From Sunset’s perspective and Chugg Entertainment’s perspective, financially no, but from a development of the Western Australian music industry and from awareness of Asia-Pacific as a regional centre for music based in Perth here, it was—yes. And some of the outcomes for the bands were significant, as well as for the industry. So, from that perspective, it was working—yes.

The CHAIR: Could you outline the reasons for the elements that did not work—why they did not work?

Mr Chitty: I think the two main reasons that we have identified were that not as many people bought tickets to the consumer side of the event that we were hoping to achieve; as well as our sponsorship targets that we were hoping to achieve for the event, we did not reach our targets from a sponsorship perspective either.

The CHAIR: Do you have any suggestions in terms of lessons learned, not only for yourselves as the event organiser, but also for Tourism WA with regard to how the event went, or did not?

Mr Chitty: Not really. I guess, looking in hindsight, perhaps we may have done things differently. But at the time—Sunset Events has done many events in Western Australia for the first time. There

was only the Big Day Out and Good Vibrations before we started, and every other event that we had done due diligence on and implemented was successful. So I guess we were feeling quite buoyant about the prospects of the model that we had worked on being successful. We put a lot of work into it. We did a lot of research. We travelled extensively to see benchmarks globally. I guess sometimes, at the end of the day, you have to put your model into reality, and it did not track the way we forecast it to.

[1.54 pm]

So, yes, I guess, sort of, we had a go and it did not work, is how we have looked back on it.

And also, the other thing that was quite damaging to us was, around the time we announced the event, the global financial crisis hit. Certainly from that point onwards, some of the assumptions we made from the non-consumer side—the model was always heavily sponsorship-underwritten in the first three to five years in our plans. Given that there was, you know, government commitment, and some strong industry players were committed to the event both here and overseas, a lot of the sponsors were potentially interested in committing to the event once we announced it and started promoting it; and those negotiations just went out the window, pretty much, when the GFC hit. The response was, “Head office is telling us we can’t sign off on any more commitments to any new ventures”, and a lot of the sponsorship money dried up. One area that was unplanned for that we could not foresee either was that a lot of budgets for delegates to fly were also held up by their respective bosses or directors, depending on the entity structure. A lot of people who said they were going to come down to the event in the first year were unable to get sign-off from their relative authorities to attend, because discretionary travel budgets were just completely overhauled in that GFC process as well. So, we found we started in an environment that was quite tough. But the consumer side is an area that we did, you know, have some relative control over that we were disappointed in.

Hon LIZ BEHJAT: Just on that, one of the reasons you said there for it not being a success as you had hoped was that not as many people bought tickets as you had expected?

Mr Chitty: Yes.

Hon LIZ BEHJAT: What was the reason for that? Were your tickets too expensive? Was the event not advertised well enough?

Mr Chitty: Okay; no, the tickets definitely were not expensive. In fact, part of the reason we thought it would be successful was that it was about half the price of all the other festivals, roughly, in the marketplace, including a lot of the others that we do. Our model was, from doing events like this for about 10 years, that we estimated there was a demand in the WA music market from a consumer perspective.

Hon LIZ BEHJAT: Based on what? Did you determine that there was a demand?

Mr Chitty: We had started putting more and more emerging talent and breaking talent at our other festivals, on some of the smaller stages, and we were noticing that attendances for those stages, versus some other talent that was more established on other stages, were getting bigger and bigger. Certainly from a touring perspective—smaller international and national acts touring from interstate and overseas—we were noticing the attendance numbers were maturing, so we had some confidence in the audience development for emerging music. I guess the model for us was to put on a really great set of buzzy, breaking, emerging and unknown acts that we thought the music consumers—the true music fans—would, as a collective, find appealing to see in a festival format, rather than one by one on particular tours. We thought that to reach some kind of critical mass, we would have to do that at a price where there would be some volume and some justification to see a lot of acts for around the \$60 ticket mark. So that was the model that we put together from a consumer ticket side, but clearly that did not connect with the audiences we hoped would attend. We did find it hard communicating and implementing some of the marketing plan. We found that,

because the event had other elements to it in terms of the conference and the fringe festival, some of the messages in our first year were getting a bit confused in terms of the way the media were picking them up.

[2.00 pm]

So whereas traditionally all the other events that are held in WA, music festivals, they are just a music festival and that is all they are, we had some difficulty tracking clear messages. They were certainly coming out from our office clear, but it did not seem to be connecting with the media and the consumer in terms of what the event was. So the feedback we were getting from some people was like, “Well, can we go to the music festival?”, or “Is only allowed for the music industry?”, or “Can only the bands go?”, or “Do you have to be a delegate?” We answered all those queries as they started coming through, but we started realising we were having some problems connecting our message, because an event like this had never occurred before in Western Australia. I think at that point we realised we had some marketing and communication challenges ahead of us, but we worked closely addressing all those issues and doing the best we could to filter particular messages to the demographic that needed to know what it was we were offering.

Hon LIZ BEHJAT: Do you think that moving the festival from its original proposal—that is, that it would be held in Fremantle, hanging off Blues and Roots, following virtually straight on from there; that was your original proposal—and then it moves to October and to the Esplanade in Perth, did that play a part, do you think, in the success or the not success of the festival?

Mr Chitty: I think there are two elements there that we can answer with confidence. One is we could not hold it in Fremantle because there were hotel issues. There is only the Esplanade Hotel, sadly, at the moment in the Fremantle area.

Hon LIZ BEHJAT: So from the accommodation point of view —

Mr Chitty: Accommodation is the main reason we actually left Fremantle. The thing that attracted us to Fremantle was the fact that there were so many live music venues in walking distance, and that proximity and vibrancy was appealing. But as a result of talking to delegates who normally go to these events regularly, they made it very clear that if they could not all stay in one hotel and network, and sort of go from the hotel to the band, back to the hotel, we would have some serious problems getting the right numbers and then having to bus them down at 9.00 am in the morning and then taking them back at 11 o'clock at night when they could not use their hotel for meetings and work as required during the day. So that was the main reason we did not put it in Fremantle. Obviously there were some vibrancy issues in terms of music venue space in the City of Perth. As a result, the City of Perth shared our vision in seeing this as an opportunity to add vibrancy into the city and supported the event, but as such we had to be very creative as to where the spaces were. We used laneways and bars that were not normally open to music—a bit like they do at Austin, South By Southwest and other spaces too, and that ended up being one of the assets in the end for the event. It was very difficult initially to find the space to put all the bands in, but actually those showcases in the unused laneways of the Perth city became not necessarily as financially successful, but they were very popular in terms of the people who attended them.

Hon PHILIP GARDINER: The global financial crisis was in 2007 or 2008. When did Lehman go bust?

Hon LJILJANNA RAVLICH: Late 2008.

Hon PHILIP GARDINER: So in March 2008 I think you reached an agreement with the tourism commission on the project.

Mr Chitty: In principle, is my recollection.

Hon PHILIP GARDINER: Okay; fair enough. The economic circumstances were slowing down prior to the Lehman bust, even at that time. I think the housing bubble had become exposed in the

United States. Given that you recognise—and you must always recognise when you do your own planning—that the external environment is pretty important to you —

Mr Chitty: Absolutely.

Hon PHILIP GARDINER: — there must have been a time when you thought, “Hell, will we go ahead or not?” Did that cross your minds?

Mr Chitty: No, not from that perspective. I think we analysed whether we would pursue the event or not when there were certain internal things that we were working on, whether it be working through the agreements with MUSEXPO, leading up to being comfortable enough to sign papers with them. When In the City, which was our original proposal, turned out to be unattractive, when the founder died, we still gave them the opportunity to be a partner to the event. But when I went and met the founder’s wife, Yvette, she sent some staff to meet us, and they no background about the meeting. And it very quickly made it clear to us that they were not an organisation that we wanted to be in business with, and that the event ITC was declining without the founder there. At that point I was concerned about how we would be able to partner with people who had the ability to deliver the delegates and talent from outside of Australia to help become part of the magnet to bring people into Perth. But through our due diligence and research we found other parties in Chugg Entertainment, from a national perspective, to be a major player in Australia, and for MUSEXPO to fill those gaps as an organisation that Sunset Events was not able to deliver. I do not know many people who we were working with, both in direct business and indirect with friends and family, that really took the GFC seriously until the stock market completely crashed and as a result directors of publicly-listed companies particularly put a freeze on decision making. It was a bit of a domino effect in that really up until that point in time I do not think many people would have been able to have the foresight to predict exactly what was going to happen then. It is all very well to look back at it now, I think, but there were certainly no strong indications that our whole world was going to collapse and that all the banks were connected to each other and the governments and it was literally going to be a domino effect through the worldwide markets. I do not think the world has ever seen that, in fact. So we had no precedents to base that kind of decision making on.

Hon PHILIP GARDINER: And having been through this now and experienced a financial crisis of some kind, if you had had that knowledge back at the time in March 2008—you have already seen one of these occur—do you think the due diligence might have informed you to reach a different conclusion?

Mr Chitty: I think so, yes, because we did enough test marketing with existing relationships we have with sponsors for our existing events and, through those networks, to potential sponsors. We held enough, I guess, discussion and questions with our networks to get a read on the sponsorship market, because the event was highly sponsorship driven in its initial years. We always knew we would struggle selling enough tickets to emerging bands. I would not say they were unknown bands; most of them were emerging or breaking, but there were some unknown ones. We knew that that was not going to be as popular as the Chilli Peppers or Bon Jovi or household names, but, likewise, in other parts of the world where it started slow, eventually it did track and become successful. So we knew that we would need to have a strong sponsorship portfolio to help us through those times. If our indications had told us that there was no interest in companies sponsoring this at all, if the GFC had hit earlier, the hole in sponsorship was over half a million, which was probably the difference between the event being able to continue or not, it would have had a major impact on our decision-making, as it did with most people from that point on in what decisions they made for much bigger companies than us.

Hon PHILIP GARDINER: I have one final question on this at this time. In 2008\, Lehman went bust, and your first set up for this was going to be September–October 2009?

Mr Chitty: A year later, yes, approximately.

Hon PHILIP GARDINER: So you were going through the fireball, if you like, from about September–October 2008. So there was no time when you thought, “This is going to be too tough and I had better talk to the tourist commission about it too”?

[2.10 pm]

Mr Chitty: I think that GFC was raised. We spoke with David Van Ooran and his team, and they really helped us go and meet other departments and other potential sponsors to talk about how they may get involved. I think at this point it had been announced, and a lot of the commitments were on hold to see what happened. But, obviously, as time went on, the situation became worse. Certainly, at that point in time, our organisation and all our other events were performing strongly. At that point, even though we could not measure exactly how it was going to turn out, we thought that the losses were probably going to be worse than we forecast initially, and that we would continue to do the first year to see how it performed and then make a decision from there. So, those questions did enter our mind. We did discuss them, yes.

Hon LJILJANNA RAVLICH: I would just like to ask: when was the first time you encountered the department of tourism?

Mr Chitty: The first time we made contact with them?

Hon LJILJANNA RAVLICH: Yes, when you had contact with them.

Mr Chitty: I cannot recall exactly, to be honest; I am sorry. I could if I went back through my records and I knew this question was going to be asked of me.

Hon LJILJANNA RAVLICH: Can you remember whether you contacted them or they contacted you, and who it might have been?

Mr Chitty: I can remember how the process transpired but not the dates exactly.

Hon LJILJANNA RAVLICH: That is okay.

Mr Chitty: I was having a coffee with Mike Rees, who used to work with Eventscorp—I was going to say TWA, but it was Eventscorp. He has worked with events a lot over his career and he had not been working with them for a while. He approached Sunset Events and me about whether, when we have our bands over in Perth, we would be interested in doing some corporate shows for corporate entities. We discussed that concept because he had some corporate clients who had expressed interest to him that they may be interested in buying an act to do a corporate show. At that point he mentioned that Tourism WA still had an appetite for some more cultural events and that they may be interested in having a discussion with us about doing something along the lines of the “In the City” event that fell over and: “Would we be interested in that?” I said we would be interested in having some discussions about it. It was obviously something we had never really thought of until it was raised at that point. From there, we had a meeting and explored it.

Hon LJILJANNA RAVLICH: Could you try to get the exact date of perhaps when that occurred? If you go back through your notes and just maybe phone it through or something; Madam Chair, would that be okay?

The CHAIR: Yes.

Mr Chitty: I can. I hope Mike’s got it recorded somewhere!

[*Supplementary Information No A1.*]

Hon LJILJANNA RAVLICH: Just as a follow-on question really from the question asked by Hon Philip Gardiner, when you realised that you were going to have problems with people purchasing tickets and meeting sponsorships targets and the like, did you approach Tourism WA and bring that to somebody’s attention; and what was their response?

Mr Chitty: There are two parts to that question. I have already answered the first one in that we did speak to Eventscorp about our concerns around the GFC and it was bad timing. We said to them that we would need their help wherever possible and appropriate to help us get some support. They came to some meetings with us, including the City of Perth, and expressed Eventscorp's commitment to the event and why they liked the event and what it did from Eventscorp's perspective. That certainly helped the City of Perth come on board as a sponsor. They had several other meetings with us to encourage government departments to consider sponsoring the event, because they were involved. From there, we had to put proposals through and they would assess it on their own criteria. Yes, we did raise it. From the ticket selling point of view, unfortunately, in our business, ticket sales, particularly when you start an event for the first year, all happen in the last few weeks. Whilst you can get some trends and patterns, we have found over the years that it is quite scary that a lot of events will turn into a red or a black result in the last week, even an event like West Coast Blues 'n' Roots. Still, sometimes, in the last few weeks, it goes into the black and we sell 20 to 40 per cent in the last few weeks for that event. The information is not as consistent as it may be for a lot of other businesses, so it is very hard to, I guess, raise something at that point in time when clearly you have to deliver the event when people are committed to coming from all over the world to it.

Hon LJILJANNA RAVLICH: What did you anticipate your ticket sales to be and what were they?

Mr Chitty: I do not have that data in front of me. Do you have that, James?

Mr Legge: I would only be recalling off the top of my head, so maybe that is information I can feed back through the Chair at a later date.

[*Supplementary Information No A2.*]

Mr Chitty: From my recollection anyway, the shortfall was not as bad as the shortfall in sponsorship.

Mr Legge: That is correct, yes.

Hon LJILJANNA RAVLICH: Could we also have the shortfall in sponsorship figures?

Mr Chitty: Yes.

Hon KEN TRAVERS: Are we talking about the 2009 or the 2010 event?

Mr Chitty: Currently, we are talking about 2009, the first year, I believe.

Hon LJILJANNA RAVLICH: I am just wondering: could we get that same information for 2010 also?

The CHAIR: Yes. We will just include that under A2.

Mr Legge: Can I just make a point in relation to the budgets? There is the budget and then there is the forecast. Obviously, the forecast develops as the event model condenses and becomes more real. Some information and some budgets in some of the documents you have seen would have been the first stage in quite a long budgeting process. Obviously, you pick your point in time as to where you analyse it, so maybe a bit of direction as to what budget —

Hon LJILJANNA RAVLICH: I guess, from my point of view, you were actually funded on forecast. That information is valuable to the committee and your actuals are what actually happened. So, from that point of view, if you could provide it within that sort of context, that is really what we are after.

Mr Legge: Yes.

Hon KEN TRAVERS: On the issue about your budget versus the forecasts, my understanding is that those changes to the budget were required to be approved by Tourism WA; is that right?

Mr Legge: That is correct. What I am saying is the changes were more on the revenue side of things than the costs, because the costs—I am only picking numbers out of my head—were substantially less than what was budgeted, so we came in under budget. You are quite correct; we were required under the contract to provide Eventscorp with budget items that changed—by five per cent, was it?

