

**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  
FRIDAY, 2 SEPTEMBER 2011**

**SESSION ONE**

**Members**

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

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**Hearing commenced at 1.41 pm****MUIRHEAD, MR RICHARD**

**State Director, 2011 Commonwealth Heads of Government Meeting, Department of the Premier and Cabinet, sworn and examined:**

**The CHAIR:** Mr Muirhead, on behalf of the committee I would like to welcome you to the hearing this afternoon. Before we begin, I am required to ask you either to take an oath or an affirmation. If you want to take the oath, I think there is a Bible in front of you.

[Witness took the affirmation.]

**The CHAIR:** Could you now please state your full name, your contact address and the capacity in which you appear before the committee?

**Mr Muirhead:** Richard James Muirhead is my name. My contact address is 197 St Georges Terrace, care of the Department of the Premier and Cabinet. I am currently State Director of the Commonwealth Heads of Government Meeting.

**The CHAIR:** Thank you, but the capacity in which you appear here, I guess is, your former —

**Mr Muirhead:** Well, I am not sure in what capacity I appear here, to be honest, Chair!

**The CHAIR:** That is a good question! I put words into your mouth!

**Mr Muirhead:** I guess I am probably appearing here, I would imagine, as former CEO of Tourism Western Australia.

**The CHAIR:** Thanks very much. You will have signed a document entitled “Information for Witnesses”. Have you read and understood this document?

**Mr Muirhead:** Yes, I have.

**The CHAIR:** The proceedings this afternoon are being recorded by Hansard, and a transcript of your evidence will be provided to you. To assist the committee and Hansard, could you please quote the full title of any document that you might refer to during the course of the hearing and please be aware of the microphones and talk in to them, thank you. 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 today’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 also note that until such time as the transcript of your evidence is finalised, it should not be made public. This prohibition does not, however, prevent you from discussing your public evidence generally once you leave the hearing. Thank you Mr Muirhead, would like to make an opening statement or would like to start?

**Mr Muirhead:** No; I really just thank you for having me up here.

**The CHAIR:** Thanks very much. We might start with the questions. The first questions, I guess, are broad questions in terms of your background in tourism in WA, a little bit about how long you were with tourism WA as CEO and perhaps other positions that you held that are relevant to tourism.

**Mr Muirhead:** Sure, thanks very much. I think my private-sector experience that is relevant to this was probably around work I did in market research and marketing, where I had a background there. I joined the state public sector in 1987 as director of marketing at an organisation called the Technology and Industry Development Authority, and for my period all the way through to when I joined Tourism WA, I was with that agency in its various guises. It was an economic development agency and in the last three or four years of that I was the CEO of the Department of Commerce and

Trade. I moved to Tourism Western Australia, I think, on about 29 May 2001 and was there until January 2010. I obviously had eight years' experience there.

**The CHAIR:** Excellent. I wonder if you could now please outline your understanding of the development of the One Movement for Music event.

**Mr Muirhead:** My understanding of the development of it?

**The CHAIR:** Yes, what you know about it.

**Mr Muirhead:** Sure. I guess, in general terms—and I would add that I do not have access now to all the documentation, so I think some of the details may not be exactly accurate—but I guess in principle, one of the issues that was faced by the Western Australian Tourism Commission in developing events, is that often sporting events are very expensive to organise, and often you buy them for one or two years, particularly the big ones, and then you lose them. There had been an ambition for many years to do several things, to diversify the event calendar into cultural events as well as sporting events and also to look at events that the state “owned”, and I am putting that into inverted commas, but events that were securely based in Western Australia either through—the best way to put it would be a geographic imperative, and I give an example of that. The Rottneet Channel Swim or the Avon Descent—it is very hard to take those two events anywhere else—or through a long contractual period. An event that we had that had a long contract prior to this event was the World Rally Championship where the state had a very long period where it held that event. And there was also an understanding and a growing recognition that Western Australia has proved very good at picking events and developing them, and it is almost a necessary thing to do, I believe, in an environment where we have a relatively small population base—a resident population base—that will go to events, that is the first point.

Secondly, it is expensive for anybody to visit here to see an event. It is not like Melbourne where people can drive overnight, literally, from Adelaide to see an event or hop in a plane for a very cheap flight to get there or fly over to Sydney; it is a serious trip for anybody to get to WA. As we started looking at this event, and I cannot honestly remember how we first got involved in the event with Tony Wilson in the event that we were originally looking at—I think it was back in 2006 that we looked at it, and that was the In The City AAA event, that we have been talking about. But back in 2006 was when it was actually taken to the board, and that seemed to fulfil a number of issues. It was a cultural event, it focused on music where the state had a skill advantage in that we had a reputation for outstanding musical bands coming out of Western Australia for a small population base. And also, it looked like we could negotiate an arrangement that would give us tenure over this event for a long period of time. I would have to say that it was always considered even at that stage that it would be what you would talk of as a development event. It was not like getting a large cricket match or a rugby championship or anything like that where it has come to them and you hit your mark straightaway; it would have to be a development event. So, that was how the first concept of the event developed up, because it hit a number of those milestones: cultural; one that we could hopefully contract for a large, significant amount of time; it had a synergy with other things in the state—that is, music; it had other benefits in that it played on that nasty tag that Perth gets or was getting at that time of Dullsville and would energise the city; and it also had a second advantage in that it also provided an opportunity for the music industry in the state to develop. So, it was multifaceted. That was how it first kicked off.

**Hon LJILJANNA RAVLICH:** Can I just ask, did the event find the agency or did the agency find the event?

**Mr Muirhead:** I honestly cannot recall that, because it was well before 2006, I think, when we first started talking to Tony Wilson, and I do not know when that was, and I have not got the details of it. I really cannot answer that.

[1.50 pm]

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**Hon LJILJANNA RAVLICH:** Can you recall who was doing the talking to Tony Wilson?

**Mr Muirhead:** Back then, no, I cannot, Ms Ravlich; no, not at all. That would have been six years ago at least, I imagine.

**Hon PHILIP GARDINER:** You will not have the precise numbers, I know, but, just roughly, do you recall what the budget for the Eventscorp activity was back in the mid-2006-ish time?

**Mr Muirhead:** For the In The City AAA event?

**Hon PHILIP GARDINER:** I am thinking of the Eventscorp activity.

**Mr Muirhead:** Overall?

**Hon PHILIP GARDINER:** Overall.

**Mr Muirhead:** You are asking tough questions. No, I assume that information would be in the budget papers.

**Hon PHILIP GARDINER:** I probably should have done my homework. I just want to get an idea.

**Mr Muirhead:** Okay. No, but as a very broad brush, my recollection is that generally we would look at events, and marketing would often be on a par in terms of overall budget, and our industry development activities would generally be less than both of those two items. So it might have occupied somewhere around 40 per cent of the agency's budget—between 30 and 40 per cent of the agency's budget—but really I am absolutely guessing there, because it changed year on year because you lose—the year we, for example, changed, we still had Rally Australia and I think we got—and the Red Bull event in the same financial year, there was obviously a bigger kick in that budget. It depended on what events we had on.

