

BRIEFING NOTE

ISSUE

Private Member's Business - One Movement Festival.

We have been advised that the Mr John Hyde, MLA, will be making the following statement in Parliament:

That this House condemns the Barnett Government for failing to properly audit funding of the failed One Movement Festival when it first became aware the private company the Government selected to run the festival had a deficiency of working capital and assets and was in breach of the Corporations Act.

BACKGROUND

- Event background is contained in **Attachment 1**
- The first One Movement for Music (OMFM) event was held in October 2009. Milestone payments totalling \$605,000 were paid. Milestones totalling \$275,000 associated with interstate and international delegates attendance were not met and hence were not paid.
- The 2009 independent audit of One Movement Pty Ltd (OM Pty Ltd) **Attachment 2** identified that the financial report was in accordance with the Corporations Act 2001. The report drew attention to a deficiency of working capital and net assets of \$1,361,588 and indicated that the director owners pledged their ongoing financial support for OM Pty Ltd.
- The 2010 event was held in October 2010. All key aspects of the event were delivered as specified in the Sponsorship Agreement and therefore the contractual obligations were met. Tourism WA paid the appropriate contracted milestone payments of \$975,370 to OM Pty Ltd.
- Tourism WA met with OM Pty Ltd directors, Mr Andrew Chernov and Mr David Chitty in January 2011 who advised that the combined event losses (2009 and 2010) exceeded expectations, and the event was considered unsustainable in its current format.
- Mr Chernov and Mr Chitty attended an Events Committee Meeting (a sub-committee of the Board of Tourism WA) on 11 February 2011 to discuss the future viability of the event. The Committee requested that OM Pty Ltd prepare a new proposal for the 2011 event.
- On 10 March 2011 Tourism WA received OM Pty Ltd's Financial Report and Independent Audit for the year to December 2010. The audit (**Attachment 3**) identified that due to OM Pty Ltd's negative equity of \$2.45 million in the balance sheet that the financial report of the company is not in accordance with the Corporations Act 2001.
- On 15 March 2011 Tourism WA received a new proposal from OM Pty Ltd to run the 2011 event (Refer **Attachment 4**).
- On 25 March 2011, the Tourism WA Board declined the new 2011 event proposal and agreed to encourage the event organisers to work with the WA Music Industry

Association (WAM) to develop a new model for the delivery of the OMFM event from 2012 onwards.

- On 31 March 2011 Tourism WA announced that the 2011 event would not be held (**Attachment 5**)

CURRENT SITUATION

- A Legislative Council Inquiry into Tourism WA's involvement with OMFM is currently underway.
- Tourism WA has been liaising with OM Pty Ltd in relation to a proposal to run the event in 2012, which is due to be presented to the Tourism WA Board for consideration in July 2011.
- Contracts for any future events would be contingent upon thorough financial due diligence.

RECOMMENDATION/ACTION

Minister for Tourism to note this information.