Mr Chernov: There were two stages. We had to get sign-off on, I guess, a final budget going into an event. Then, from that point, if there were variances to budget categories by a certain per cent, we had to notify Eventscorp of those.

Mr Legge: And I think, from memory, Andrew, we never had to notify them because we obviously focused quite heavily on the cost side of things once the event was not actually sticking. The revenue side of things obviously is just the reality of where the event got to.

Hon KEN TRAVERS: So you are saying that you were required to talk to Tourism WA only about the revenue side, not the expenditure side?

Mr Legge: No, the cost side.

Hon LJILJANNA RAVLICH: The expenditure.

Mr Legge: Yes.

Mr Chitty: With costs, you put your forecasts out, you get your quotes and then you might amend your budget based on the written quotes you are getting. But with revenue, you cannot really predict accurately how many people are going to go out of their home and buy a ticket.

Hon KEN TRAVERS: So which one were you then liaising with the tourism commission on?

Mr Legge: Costs.

Mr Chitty: Can we point out that consumer sales for the festival are not related to the Eventscorp funding anyway? It was only the delegates that had milestones attached to it. I am just trying to maybe create some relevance to the questions.

Hon LIZ BEHJAT: I have a couple of questions about the sponsorship arrangements and agreements that you had. I am just looking at the 2009 and 2010 magazines that you are obviously very familiar with and doing a comparison. When you go out to get a sponsor for that, knowing that this was initially to be an event happening once over those three years, were people signing up for the three years of the festival, or one year and then we will see how it goes?

[2.20 pm]

Mr Chitty: It was both. The City of Perth signed up for three years. Obviously, there was always protection, as in an organisation would have to pull out of a festival if it did not feel it had delivered what was asked of it.

Hon LIZ BEHJAT: For instance, in 2009, Virgin Blue was a major event partner but it does not appear in 2010.

Mr Chitty: Correct; they were one year. We were led to believe that the reasons for that were internally within Virgin Blue as opposed to the event. The City of Perth continued. Another three-year sponsor was Murdoch University. They were happy to continue again for the third year, as was Eventscorp and the City of Perth.

Hon LIZ BEHJAT: Would Virgin Blue have had something like a contra sponsorship deal in which it would fly over X number of delegates and that is their sponsorship thing?

Mr Chitty: Partially. Quite often there is contra sponsorship. Sometimes there is sponsorship where they provide, in their case, flights and cash. At other times it may be from a department that has cash budgets and not the flights. Sometimes with contra and cash, there are usually a few departments involved depending on the size of the company because someone is controlling the

product and someone is controlling cash spend and quite often they have to get together and put an overall deal together, if that makes sense. A lot of the smaller organisations were year by year, not that Virgin Blue was a small organisation.

Hon LIZ BEHJAT: Nova, being a major media partner, do it in 2009 but they do not do it in 2010.

Mr Chitty: No, because we always wanted Triple J to become the radio partner. A lot of the bands that we had on the bill were relative to Triple J but Nova supported us in the first year because of the few acts that were on there and because they liked an event of this nature for the music business in WA, being based here, they supported it, which was great. Richard Kingsmill, the head of Triple J, came over and experienced the event, and he was so impressed, he asked the station to sponsor it for the second year.

Hon LIZ BEHJAT: I turn to my final question on sponsorship. In 2009, you have fringe partners Healthway and Smoke Free WA. In 2010, you do not have fringe partners and you do not have Healthway or Smoke Free as one of the sponsors. What happened there?

Mr Chitty: There were some technicalities in delivering the contract to Healthway on the ground with the fringe festival. Because it was not a contained space with fencing and so on—it was just on the streets of Perth—they found it very hard to implement the non-smoking because some people who were not even watching the stage—they were just walking out of a building to have a cigarette—were near the stage, and they felt it did not tick all the boxes that they needed. That is my understanding.

Hon LIZ BEHJAT: They did not tell you that directly?

Mr Chitty: Yes, they did but not exactly in those words. That is how I interpreted why they did not do it.

Hon LIZ BEHJAT: What did they tell you exactly?

Mr Chitty: I cannot remember exactly what they told me in a meeting whenever it was, two years ago. I wish I could; I would probably be very rich.

Hon LIZ BEHJAT: Had they written to you at that time to withdraw their sponsorship or was it just done verbally?

Mr Chitty: It transpired effectively into a written letter at some point in time later. We had some initial meetings around the sponsorship. They liked a lot of the event but my recollection was the main reason they did not want to continue was because they could not qualify who was watching the stage in the street and smoking and who was not.

Hon LIZ BEHJAT: It was mostly around smoking? It would not have been on the consumption of alcohol in public places?

Mr Chitty: No, I think the alcohol issue is more relevant with Healthway now as opposed to a few years ago when they were still focusing primarily on smoking, which is why it was a smoke-free related message.

The CHAIR: Has Tourism WA indicated to you that Sunset Events will be given contracts with respect to any future tourism events?

Mr Chitty: My understanding is that we achieved everything that Eventscorp asked of us in our contract so our interpretation is there would be no reason for them not to support Sunset Events again if we came up with an appropriate proposal for the board to consider.

The CHAIR: From your perspective, you see no reason why not but has Tourism WA given any indication why not?

Mr Chitty: They have not said so expressly either way. I guess if things were not going well with Eventscorp, we would know about it.

Mr Legge: They are continuing to engage us.

Mr Chitty: We have a healthy relationship with Eventscorp. We have always communicated and worked closely together and, from our perspective, I find them a very good organisation to work with.

Hon LIZ BEHJAT: You say they are continuing to engage you. How are they engaging you at the moment?

Mr Chitty: We have lots of events that we analyse as time goes on that may or may not be eligible for consideration under Eventscorp's guidelines and policies. We do not have any formal application in for Eventscorp to sponsor.

Hon LIZ BEHJAT: But you are conducting formal discussions with Eventscorp from time to time?

Mr Chitty: No. We are analysing some events that may or may not be relevant to Eventscorp, depending on the outcomes with other parties. It is not at a stage where there is a proposal to Eventscorp at this point.

Hon LIZ BEHJAT: How are you still engaging?

Mr Chitty: We are talking to them as to whether or not they would be interested in certain events we are looking at.

Mr Chernov: I do not think James means "engage" as in engage formally in a contract. I think he just means we are in a dialogue about certain possibilities. They have not said, "There's no point you talking to us about any events."

Hon KEN TRAVERS: Is One Movement the only event you have been involved in with Tourism WA, or have there been other events with Tourism WA?

Mr Chitty: I believe it is the only one. We work with Surfing WA on the Masters down in Margaret River but our arrangements are with Surfing WA, not with Eventscorp.

Hon KEN TRAVERS: That was MASS?

Mr Chernov: Yes, and then the Margies concert. Surfing WA changed the format with that.

Mr Chitty: So nothing directly, I guess, is the best way to answer that.

The CHAIR: I go to the question of the history of One Movement Pty Ltd and Sunset Events and how that developed, particularly in terms of its involvement in One Movement for Music. Can you run us through that?

Mr Chernov: As a structure?

The CHAIR: Yes.

Mr Chernov: When the event was approved in terms of the funding, we set up a separate structure to run it, which is different to our existing Sunset Events business, which has its own structure as a partnership. We incorporated a separate vehicle to run One Movement and ran the event under that vehicle, which was a company.

The CHAIR: Which was?

Mr Chernov: A proprietary limited company.

The CHAIR: Was it Sunset Pty Ltd?

Mr Chernov: No; One Movement Pty Ltd was the company that ran One Movement and Sunset were the shareholders in One Movement Pty Ltd.

Hon KEN TRAVERS: Was Sunset the shareholder or did you individually become shareholders?

Mr Chernov: Yes.

Hon KEN TRAVERS: At that point, in theory, Sunset Events had no relationship to One Movement in a corporate structure sense?

Mr Chernov: Correct; just as a shareholder.

Hon KEN TRAVERS: There was a related entity involved but the shareholders were common?

Mr Chernov: Yes.

The CHAIR: In terms of the role of the WA Music Industry Association, which we understand was initially flagged to have the key role in this and then subsequently did not, can you tell us what happened there and what their involvement was from your point of view?

[2.30 pm]

Mr Chitty: There is a history, which we discovered after our event was approved, between WAM and Eventscorp. As I understand it, WAM had applied for funding on a few, if not several, occasions to look at doing a similar event—an industry-related emerging talent event—but had been unsuccessful on at least two occasions. I think as a result of that, there was a certain amount of reservation or apprehension on Paul Bodlovich's part, who obviously heads up the WAM organisation, when we met. I did not discover all of that history—there was no reason to really know about it, I guess—until over time. I think it is fair to say, initially, perhaps Paul had some personal or WAM-related issues as to why they did not get the funding from Eventscorp to do an event of this nature. The history of that I am not familiar with because it is not my right to know and I never really asked in detail. All we knew was that our event had been approved for whatever reason by Eventscorp and we saw it as not only appropriate, but the first thing that came to mind would be to talk to WAM as one of the key stakeholders in the event seeing as the event was being held in WA and WAM looks after the Western Australian music business from a formal perspective.

When I approached Paul, he was completely open to how that may work. He had some concerns around the WAM brand being lost or being less significant if it was to sit underneath the One Movement banner because One Movement was about Asia-Pacific in Perth—like, an international-based event based in Perth. And I guess there was some concerns, which I think were valid, which he said he needed to address with his board and so on, about if WAM was to be part of that, that it would not be lost under One Movement's identity. We discussed ways and means that could be done. We had many in-principle verbal kind of agreements as to how we could move forward and work with WAM, but whenever it went into writing, it seemed that the understood intent was different when it was fleshed out or more issues came out in writing as the detail transpired.

On the first occasion, when we started trying to put it into a written agreement, there was a request from the WAM organisation to receive quite a substantial amount of money—I think it was around the \$65 000-plus mark—to be involved with the event. I think from the initial meetings I made it really clear that One Movement was a platform that the industry bodies were welcome to use as a platform to leverage off and get benefit as they saw fit for their organisations. A lot of organisations—national organisations and international organisations—came to agreement with One Movement in terms of “We would offer you this, this, and this,” as in tickets or delegate badges or an opportunity to host or showcase or to talk on a panel or put a package together that the event could offer them, and in return they would do a mail-out to their database and they would send some people over, they would host a dinner or do something like that. It was very much a contra, like-for-like arrangement and that seemed to work for every other industry organisation that we approached except for WAM. They needed money. I think they were under-resourced.

How it was put to me is that their HR was stretched and they were not in a position to—because a lot of the arrangements were not cash requirements. They were more using your existing team to do what you can with your limited resources and to get what you can out of the event and vice versa, and together we are representing the local music industry. But they were not able to do that

without—they wanted money from us and we did not have money to offer them in our budgets; it was never planned on. I think we had confidence that we got it the right way, because most of the other industry bodies were prepared to make commitments with us where it was reciprocated more in a like-for-like contra basis.

The CHAIR: I think you said at the beginning that they were the obvious fairly key body to have on side, so the fact that they did not for various reasons, do you think that that had a significant impact on the success of the event otherwise?

Mr Chitty: Certainly not in terms of how the financial outcomes would have occurred, which is how we sort of, I guess, ultimately measure whether the event would continue or not. From other perspectives, the event was seen as a success by the industry and the bands were very happy with the outcomes they got out of it as were the industry, so not really. I think what it did do was create some friction. We still get along with Paul and WAM from our perspectives and we have had several meetings over the years to try to work out how that can work and we do stuff with WAM with our other events in some shape or form.

I guess there was definitely discussion amongst local industry players that it is a shame there could not be an agreement between us. Eventscorp tried to broker it. We saw board members; we spoke to lots of people in the industry to try to see if they could get WAM involved. It did not help and, I guess, after a while we thought: we will have to do the best we can without their involvement. You know, a lot of the local bands got great outcomes. I think the first year it did not help, but in the second year, if you look at the local delegate attendance, it increased several hundred per cent. After some people who, I guess, we had good relationships with, came along to the first year, the local attendance in the second year was quite major. So, I think once it was delivered, people just worked out that it was a good event for them regardless of some people's perspectives and came along.

Hon LIZ BEHJAT: The ultimate decision to not partner with WAM was your decision—you, as in One Movement Pty Ltd—or was it an Eventscorp decision?

Mr Chitty: It was our decision in the first few years, but I think ultimately, in our view, the decision was made by WAM that they —

Hon LIZ BEHJAT: It was all too hard for WAM in the end, was it, that they could not get the \$60 000 they were asking for?

Mr Chitty: I am only making my own assumptions based on my interpretations of where Paul and the board was at.

Hon LIZ BEHJAT: Paul? When you say “Paul”, who are you referring to?

Mr Chitty: Paul Bodlovich—is he the chairman of WAM?

Mr Legge: CEO.

Mr Chitty: I think he was upset that he did not get the funding in previous allocations himself and I just do not think that helped when we sat down to meet. But, once again, that is an assumption; I cannot state that as a fact.

Hon LIZ BEHJAT: The negotiations in relation to getting WAM involved with the event, they were mostly held between One Movement and WAM without the inclusion of Eventscorp?

Mr Chitty: Yes, in the initial years. Eventscorp—we were involved from time to time if we were not getting any attraction with it. It has been raised over the years with Eventscorp. We all know it is an issue. We all wanted WAM to be part of it. We continually tried. There have been several attempts to try to find different ways of making it work. Eventually, in the second year, the money was not relevant. When I say “was not relevant”, it was taken away from the negotiating table when Paul understood that the event was losing money and we did not have it in our budgets and never did; it was not planned for. We tried to work on an arrangement where he was just reciprocating. So

there were a few little things that were done in year two, but my honest assessment of that was that that was perhaps more politically —

[2.40 pm]

Hon LIZ BEHJAT: So in your opinion, Eventscorp did everything they could to include WAM into it?

Mr Chitty: Absolutely.

Hon LIZ BEHJAT: They really went that extra mile in that?

Mr Chitty: Eventscorp were very much focused on trying to get an agreement between —

Hon LIZ BEHJAT: And you tried really hard?

Mr Chitty: Yes.

Hon LIZ BEHJAT: But WAM —

Mr Chitty: I am not saying WAM did not try hard either. It just seemed that what their needs were we could not —

Hon LIZ BEHJAT: Could not be accommodated.

Mr Chitty: Could not offer them.

Hon LJILJANNA RAVLICH: Did not have the money.

Hon LIZ BEHJAT: Okay.

Mr Chitty: And I think at that point in time, organisations like the Department of Culture and the Arts and other major funders of WAM did not have any more money to give them in their budgets; it had all dried up. So, there were some discussions about them trying to apply to get some money so that they could have a bigger budget to leverage off the event properly. I genuinely think that is what Paul would have liked to have done, given that the first year we could not give them the cash. But on some inquiries that were made, as I understand it, from their end, it was made clear to them that there would not be any funding for them.

Hon LIZ BEHJAT: Do you think that originally WAM thought perhaps that they had the capacity to be running this festival and that they should have been the major proponent?

Mr Chitty: I think so; I think that is perhaps why they put their application in —

Mr Chernov: Something along those lines.

Mr Chitty: — to get the funding in the first place. I do not know why they were not successful getting the funding. But I think the application was put in, as I mentioned—as I understand—at least twice, and was rejected, or not accepted, or whatever the words would be, and ours was. I do not know. That is all; they are the only facts that I am aware of, I suppose.

Hon LIZ BEHJAT: And it is a small industry in Perth and everybody knows each other and everybody talks.

Mr Chitty: Yes. I think perhaps his nose might have been out of joint, but, once again, he has never said that. It is just how I would read it, so it is really probably not relevant because it is not a factual —

Hon PHILIP GARDINER: Did I hear you say that they were seeking \$60 000? Is that what you said?