**Hon PHILIP GARDINER:** The reason I asked the question, I just want to get a bit of a relativity of how material the One Movement activity was when you first started to consider it in terms of the total expenditure you might apply. This comes back to governance really, but I just want to get an idea. If it is a \$20 000 event, there is probably a lot of delegation to that, but I just wanted to know, when you get higher, where the delegation points cut out and boards come in.

**Mr Muirhead:** The board comes into that level, without any shadow of doubt, at that time, and the board was involved in the decision making. The decision to proceed, as I recall it, was made by the board, not by executive, and at the level that we were talking about back then, which was in excess of \$1 million, that was beyond any member of executive's delegation, including mine as CEO.

**Hon PHILIP GARDINER:** What was your delegation in those days, may I ask?

**Mr Muirhead:** Again, it varied, and I would have to ask Tourism WA to give you the delegation authorities. There were specific delegations agreed to every year by the board, and they were prescribed, and it went through every officer by level, not by name. But I would have to get that, or you will have to get the information from Tourism WA. So I could just say I did not have delegated authority for that level.

**Hon PHILIP GARDINER:** No, no, fair enough. I was just trying to get actually the general parameters of the delegated authority, and I would have thought that it would have been like any other business. Anything below half a million dollars you might say had delegated authorities as a matter of course, and that would not be reviewed year to year unless something happened.

**Mr Muirhead:** I think we used to get the board to sign off to it. We did keep an eye on it. I cannot remember whether we signed off to it each year, but I remember on numerous occasions it was brought to the board—numerous over the eight years I was there, being not more than once a year—with them to note that we had generally upped delegations, because obviously things were getting more expensive.

**Hon PHILIP GARDINER:** For different officers.

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**Mr Muirhead:** For different officers, but right through the parameters—CEO, executive directors, directors, managers.

**Hon PHILIP GARDINER:** So you do not recall what your delegated authority was.

**Mr Muirhead:** I do not, no. No, I do not recall that, but it will be on record.

**Hon PHILIP GARDINER:** Thank you.

**The CHAIR:** I might just go to a more specific question. In August 2008, Mr David Van Ooran and you met with the directors of One Movement Pty Ltd to discuss numerous aspects of the event. One of these aspects was the Tourism WA board's request that One Movement Pty Ltd provide additional capital. Can you please elaborate on those discussions and any reasons why One Movement Pty Ltd was unwilling to provide more capital up-front in support of the event, if you have a memory of that?

**Mr Muirhead:** Yes. It is a tough one. I am just trying to put in context when that was. Do you have the date of that meeting?

**The CHAIR:** Which day in August?

**Mr Muirhead:** Yes.

**The CHAIR:** The twenty-eighth?

**Mr Muirhead:** Was it? Okay.

**The CHAIR:** Try the twenty-eighth and we will just double-check that.

**Mr Muirhead:** No, I do not know. Always the reasons would be to ensure that we were comfortable that the proponents had adequate resources—were putting adequate resources in. Issues that one needs to look at are (a) whether they had the financial capacity to deliver the event, the marketing capacity. Certainly, the organisations we were talking to had the reputational capacity, but as to the specific details that we were asking them to put money into, I cannot recall that now.

**The CHAIR:** So you do not have a recall of whether it was discussed whether they were unwilling to provide the additional capital.

**Mr Muirhead:** I do not recall that outcome of the meeting. Is that what the outcome was, that they were unwilling to, was it? Oh, that is what has been recorded, yes.

**The CHAIR:** I will just check the dates. It was actually the twenty-ninth—Friday, the twenty-ninth—and we are just referring to the minutes of that meeting. Could we provide the minutes to Mr Muirhead to refresh his memory? Maybe not. I do not see any reason why we could not provide them. I think that is fine. Just take a minute to have a look and see if that —

**Mr Muirhead:** Sure.

**Hon LIZ BEHJAT:** As an aide memoir.

**The CHAIR:** I realise we are asking about three years ago, so it is a bit of a stretch.

**Hon KEN TRAVERS:** Whilst we are doing that, can I just ask —

**The CHAIR:** Yes. We might do something else while we are waiting.

**Hon KEN TRAVERS:** I think you talked about the contacts with In The City, but the actual transition from the In The City to what ended up being the One Movement Festival —

**Mr Muirhead:** Yes.

**Hon KEN TRAVERS:** — how did that come about and how was the first contact made with the key players that became the company One Movement?

**Mr Muirhead:** I know how it came about, and I am sure that the committee has been told that. Tony Wilson, who was the owner and the principal behind the Manchester event, which was In the

City, I think got cancer and got very ill. We deferred the event, I think, for a period of time, and then Tony actually died. I think for a brief time it was contemplated that other people could come in and pick it up, but I cannot remember, Mr Travers, whether Sunset Events was a partner with them in that or not. But it was then decided not to proceed with the In The City event, because it was just felt that without Tony Wilson there, it was not going to have the same level of draw that it had, and I think there was also some doubt about the capacities of the remaining people to get the event to happen. So, again I cannot recall how the first transition came to be talking to Sunset Events, whether they approached Eventscorp or Eventscorp approached them, bearing in mind this was one of the divisions, so I do not necessarily know. There are very few events that I can remember, other than Red Bull, exactly how it came about that we started getting into the event. Sometimes you are approached. In the case of Red Bull, we approached them, but that was because I had to agree for somebody to go to Austria to do it, so I remember that clearly. But I do not remember what that transition was.

**Hon KEN TRAVERS:** Would that be normal, though, in the agency, to have—I understand with something like Red Bull where you have got an established event and you are making an approach to attract their event to Western Australia, but where you have an event that is not established, or you are seeking to effectively establish your own Western Australian one, would that be normal for the agency to approach a potential developer of that event?

**Mr Muirhead:** Certainly, we have approached events that were already running that we thought could be elevated. That has definitely happened. Rottnest Channel Swim would be a classic example of that—unsuccessfully, I would have to say. If there was no event, it might be a little unusual, but not out of the question. Eventscorp always had an events development component, and their role was to be entrepreneurial, to think about how to develop events, and often events are developed through people looking at things and thinking about how it could be done better. And again, an example: when we approached Red Bull, we already had an idea how they could actually run Red Bull in WA. No doubt Red Bull had never heard of WA. So that was one where we did approach them. I have to say that was very, very early days in Red Bull; nobody really knew they were on and what was happening. In my view it would not have been unusual or untoward for somebody to approach somebody who had a reputation. Sunset clearly have a reputation. They have a track record in this state of music events.

[2.00 pm]

**Hon KEN TRAVERS:** I guess my interest would be that obviously in WA there are more than Sunset that have that reputation for organising music events; so, if you were to decide to go out and choose an event partner, for want of a better term, how you would select that partner against the other potential partners that could do same task?