Mr Chitty: Yes. Once again, this is a recollection of the amount based on an email a few years ago now.

Mr Legge: We should come back and confirm that, if that is okay.

The CHAIR: Would you like to take that on notice so that you can be clear about that?

Mr Chitty: Yes, and I do not know whether that will be on my records anymore, depending on whether it is two or three years. But, yes, there was definitely a cash ask and we to-ed and fro-ed on that email and I just said, “We just don’t have the funds.” I am pretty sure I raised it with Eventscorp, too, at that point in time to see if there was any way that we could find some more funding for WAM, because I felt it would be important if we could find some other appropriate funding so WAM could properly leverage and commit to the event. But certainly Eventscorp did not have any more, at that point in time, so I think, from my recollection, we asked WAM to see if they could apply for funding to leverage off the event. Then at that point it sort of broke down because I think they were reaching dead-ends and having problems with their own funds for the existing resource base that they had.

[*Supplementary Information No A3.*]

Hon PHILIP GARDINER: Could you explain where it was, if you can recall, that they were going to apply those funds and to what extent that could have contributed to any material change to the One Movement event?

Mr Chitty: It is hard to predict whether there would be any material change or not; but as far as material change, it involves delegate numbers, ticket sales or sponsorship. I think WAM’s capacity on the budget would not have delivered to those three factors in a significant way, because the way they were going to spend that budget was more about what they could do when the event was on in terms of hosting a showcase with local bands or taking out some key international delegates to dinner and connecting them with managers. You know, it was more of a networking and profile opportunity rather than a partnership in a revenue sense.

Hon PHILIP GARDINER: And if that money was applied to that activity that you have just ascribed, would that have assisted you obtaining any better sponsorship, do you think?

Mr Chitty: Perhaps, but in the marketplace we were selling sponsorships in, I would say no.

Hon PHILIP GARDINER: Very tough.

Mr Chitty: However, I just think it would have been beneficial to have a more cohesive, united, local industry working together on the event, for sure.

Mr Chernov: It did not look good for the brand, for the One Movement brand, trying to sell a world-class event nationally and internationally when everyone knew the local body for music was not part of the sound going forward.

Mr Chitty: And it just made it, I guess, less enjoyable, in a sense, trying to deliver the event without a cohesive approach.

Hon KEN TRAVERS: You talked about how you were confident that the way in which you were doing it was the right way because of the other industry bodies, I think you referred to them as. Who do you mean by that, in terms of the other industry bodies that you did have a relationship with and the model you had with them proved that that was the correct model? Who were you talking about there?

Mr Chitty: Yes, we had arrangements with APRA—if you can recall, Cher—and we did some work with AIMS, which is the Australian Indigenous Music Scholarship —

Mr Chernov: Well, we kind of started that. DCA put money into that.

Mr Chitty: Q Music, Vic Rocks —

Mr Chernov: Most of the state music bodies, so the equivalent of WAM in the other states, got on board to a greater or lesser extent.

Mr Chitty: Yes, the other state bodies, primarily. Darwin wanted to, but did not have any money at all unfortunately, but New South Wales, Victoria, Queensland and Adelaide all —

Mr Chernov: Got involved.

Mr Chitty: — got involved and got behind the event, thought it was good nationally for music and had their own state agendas that they could see benefit in pushing.

Hon KEN TRAVERS: So when you say they “got involved,” what did they do that WAM did not do?

Mr Chitty: Well, some of them —

Mr Chernov: Helped provide, get some bands over here.

Mr Chitty: They had some funding for bands. We applied to get some, and they helped get a few bands over to showcase. Some of them sent over some delegates, they had email, [indistinct] and database offerings—what else did they do? They are the few things that spring off the top my brain.

Mr Chernov: They are the main things, yes.

Hon KEN TRAVERS: Right, but no-one was doing that locally for WA bands?

Mr Chernov: We were, yes.

Mr Chitty: We were doing it, so we put on showcases of local bands. After the opening night where all the people were at dinner, we took all the main speakers in there—sort of, the VIP dinner—up to see a WA showcase only to help promote WA bands. All of those bands got really, really good outcomes as a result of that. It was a shame that WAM was not associated to be a part of that; they would not have had to have spent any money at all to do that.

Hon KEN TRAVERS: Right, can I just ask one other —

Mr Chitty: RTR, sorry, had another one, which we worked with. A lot of organisations that did not have a lot of money, there were ways that we could work with each other for the greater good of the bands, and it is a shame that that did not occur with WAM.

Hon KEN TRAVERS: I just want to go back in terms of the history of it. You talked about it came about because Mike Rees raised it with you. Was that about you getting involved in the ITC event originally?

Mr Chitty: No. He approached me more from our other existing events that we had, in particular Blues and Roots because he felt some of the acts that were on Blues and Roots would be appealing to some of the corporates that he had some links with in his business, which was he did some corporate sponsorships and things like that. So he inquired as to whether we would be interested in having some of our bands when they were over for Blues and Roots to come to an arrangement with a corporate entity that may want to have them play at their dinner or whatever it may be.

Hon KEN TRAVERS: So that was at Eventscorp or in his own personal capacity?

Mr Chitty: His own capacity, yes.

Mr Chernov: He had left by then.

Mr Chitty: He had left, yes. But I think we were just talking about the events industry generally during that meeting and about the industry. I think at that point he asked how Sunset was going et cetera and what we are looking at and indicated—you know, I was asking him how life was post-Eventscorp and so on. I think at that point he said, “It was a shame the ITC didn’t get up, but I believe they’ve still got an appetite for a contemporary cultural music event”. So from there, well, I guess we discussed that a bit and the ITC, and it was shame it did not get up and going. I cannot remember from that point how the meeting was set up with Eventscorp.

[2.50 pm]

Hon KEN TRAVERS: Did you then approach ITC and put a joint proposal with them, because you were saying you talked to the wife of the owner?

Mr Chitty: The ITC contact was made well down the track after that. I think, initially, we just went and saw Eventscorp to see if they were still interested in doing a music industry event or not.

Hon KEN TRAVERS: Did they then refer you to ITC, or did you —

Mr Chitty: Yes. I am pretty sure Eventscorp had contact at that point. I spoke to Pete Carroll. I do not know if you are familiar with Pete Carroll. He was involved in the original ITC proposal, I believe. Pete and Sunset —

Mr Chernov: Then Sunset brought out the arrangement with Roscoe and —

Mr Chitty: That was done via Pete and Roscoe.

Mr Chernov: Yes. The original ITC proponents, who had the event effectively approved by Eventscorp, were still sitting there associated with the event in some capacity. In theory, if the event was to proceed they were the ones who had the rights to that event. They had got it to that stage. But it was clear from Eventscorp's perspective that they did not want to continue the event with those people involved. If we were going to take over the running of it, we had to work out an arrangement with the original proponents, which we did. I think they were possibly also involved in introducing us to —

Mr Chitty: The reason I mentioned Pete is because he was from the UK and from that town, and knew—I forget the guy's name that passed away —

Mr Chernov: Tony Wilson.

Mr Chitty: He knew Tony Wilson personally, and I think he was connected to Yvette and that whole Manchester music scene. He had the relationship with Yvette. It was Pete Carroll who had the relationship with Yvette. It was through Pete—he introduced me to Yvette for me to go and see in London to try to rekindle the ITC proposal. Our job going there was to assess whether ITC was still going to be able to deliver what had been taken up to Eventscorp before. Since his passing, and with the way the meeting was dealt with from Yvette and all the briefing notes that I sent over to her, I asked the guys if she had even sent those notes to them, seeing she was not able to attend. They had nothing, did not know anything; it was on the other side of the world —

Hon KEN TRAVERS: Wasted an air fare coming.

Mr Chernov: I think they said, "I hope you did not come all the way over here."

Mr Chitty: I think there was a message there that she was not interested, or there was too much water under the bridge, or was still recovering from Tony, or ITC was just focussing on its immediate business in Manchester, or whatever it was. To answer your question, really, Eventscorp, I guess, had to bring up where ITC was left when Tony passed and the event fell over for us to understand exactly where they had got to and what we would need to do to move forward. Eventscorp made that clear, which was good. Then we went down the process of pursuing whether we could pick up ITC and where it was left or not, which involved talking to Pete and his partners

Hon KEN TRAVERS: Just so I can make sure I have got it clear in my mind, the original contact came about in a conversation you had with Mike Rees, then you approached Eventscorp.

Mr Chitty: I cannot recall if I approached Eventscorp or whether Mike said, "Do you want me to see if they are still interested or not, and, if so, set up a meeting." It was probably the latter. I am certainly a person with initiative and so on, but I do not think I would have picked up the phone based on that cup of coffee.

Hon KEN TRAVERS: Then, as a result of that meeting, they then said, "There is this group here that are connected to ITC."

Mr Chitty: I think there were a few meetings. Initially it was, “We still have an appetite for that kind of event.” We had a few discussions around that. It took a while before we got to the stage where we were briefed on where ITC was at. I think initially we just wanted to scope out the government’s appetite to commit to a music industry event that ticked all the boxes from their end. Once that was ascertained, we started looking into the process of what was required.

Hon KEN TRAVERS: That meant clearing the decks with the previous proponents—having a conversation with ITC and when that all fell over then you went out and looked for your own industry partners in Chugg and —

Mr Chitty: Yes, and put it in as a fresh proposal.

Hon KEN TRAVERS: — MUSEXPO.

Mr Chitty: Correct. That is right; exactly

The CHAIR: The next question that I had was whether you could you outline A&R Worldwide and Chugg Entertainment Pty Ltd’s involvement in the development of One Movement for Music.

Mr Chitty: In the development or the final —

The CHAIR: In how that was set up.

Mr Chitty: I spoke to Michael Chugg before going to see ITC in London and mentioned to him that we were working with Eventscorp about potentially putting on a music industry event in Perth: what was his knowledge of ITC; where did he think he sits in the marketplace currently? I got his opinion on it, I guess, before I went over. Michael Chugg goes to a lot of music industry events all over the world, including even going to the local Indigenous one in Darwin a few weeks ago. He actively goes to all of them including local Indigenous ones. He has a pretty good—probably the best in Australia—outlook as far as music industry events go, because he goes to all of them compared to the other big players. He said he had not been hearing good things about ITC in the last few years, but did not know exactly. He mentioned a few people I should see in London and ask their opinion—that he does a lot of business with them in England. I met those people, and I cannot remember exactly who they were. I guess I could look it all up if I needed to. They kind of indicated that The Great Escape in Brighton was now a much more popular event that most bands and delegates wanted to go to, and that ITC, in a certain way, had lost its momentum since Tony’s passing. I had been to The Great Escape; I was familiar with it, liked it. I cannot remember why, but they were not interested in working with us. I think it was timing-related issues. Anyway, I attended a few other meetings and did some more homework. Then I met Michael Chugg in Perth on his way back from an overseas trip. It could have only been a month or two later; I cannot tell you exactly. He said, “I’ve been thinking about how the proposed WA event could work” and said that a lot of people had spoken to him highly about MUSEXPO. He actually went and attended it, because he had not been, to see how it was. He was impressed with that event and said that they would be able to do a really high—like an international standard conference side. Obviously that is a skill that we did not have, nor Chugg Entertainment. We started having discussions with MUSEXPO about whether they would have interest in their business to expand into the Asia-Pacific region. They had interest in doing that because they were currently doing one in London for the European market, Los Angeles for the Americas, and they wanted to be the first company to have a world-class conference in the three main sectors of the global music industry—Asia-Pacific being the third. Strategically, it fitted into their plans. I think they were having some discussions with Queensland around Bigsound at the time, and doing some business with them, so we knew their intention was already there. I guess discussions went from there and we formed an in-principle arrangement with them and with Chugg to help us on the east coast, being an east coast-based national promoter, as well as when he travels around the world to help promote the event and so on and so forth, and to help us find talent, and for us to run, produce and operate the event locally. We thought we had a local operator who knows how to put on world-class events, a national high-profile promoter who is

connected nationally and then an international specialist in putting on the conference side. That is how it all formed.

[3.00 pm]

The CHAIR: In terms of the arrangement for the heads of agreement that was struck, can you talk about that a little bit?

Mr Chitty: I guess at that point I brought it up with my directors, once I thought it was tracking at a point where it needed to become more formal. That is usually when I speak to Andrew, who becomes more involved with me then in formalising it into a heads of agreement, and eventually an agreement.

Mr Chernov: I am not sure what information you want to know, but basically from that point, we entered into a heads of agreement and then an agreement which covered Chugg's involvement and A&R's involvement in the event.

The CHAIR: And the timing of that? You might have to take that on notice.

Mr Chernov: Yes, I would not be able to tell you off the top of my head the chronology there.

[*Supplementary Information No A4.*]

The CHAIR: So that agreement was, as I understand it, between Sunset Events, A&R Worldwide and Chugg Entertainment. Was Tourism WA involved in that discussion?

Mr Chitty: Yes, there were always updates when anything was significant. I do not know what your recollection is, but we could not do anything with Eventscorp—signing to any parties without them making comment and negotiating agreements when they were contracting to us. We would have to find out exactly how it all played out, date-wise, but they would have been involved as the process went on.

Mr Chernov: Yes, Eventscorp knew how it was tracking, but they were not a party to any of the agreements.

Mr Chitty: Whether it was formally agreed to before Eventscorp signed off at board level, or whether it was agreed to subject to satisfactory agreements with Chugg Entertainment and MUSEXPO, is probably what we need to ascertain.

The CHAIR: If you could provide information on that detail, that would be good.

Mr Chitty: They certainly protected themselves the whole way through, as far as that process went.

The CHAIR: I want to move now to the financial structure of Sunset Events. Can you please describe what structure you have at Sunset Events?

Mr Chernov: We are a partnership; that is our structure, we are a partnership.

The CHAIR: And do you maintain financial records for that partnership?

Mr Chernov: Yes.

The CHAIR: Do you lodge tax returns for Sunset Events?

Mr Chernov: Yes, we do.

Hon PHILIP GARDINER: For Sunset Events, or for the individual partners?

Mr Legge: Both.

Hon PHILIP GARDINER: As a partnership, normally you do not —

Mr Legge: It is a partnership of trust, but the partnership still lodges a tax return.

Hon PHILIP GARDINER: Yes.

The CHAIR: Did Tourism WA request any financial reports from you regarding Sunset Events or other related entities prior to executing the One Movement sponsorship agreement?

Mr Chernov: Not to my recollection.

The CHAIR: Would you like to take it on notice just to double-check?

Mr Chernov: So a request for financial information about Sunset Events?

The CHAIR: Financial reports from you regarding Sunset Events or other related entities prior to executing the sponsorship agreement.

[Supplementary Information No A5.]

Mr Chitty: I recall them doing Dun and Bradstreet searches and all that kind of stuff, but I do not know whether it was related to our private financial —

Mr Chernov: Probably would have been on Sunset, but —

Mr Chitty: Yes, we need to find out, I guess.

Hon KEN TRAVERS: Is there a Sunset Events Pty Ltd as well as the partnership, or is it just purely a partnership?

Mr Chernov: No.

Hon KEN TRAVERS: Because in the sponsorship agreement, at one point it refers to Sunset Events Pty Ltd.

Mr Chernov: That would be a mistake.

The CHAIR: In terms of due diligence, what financial modelling was undertaken by Sunset Events or One Movement Pty Ltd for the event?

Mr Legge: Well, pretty detailed. I seem to recall Eventscorp, when we sent the budgets through, indicating that it was one of the most significant financial models they had seen. We broke down each component of the event—the music festival, the conference, the fringe and any of the associated other smaller elements of the festival, and analysed them on a cost and revenue basis which consolidated through to an overall master budget, and that budget was updated as soon as there was any major development in the change of the event model, which does get tweaked on the way through for any changes to the revenue assumptions. We would be understanding those as the event transpires, as far as sponsorship locking down, ticket sales and the like.

The CHAIR: Did modelling including any sensitivity analysis or testing of key assumptions?

Mr Legge: Absolutely, yes. One of the main things, obviously, is ticket sales, and we do sensitivity analysis over that. One of the key benchmarks in events is the concept of break even, so we are constantly looking at what ticket sales we need to break even, and I feed that information back through the marketing side of the business, to see if any adjustments need to be made to the marketing program to increase ticket sales or make adjustments to the marketing program. It really is a weekly process as far as updating that financial information, so the directors have got real-time information on the forecasts for the event leading up to the event.

The CHAIR: And was that modelling provided to or sought by Tourism WA?

Mr Legge: No, I think we discussed this earlier in that contractually, we were only required to advise them if any cost item exceeded budget by a certain percentage, and I think my recollection is five per cent, but we can clarify that. So unless that happened, we were not updating them on a weekly basis on the changes to the event forecast.

The CHAIR: Perhaps we might just take that point about what percentage that variable was before it triggered the —

Mr Legge: Andrew can provide that, he has the contract.

Mr Chernov: I can tell you now.

The CHAIR: Okay. Just while you are finding that figure, were you aware of whether Tourism WA was doing any modelling from their point of view, or might be sharing that information with you, or were they quite separate in that regard?

Mr Chernov: I am not aware of the extent to which they did any internal modelling. We provided them with a number of budgets as we prepared towards the event. Contractually, we had to have a budget that was presented to them by the end of the year, and I would say that that would have been the one that they then worked off, subject to agreed variations. The requirement to notify them of any variation was 12 per cent in the expenditure section.

The CHAIR: And that is noted in —

Mr Chernov: In the sponsorship agreement, yes.

Hon KEN TRAVERS: Was the 12 per cent the amount the budget could grow year by year? Am I right in looking at 2.2 —

Mr Chernov: Yes, we had to ensure that the expenditure part of the budget did not exceed the expenditure part by more than 12 per cent. Sorry, you are right—it is five per cent.

The CHAIR: Were you aware of the Pacific Circle Music Conference and the Australian Music Week events when developing the One Movement for Music event?

Mr Chitty: Yes.

The CHAIR: And what factors made you believe that One Movement would succeed where those events had not succeeded?

[3.10 pm]

Mr Chitty: That is a question I asked Chugg Entertainment, obviously, when they were looking at becoming partners or involved in One Movement. I guess the key things I recall initially talking to Michael about that were: one, he thought that he did the event too early; that when he started it was ahead of its time, and that the music industry in Asia was not at a level where enough revenue was being made to justify delegates coming down, and so on and so forth, and that bands at that point where not really touring there much at all. It was more embryonic and, therefore, did not really have the revenue-related incorporations around to support it. That was one comment. The second comment was that it did not have a strong foundation sponsorship partner. I think they had—I cannot recall the amounts because we never did the event—but they never had a strong government support sponsorship agreement in place to the extent that One Movement did with Eventscorp. I guess it was that commitment that Eventscorp made to the event after going through a very extensive due diligence and negotiation contract process that gave us the confidence that we would be able to, based on other event models both here and overseas, match that amount to the same level with other sponsorship parties, so he certainly looked at what he got when he was doing Pacific Rim Circle and other sponsorship, and we used that as one of the key foundations to get \$800 000 from Eventscorp; we could match it from other parties. That was effectively why we needed to get the numbers. My recollection was that the sponsorship budget or target was about double what Eventscorp invested into the event. That was certainly on track with the City of Perth, Murdoch and other parties before the GFC.

The CHAIR: Did you make an assessment of the economic climate prior to committing to the event in 2009? I guess we touched on that a little with the earlier questions about the global financial crisis.

Mr Chitty: Yes; certainly did. I guess, being a market analyst myself when I graduated, we did the best we could with information available at the time and the external marketplace. At that point in time, Lehman Brothers was a bit of a back-page story—not that you would disregard, it but I do not

think anyone could have predicted the domino effects that occurred throughout the worldwide economy; it certainly had never happened before in the history of the world. WA as an economy was growing and stable and had a lot of forward contracts and predicted growth by a lot of government departments, as well as from the corporations involved here in WA. Certainly, the events industry was growing in Australia and WA and our company was in a strong financial position as well. At that point in time, we got the ticks in the box we needed as directors who were taking the risk in this event.

The CHAIR: Just before we started the hearing, there was a copy of a particular letter we provided to you. For your reference, I am just going to refer to that letter now. Sunset Events wrote to Tourism WA in August 2008 requesting a number of amendments to its proposal for funding. Page 2 of that letter states, and I quote —

Sunset had relied upon the opinions of Pete Carroll and Rosco Stewart with regard to the standing of the ITC event within the music industry worldwide. Because of the time lines in submitting a proposal to Eventscorp, Sunset had been unable to complete its own due diligence on this key issue.

What due diligence did Sunset Events complete prior to 2008 to determine whether the event was viable?

Mr Chitty: My recollection around this is that we had to have an application in by a certain point in time to meet a board meeting that Eventscorp was holding and that the aim was to get an in-principle commitment from the board subject to further due diligence. Because we were not able to get what we needed leading up to the board meeting, my recollection was that we put a submission in subject to further due diligence that we would then have to come back to the board to sign off on. There was an initial approval subject to further information being provided to go back to the board rather than the ideal scenario, which was to get more information the first time. That in-principle agreement for us really showed the intent of Eventscorp to enter into an agreement with us. And that was really, at that point, where a very thorough due diligence from our Sunset Events' perspective occurred on ITC and the, I guess, events of this nature globally. Then we had to go back to the board, and I think we went through that process with Ken in terms of the steps.

Hon KEN TRAVERS: That was actually after you had signed the heads of agreement.

Mr Chitty: No; I am not sure whether or not a heads was signed, but I know the board meeting approved it subject to a lot of subjects being met. At that point we went to chase up ITC to get further information to assess whether we should do it with ITC or whether we should look at finding a different set of partners that met the requirements to deliver an event of this nature.

Hon KEN TRAVERS: But that was in early 2008 and by September 2008, signed the heads of agreement with WATC, which included —

Mr Chitty: Under In the City or under One Movement?

Hon KEN TRAVERS: By that stage; by September 2008 you had signed the heads of agreement for One Movement, including MUSEXPO or A&R Worldwide and Pangaea and Chugg. In August you were still working with ITC but needing to do due diligence.

Mr Chitty: Well, yes. We were working with ITC because at the time, technically, that was the only thing approved and on the table to be signed. I guess the reason we went over there to ascertain that before the next board meeting was that we were not really getting much response from them, so before committing to something, particularly with our own money let alone all the other stakeholders', to see whether that was the organisation we wanted to —

That is my recollection of the time line you are referring to there.

The CHAIR: How much did Sunset Events and One Movement Pty Ltd spend on due diligence and research?

Mr Chitty: I could not tell you.

Mr Legge: Approximately \$400 000 in the period up to 30 June 2009, prior to the event.

The CHAIR: The letter indicates a number of concerns about the capacity of the proprietors of the Manchester In the City event. Can you outline what those concerns were?

Mr Chitty: Perhaps they were the ones where they did not turn up to the meetings well briefed and, given we had put a lot of leg work leading up to London, ringing Pete regularly just trying to ask him to get Yvette to respond to our emails. We sent a lot of information over and were not getting any responses. It was along those lines as well as hearing that the event had lost a bit of momentum since the passing of Tony. As a result, I obviously held other meetings in London to determine what industry peers' views were on that event versus other events. The meeting I had with Yvette's team, as well as industry peers, both made me feel confident that ITC was not the right vehicle for the event here in Perth.

The CHAIR: In the same letter to Tourism WA on page 2, it also states —

As a part of the due diligence conducted by Sunset Events, a significant analysis of the various music conventions and festivals was undertaken with the view to securing the most suitable model for Perth.

What due diligence did Sunset Events undertake at that point?

Mr Chitty: They were meetings in London as well going to New York; I went to LA; I went to a festival in America as well; travelled through Asia a bit as well and came back and did an assessment on all that information with my co-directors.

The CHAIR: Was there a formal report prepared that reflected that?

Mr Chitty: Internally, no. We had formal meetings on it as to how we thought we should move forward and then I started progressing those conversations further with Michael from Chugg Entertainment as well as Sat Bisla from A&R Worldwide. I guess when they got to a point where it needed to go into something tangible in a draft heads, at that point, through the process, it would have had to go to Eventscorp, yes. I am sure that is what has occurred, but at that stage I think Andrew would have spoken to Eventscorp or we would have had a meeting with Eventscorp.

[3.20 pm]

Mr Chernov: But there would be no formal feasibility study.

Mr Chitty: No, it was more an assessment made of the industry, and that the model made sense to have a strong national partner and an international partner. There was a lot more research done on the international partner because we had an existing working relationship with Chugg Entertainment, and certainly in Australia I do not think there are many people, whether they are in competition with Michael or not, who would dispute his networks and experience and commitment to the industry. So we were confident with that based on our own experience and other people's outlook on Michael, broadly speaking; I do not think everyone shares the same view. But it was really more the international area where I did a lot of due diligence on.

The CHAIR: So, if you were reporting back to Eventscorp, was there a written document or was it just verbal?

Mr Chitty: No, because at that point we had not signed, or the whole One Movement thing had not been formulated, so I was then talking to Michael about we should look at getting MUSEXPO involved, and we started having chats with Sat—conversations, phone conferences, notes being taken, email exchanges starting—and eventually it went up to Eventscorp for approval because they were involved in how A&R was involved in the contract. I just cannot recall exactly when that occurred; I would say when things were advanced enough in writing for them to be making comments, rather than the verbal phase, but the onus was on us to bring it up to a stage where it

became more tangible in writing with A&R to a level where Eventscorp needed to be involved for comment.

The CHAIR: I have just one further question and then I am going to suggest we take a five-minute break for people to just catch their breath and have a cup of tea or whatever. Did Tourism WA indicate prior to the 2009 event that it would require directors' guarantees or performance guarantees in support of the One Movement for Music event?

Mr Chitty: No; and if they did, it would have been the end of discussions.

Mr Chernov: I am not aware —

Mr Chitty: I do not think you would have any events, or maybe a few, in WA if you had to sign personal guarantees. I think that is why people in business have companies. So you might now look at the whole legal system, changing it, but —

Hon KEN TRAVERS: Have you ever been able to get \$400 000 from the bank without a personal guarantee?

Mr Chitty: I think banks are a little bit different, aren't they?

Hon LIZ BEHJAT: You have to do it with taxpayer money.

Mr Legge: I think the difference to the model is that effectively Sunset Events and partners were taking the bottom-line risk to the event. So, I guess, as far as having skin in the game, we had to underwrite it.

Mr Chitty: So, whether we got that from banks or from investors or personally or against our own properties, home or otherwise, from Eventscorp's perspective, they use these words "skin in the game" constantly and how they always want to know that whoever is holding the event has risk and skin in the game, so they know they have a commitment to the event; and that was discussed from the very beginning really with Eventscorp. But signing personal guarantees, it is something I never do. So, like James has said, we took enough risk anyway.

Mr Chernov: We have to do that with the banks as it is. But I mean proper, large-event companies, there is just no way they would, especially when you are trying to start something from scratch; there is so much just inherent risk in it. No-one is saying there is no risk, but people behind those companies would not put personal guarantees on the line.

Mr Chitty: No event would ever get off the ground if there was not sponsorship and backing for it, whether it is private or government or both; otherwise nothing would happen.

Hon PHILIP GARDINER: So is that the reason why the model was applied of having milestones?

Mr Legge: Correct.

Mr Chitty: Yes.

Hon PHILIP GARDINER: And have you had that milestone model applied in your other entrepreneurial activities?

Mr Chitty: Not by government stakeholders, because we do not have government stakeholders at a state level. We have milestones with councils where they support an event to help establish it in their shire because of the economic and social benefits it brings to that town. And, obviously, Sunset has a reputation for delivering quality events, so other shires have made financial commitments to bring an event into their region to help stimulate whatever their priorities are. They are usual economic and social or both, but quite often, once we reach a certain number of ticket sales, they will then get a percentage of their investment back and that goes back until all their money has been refunded. So there are different, I guess, models of how it can be done, depending on how much or what people want out of the event.

Mr Chernov: But even our commercial sponsors all have quite stringent requirements and the outcomes that they need to see met delivered by us, and if we do not deliver them, they —

Mr Chitty: Absolutely, number of sales or whatever it may be.

Mr Chernov: They are even worse because they can change their mind halfway through a season and say, “Look this year’s deal is in place but the board’s decided to change the budget priority for next year and we’re changing the deal for next year.”

Mr Chitty: But as far as milestones go and mitigating risk, I think—this is from our perspective, and credit to Eventscorp—we have never had to sign a set of milestones as intense and hard to achieve as what Eventscorp set us, ever.

Mr Chernov: Yes. I think it was very well structured by Eventscorp.

Mr Chitty: It was definitely structured to manage risk and some of those milestones were really hard to achieve. And in the first year, unfortunately, we did not meet—was it one or two of them?

Mr Chernov: Yes.

Mr Legge: Two of them.

Mr Chitty: We got really close but did not get there. So, I guess, we did not get paid unless, as the ferryman, we got them to the other side.

Mr Chernov: And I think that also is borne out by the economic impact study that Eventscorp did on the first year of the event and they put the milestones in place to ensure that they got exposure, but also that they knew that when the event was delivered there would be a return on the money that they invested, and that really came through, and that was in the first year. And given that the event grew in the second year, I would say, there was not one done, but I would say the return would have been even greater.

Mr Chitty: Yes. So I think Eventscorp managed their risk well and we delivered a return to the state in accordance with what they were looking at achieving, and certainly comparable with some other events, as I understand it, not necessarily sport related but culturally related events. I mean, Sunset were really the risk takers in the event and certainly the outcome of this event has enabled us to look at how we assess things moving forward. Even though we thought we were quite stringent in our risk assessment, really at the end of the day it was us who had the risk.

Hon PHILIP GARDINER: That is mostly right, and I think we as a committee respect the fact that it seems that all obligations have been paid out and you kept to the same losses. We will come to that a little bit later.

Mr Chitty: Sure.

Hon PHILIP GARDINER: It is just that looking at it from the government’s perspective, though, how would you expect the government or the tourist commission to know whether you could actually have met the contingent losses and had the financial sustenance to keep the event going if you had a first bad year, which you did. I think you lost money the first year?

Mr Chitty: Sure.

Hon PHILIP GARDINER: So even though there is a contribution from the state based on more the macro analysis, you lost money. Dun and Bradstreet does not give you that, so how would you have better expected the government to know that you could have met your obligations, as you did, but they were flying by the seat of their pants?

Mr Chitty: I think that is question for Eventscorp, not for us.

Hon PHILIP GARDINER: Okay, then. Without going to the directors’ guarantee, and I understand the issue of a directors’ guarantees, there appears to be a gap in the way that the information on financial sustainability is there, especially if you are using taxpayers’ funds.

Mr Chitty: Yes.

Hon PHILIP GARDINER: And as Hon Ken Travers said on a previous occasion, you could have cut and said, “Look, this is the end of it” after receiving some government funds and not continuing. So there is a risk to the taxpayer there as well. How are you going to resolve that?

Mr Chernov: I do not think that is quite right, because I think we would have had to return any money that we received and then subsequently did not deliver any milestones on. The only way that they could have had certainty over our ability to meet any ongoing financial requirements would be to either get guarantees from us or to somehow have a look at and trawl through all our financial records and make that assessment for themselves.