**Mr Muirhead:** Yes. I do not know how many other organisations there are; I am not part of the music scene. There have been occasions when we have gone to tender for an event—not many, I have to say. I can think of one where we went to tender for organisations to develop a firm proposal. That was for an Indigenous event. But that is the only one I can think of where we went out to look.

**Hon KEN TRAVERS:** I understand the idea of tendering, I understand the idea of existing events, and I understand the idea of approaching developing events to get them to come to WA. But where there is no existing event and you are looking to find an industry partner, that may be something for which there should be formal policies about how an agency should approach that.

**Mr Muirhead:** It certainly does fall into that ambience of tendering—there is no question about that—and whether you are giving advantage to one organisation over another one. Again, I am sure the records exist there in the files as to how it actually happened. But often when you doing that type of thing you do not actually have a clear idea of what you are going out for, so it is difficult to go to tender, for example. I am also not sure what other partners Sunset were bringing to it at that

stage; whether they were already bringing in other partners that they had. Do you want me to have a look at this?

**The CHAIR:** Yes, if you would not mind, please, Mr Muirhead. Page 4 is the relevant part of the copy of the minutes that you have there, item 3. I will give you a minute just to refresh your mind there.

**Mr Muirhead:** I do not think this was a meeting on that day. This was a meeting, I think, of our board. This was a meeting of the board on 29 August.

**The CHAIR:** That is correct.

**Mr Muirhead:** I assume this was specifically to do with the event. Do not call me to task on this, but my recollection is that the board wanted a higher involvement—that is the type of thing the board would normally do—so they were dissatisfied with the level of contribution compared to the state's contribution, and so they wanted to see the proportions changed. It could have been a demand from the board from the previous meeting, because it looks like there is an action statement that we were then proposing—responses and action, yes. It says —

... disclose their level of commitment to the overall cost of the event (ideally equal dollars) to EventsCorp;

I am not sure, though, out of that, Chair, that I actually attended a meeting where that was negotiated. I may well have. I know that there was a significant board debate around this event, and for good reason. It had gone through various considerations, it was an event that was a developmental event, and every development event carries risk. So clearly the board was exercising its appropriate role in saying we want to elevate it. Is there something more specific about that?

**The CHAIR:** I guess whether you have any recall of any reasons why One Movement were unwilling to provide more capital upfront in these discussions?

**Mr Muirhead:** This appears to be indicating that the event expenditure budget had increased, though. I am a little confused. It says —

An increase in expenditure by the One Movement group of \$850,000 (from \$1.7m to \$2.5m is proposed). This results in the EventsCorp contribution now equating to a 31% of total revenue instead of 45%. This level of investment by the proponents against EventsCorp's contribution is well above a dollar-for-dollar ratio.

**Hon LJILJANNA RAVLICH:** It did not happen, though.

**Mr Muirhead:** It did not happen?

**Hon LJILJANNA RAVLICH:** I do not think it happened. It is my understanding that it did not happen.

**Mr Muirhead:** I would be surprised if it did not after that.

**The CHAIR:** I suppose the question was more along the lines of: what was the sort of interrogation of One Movement in terms of their actual capital capacity? Perhaps I might ask the second question, which is: if the company had a \$3 capital-granted sponsorship worth several million dollars, was a director's guarantee sought with regard to that?

**Mr Muirhead:** I cannot recall. Obviously we did D and Bs on the three partner companies. But I acknowledge the point you are making. The agreement was with a different company, which had those as shareholders in them. Whether we sought directors' guarantees, I do not know whether we sought them. I do not think we got them—whether we did at any stage seek them, or a bank guarantee, or anything of that nature. I do not think it happened in that case. And that would have been—again, I am trying to recall any other events where those types of agreements were sought. I do not think there are any events where we have actually sought that type of guarantee from proponents.

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**The CHAIR:** So this was nothing out of the ordinary in terms of —

**Mr Muirhead:** Not really. Again, I am trying to also think whether there are any other events where we signed up with a shelf company, if you like, that was just created. I think the position was that one of the areas that gave us protection was the milestone payments, and I remember that we changed them early on, so that gave some protection that the event actually had to happen. If I go back in time to my previous life in Commerce and Trade, where we would be providing significant incentives to industrial companies to establish operations, and those incentives could be for construction, or whatever, we did not provide any incentives unless we had either a first mortgage over the property, or, if there was no mortgage available, a bank guarantee, before state funds were provided. But that was a slightly different situation, because they could have shut shop the day after, and you have already spent all your money, whereas in this case, the outcome the state was looking for was the event itself and the returns that flowed from the event coming—and in this case hopefully staying, which it did not do. So provided the event takes place, your funds are secure. So it was unusual to seek that type of guarantee from proponents.

**Hon LIZ BEHJAT:** But even though you had milestone payments, there was still quite a lot that was paid upfront, is my understanding.

**Mr Muirhead:** Correct.

**Hon LIZ BEHJAT:** So you were comfortable that you did not have directors' guarantees or any form of security for that amount of money that you were paying out upfront, aside from the milestone payments?

**Mr Muirhead:** All events have upfront payments—conferences, other events, all have upfront payments before the event is held.

**Hon LIZ BEHJAT:** Yes, but I think you also said that you have a recollection where you have dealt with proponents before who formed a shelf company, and that you had previously probably only dealt with other types of entities.

[2.10 pm]

**Mr Muirhead:** I think some of these entities probably were not huge—not-for-profit organisations, for example. I am just looking to get my head around some of them. I mean, a lot of the organisations, if you are dealing with some event proponents, they may have spun off their events arm into other smaller companies. So if you are dealing with the Johnnie Walker Classic, you do not have the might of Johnnie Walker necessarily behind you. But, no, it is not normal to seek that. It certainly has not been the practice to seek that.

**Hon LIZ BEHJAT:** Thank you. On that other document that you were just handed before, if you turn to page 5, point 4, it is headed —

**Eventscorp to seek to have some form of greater control over outcomes of the Event through some device (i.e. possibly a seat on the proponent's Board);**

It then goes on to quote the State Solicitor's Office advice —

*“No TWA employee should sit on any other party's board of directors. Ever.”*

I also draw your attention to recommendation 4 —

Eventscorp to not solely rely on the agreement but take a more active approach to the event's development and hold regular bi-monthly meetings with all four stakeholders and insist on regular, robust reporting from the One Movement group. This has been agreed to by the proponents.,.

Did that occur?

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**Mr Muirhead:** I think it did. It would not have necessarily been me meeting with them. It would have been somebody from Eventscorp, I would assume, given they had management of the contract. But I do recall getting reports from time to time as to progress on how it was going.

**Hon LIZ BEHJAT:** They were regular bimonthly meetings?

**Mr Muirhead:** I cannot guarantee they were regular bimonthly but I think they had regular meetings. I definitely cannot guarantee that they were regular bimonthly.

**Hon LIZ BEHJAT:** And the someone from Eventscorp, would that have been Mr van Ooran?

**Mr Muirhead:** It may have been him, or the project manager at that time, or Glen Hamilton, or one of his delegated officers.