[3.30 pm]

Hon PHILIP GARDINER: That is the latter, which could certainly have been done, and the guarantees are so repugnant. I understand all that. There is a third way. You could have financed One Movement Pty Ltd with equity to a certain level. If they said, “We require \$500 000,” and you had to go to the bank to borrow that money to put that money in, would that have been a third way?

Mr Legge: Possibly.

Hon PHILIP GARDINER: Would that be more acceptable to you than a director’s guarantee?

Mr Legge: Probably, but if that was put as one of the conditions up-front, we would certainly have assessed that because we are not used to that business model in our business, given the inherent underlying risk of the events business.

Mr Chernov: It would then become an issue of how commercially difficult it is to obtain finance based on a contract that is in place subject to getting that finance.

Hon PHILIP GARDINER: If you take the \$400 000 that you said is the due diligence cost plus the amount you lost, which I think was \$2.5 million, or was that before or after —

Mr Legge: The loss was about \$1.3 million in the first year, which included about \$400 000 in due diligence expenses.

Hon PHILIP GARDINER: Okay, so that was bound up in that. Let us say it was \$2.5 million. At the end of the day, you had to find \$2.5 million anyway.

Mr Legge: Correct.

Hon PHILIP GARDINER: Putting equity in in the beginning, which you probably could have got back if one worked it through a bit, if it was successful at the end of it, it would have been the same cost.

Mr Chitty: The risk is something that we assessed. We looked at the worst-case scenario and determined that we could pay the bills. Questions were asked of us after year one whether we were prepared to proceed because the losses were far greater than we had forecast. Moving forwards, I guess, after year two, ultimately, that is why we decided to not proceed because we thought that if it happened again, there would be a risk as to whether or not we could pay those bills. I think there are ways of doing that without having to go through a process of providing personal guarantees and up-front moneys because it may depend on each company and what they are like, but we did not want to go into the third year and sustain those losses again. After two years of that, it put us under some financial duress and we did not want to expose ourselves and our suppliers to any risks by doing that. It kind of works itself out in private enterprise in that respect anyway, but I am not saying that some people would have just done it and tried to solve the problem later. I think that if the guarantees and those sides of things come into it and they are too stringent—this is holistically speaking—a lot of people would not do events with Eventscorp—both local and international players—and we would be at risk of being a non-vibrant place.

Mr Chernov: Or town.

Mr Chitty: Or town. I do not know how the eastern states do things over there with guarantees and all the rest of it, but if we become uncompetitive, we will not secure some of the events that we need to. I think Eventscorp managed itself well in ensuring that we had the risk and they did not, by managing their milestones. Ultimately, they have defended the taxpayers and managed their risk well. That is my assessment. That is how we look at it.

Hon PHILIP GARDINER: Thank you.

Hon KEN TRAVERS: I do not disagree that the risk ultimately got borne by yourselves, but up until the date that the event actually goes ahead there was money paid over by the state and an event may not have occurred. You are right—you probably would have had to repay that, but the question is whether One Movement had the money to repay it. I am interested in the cash flows of the event going out for an event like this. The original sponsorship agreement had a fairly chunky payment right up-front to get it under way. What is the cash flow leading into an event like this in terms of the money you were getting in milestones relative to the amount of money you would have been paying out as those milestones occurred?

Mr Chitty: I can say broadly —

Mr Chernov: Not enough!

Hon KEN TRAVERS: I agree that the first year is going to be the most expensive year.

Mr Chitty: Which means, as a result, we were putting in a lot more money than Eventscorp.

Mr Legge: Substantially more.

Hon KEN TRAVERS: Prior to the event?

Mr Chitty: They have done this so many times now. They are very good and we learnt a lot from Eventscorp as to how they manage risk and how they meet payments at certain points in time and so on. As a company, we had to spend quite a bit of money up-front in the first year. We were hoping to get more of the Eventscorp money up-front to lighten the load on us, but that did not transpire in the contract.

Mr Legge: I will just give you an example of that. Marketing in the first year where we really had to get the event out there from a national and international perspective, cost over \$600 000. Marketing is almost all up-front. If you combine that with the \$400 000 in due diligence expenditure, that is over \$1 million before the event.

Mr Chitty: By June before the event.

Mr Legge: Eventscorp, I cannot recall the funding, but we probably got \$200 000 or \$300 000 out of that because it was so heavily linked to the benchmarks and milestones, which were linked to delegates and other things that all comes post the event. We had to fund quite a lot up-front, regardless of whether or not it was a successful event from a revenue perspective from that up-front investment.

Hon KEN TRAVERS: Was Eventscorp aware of that cash flow as they were going through it with you?

Mr Chitty: Yes, and we were too. We were conservative on our ticket sales that we needed to secure and we had to make sure that Chugg and us had the funds to underwrite it. Although Eventscorp technically does not give guarantees or put moneys into accounts, they managed it through their due diligence milestone process. I have no doubt about that.

Hon LJILJANNA RAVLICH: It appears to me that if you wanted to make a business, you might be really targeting the ticket sales, yet there seemed to be so many that were given away. Why did you do that if you really wanted to make a profit?

Mr Chitty: In the first year, we thought it was important to promote the event. Given that it was a new event and nothing had ever really been done like this in Western Australia, we felt that we needed to have some promotions with ticket winners to encourage people to come down and experience it. We did that in a discrete way through our media partners and sponsors. With all our events, we usually promote it more heavily in the first year than the second, third and fourth years and so on. In the first year the promo activity is usually higher until people come down to the event and see it and talk about it through word of mouth and sales increase in the second year.

Mr Legge: It is extremely common practice in the promoting industry in the first year to have a decent percentage of comp, or free tickets.

Mr Chitty: A lot of shops and restaurants got them; it is a common practice.

Hon LJILJANNA RAVLICH: I wonder whether you can provide the committee with the number of free tickets you gave away in 2009 and 2010? Have we already asked that?

Mr Chernov: That would be in the material, I would have thought.

Mr Legge: The number?

Hon LJILJANNA RAVLICH: Yes.

Mr Legge: I am sure that would have been provided in the Eventscorp material.

Mr Chernov: Eventscorp should have given you that, but we can get it.

Mr Chitty: Once again I point out that it is not relevant to Eventscorp and how its milestones worked, just to bring it back into context.

The CHAIR: I am mindful that we have been going for a while. It might be reasonable to have a 10-minute break so people can stretch their legs.

Proceedings suspended from 3.38 to 3.48 pm

The CHAIR: The next set of questions related to the financial position of One Movement Pty Ltd. What is the present financial position of One Movement Pty Ltd?

Mr Legge: The business, other than for its shareholders and backers, has no obligations outstanding; it has paid all its debts for all the events. There are no creditors, other than the loans to Chugg and Sunset Events. It has been agreed by those two parties that those loans will not be called upon and they bear no interest, so currently the entity is in a dormant position. It has a small amount of cash in the bank.

Mr Chitty: It is not trading.

Mr Legge: It is not trading.

The CHAIR: So they are your liabilities, and the assets are limited to what is in the bank. Is that what you are saying?

Mr Legge: Correct; yes.

The CHAIR: And do you have any tax liabilities?

Mr Legge: No.

The CHAIR: Did One Movement Pty Ltd ever try to renegotiate payment terms with creditors in 2010 or 2011?

Mr Legge: No. Certainly, as each event got closer, and as we do with all events, we looked at the cost of each event—particularly if we were looking at a loss position. Certainly, as Dave intimated, we would know that very close to the event and we can make some short-term decisions; however, a lot of the costs are already committed. But it is only prudent to trim where we can, so we would have made a number of calls, so to speak, on some various aspects of the event to try to save some

costs. Certainly, all those aspects of the events that were contracted, we honoured and the creditors were paid.

The CHAIR: Can One Movement Pty Ltd provide the committee with a list of all its creditors and payments made to those creditors each year in each of the event years? You might want to take that on notice.

Mr Legge: Yes, absolutely. Can I just ask clarification of the chair where that information goes—is that public?

The CHAIR: It will be private to the committee and then the committee will make a decision whether it remains private.

Mr Chitty: It is just that some of it is, I guess, commercially sensitive.

Mr Legge: Yes.

The CHAIR: And thank you for the query. If you have specific parts of the information that you wish to claim are commercial-in-confidence, please indicate them and give us the detail—why you consider that so. If it is the whole document —

Mr Legge: It will be the whole document; otherwise we would have to contact each supplier and seek permission to disclose.

Mr Chitty: Yes; what we pay for some services may be different to other events.

Mr Chernov: It is entirely sensitive; yes.

Mr Chitty: And if they see what we are paying for a stage or a toilet or whatever, they might ask, “Well, why aren’t we getting those prices?” It is a can of worms.

The CHAIR: Okay; we will certainly be very mindful of that. However, if you can provide that information to us in confidence we will —

Mr Chitty: We get special rates because we do lots of events.

The CHAIR: Were there any disputes about late payments, underpayments or non-payments of invoices or bills?

Mr Chitty: No disputes.

Mr Legge: There were no disputes. From memory, there was, for the 2010 event, the last event—because of the cash flow finance in the business that we alluded to earlier and more upfront—there was a small delay in the payment of some invoices to suppliers post that event, whilst we got in the sponsorship money, corporate and government, to pay for those events. All the suppliers were notified that there was to be a slight delay. And I am talking about in the order of 30 days —

Mr Chitty: They were settled in January, weren’t they?

Mr Legge: It was 30 to 60 days post normal terms, but I want to reiterate that they were communicated with and that all accounts were fully settled once the cash flows married up.

The CHAIR: When were payments made to parties related to One Movement Pty Ltd or its directors for services arising from One Movement for Music events in 2009 or 2012?

Mr Legge: Paid to Sunset Events?

Mr Chernov: Maybe staff?

The CHAIR: Yes; paid to —

Mr Chernov: By One Movement to Sunset or related companies?

The CHAIR: Yes.

Mr Legge: Yes. Well, when we say payments, there were invoices accrued. Obviously, there was no money to pay the shareholders, but there were three elements where there was some cost coverage from One Movement to the event. One is for staff, so we hired the staff for an event, including an event director, under the Sunset Events holding company, so to speak, because that is where we had the payroll set up, and then we on-charged that to One Movement at a commercial rate; so, too, was all the administration costs of One Movement. Because of efficiencies, we decided to include that within the Sunset Events offices—overhead structure—otherwise we would have to go up and set up a new office and replicate everything that we have already got. So we worked out a commercial rate of having an office and associated infrastructure, and that got charged to One Movement as well. The third one was, essentially, a programming fee paid from One Movement to Sunset Events, which was, you know, equivalent of the cost that you would have for a person who would program —

Mr Chitty: The music and talent.

Mr Legge: — the music and talent side of the event.

The CHAIR: What was the actual amount that was paid?

Mr Legge: Can I get back to you on those?

The CHAIR: Yes, sure

Hon PHILIP GARDINER: Just for clarity: what I would like to see in the response of that, James, is the full amount, so that we know what difference there would be to the losses suggested by the efficiencies, to the actual real losses given the netting off of payments to related parties.

Mr Legge: Sure, sure; I understand that concept.

[*Supplementary Information No A7.*]

The CHAIR: Why did Chugg Entertainment Pty Ltd provide financial support to One Movement Pty Ltd after the 2009 and 2010 events when it had no apparent involvement?

Mr Chitty: He was—Andrew, you have the best; structurally —

Mr Chernov: It might appear that he had no involvement, but he did. We had agreed with Chugg that—let us not say “he”; the Chugg Entertainment company had agreed to bear 49 per cent of the losses, and provide 49 per cent of any working capital required to maintain the event for 2009 and—I think that we ended up, in 2009, in that position, didn’t we?

Mr Chitty: And 2010.

Mr Chernov: Certainly in 2010 we did, but I think for 2009 we did as well; by the time we had finished the event, he was in that position.

The CHAIR: Where was that documented?

Mr Chernov: There was no document ultimately signed; there are a number of reasons for that. But there is a very long one that was negotiated, but ultimately it did not get signed by both parties.

The CHAIR: Because?

Mr Chitty: I would say he was managing his risk.

Mr Chernov: Yes, you would have to ask Chugg Entertainment that.

Mr Chitty: But they paid all the bills at the end of the day.

Mr Chernov: They basically did not sign the document.

The CHAIR: But they honoured the agreement without it having been signed?

Mr Chernov: That is right, yes.

Mr Chitty: Yes.

Mr Chernov: Under the agreement—they were probably obliged to do this anyway—they were due to be put on as shareholders and directors of One Movement Pty Ltd, and they, I would suggest, did not want to take that formal step, but they nonetheless honoured the agreement to pay the money.

Hon LIZ BEHJAT: Were Eventscorp aware of those arrangements between Chugg and Sunset?

Mr Chernov: Broadly speaking. They certainly were in material terms—substantive terms—so they knew the extent to which Chugg Entertainment had agreed to bear the costs of the event. Whether they were aware of the detail of where the final documentation had got to, I could not tell you.

Hon LIZ BEHJAT: Do you recall if they asked to see documentation?

Mr Chernov: No, I cannot recall if they did.

Hon LJILJANNA RAVLICH: What did Chugg get out of the arrangement? It was very nice of him!

Mr Chitty: Well, it was very nice of us, too! I think he was hoping that the event would work, like we did, I guess.

Hon LJILJANNA RAVLICH: So he just took a risk?

Mr Chernov: He was passionate—yes, yes.

Hon KEN TRAVERS: I am assuming he would have got 49 per cent of the profits.

Mr Chitty: Yes.

Hon LJILJANNA RAVLICH: After profits occurred, yes.

Mr Legge: And he got a lot of offshoot business from those events in having that status and helping his core business, which is bringing —

Mr Chernov: Touring artists.

Mr Legge: — big, big, big international names to Australia.

Mr Chernov: Yes. We launched his book at the event.

Hon KEN TRAVERS: That is an expensive book launch.

Hon LIZ BEHJAT: Did that come free in a show bag?

Hon KEN TRAVERS: There are cheaper ways of launching your book, I reckon.

[4.00 pm]

The CHAIR: So after the 2009 event it was apparent that losses were substantially more than budgeted for and One Movement's financial position was weak. Did Tourism WA approach you to discuss the situation?

Mr Chitty: After which event?

The CHAIR: The 2009.

Mr Chitty: I would not say Sunset Events' financial position was weak; I would say that One Movement's financial position was weak. We did, we sat down and, I guess, had a good think about whether it was worth everyone's interest to continue. From everyone's perspective we wanted to see whether Eventscorp were happy with the outcomes as a key stakeholder, City of Perth, Chugg Entertainment, Murdoch—all the stakeholders. I guess most of the stakeholders really looked at us and asked us if we wanted to continue in that they had met their objectives that they had set out for us in contract. We delivered to everyone, but the event had made a big loss to the risk-takers. So I guess we sat down with Chugg Entertainment and worked out whether we wanted to continue doing the event or not. We were, I guess, naturally apprehensive as to whether it could become sustainable

or not. Michael was quite clear that he wanted to continue it. He could not believe how well the event was delivered on the ground. The feedback he got from all the artists and the industry as to what they got out of the event encouraged him that it would improve in the following year and slowly become a break-even event and yield over a long term. So yes, we did analyse it after year one.

The CHAIR: Then why did you agree to run the One Movement for Music event with a budget of millions of dollars and establish One Movement Pty Ltd with a share capital of capital of three dollars?

Mr Chitty: Sorry, I cannot answer that question. That is more of a Andrew or a James question, I think.