**Hon LIZ BEHJAT:** Earlier in answer to one of the questions, you spoke about Eventscorp as just being one of the divisions under your “control”, I think was the word you used —

**Mr Muirhead:** Correct.

**Hon LIZ BEHJAT:** Can you just then explain to me, you treated Eventscorp just like any other section of the Tourism Commission, so like your marketing section, your retail section, or whatever—Eventscorp sat like that? I always had an understanding that Eventscorp sort of sat out to the side somehow and was not directly a division of the department, but you seem to think differently?

**Mr Muirhead:** No. Structurally, it was simply a division. In terms of doing the work of Eventscorp, there was debate from time to time about whether it should become the events division of Tourism Western Australia, and that was never taken on, the reason being that it was always deemed that you needed to have an event organisation to deal with event proponents and event developers. But, structurally, it was just a division. All the staff were the same. It was a divisional line in our budgets. The fact that it was called Eventscorp is no different to one that is called the marketing division. But it did have its own branding and its own entity externally, if you like. But there was no—I am 99 per cent sure I am right—corporate entity there. It was simply a trading name, if you like, for that division.

**Hon LIZ BEHJAT:** But the CEO of Eventscorp, though, did have a direct —

**Mr Muirhead:** No; sorry to correct you there, but there was no CEO of Eventscorp. I was the CEO of Eventscorp, if there was a CEO. There was an executive director.

**Hon LIZ BEHJAT:** My apologies.

**Mr Muirhead:** And he was a member of the executive of Tourism Western Australia.

**Hon LIZ BEHJAT:** But the executive director did report directly to the board from time to time?

**Mr Muirhead:** Well, when you say “report”, do you mean —

**Hon LIZ BEHJAT:** With relation to One Movement.

**Mr Muirhead:** We would certainly come to the board and present it and that type of thing.

**Hon LIZ BEHJAT:** Would other divisional directors have come to the board as well on other issues?

**Mr Muirhead:** Yes, they would. If there was a major issue, whether it was to do with corporate business, or marketing or industry development, that would be my practice; and the board liked the practice of having the executive director present, often doing the presentation. So that was very much the practice. But ultimately, the things were my responsibility. I had the same responsibility for Eventscorp as I had for marketing, industry development and corporate business.

**Hon LIZ BEHJAT:** I will have some other questions a bit later, but on a different area.

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**Hon KEN TRAVERS:** Just to make it clear, and I do not want to put leading questions here, but my recollection is—correct me if I am wrong—that there used to be a more autonomous role for Eventscorp, and that under your leadership of Tourism WA, it was brought in under Tourism WA. But it did have a more independent role when you first took over the organisation as CEO, did it not?

**Mr Muirhead:** There was a perception of that, but it was not the reality. The perception was led by the fact that there was what I think was called at the time the Eventscorp board. There were some issues around that. The Eventscorp board at the time was in fact only an advisory board, or almost an advisory committee, and indeed the board proper eventually removed the Eventscorp board. Then I think we went through a period where there was an Eventscorp advisory committee. The reason for that was that when I first got there, a huge amount of the board's time was being taken up with Eventscorp. Things were fast and loose, and the board was spending a lot of time—a lot more of its time than it wanted to—on governance issues around events. And so I appointed a committee to try and manage some of that, and at that stage I gave the committee, which was chaired, I think, by Mike Monaghan, who was also a board member—so they had a couple of board members on it, and some outside people—a degree of delegated authority to approve events up to a certain level, and then anything above that had to be brought to the board. But they still reported back to the board and they had their authority via the board of Tourism Western Australia. As things became more under control, as governance improved, and as the contracting became more professional, the board decided it did not need that advisory capacity any more and it got rid of the advisory

**Hon KEN TRAVERS:** So what time frame are we talking about when that occurred?

**Mr Muirhead:** I would have to go back and look at the time frame.

**Hon KEN TRAVERS:** Was it in your early years as CEO?

**Mr Muirhead:** It was early on. Changes were made quite early around that.

**Hon LIZ BEHJAT:** When you said things were “fast and loose”, was that Eventscorp?

**Mr Muirhead:** I think some of the governance issues back then were not as tight as they could have been.

**Hon LIZ BEHJAT:** Of the Tourism Commission as a whole?

**Mr Muirhead:** In the events area, like contracting with some of the events organisations, our control over budgets, over blow-outs and things; and so the board was very anxious to tighten up the governance around that area. I mean, events is always an area that is very different to the other parts of your business operations. There is always a very high degree of risk associated with events—whether an organisation can go through and deliver an event; whether we would have too much wind on a Red Bull day and the whole event would be cancelled; or whether a plane would go into the crowd. You can insure against certain of those things, and we did—and ditto with Rally Australia, those types of risk. But I think as things moved on, that type of governance got tighter around it. So it was quite a different area to a marketing activity.

**Hon KEN TRAVERS:** Earlier when we were talking about the whole issue of guarantees, you used the example of how in other areas you would have sought guarantees, because the money could be paid over before, and you wanted security that whatever you were paying the money for was delivered. One of the issues that I have with this whole event is that there was probably, in most years anyway, or certainly in the first year, of the \$800 000, all bar about \$1 000 could have been paid prior to the event being staged. As it turned out, about \$400 000 was paid prior to the event being staged. Was any work done on looking at the cashflowing of that event and whether or not effectively the state government was cashflowing the event up to the day when it started, at which point you would think that the promoters of the event would have a fairly good idea as to whether it was going to make a profit or a loss; and if they decided on that day that they were not going to make a profit and they just shut up shop and walked away, how the state would recoup its money?

[2.20 pm]

**Mr Muirhead:** No; in that type of situation—so, your question, I think, is: were we doing cash flows to understand their expenditure prior to the event? Not that I recall. We would have been relying on the fact that despite the fact that there was a new company established with which we had the agreement, a degree of weight would have been put on the fact that these organisations had very strong established track records, they had strong reputations, and they would have suffered a very significant reputational risk—all three of them; A&R, Chugg Entertainment, and Sunset—had they suddenly pulled out of the event, not just from a government point of view, but from the population who went to their events.

**Hon KEN TRAVERS:** So do you think they have suffered that risk, now that they have withdrawn from the event?

**Mr Muirhead:** Well, I do not know if they withdrew in the same way that you were just indicating if they had pulled out a day before the event and not held it. I think that is what you were saying —

**Hon KEN TRAVERS:** Yes.

**Mr Muirhead:** — if they had, sort of, gotten right up to it and then said, “Sorry; the event’s off.” That is a very, very different scenario to what just happened, which is that they have determined that they are not going to make a profit on it and they are not going to continue. It certainly would appear—I do not know exactly how that came about; I have not been involved—from what I have seen from the media, that they determined not to proceed and they were advised accordingly, and that would seem to be a more orderly withdrawal. In that case, the government’s funding has still been protected; we have not invested—or I do not assume that we have invested money or lost money on the third event, and that money that was invested in the first and second event would have got a return at whatever level it was assessed at. So, I do not see that that risk has eventuated. Events organisations are extremely loath to pull an event like that, particularly just prior to.