Mr Chernov: Because the share capital was just the standard, I guess, one-dollar-each structure that we wanted to put up as the capital that would be at risk in theory. But in terms of the money that as shareholders we were ultimately obliged to put into the business to keep it going, whether that was not strictly share capital but we still had to pump money into it. There is no real link between the size of the budget and the amount of money that was required to run the event and the share capital that is on the books.

The CHAIR: Is that a fairly normal arrangement in this line of business?

Mr Chitty: Most businesses. I think in a lot of businesses you would start a company and then you have got to put money as required to meet your obligations, and to start a company you literally only need to be registered and the accountant to register it and put a dollar in to start it. But effectively there was a lot more money than went in, but just when we set the company up we only need—hence the one-dollar company or whatever the term people refer to.

Mr Legge: Basically in the shareholder's agreement and certainly the internal workings is that we undertook to provide working capital to the extent required by each party, and that is the backing that we gave One Movement.

The CHAIR: And that understanding or that agreement, was that in writing as well?

Mr Legge: It was in the draft shareholders agreement that Andrew was referring to that was not signed. The undertaking, I guess, is formulated in that.

The CHAIR: But it was never signed.

Mr Chernov: Never signed, no.

The CHAIR: The next point I wanted to take you to was in regards to the conflict of interest and related pay transactions. Can you please inform the committee of the process of recruiting Ms Saskia Doherty?

Mr Chernov: With Saskia we, from our perspective—not understanding government process, just looking at it from a purely private enterprise perspective—we needed an event director to deliver the event. We knew that Saskia had a lot of experience working in a government environment with the ITC and its history, previous to us putting our submission in. So we knew she knew a lot about the event and had a lot of knowledge about the event, knew how Eventscorp worked and how government departments work. We knew we would have a lot of other not-for-profit and government entities as stakeholders in the event. We thought those skills would be suited to the event director which we knew had to deal with the likes of the City of Perth and Eventscorp and Murdoch and government bodies on the east coast and relative overseas, export music, all the export industry bodies overseas to approach them to get funding to fund the event as well. Those skills were attractive to us in terms of what criteria we needed to fulfil the event director role. She was a natural match to the job description, and so we asked her.

The CHAIR: So you approached Ms Doherty?

Mr Chitty: yes.

The CHAIR: Do you remember when that was or what circumstances that was in?

Mr Chitty: No. I know that we approached her after the board had signed off on the event in the first instance.

The CHAIR: Would you have a record of that, of the actual time when that would have occurred?

Mr Chitty: I guess I can just go back and try to find out exactly when all that communication occurred. One thing I do know is that we did not want to approach her until the board had made its initial decision, so it definitely was not.

Mr Chernov: Did you not formally just clear it with —

Mr Chitty: And it was cleared, but technically it may have occurred before the contract was signed, but I know it was post the board approving the event, but I cannot remember exactly when.

The CHAIR: So if you could provide whatever written record you have, or notation.

Mr Chitty: Yes.

The CHAIR: Can you perhaps just explain to the committee what you mean by “it was cleared by the board”?

Mr Chitty: When a proposal goes through Eventscorp it is worked internally amongst all the staff members and with the proposed event holder. When we, as the event organiser, think it is ready to present to the board, the Eventscorp add it on to the agenda of the TWA board meeting and the board either approves it or knocks it on the head. It was approved subject to the contract phase.

The CHAIR: So are saying when it is cleared you were saying that the board had made a decision?

Mr Chitty: Yes, they had made a decision, but the contract is not signed then of course. That can take several months.

The CHAIR: I am just trying to clarify that.

Mr Chitty: Yes, it is a bit of a chicken and egg thing, though, because you have to start working on it, business development-wise, whilst you are working on the contract at the same time. The requirement for event director is my prediction fell in between those two phases. We were certain we did not want to approach Saskia until the intent of the board’s decision had been made without any influence over Saskia being asked to come over.

Hon KEN TRAVERS: When you talk about the contract, so you are saying prior to the heads of agreement, because as I understand it there was a heads of agreement signed first and then the contract negotiated. So there was the board’s decision, a heads of agreement finally negotiated and then the contract. At which stage of that —

Mr Chitty: I cannot tell you. I would have to refer to —

Mr Chernov: I certainly remember that we had agreed that she would come over before we had finished negotiating the contract, the final contract, because we were negotiating with her in her capacity as repping Eventscorp to finalise the contract knowing that as soon as it was finished she would be working with One Movement.

[4.10 pm]

Mr Chitty: So that probably would not be appropriate for the heads, would it?

Mr Chernov: I am pretty sure it was after the heads but before the conference.

Mr Chitty: We would have to raise that with Saskia as well and see what her recollection is, as well as Eventscorp’s.

Mr Chernov: I do remember we were concerned about the best possible perception or some issues that may arise at their end. I remember you raised it with David and/or Richard Muirhead even possibly—maybe not, but certainly David.

Mr Chitty: It was definitely discussed at some point in time; I just do not know exactly when that was raised and whether that would be an issue from their perspective or whether it was appropriate to be asking her at this point in time.

Hon KEN TRAVERS: So you raised it with them before you actually raised it with her; is that what you are saying?

Mr Chitty: I think I did want it clear that that would be okay from Eventscorp's perspective.

Mr Chernov: Before we made a formal offer.

Mr Chitty: Yes.

Hon KEN TRAVERS: But had you already sounded her out before you spoke to those people?

Mr Chitty: No. When I approached Saskia, I knew that I had the all clear that it was okay to do it.

Hon LIZ BEHJAT: And that was your first approach to Saskia. You had not had any informal discussion prior to that about the possibility of her becoming event director.

Mr Chitty: No, that would not be appropriate to do that; absolutely not. I think the details on when all that occurred need to be looked into because I cannot remember the exact dates.

Hon LJILJANNA RAVLICH: But you cleared it with Mr Van Ooran.

Mr Chitty: I discussed it with David, yes, at some point in time and, I guess, notified him of our intent and would that be an issue with them, because I am not familiar with the process in government and what conflicts there may have been from their end.

Hon KEN TRAVERS: So you do not have any records at all about those events?

Mr Chitty: No. With a lot of my work, I do it verbally on the phone and in meetings; and, if anything becomes tangible, I then put it into emails or work with Andrew and James on formalising it, because I do all the business development. I guess I can find that out, but I would need to go and talk to Saskia about when she left and when she was asked and speak to David van Ooran and look in my diary and my files as well and just try to find out. I know I asked her, but this is three years ago now and I do not remember exactly what day I asked her to come and work for us. I did send an email to her to send us the letter a few weeks ago saying what questions we were going to be asked so we could perhaps have the answers for you, but I was told that that would not be forthcoming.

Hon KEN TRAVERS: The only other question I have is: do you recall the circumstances, like where and how you made the offer to her?

Mr Chitty: Yes. My recollection is that I asked her in our office when she was around for a meeting.

Hon KEN TRAVERS: Right.

Hon LIZ BEHJAT: And why would she have been at your office?

Mr Chitty: I guess, like most people, they are employed by someone —

Mr Chernov: Because she would have been there probably progressing the details on the contract.

Hon LIZ BEHJAT: So she is in your office discussing the terms of the contract and some of those finer details. Prior to that happening, you have already had a discussion with either David van Ooran or Richard Muirhead that you are going to approach her and you have been given the tick off. You then at that meeting where you are discussing these details say, "Do you want to come on board as the event director?"

Mr Chitty: I think I would prefer, seeing as this is clearly an area that you are focusing on, to go and get all the dates in writing from all parties so that I am not saying anything that is misread or misled seeing as this is a public forum; hence, once again, why I asked for the questions before I arrived here so that we could have the right answers for you.

The CHAIR: I think we have already asked on notice for any time line that you have on record that you can provide that would track that.

Mr Chitty: Absolutely; I have no issue finding out exactly when it was, but I do not remember it from three years ago exactly.

Hon PHILIP GARDINER: Did the public service commissioner contact any of you or anyone in your organisation to discuss this matter over probably the last 12 or 18 months?

Mr Chernov: Since it got raised? No.

Mr Chitty: No. I remember Saskia was devastated that she had come up in some parliamentary discussion and was used as some kind of political pawn. She was obviously upset by that and felt let down that she had worked very hard on trying to make something really good happen for Perth and was caught up in some argument or debate or whatever it was.

Hon PHILIP GARDINER: The issue is not really a political issue; it is just an issue of actually principles which the public sector can learn from the experience.

Mr Chitty: I understand.

Hon PHILIP GARDINER: So that was the reason for the investigation. I know you have said you will provide the time line. What would also—it may be more difficult—be very important in this is what the issues in the contract were that were being discussed.

Mr Chitty: If, in fact, that was the case.

Hon PHILIP GARDINER: If that was the case. The obvious implication is that it is very difficult for someone in a position where she has already discussed her job to be talking about financial matters or other conditions in a contract which are in favour of One Movement or the tourism commission. So, in the interests of fact —

Mr Chitty: I think that is why my instincts taught me to speak to her superiors before I did that.

Hon PHILIP GARDINER: To clear it first; I understand.

Hon LIZ BEHJAT: I have just one question. I also understand that after Ms Doherty resigned from the tourism commission and prior to taking up appointment with One Movement—she would have been employed by One Movement, not Sunset Events; is that right?

Mr Legge: I think she was technically —

Hon LIZ BEHJAT: Or is that one of the things you said where Sunset billed One Movement?

Mr Legge: That was the on-charge, yes. It was merely internal things where our HR department sat. There was nothing behind it.

Hon LIZ BEHJAT: During that period of time, Ms Doherty travelled to London at your request to go to In The City, was it?

Mr Chitty: No; it was MUSEXPO in London.

Hon LIZ BEHJAT: At that time, was it discussed with you that that might present a possible conflict of interest that she was technically still employed by her?

Mr Chitty: I think the aim with MUSEXPO London, while she was still technically employed with Eventscorp, was to promote the event because Eventscorp at that point had an interest in it.

Hon LIZ BEHJAT: But all costs associated with that were borne by One Movement?

Mr Chitty: I do not know actually. My recall from her at London is that she was there to ascertain the events from Eventscorp's perspective, but that was at the cusp of when she was, from what I recall, joining over to One Movement. So if there was a grey area that occurred, it might have been around at that time, because I think that is what was discussed or later on when this was raised in that.

Hon LIZ BEHJAT: So you do not recall who paid for the ticket for her to travel to London.

Mr Chitty: No, but we can find out.

Hon LIZ BEHJAT: Could you?

Mr Chitty: Yes; I am sure that is available to be determined.

[Supplementary Information No A9.]

Hon KEN TRAVERS: So you are suggesting that she was still working for Eventscorp on that event when she was in London.

Mr Chitty: Yes. I am saying my recollection is that, technically, she was still employed by Eventscorp at that time and that they were assessing MUSEXPO as an appropriate partner. But I would need to look at who paid for the flight and all the details.

[4.20 pm]

Hon KEN TRAVERS: Between that point of the offer being made and her formally coming across, what sort of role did she have between yourselves and Eventscorp with the event?

Mr Chitty: Before she was working on the event, she had worked on In The City with the people who were working on it beforehand. When she came to us, she worked as the event director.

Hon KEN TRAVERS: In that period between you making the verbal offer and her formally starting work with your organisation on One Movement, what role did she play during that period, do you recall?

Mr Chitty: No. My understanding is that when we approached her, it was at a time when we were starting to work on One Movement in earnest because we had approval at the board level. I am not sure whether it was at the head stage or the contract stage, which is what we need to find out. Until we get that information, it is a bit hard to be more specific. Just to recall what I can, I do remember talking to Richard at one point down the track and they were both disappointed to see Saskia go but they said from the perspective of Eventscorp, they could not think of anyone better to have as a key stakeholder on the event, trying to make the event a success, given the amount of money the government had invested in the event.

Hon KEN TRAVERS: People will always have conflicts of interest. It is how it is managed by the relevant agencies that is the crucial question.

Mr Chitty: I understand. In order to ascertain if there were any conflicts at any point, detail needs to come to the surface. She was particularly anal at making sure she never got into a position where this would happen and she was absolutely devastated as a result. I think this level of detail did not occur in the earlier process. She felt she did not have the opportunity ever to fully explain exactly what happened. Perhaps we can clarify that in this process.

The CHAIR: Finally on that matter, has the conflict of interest matter adversely affected Sunset Events or One Movement?

Mr Chitty: No, to the contrary. I could not think of anyone better than having Saskia working in that. I have never seen anyone so efficient and hardworking in my life. She was unbelievable. She was very committed.

Hon PHILIP GARDINER: Is she still an employee of Sunset?

Mr Chitty: No, she got to a point when this process occurred that you referred to later on where I guess she felt a bit let down by the system and got a bit upset about it all and wanted to move on and do something else.

Hon LIZ BEHJAT: She wanted to move on, did you say?

Mr Chitty: Yes.

Hon LIZ BEHJAT: She did go back to Tourism WA?

Mr Chitty: Eventually. I do not think she went back straight away.

Hon LIZ BEHJAT: In the same role that she previously held?

Mr Chitty: I do not know. She is certainly an asset to any company she works for but the process is a different question, I guess.

The CHAIR: Could you tell us when she left?

Mr Chitty: No, but we can find out.

[Supplementary Information No A10.]

The CHAIR: Can you explain A&R Worldwide's relationship with the Big Sound event and its implications for One Movement for Music?

Mr Chitty: Obviously I am not privy to the arrangements because they do not relate to our company but A&R did disclose that they do some consulting work for Queensland, Q Music, which rolls through into Big Sound. It mainly relates to the export arm of Q Music as opposed to Big Sound at the event. Big Sound and One Movement are similar events. Q Music is the equivalent of WAM, I suppose, or DCA. The structure is a bit different. They consulted A&R to help them with some of their export-ready bands, as they call them, to get traction in America. Sat and his team work with a lot of music export officers around the world, and Q Music was one of them. From our perspective, we did not have a problem with that unless he was going to be consulting to the event Big Sound and putting on a conference for them or consulting with them to get delegates to go to their event. The way it was handled was quite well done because as a result it helped Q Music commit to bring over some of their talent to Perth. Because it is an international focused event, it is another export platform for Queensland artists. That relationship helped the Queensland government to commit to sending some bands to Perth to help them export into the Asia-Pacific region.

Hon KEN TRAVERS: We had a question around the role with Chugg. You were saying earlier there was no agreement in terms of the shareholder agreement.

Mr Chitty: Although the agreement was not signed, the agreement was well understood as to what our arrangements were and well documented but never technically signed. On a few occasions James and I both asked Andrew what would happen if a major incident occurred. It is our understanding, even though it technically was not signed, that the agreement with Chugg had been delivered on the basis of an agreement facility.

Hon KEN TRAVERS: Did you have any other agreements with Chugg? Under the sponsorship agreement, there is a requirement with respect to related parties, which are defined to include Chugg Entertainment and A&R Worldwide and Banjeera. With the exception of the disclosed involvement of A&R with Big Sound in Queensland, there is a requirement for you to have obtained a provision that stops them getting involved in any other similar events.

Mr Chernov: There was no other agreement with Chugg to that effect.

Hon KEN TRAVERS: As I read it, there is a protection for the state from the three of you getting involved in any similar event without the permission of Tourism WA for the next three years. What

about Chugg and A&R Worldwide? What prevents them from getting involved in another event now?

Mr Chernov: Possibly nothing, other than the fact that they have lost a significant amount of their reputation and I think that would be highly unlikely given what has happened. They would possibly be open to that.

Hon KEN TRAVERS: In light of what has happened with One Movement—it is probably not as big an issue—if One Movement was still going and was successful, if there is no formal agreement, what would stop them saying, “This is working now —

Mr Chernov: If it was successful, the agreement would have been signed. If the event was working and was tracking towards making a profit, we would not have taken another step further until they had signed the agreement. The agreement had been done and dusted but because of the way the event had performed, there were obviously issues at Chugg Entertainment which meant that if they could, they would rather not sign the agreement because it committed them technically to a whole lot of future involvement with possibly things like appearing before this inquiry and those sorts of things. To the extent they could distance themselves from any further involvement with the event by not signing the agreement, I think that was their aim.

[4.30 pm]

Hon KEN TRAVERS: But that is after two events.

Mr Chernov: But that is after two events. But if the event had been turned around and was starting to perform well, the agreement was ready to sign and we would have simply said, “No-one is going any further on this event until you sign the agreement”, and then they would have been bound by obligations of non-competes and those sorts of things, which were all in the agreement.

Hon KEN TRAVERS: The structure was that you had a no-competition clause, effectively, for want of a better term, with Tourism WA and then it was your obligation to then get any partners that you had.

Mr Chernov: And it was in our interest to do so anyway.

Hon KEN TRAVERS: Did Tourism WA ever raise with you the fact that there was not a signed agreement that locked and bound those parties prior to the second event—or even the first event for that matter?

The Witnesses: Not that I recall.

Mr Chitty: I think, Eventscorp definitely scrutinised the deal with A&R Worldwide and researched News Expo and A&R Worldwide and their involvements with other events around the world and raised the new music thing and what was the relationship with them. So, definitely focused on —

Mr Chernov: They focused a lot on that.

Mr Chitty: They focused a lot on that. But, I think, perhaps with Chugg, they relied on us to —

Mr Chernov: Keep them informed.

Mr Chitty: — execute the agreement and to keep them informed if there were any problems.

Hon KEN TRAVERS: That is why I find it fascinating here, because they have done all of that. They have even included in the sponsorship agreement a schedule 2 that outlines what is the relationship between A&R Worldwide and Big Sound, but there does not seem to be any formal agreement that binds—there is a written agreement that binds you. There is a written agreement that binds Tourism WA to certain things, but there is no formal agreement anywhere that binds those other parties into this arrangement.

Mr Chitty: I think there are agreements with A&R Worldwide, is there not? It is more with Sunset and Chugg.

Mr Chernov: That is right.

Hon KEN TRAVERS: So, who holds those agreements with A&R Worldwide, then?

Mr Chernov: We did. Sunset entered into a heads and then subsequent agreements with A&R.

Mr Chitty: We focused on that being executed because we had never done business with them before, whereas with Chugg we had a relationship where, I guess, for lack of a better word, he is “old school” and the gentleman’s agreement was a gentleman’s agreement. In our own private arrangements, we have subsequently developed contracts out of those agreements, but we have had a history of him delivering and us delivering. As it relates to this event, that is why we sought a more formal agreement.

Hon KEN TRAVERS: I understand that in terms of your ongoing commercial relationships, your relationship will be the binding agreement between the two of you.

Mr Chernov: Yes, that is right.

Hon KEN TRAVERS: The question I am asking is from the state’s perspective, where our protection is in all of that. For the same reasons that if Chugg suddenly decided to go off somewhere else, then that is going to be a decision that you are going to take a commercial decision in your own interests about how you respond to that—there does not seem to be anything that properly gives the state leverage to protect its interests.

Mr Chitty: As it relates to the state, when we raised it with Andrew, if there was an issue with Chugg, I think you indicated that they have effectively worked on the implementation of that agreement for two years, so they are bound by it anyway without that technically being signed. The agreement was almost—we had acted together in what was in the agreement for those two years moving forward, so they were bound by it anyway through what actually occurred through conduct.

Hon KEN TRAVERS: But I suspect the difference is —

Mr Chitty: The risk was probably earlier rather than —

Hon KEN TRAVERS: Which protects you, but I am still not sure where the state fits into that —

Mr Chernov: It was not in the original sponsorship agreement that that was required, so to the extent that was not—that other parties, yes?

Hon KEN TRAVERS: There was a requirement to procure and at all times ensure that any related entity of the event holder does not during the term of the sanction hold or be instrumental in holding. So, there is a requirement for you to procure that agreement from them.

Mr Chernov: Yes, but are they related—I think that is —

Hon KEN TRAVERS: That is what I find so interesting about the sponsorship agreement, is that it seeks to bind people who are not parties to the sponsorship agreement, and the only way I can see that that occurs is that there is effectively an obligation placed onto you to seek that agreement. Again, I am not convinced that is a particularly good way from the state’s point of view to protect their interest because it requires us to, effectively, put pressure onto you to then put pressure on to those other parties, but there is not any formal written agreement is, I guess, the key issue at this stage.

Mr Chernov: Correct.

Mr Chitty: That is done out of the State Solicitor’s Office, is it?

Hon KEN TRAVERS: This agreement would have been. It would have been negotiated with yourselves.

The CHAIR: Is it possible to give the committee a copy of the agreement?

Hon KEN TRAVERS: The draft agreement.

Mr Chernov: The unsigned one?

The CHAIR: In effect, because you are operating under it, even though it was not signed.

[*Supplementary Information No A11.*]

Hon KEN TRAVERS: The agreement with A&R Worldwide, has that ever been provided to Tourism WA?

Mr Chitty: Which one, sorry?

Mr Chernov: The A&R one?

Hon KEN TRAVERS: Yes, the A&R agreement.

Mr Chernov: Look, I do not know.

Mr Chitty: I know Eventscorp focused on that a lot, because they were an international party that were key to the event and had never done business before, so I am pretty sure it was.

Hon KEN TRAVERS: If we can get a copy of that as well.

[*Supplementary Information No A12.*]

The CHAIR: I might go back to Little Creatures, if that is okay.

Hon KEN TRAVERS: Yes, sorry; it seemed appropriate that that was the point to do it in terms of the agreement.

The CHAIR: No, that is fine. Little Creatures was an events sponsor in 2009–10. Can you outline how Little Creatures came to be an event sponsor?

Mr Chitty: They were an existing sponsor of Sunset Events—at that point in time anyway. We approached all our existing sponsors at other events where there was a potential fit with One Movement and spoke to the appropriate staff to ask whether those companies would be interested in sponsoring One Movement. Then we sent them a proposal and went from there.

The CHAIR: Do you recall the dates of when those discussions were had? Again, you might have to —

Mr Chitty: I am pretty sure with the supply agreements—when I say “supply”, I mean FMB and that kind of thing, as opposed to major sponsors, which were worked on sometimes a few years in advance—they were done after we had announced, but I will have to find out. I am pretty sure we approached most of our—what would you call them?—minor sponsors or product sponsors once the event was officially sort of out there.

The CHAIR: If you could check your records if you have got a record of when.

[*Supplementary Information No A13.*]

The CHAIR: In terms of milestone payments, did One Movement Pty Ltd lodge a claim for all milestones in the 2009 event?

Mr Chitty: All but one, was it, in the first year?

Mr Chernov: Look, I cannot remember. We may have omitted one, because we—in fact, I would say we would have omitted one at least.

Mr Legge: We did, yes.

Mr Chernov: Because we were way short of it.

The CHAIR: Would that have been the delegate attendance?

Mr Chernov: It would have been one of the delegate—there were a number of delegate attendance milestones, and it would have been one of them.

Mr Legge: One we submitted and was later not paid because Eventscorp deemed that we had not reached that milestone and there was a differing of opinion.

The CHAIR: Because we understand there were no payments made for the 2009 event for delegate attendance? Is that correct?

Mr Chernov: That could well be correct, yes, because we —

Mr Chitty: We thought we had reached one; we knew we did not reach another.

Mr Chernov: Then there was the extra one.

Mr Chitty: And they audited—anyway, their interpretation of the milestone we thought we had reached was that we had not reached it, and so we did not get payment for it.

The Witnesses: I would say that is probably correct, that there were no payments made for delegate milestones in 2009.

The CHAIR: Was this outcome discussed with Tourism WA; and, if yes, with whom and when?

Mr Chernov: Sorry, was it discussed?

The CHAIR: Yes.

Mr Chitty: What?

The CHAIR: Not any discussion about payment, but the fact that you did not meet the delegate attendance milestone?

Mr Chernov: Yes, it was discussed. It was discussed on a number of occasions. I cannot tell you when.

Hon GIZ WATSON: Would you have a record of that, do you think?

Mr Chernov: Yes.

[Supplementary Information No A14.]

The CHAIR: And with whom, if you could, as well.

[4.40 pm]

In terms of budget management, what discussions did One Movement have with Tourism WA regarding event budget approvals?

Mr Chernov: Sorry, what did we have in place regarding event budget approvals?

The CHAIR: Yes.

Mr Chernov: From memory, we sent Eventscorp the proposed budget and asked them to tell us whether they had approved it.

The CHAIR: And did they provide feedback or guidance?

Mr Chernov: Yes, they did. We had to have numerous discussions with them about interpreting the budget.

The CHAIR: For both the 2009 and 2010 events the outcomes were substantially different from that that was budgeted. How and when were these variances communicated to Eventscorp, to Tourism WA?

Mr Chitty: I think that was just sort of ongoing throughout the whole period if we were reaching shortfalls or—our regular meetings; we met regularly to discuss things regularly —

The CHAIR: Monthly, weekly, fortnightly?

Mr Chitty: Monthly, but sometimes more regular depending on how far away from the event we were. As the event went through an announcement, there was regular contact, or as we were

approaching the event, there was a lot more regular contact, and then on the planning phase, there were obviously longer time frames.

Hon KEN TRAVERS: You have just mentioned there were different interpretations of the budget. Can you give us some examples of something where you interpreted it differently to Tourism WA?

Mr Chernov: No, there was not a different interpretation of the budget, just they wanted to —

Mr Chitty: Clarification.

Mr Chernov: — understand, yes, what had been put in the budget and what some of the notes meant.

Mr Chitty: I mean, for example, an artist spend, is that just for national artists or is that international artists or national artists and local artists? Does it include flights and accom? You know, just detail of what headline items would mean and what it might cover and what it might not. But that was always footnoted in James's budgets anyway in more detail.

The CHAIR: Can you outline the pricing model for the 2009–10 events?

Mr Chitty: The pricing model was to make it—for the consumer or for the delegates?

The CHAIR: Or each of the parties, I guess.

Mr Chitty: Sure. The delegate pricing was based on MUSEXPOs in LA and London and then we looked at making variances downwards, given it was the first year and that they have a slightly different offering over there and they were from FNB and so on; it is all inclusive. Then we looked at the American dollar and the Australian dollar and the pound and there were quite a few variables involved in assessing the delegate prices. The consumer side, the target was to make it an extremely good-value ticket, given that most of the talent were not household names, but certainly most of it was on radio and breaking or emerging. In some cases there were acts like [indistinct] or Art Vs Science or Sarah Blasko—names that most music fans would be aware of. So certainly the value for the ticket was good value compared to if you went and saw all those acts in a separate show at a club, which is the same model as every festival uses really. But we just did it proportionate to lesser known names.

The CHAIR: It has been alleged that you advised delegates to pay for their attendance and that arrangements for reimbursements at a later stage would be made. Is that correct or do you have a response to that allegation?

Mr Chernov: It is kind of twisting what was happening. We wanted to make sure that all the people coming registered at the event so that they could then be included as a delegate under the agreement. In some cases we provided fees for—so some of those delegates would have been bands. In some cases we paid fees for those bands, like a commercial fee, if they were high-profile. In some cases if they were speakers, they got paid some money and certainly had the cost of their flights covered and hotel provided.

Mr Chitty: Most of it was contribution to costs so —

Mr Chernov: And it worked down the chain depending on what the level of the artist or the delegate was, so there was a varying contribution to costs of those people attending.

Mr Chitty: For people to come and speak or perform.

Mr Chernov: And we paid that to them depending on their profile basically, but in each case we asked them to make sure that they registered. Given that they were being paid money, then that would have automatically meant that the money we were paying them would have covered the cost of their fees, but in some cases it was a lot more, in some cases it was not much more.

The CHAIR: Was this an unusual arrangement or was this something that would —

Mr Chitty: I have been offered to have my flights and accom or partial made to go and speak at different conferences; it is standard practice.

Mr Legge: It is very common.

Mr Chernov: Especially when you are in events in its infancy, you need to get the people there.

Mr Chitty: You need the drawcard so—but the budgets go towards the speakers and the performing bands; they do not go to bands that are not performing or people who are not speaking.

Mr Legge: Or just random delegates; it is all part —

The CHAIR: So kind of what proportion of the delegates would have been receiving the speaking fees and other —

Mr Chitty: It was only for speakers; we did not pay people who did not perform a function as part of the content, and so I think there was 95 speakers in the first year. I cannot remember the total numbers.

The CHAIR: Out of?

Mr Chitty: About 500. Five hundred was there and less in the second year, so similar proportions to other events. So, yes, the concept was, “We want you to come and speak, you’re an expert in this area. As a result, we’ll pay for part of your costs or all”, depending on whether they were a headliner or a panel member, or for a band the same thing, “We want you to come and perform, here’s some contribution to costs to perform”, but we did not offer moneys to bands that did not perform for people to come and be a delegate.

Mr Legge: And because it is an industry event, they are all wanting to come to the conference, maybe not to every session, but certainly some sessions because that is what the event is about.

Mr Chitty: So it was related to performance; it was not related to attendance.

Hon PHILIP GARDINER: So in terms of the transactions then, were the transactions at arms-length to the extent that you provided the fares and accommodation cheque and then when they went to the conference they actually paid a separate cheque or a separate payment to be the delegate, or did you package it up in one?

Mr Chitty: Speakers were offered delegate passes.

Hon PHILIP GARDINER: Okay, and how about the —

Mr Chernov: It is part of the package.

Mr Chitty: The same as other events; like, I have spoken before and been given a delegate pass, so that is all pretty standard.

Hon KEN TRAVERS: But they counted for the purposes of meeting the milestone payments if they were international or interstate.

Mr Chitty: Put it this way, the speakers —

Mr Chernov: Yes, mostly.

Mr Chitty: And the speakers do not achieve the milestones, so you need a lot more people to actually commit to coming to the event on their own bat to meet the milestones.

Mr Chernov: But to answer your question, the fees were paid and then we—actually, we may have paid them after we knew they had registered. I would need to check.

Hon LJILJANNA RAVLICH: Can I just ask who audited this in terms of—I mean, one of the milestone payments, I think it was in 2009, was \$100 000 milestone payment and what you needed to have was 75 international delegates. The question for me is: who would have audited that and was it a case of an external audit being done to verify that that was the case, or alternatively did you

just tell Tourism WA, “This is what we had in terms of international delegates” and then got the \$100 000?

Mr Chernov: No, no, it was audited by an external auditor.

Mr Legge: Grant Thornton—they came into our office and spent a number of days going through all the base documentation from cash receipts, matching registrations and did a very thorough audit, in my opinion, in both years.

Mr Chitty: But to answer your question, we submitted what we thought were eligible registrations and then submitted that and then they came and did an audit to verify it.

Hon LJILJANNA RAVLICH: Could there have been some misunderstanding about the definition of a delegate because it seems to me that one of the things that did lack clarity —

Mr Chitty: Yes, because we thought we had reached a milestone in our first year and Eventscorp’s auditing process deemed that we did not, so we missed out as a result on I think it was \$100 000, which we had budgeted on, even though those people had visited the state, come here, spent money.

[4.50 pm]

Hon LJILJANNA RAVLICH: And what was the point of difference, can I ask?

Mr Chitty: I could not tell you.

Mr Chernov: From memory, it was not so much the definition of what a delegate was, but more who was entitled to attend under what categories, because the definition gets extremely convoluted.

Mr Chitty: Some were comps, some were speakers, some were media, some were sponsors, others were paid.