**Hon KEN TRAVERS:** But as I say, even well in advance of the event there was money being paid.

**Mr Muirhead:** But that is so with all events.

**Hon KEN TRAVERS:** But did the organisation, when you were the CEO, ever look at who is really carrying the risk on this event; who is actually funding, or cashflowing, the event up to the commencement of it; and, therefore, how that risk should be shared between, say, the state and the private sector in terms of that event? Is that something that was ever looked at?

**Mr Muirhead:** Not that I can recall. Certainly with events like the Hopman Cup we have a very good idea of their funding regime, and that is on the basis of—I will try and work my memory; I will not give specifics—in the case that they wanted to increase their expenditure on the event beyond a certain level each year, it had to be approved by us, so we could see a full transparent set of their expenditure for the event. But, again, I do not think there we looked at how much are they spending before the event versus how much they spend at the event, and whether we are spending too much up-front or at the event. The whole focus is on the event actually taking place.

**Hon KEN TRAVERS:** For the Hopman Cup, I think the state provides a guarantee, too, for losses, do they not?

**Mr Muirhead:** Correct; and takes a profit share. That is an agreement that goes way back.

**Hon KEN TRAVERS:** Yes.

**Mr Muirhead:** So far, touch wood, it has delivered profits I think on almost every year—small, but still profits. That is an interesting example where we provide a guarantee against losses, but they cannot suddenly go, “We’re going to spend \$2 million to attract the top four tennis players in the world”, because they would lose money if they did that, and we would cop it. That is why they cannot do that without the agreement of the state. So, there is a check and a balance in there. But we

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do not worry about how much we put in before or they put in before; we have never assessed that, as far as I am concerned.

**Hon KEN TRAVERS:** I would have thought that if, at the end of the day, you are starting to create a new event, who carries that and shares that contribution and the risk of establishing that event would be something that should be looked at. While I note that the contract has a profit-sharing arrangement in it, I would have thought that—I mean, again, I cannot see that there was anything in the way in which that contract was structured that would stop that organisation being able to make sure that they never made a profit, or they would only ever break even. There were no controls like you just outlined for the Hopman Cup.

**Mr Muirhead:** I would be surprised if we could not have a look at their audited accounts.

**Hon KEN TRAVERS:** Yes, you could look at their audited accounts, but what could you do if they had paid themselves management fees for the event of X amount?

**Mr Muirhead:** Of an extraordinary amount? Good point.

**Hon KEN TRAVERS:** That makes the point that they have never made a profit. Again, I might be wrong, and I am happy to be corrected if you are aware of anything —

**Mr Muirhead:** No, no, no.

**Hon KEN TRAVERS:** — but that is my reading of the contract; although there is a profit sharing and you get to see the audited accounts, if they paid themselves a massive management fee then how do you stop that occurring?

**Mr Muirhead:** Sure; how is the profit determined? I do not have the answer to that, and I am not aware that we had a series of, “Okay; let’s set certain costs that we can fix, and those that we can’t fix, we can look at.”

**Hon KEN TRAVERS:** I guess it all comes back to—because that strikes me—that if the board was asking for a greater capital contribution, I am wondering whether that was ever one of the reasons the board, and whether from your recollection of the conversations, was asking for a greater capital contribution and that was one of the issues they were looking at.

**Mr Muirhead:** To be honest, I never recall any concern about the time frame and whether our money was going in first and theirs later and them not proceeding with event. I think the concern was just the imbalance between who was putting the gross amount in over the time, and that is what I think that was about. Because I think if they had have done that, we would have—I do not know whether you have found it in any of the discovery of the documentation, but I do not recall us going to them and saying, “Peel out the time frame against your expenditure, and we will put ours against that and look at it.” I do not think we did that.

**Hon KEN TRAVERS:** My final question on this area is, in one of the early contract versions that had you reviewed, you had written a note on it. At that stage the initial payment was \$200 000?

**Mr Muirhead:** Correct.

**Hon KEN TRAVERS:** I think you made a note that that was too high.

**Hon LIZ BEHJAT:** “Seems very high”.

**Hon KEN TRAVERS:** “Seems very high”.

**Mr Muirhead:** Yes.

**Hon KEN TRAVERS:** I think, as a consequence, it was reduced about by about \$50 000, and I think that \$50 000 was then added into —

**Mr Muirhead:** Yes, I have a copy of that.

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**Hon KEN TRAVERS:** — I think, the fifth milestone payment, from memory—the one with respect to the written confirmation about the number of international showcases. I was just wondering if you can recall what was on your mind at the time that you were making those comments.

**Mr Muirhead:** I think I made a comment here: “It’s a lot; why so high at 20 per cent? What security have we got against that?” Or “what security”, and my words ran out there; I do not know what happened to the rest of the words. But I assume I was going on the basis of other events and comparatives, but I do not, indeed, have in front of me the other—I know that figure was \$200 000 and it was reduced to \$150 000; I do not have the other figures in the papers I have. But at the time I obviously felt it was a lot and it needed to be reduced, and it was reduced. I assume then that I was happy with the \$150 000, to present that to the board.

**Hon KEN TRAVERS:** I mean, it strikes me that it is still a fairly high payment and that was still given back fairly quick—well, in terms of meeting the milestones, it still got that money flowing through. It was fairly early on in the piece. So, your comments about putting up \$200 000 without security, we were still putting, as I say, \$400 000 well in advance of the event, without any security, if you go through all of the early milestone payments.

**Mr Muirhead:** Well, yes, but if you look at the milestones, the formal agreement—the formal agreement is often a very high component. As an example, if I can give a very current one: the Commonwealth business forum that is being held during CHOGM, I know that the people running that are demanding one-third of the payment from their sponsors up-front, saying, “I am signing to pay one-third of your contribution”, whatever that is, which one could say is quite a lot. We reduced it to \$150 000, which I think—I have not seen what the total funding for that was —

**Hon LIZ BEHJAT:** For the Commonwealth business forum, who is getting the one-third payment up-front?

**Mr Muirhead:** The owners of the event—the Commonwealth Business Council out of the UK.

**Hon LIZ BEHJAT:** They are getting that —

**Mr Muirhead:** From their commercial sponsors.

**Hon LIZ BEHJAT:** — from their commercial sponsors.

**Mr Muirhead:** Yes.

**Hon LIZ BEHJAT:** That is a bit different from the government handing over money to a proponent.

**Mr Muirhead:** Well, they are the proponent of the event; of the business forum. What I am saying is that it is not necessarily an usual arrangement to have a percentage of money paid up-front on the signing of an agreement.