Mr Chernov: There was a dispute over the breakdown.

Hon KEN TRAVERS: Twenty-five per cent had to be complimentary or something, was that not it?

Mr Chernov: In certain categories, yes, that is right.

Hon LIZ BEHJAT: Can I put it to you this way: using the Grant Thornton audit figures which we have for the 2010 festival, delegates numbers 188 through to 194 were for a band called Boy and Bear. There is an amount next to those number of delegates of \$1 479.73, and that would have included their delegate registration fees. Was that money given to you by Boy and Bear, or did you advance that to them to pay for their registration fees?

Mr Chernov: No, that money was paid to us by Boy and Bear, and at some point we no doubt gave them a fee to come over and play, so we might have paid them \$10 000, because they were one of the high-profile bands on the bill, so we probably would have paid them some fee.

Mr Chitty: It is the same as bands that go over to the Great Escape in London. While they are there, the bands can choose to register to be part of the conference or not.

Hon LIZ BEHJAT: So say if you paid them \$10 000 for their appearance fee, it would not have been \$11 479.73?

Mr Chitty: No.

Mr Chernov: No.

Hon LIZ BEHJAT: When you had the actual conference taking place and you had a number of people who registered as attendees at the conference, did you keep figures as to those who had registered as against those who had actually attended the sessions?

Mr Legge: A&R Worldwide was handling that process, so they handled the whole of the conference and the registration.

Mr Chitty: I guess, when people were walking into a conference, there was someone checking whether they had a delegate badge on—is that what you mean?

Hon LIZ BEHJAT: No. If you were organising a conference and you had 500 delegates attending your conference, you would hope that in your conference room, apart from maybe a couple who had not turned up on the day, most of those people would be at the conference. Was that the case with the conference that was held? Did most of the people who registered attend?

Mr Chernov: Absolutely.

Mr Chitty: Some people did not turn up. In the last week, a few speakers cancelled because of family-related issues or personal issues. I am sure some delegates bought a badge and did not turn up —

Hon LIZ BEHJAT: So, for instance, Boy and Bear would have gone to the conference?

Mr Chitty: They performed.

Mr Chernov: How many functions or other things they went to, we would not be able to say. As a delegate, you are entitled to go to one of a million different functions throughout the four-day period.

Mr Chitty: Generally with the bands, and like other events, what we have found is that most bands get a grant or an offer to come and perform a showcase or to play in a festival industry format. Usually only a few of the band members register as delegates, because there is always a few people in the band, as well as the manager, that are more interested in the business industry side of things. There are a few of them who are just full, complete artists that just do not really want to know about it; they just want to go and play. We found that there were a few bands where a lot of them came, and they were all pretty serious, and a few bands where none of them registered. But if all the bands registered, then we would have met all our milestone payments over the whole two years. We were hoping more would register than what did, put it that way, but I guess we hoped that a few bands out of six, say, on an average band size, would register, so we would get close to achieving that. I guess the point is, why we had an argument or robust discussion with Eventscorp in the contract negotiation phase was that if they are coming over to this state and spending money in this state, then we should be able to include that, but that was not the view that was taken by Eventscorp and the contract did not reflect that.

Hon KEN TRAVERS: That was in the first year. In the second year, did you have a process of actively trying to get them to register so they did get counted as delegates?

Mr Chitty: Of course.

Mr Chernov: Definitely.

Mr Chitty: We did in the first year too, but bands are bands and they do not have to register, and it was not in any performance agreements that if they did not register and attend they could not play on stage.

Mr Chernov: But it is usually linked to the payment of the fees. For all our other events, we also are obliged to take a set list of the band's songs and give it to APRA. APRA is a collecting society for all the musicians, and they distribute the royalties depending on the bands and the songs. We have to provide that to APRA, and we have to get that from the bands at each event we do. We have found, over time, that the only way we can get that list is if we tell them, "Sorry, we can't pay you your final performance fee until you give us that list". Otherwise you are just chasing them around.

Mr Chitty: They get royalties from that anyway, but it is just that some bands —

Hon KEN TRAVERS: They are just not going to bother to do it until there is a financial incentive.

Mr Chernov: Exactly. So in the second year, in a lot of cases, the artist liaison people said, “Look, with your performance fee or your cost contribution, we’ll pay it to you, but can you please make sure you register first?”

Mr Chitty: We encourage them to register, not only to meet the milestones, but also because the more artists that are in the conferences working with the delegates, the better networking outcomes are achieved anyway. But what we found was that the bands that did register—on average, a few members out of each band—not many of them went to the conferences, but they went to this networking, speed dating function; whatever you want to call it —

Mr Chernov: Speed networking!

The CHAIR: Yes!

Mr Chitty: — where members of the industry who were speaking at the conferences, we asked them in return for their contribution to come over to make an hour or two of their time available to meet some of the emerging musicians and their managers, and APRA coordinated that. That was part of their sponsorship agreement with us. They pulled all the speakers together and encouraged all the bands to register and come along, and they put a manager together with someone who wanted to do a licensing agreement in America who was speaking. So we tried to match the outcomes that the bands were looking for out of the event, with the speakers who had that expertise. So they attended a lot of that; that was really successful, but they did not actually go, in all cases, into the actual industry-related conference panels.

Mr Legge: So just because there are not bums on seats at 9.30 in the morning does not mean outcomes are not being achieved from the event. To answer the question earlier about the register of when people are coming and going into the conference, that does not necessarily correlate to them participating in the overall event.

Mr Chitty: They were at all of the cocktail functions!

The CHAIR: I can think of a few parliamentarians’ conferences where the attendance drops off dramatically after the opening plenary and they all go shopping, but we can reflect on that!

Mr Chitty: Yes, similar motivations!

Hon LIZ BEHJAT: I would just like to clarify and get something straight about the 2010 figures. I understand about sponsors; that is fine. As part of their sponsorship package they are going to get complimentary registration as a delegate to the event. Similarly, you are going to have some arrangements with speakers. But from what I can see here, apart from nine complimentary artists—Buzz Office, Lady Lash, Carnage and the Darkness, The Medics and Lee Morgan—every other artist paid as a delegate.

Mr Chernov: No. I do not know how many artists on that list represent the total number of artists at the conference.

[5.00 pm]

Hon LIZ BEHJAT: So all the artists on that list would have paid?

Mr Chernov: Yes, but that is not all the artists.

Mr Chitty: There were over 600 artists here, and only a few in each band actually —

Mr Chernov: It was probably only 20 or so

Hon LIZ BEHJAT: So these were the artists that were used to make up your milestone payments?

Mr Chernov: Yes, because they had registered.

Hon LIZ BEHJAT: Paul Kelly, The Audreys and all of those?

Mr Chernov: Yes.

Mr Chitty: Some of them registered; some of them did not—bottom line

Hon LIZ BEHJAT: Some of them registered?

Mr Chitty: Some of them registered and attended, and some of them came and performed and did not get involved.

Hon LIZ BEHJAT: So every artist that is on this list from the Grant Thornton audit that has a dollar figure next to its name as having paid, they paid for that registration themselves?

Mr Chernov: Yes. May I be excused for a moment?

The CHAIR: Of course.

Hon PHILIP GARDINER: I have a question that I will try, Madam Chair, in the absence of Andrew. This allegation is quite a serious allegation and casts aspersions on both the event and also on your own organisation. From where do you think this allegation arose?

Mr Legge: We cannot speculate.

Mr Chitty: To be honest, I am flabbergasted, considering that Eventscorp's milestones were either reached, or not, and that there was a return to the state. We are all personally sort of unsure as to why there has been so much scrutiny on the event. I guess John Hyde spearheaded it, for whatever reason he had, politically or otherwise. I do not know where the motivation has come from, from John or from people who might have asked him to make debate—no idea. I understand this inquiry has to look at the process and make sure conflicts have been managed appropriately and all the rest of it—I get all that—but Eventscorp has said it has met the milestones and been a good return on investment to the state comparable to other cultural events, and we took the risk and wore it and paid all the bills. I think everyone was intending to do something good for WA here. I guess it is a shame that there was some other motivation as to something sinister happening around the event. There must be a pretty solid reason for that, or motivation, as to query it to this level.

Mr Legge: Can we say this has not been raised before, so to the extent that there has been a party, be it Eventscorp or any other external events, no-one has made that allegation, so we cannot speculate therefore on where it has come from.

Hon PHILIP GARDINER: Thank you.

Mr Chitty: Do you know?

Hon KEN TRAVERS: Where the allegation has come from?

Hon PHILIP GARDINER: No, I am afraid I do not.

Mr Chitty: I mean, it seems to be taking up a lot of people's time, and taxpayers' money. I presume the taxpayers have to pay for this parliamentary inquiry. I do not know how much that costs.

Hon KEN TRAVERS: We do not get paid any more for it.

The CHAIR: That is right. It is just that we are not doing something else because we are here.

Hon PHILIP GARDINER: It is an opportunity cost.

The CHAIR: An opportunity cost, yes.

Mr Legge: I understand. Can I ask, through you, Chair, how the question came to be put? It must have come —

The CHAIR: We were aware of the allegation, and we thought it was reasonable to ask you and give you a chance to respond to that.

Mr Legge: Just from hearsay?

Hon KEN TRAVERS: It was media reports, I think.

Hon PHILIP GARDINER: I suspect hearsay.

The CHAIR: And the media.

Hon KEN TRAVERS: It just strikes me, from listening to what you are saying, though, that if you were doing this event again, the best way of doing milestones would be about having a combination of artists and also basically people you attract in from other parts of the country, or overseas, who will spend money in Western Australia. It sounds to me that, even from your own perspective, the way in which the milestones were developed, they were very restrictive. I can understand that if you miss out on the first year, you going to do whatever you can to try to maximize the people you are bringing over as artists into the state to make sure you transfer them into being delegates. I mean, you would be mad not to do that, in my view. So maybe it is about also how those milestone payments are structured in the future—that it is related to the number of people you bring in, not whether they paid a fee to go to the conference or not.

Mr Chernov: Yes, and that is the missive argument—well, discussion—we had with Eventscorp in the context of negotiating the contract, and for some reason that was not quite acknowledged.

Mr Chitty: I think they were literally trying to do their best to make sure that they were protecting the return on their investment as best they could for the state. To me, I think that is unquestionable. Obviously they wanted to support the event and to get behind the event, but only on the basis that we were meeting certain visitation which resulted in expenditure. I mean, the argument we had was that they are visiting anyway to spend the money

Mr Chernov: They are here and they are injecting the money.

Mr Chitty: But there are reasons around why they did not feel it was appropriate to include that. I guess they did not want it to be inflated, and that a certain percentage had to be people who literally came over and bought their own passes. So I guess they were trying to find that balance where there was enough money to invite people over here for part of the event, and that would then attract other people who would get money out of their own pocket to come here. But they were very clear as to what they did not want to happen as far as the delegate process occurred, so they had obviously done their homework on it.

Hon PHILIP GARDINER: I am interested to hear from yourselves about why, in the case where you paid a fee for a band, you did not wrap that fee up into a condition that they must also be delegates? Why did you not do that?

Mr Chernov: Well, we did in some cases—we asked that they register—but not all.

Hon PHILIP GARDINER: Asked or made it —

Mr Chitty: I think it is a bit inappropriate, is it not, to insist that they have to spend money on a conference pass for all band members that they do not really want to go to? So I guess we did our best to encourage them to be part of it—you should look at sending a minimum of two people, you will get a lot out of it, and this is who is speaking. We did whatever we could to get them to be contributing to the event, and to achieve our milestones as well, to be clear about our motivation, but at the same time I do not think it is appropriate to force bands to pay out of their money, which is going towards their cost to get here and to perform, and accommodation and so on, and production. They have got all their own expenses. In a lot of cases, it did not even cover all their expenses; they came off their own bat, or only covered a percentage of their costs. To then effectively force them to spend more money on a badge, it did not sit well with us. It did cross our minds, but in processing it, we did not feel it was the appropriate thing to do.

Hon PHILIP GARDINER: That is a helpful response. Thank you.

Hon KEN TRAVERS: In terms of the budgets, as I understand it, on the revenue side there was catering. Was that for the fringe concerts or was that the concert on the Esplanade?

Mr Legge: Mainly the concert on the Esplanade. With catering, almost all of that refers to bar sales. There was a component on the Esplanade, but there were also small components in the—not the fringe, but the industry showcases throughout the laneways.

Hon KEN TRAVERS: Why was there a drop between year one and year two in terms of the amount of revenue you were getting in from catering?

Mr Chitty: It was the weather. I think the second day it rained in year two; and in year one, I do not know if you remember, but it was stinking hot. It was the hottest day—37 degrees or 40 degrees—in October we have ever had, or something like that.

Mr Chernov: No-one came before the sun went down.

Mr Chitty: So bar sales are linked to, obviously, attendance, but weather conditions as well.

Hon KEN TRAVERS: And the time—how early they get there, and all the rest of it?

Mr Legge: That is right—what bands are playing and that sort of thing.

Mr Chitty: And I think we made some cutbacks in terms of the fixed catering spend in the VIP areas

[5.10 pm]

Hon KEN TRAVERS: Certainly in the expenditure you spent a lot less in the first year than you budgeted. The interesting thing is the revenue was down, but the revenue down for catering in the first year was not down anywhere near as much as the ticket sales were.

Mr Chitty: Proportionately there was a drop, yes.

Hon KEN TRAVERS: But in the following year the budget for catering drops, and the amount that you actually got in dropped. The weather would explain that.

Mr Chitty: Yes.

Mr Legge: I just point out it is a very technical thing: when you are looking at that catering cost line, we entered into an alternative situation with our bar supplier, or contractor, in 2010. In 2009 we were the licensee.

Hon KEN TRAVERS: So they took the risk in the second year?

Mr Legge: Not the risk, but they took the money and they paid the cost. They paid us 50 per cent or something like that. In the first year we were the licensees. We bought the alcohol. If you look at the net, it would be the 300 less the 193 as being the net profit for the bar.

Mr Chitty: For example, if you sold 100 000 and you were the licence holder, you would bank the \$100 000, then you would pay all your expenses, and be left with around 50 —

Hon KEN TRAVERS: Yes; so you really need to net off the revenue versus expenditure.

Mr Chitty: Exactly.

Hon KEN TRAVERS: Which would explain it.

The CHAIR: Just a general question: you have kindly provided us with some documents previously. Can those documents be made public or are there any that you wish to be —

Mr Legge: They are everything you have got, so there is no more documentation.

The CHAIR: In terms of making them public, do you have a —

Mr Legge: Public?

The CHAIR: Yes. If you want to check to see, just let us know if any of that documentation —

Mr Legge: The supplementary documents?

The CHAIR: No, not the supplementary ones—but do give us any reservations about those—but the ones that you have provided previously, whether you are happy for those to be public.

Mr Legge: Do you have a list of the ones you have got that —

The CHAIR: We can do that.

Mr Legge: We could just say “sensitive” or —

Mr Chitty: Some of them will be fine.

The CHAIR: We will check that past you; we want to be sure. The committee’s position is to make documents public unless there is a clear reason not to. Obviously it helps the public to understand what is going on, if that is the case. We will run that list past you again.

If there are any additional questions—I think we have probably got more sorted now on this supplementary list—we will supply those in writing to you, along with the transcript, which will be completed shortly; in the next couple of days. If anybody has unasked questions, provide them to the clerk once we close this evening. Could you please respond to these questions and the supplementary ones within 10 working days of receipt. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before that due date. The advice is to include specific reasons as to why you cannot meet the due date. Finally, on behalf of the committee I thank you very much for your attendance this afternoon. We will close the hearing.

Hearing concluded at 5.12 pm