**Hon KEN TRAVERS:** That would be refundable if the event does not occur?

**Mr Muirhead:** I have not read the contracts. I have not got the same contract with them, so.

**Hon LIZ BEHJAT:** Probably more than a three-dollar company.

**Mr Muirhead:** Actually they are not-for-profit and almost without any assets. I do not think this is an unusual situation. If you reviewed other jurisdictions, I would be very surprised if they were not doing exactly the same type of arrangement whereby funding would be paid up-front.

**Hon LJILJANNA RAVLICH:** Is this for CHOGM?

**Mr Muirhead:** No, I am talking back on this. The point, I guess, I am making, though, is that the other milestones in there are significant steps towards holding an event and getting all your event approvals in place. By then you have spent a lot of time and effort on event planning.

**Hon KEN TRAVERS:** Do you reckon \$200 000 worth?

**Mr Muirhead:** I am just trying to find. What was our total contribution to that first event?

**Hon KEN TRAVERS:** Up to \$800 000.

**Mr Muirhead:** It would have been \$800 000, I assume, if everything went according to hoy and they hit all the milestones. You are talking about somewhere around 20 per cent. A lot, in particular in the first event, would go into, I think, the type of plan that you have to put in place for that. I understand where you are coming from, but I think this is not necessarily an unusual scenario for events. It may be one that seems to be overly generous on behalf of government. But to be honest, in events, government obviously often puts in a lot more than what would happen under a straight commercial operation. That is why governments are involved in events, and these things do not happen straight commercially, because most commercial operations would not see a return on investment against their bottom line. We have different goals. It would be interesting to compare some of the other big events around Australia in the same light. I do not think at 150 it was an unfair or unusual amount to put on. I quite accept that there was risk attached to it. Securing a director's guarantee against it would have been a great idea. Whether we would have secured it, I do not know. I do not think we asked. We quite probably should have.

**Hon KEN TRAVERS:** Are we right, then, to make the assumption that when you write “without security”, that is the sort of thing you were thinking about? Can you recall what you would have been thinking about when made the comment “without security”?

**Mr Muirhead:** In terms of do we have security and other events?

**Hon KEN TRAVERS:** It is your words.

**Mr Muirhead:** “Without security” probably was me thinking \$200 000 was too high and we needed to pull it down a bit.

**Hon LIZ BEHJAT:** But your comment here on this thing—what security; what would you have had in mind?

**Mr Muirhead:** About what security it would get?

**Hon LIZ BEHJAT:** Yes, what would have been acceptable in security?

**Mr Muirhead:** It could have been bank guarantees, which, to my mind, we have never done before an event. I have never used director's guarantees.

**Hon LJILJANNA RAVLICH:** Can I just ask you why not, because we are talking about taxpayers' money?

**Mr Muirhead:** Sorry; why we have not used director's guarantees or why have we not used bank guarantees?

**Hon LJILJANNA RAVLICH:** Bank guarantees.

**Mr Muirhead:** It is a good question. It was never practice. Again, I guess the period of time that you were funding through to was often relatively short to the event and you had a high understanding of whether it would happen. Bank guarantees that we used in the other examples I gave were for a situation where you may have funded infrastructure which, hopefully, have a minimum of a five-year life of the entity operating within it, if it was a technology business. It is a good question. I do not know how much it would put proponents off. Once you get into —

**Hon LJILJANNA RAVLICH:** But you have never tested that.

**Mr Muirhead:** Not that I recall, no.

**Hon LJILJANNA RAVLICH:** Does this not mean that you are accepting a much lower threshold by actually not requesting bank guarantees from proponents, and that is not in the interest of taxpayers?

**Mr Muirhead:** Lower threshold in the way of?

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**Hon LJILJANNA RAVLICH:** In terms of, I guess, making sure that the proponents can in fact provide the security. What you are relying on is a three-dollar company, and at the end of the day that is not particularly —

**Mr Muirhead:** I think you are adopting a higher level of risk, definitely. I am not sure that that affects the return that you might get, but definitely —

**Hon LJILJANNA RAVLICH:** No, I am talking about risk; I am not talking about return.

**Mr Muirhead:** I think you are adopting a higher level of risk if you do not have a guarantee against any transaction.

**Hon LJILJANNA RAVLICH:** Would it not be in the public interest to ensure that you minimise the level of risk for Western Australian taxpayers and to do that, surely a bank guarantee would enable the agency to minimise that level of risk?

**Mr Muirhead:** Yes, I agree that would. I guess the answer that I do not have is whether the proponents would accept that. But I agree that it would improve the security to taxpayers of expenditure of taxpayers' funds.

**Hon LJILJANNA RAVLICH:** I cannot understand. You have never adopted the practice of requesting a bank guarantee because you were unsure whether the proponent would accept it or not. How would you know that they would not accept it if you have actually never put it to them? If they want to do business with the government, then surely they would give it serious and due consideration, but you are not even offering the option for them to be able to make that decision.

**Mr Muirhead:** It never really came up. I suppose the reasons are: the only major failure that I can recall is probably Global Dance, where an event proponent walked away with a truckload of money. I do not know the details of that, but I know it has been around. I actually worked with Peter Reynolds way back in the dim, dark days.

**Hon KEN TRAVERS:** Elle Racing, I think, was another one where the state paid over money and never actually got —

**Mr Muirhead:** It is too.

**Hon LIZ BEHJAT:** Sorry, what was that?

**Mr Muirhead:** Elle Racing.

**Hon LJILJANNA RAVLICH:** There are two. Surely you should have learned something from two.

**Mr Muirhead:** They sued as well.

**Hon KEN TRAVERS:** They sued to try to get it back.

**Hon LJILJANNA RAVLICH:** But Mr Muirhead, just having heard of those two examples, one would expect that the agency would have learnt from that and that the agency would have sought a higher threshold of guarantee, if you like, for and on behalf of Western Australia's taxpayers. You have just told the committee you have not.

**Mr Muirhead:** I did say we have not. I did say that it would be a good idea to do so if it did not jeopardise securing the event. That can only be determined when you try and do it.

**Hon LJILJANNA RAVLICH:** But you never tried to do it.

**Hon LIZ BEHJAT:** On the same line of questioning of not asking for the security and not asking for the director's guarantees or bank guarantees, was that solely a decision that you, together with, say, Mr van Ooran made, or did the board actively become involved? What I want to know is: how involved was the board in the actual decision-making process in regards to this? Would they have known that this money was given out without bank guarantees, something they would have

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expected, or did they not even ask that question? Also, does it go as far up as the minister? What would the minister have known in relation to moneys being given out without specific guarantees?

**Mr Muirhead:** Firstly, the board, I expect, would know that, as the chairman is the accountable officer within Tourism WA under the Western Australian Tourism Commission Act, so the contract is actually signed by the chairman. You would expect any guarantees would be in the contracts that are signed. I would not expect that type of detail to be taken to the minister, to be honest, particularly with the board in place. It is not the type of thing that the minister would expect to see, I do not think. It would be a matter of the board seeking recommendations from me and coming back and saying, “We are dissatisfied” or “Go and do this” or in this case, maybe saying, “We don’t like the balance of investment”. I think the responsibility would have been on me to recommend that to the board or the board to say, “Where is the security?”. Again, I think it is an area where in contemporary times, notwithstanding Elle Racing and Global Dance, I cannot recall any failed events. Indeed, this event I do not view as a failure or loss of funding here. They pulled out of their continued events.

**Hon LIZ BEHJAT:** From your recollection of the board’s attitude at the time towards this going on, were they actively interested in the One Movement festival or was it simply you brought it to the board, you said, “This is what we are going to do,” and they went, “Yes, fine.”

[2.40 pm]

**Mr Muirhead:** Deeply engaged. To their credit, to be honest, the Tourism WA board the whole time I was there was deeply engaged in everything. They are a very active board—contributed a lot, a lot of advice, a lot of direction. A lot of the changes that took place here, I would say, to actually improve the outcome, irrespective of what the committee may think the outcome was, would have come from initiatives from the board. The matter was debated at numerous board meetings as it grew over time. Again, going back to my very first comments, there was strong support to develop events like this because they were moving away from the conventional “Let us buy a rugby match, let us buy a cricket match, let us buy a car race, let us buy an international swimming event.”

**Hon PHILIP GARDINER:** It is the governance issues that we are obviously keen to investigate.

**Mr Muirhead:** I understand that.

**Hon PHILIP GARDINER:** I just go back to this issue about the risk. In a way, once you sign off that you are going to put in \$800 000 for the first year and I think \$500 000 or \$600 000—I forget now—in the second year, the financial risk to the government is fixed. Your real risk is the performance risk of those with whom you are going into it to deliver the event and make a profit. So, when the participant comes in to undertake the performance, in relation to the guarantees, sure, directors’ guarantees are hard to get; that is true. Bank guarantees may also be hard to get. Why did you not ask for an equity contribution into the company with which you were partnering—in this case, One Movement? Why was there not some hurt money? I know that, overall, they honoured their commitments, but they may not have. Why was that option not taken?

**Mr Muirhead:** I can only say it was probably an oversight if we did not do that. Also, I think it probably goes back to a confidence in the fact that the partners had a very high profile and had reputational risk on the line. I accept the point about the hurt money. The reason we would not have done it, I would think, would be because of the nature of the partners we were dealing with. None of them were new, start-up organisations; they all had long and strong track records and we did the D&B checks on them, which I quite agree had no impact on the new entity which had been formed. So, I think that was an oversight, but I would also make the point that in this case I do not believe it impacted on the outcome.

**Hon PHILIP GARDINER:** Your judgements were correct, because they did honour their obligations. But when people get caught in a corner, ultimately it becomes entangled, as we all know. That is one aspect of governance. The other aspect of governance from the financial side



which I was intrigued with and which you mentioned was in relation to the Hopman Cup. Hon Ljiljana Ravlich is absolutely right; you can take a whole lot of management fees. There are things you can swing money out of in a partnership like that. In that kind of arrangement where you have a profit share or a guarantee of the losses especially, why would you not have had an audit of the event's financials included in the arrangements so that you could determine what the proper share was; or was there an audit anyway?

**Mr Muirhead:** An audit prior to the event?

**Hon PHILIP GARDINER:** No, after the event, because you had a profit-share arrangement, I think you said.

**Mr Muirhead:** For One Movement?

**Hon PHILIP GARDINER:** No, for the Hopman Cup.

**Mr Muirhead:** Yes.

**Hon PHILIP GARDINER:** It is just really the governance I am getting at. I know I am going to be on One Movement. Why would you not have had an audit, or did you have an audit, of the Hopman Cup outcome so that you knew what you were actually receiving?

**Mr Muirhead:** I think, under the contract, they disclose at the end of each event their costs and their financials and what the profit was, and we got a share of that profit. We had the right to exercise an independent audit of that, I would be sure, but I have not got the contract in front of me.

**Hon PHILIP GARDINER:** Okay; I suspect you would have to have had them. I am sure you would not have gone into something like that —

**Mr Muirhead:** I cannot believe we would have had an agreement like that that did not have the right to go and check.

**Hon PHILIP GARDINER:** Let us just give the benefit of the doubt on that one. You talked earlier about how you had advisory boards in the early 2000s, I think it was, and then the capacity of the board was built, I think you mentioned, into the Tourism Commission and therefore the advisory boards fell away. What were the deficiencies that you were seeking in the advisory boards to complement the Tourism Commission at the stage when you had those advisory boards? What skills were they really?

**Mr Muirhead:** The issues really were bringing to the board contracts that did not have the right issues covered, the contracts were weak, they were not drilling down to the right detail, they were not committing the proponents to the right things, they just were not rigorous enough, and also some feeling that we were not negotiating hard enough or whatever to get a good outcome for the state. There was a feeling that there was not enough commerciality around the contracts and the negotiations that were done, and so it was decided to try to inject some of that in by having this advisory board. At the same time, there was a change of staff and the like and gradually things got better. Eventscorp got used to doing tighter, firmer contracts and the board relaxed and did not find itself spending hours redrafting contracts or sending them back or whatever.

**Hon PHILIP GARDINER:** And were the financial prudential arrangements a weak spot that you had in the Tourism Commission at that stage; do you recall?

**Mr Muirhead:** No. To the best of my knowledge, we never had a negative report or any question from the Auditor General. We were audited quite a lot on random audits. We had very strong financial controls. We had a financial committee out of the board which oversaw that anyway, and we had our own auditors and we had external auditors. There has never been a problem, to the best of my knowledge, and never a reported problem. We had a clean bill of health from the Auditor General for all the years that I was there.

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**Hon PHILIP GARDINER:** Apart from the audit—I understand what that really means—it is really the managerial aspect of the financial prudence, if you like. I am coming back to the kinds of things that we talked about with Derek as guarantee or bank guarantees and so on just to cover the actual financial risk and the performance risks. That was an area where you felt you had the capacity on the board. Were they there on the Tourism Commission board in those early days, or was the advisory board supplementing that as well? I know it is some years ago.

**Mr Muirhead:** You are getting down to some details now that go back nearly 10 years.

**Hon PHILIP GARDINER:** It is the board capacity that I am trying to get to.

**Mr Muirhead:** Soon after I got there, it was after a change of government and the board was refreshed quite soon after that. The board always had a very strong financial component on it. I do not think the board was ever deficient in that area. I am not sure the board was ever deficient in any area, to be honest. It had a spread of skills and interests from tourism operators through to non-tourism operators with other skills in marketing or whatever. I do not think the board was ever deficient in that area.

**Hon PHILIP GARDINER:** I have done my homework while we have been talking. I can see that the budget for the Eventscorp business was nearly \$22 million in 2005–06; \$21 million in 2006–07—these are rounded numbers—\$13 million in 2007–08, which was a significant reduction; \$20 million in 2008–09; and \$20 million in 2009–10. There was that drop off in 2007–08. Was that to do with any difficulty that you had with events at that time?

**Mr Muirhead:** No. I imagine that might have been movement of one of those events. I think that might have been a change around—I do not know whether I have got any information here—Rally Australia.

**Hon PHILIP GARDINER:** The budget was \$13 million and it came up to about \$16 million. You somehow exceeded budget, obviously justifiably at the time for whatever reason. But it is just that that was a fall and then a rise. I just wondered whether that was to do with the performance of Eventscorp.

[2.50 pm]

**Mr Muirhead:** No; it had to do with a significant change. I suspect it was the year that we stopped Rally Australia but I am not 100 per cent sure.

**Hon PHILIP GARDINER:** I have one final question, which is to do the Global Dance and Elle Racing events, which I think you said failed.

**Mr Muirhead:** I was not there at the time. I think Global Dance failed.

**Hon LJILJANNA RAVLICH:** It absolutely failed.

**Mr Muirhead:** I do not know what happened. Nothing ever happened, I think. I do not know the details; I was not around for that.

**Hon PHILIP GARDINER:** I presume reports must have been done about that from which lessons were learned. When was it roughly?

**Mr Muirhead:** I do not know.

**Hon KEN TRAVERS:** It was in the 1990s; about 1998, from recollection.

**Hon LJILJANNA RAVLICH:** Hon Norman Moore said that the Elle campaign was the best investment he ever made as the tourism minister.

**Hon LIZ BEHJAT:** That was not Elle Racing, though; that was Elle advertising.

**The CHAIR:** That is outside the terms of reference, that one.

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**Hon LJILJANNA RAVLICH:** Mr Muirhead, could you go to this paper that was prepared for the board meeting on 29 August and refer to the last page, which is page 9. Attachment 3 shows the proponent's final profit share proposal. I am curious as to how we can accept that this sort of profit share arrangement, once again, is in the public interest. If we look at the return on expenditure from zero to 10 per cent, there is zero return to Tourism WA. One Movement's percentage share is 100 per cent. In relation to the next percentage of return on expenditure, which is 11 to 20 per cent, the percentage share to TWA is 10 per cent and to One Movement, it is 90 per cent. Anything over and above 21 per cent, the return to Tourism WA's share is 15 per cent and to One Movement it is 85 per cent. Can you just explain why this is structured in a way that basically does not even appear to aim to deliver a return to the government and, through the government, to taxpayers?

**Mr Muirhead:** Why does it not deliver?

**Hon LJILJANNA RAVLICH:** It seems to me to be structured in terms of the profit share, particularly not in favour of TWA.

**Mr Muirhead:** There is a profit share in there. Are you saying it is not high enough?

**Hon LJILJANNA RAVLICH:** Yes, I am saying it is not high enough.

**Mr Muirhead:** Eventscorp is not in the business of running events to make money for itself or for the government. It is in the business of running events. The whole principle behind events is really two-fold—to attract new visitors to the state and to progress the state in the key overseas markets. They are the principal objectives of every event that Eventscorp really gets behind. As to the requirement to make a poultice of funds out of running events, I do not think the government should be in that business. That is a business of proponents. This was about having a small profit share, which, on the one hand, enables your access to the books of the proponents because you cannot be clear on your profit share if you do not have that, and would have been negotiated, I would imagine, as some trade-off against what appeared to be a quite heavy upfront contribution, as you have pointed out.

**Hon LJILJANNA RAVLICH:** Whilst I accept that you may not be in the business of making a profit, I do not also believe that you are in the business of incurring losses in terms of taxpayers either.

**Mr Muirhead:** But we have a budget to spend on events. It is agreed to by the government and it is agreed to in Parliament. There is a clear budget to spend on events. It does not say that we have to get a return on investment in direct financial returns back to the agency.

**Hon LJILJANNA RAVLICH:** I understand that you can get those returns in exposure of the state internationally and visitations to the state.

**Mr Muirhead:** That is the objective.

**Hon LJILJANNA RAVLICH:** If we do not get the financial returns, what do we get in terms of the integrity of the modelling that is used by the agency in order to determine the benefits to the state? What are those component parts that make up the model, if you like, that determines whether an event is worthwhile investing in or not investing in?

**Mr Muirhead:** From my reading of some of the *Hansard*, I think the committee has been briefed on the way that the research is done, both the economic impact studies and the media impact studies. They are the models that are used.

**Hon LJILJANNA RAVLICH:** It seems to me that given that we have had Elle Racing, Global Dancing, One Movement, the taxi ride, which was after your time —

**Mr Muirhead:** I am sorry; I am not clear. Why is Elle Racing and One Movement in the same bucket?

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**Hon LJILJANNA RAVLICH:** I am trying to establish from you whether in your view you consider there was a need to perhaps make some changes to the modelling that is used to determine whether an event is worth supporting and investing in or not?

**Mr Muirhead:** That is a completely different issue to what we were just discussing. I am getting confused. Are you asking me how we determine the value of an event in meeting the primary objectives of visitation or media exposure or are you asking me about the percentage profit? I am not clear what I am being asked.

**Hon LJILJANNA RAVLICH:** I was asking you first about the percentage profit and you answered that, and now I am asking you about the actual modelling and the component parts of the model and whether you believe there is a need to review that model in view of the fact that it may not be achieving the outcomes that we all require.

**Mr Muirhead:** Again, going back to the two key objectives, they are either media into the principal markets where we are trying to draw our visitors from or it is directly attracting new visitors. They are relatively straightforward outcomes. The best way that can be done is to try to predict, in conjunction generally with the proponents, what the visitor numbers will be. That is done. There is normally a pre-feasibility and a feasibility study done. Sometimes it is easier if you can get the level and an understanding of what the media will be shown. How much people watch it is another question you have to ask. I am not aware of any better method of doing that. Tourism WA spent years trying to improve those models and approve the evaluation modes, working with the Department of Treasury and Finance, looking at things like computer-generated equilibrium models in terms of the outcomes. We went through multiple assessments with DTF and they finally agreed on the models that are used now. Those models are endorsed by the Department of Treasury and Finance for assessment after the event, not prior to the event. It is not to say that there is not but I am not aware of a better way of doing that other than what we are doing now.

In terms of understanding, and in this case delivering, what the proponents promised in terms of the volumes of numbers, it did largely to the area where it attracted the internationals but it did not to their commercial outcomes around the festival, as I understand it. That is where their revenue was going to come from but it did not. Generally speaking, the way that it is done, in a highly unpredictable environment, is as good as I am aware of and the technology that I am aware of. Bear in mind, I sat on a national tourism committee where these things were discussed and the models of other states and jurisdictions used was discussed. I believed at the time that the models we used to determine the value of an event were more rigorous than others. The technology never stops and there are always better ways to do it. I was not aware at the time of a better model and obviously now I am not involved in that area any more.

**Hon LJILJANNA RAVLICH:** I wondered whether in your view there is some scope to better refine the models so that there can be greater certainty for people who come into partnership with Tourism WA to get better outcomes so that you do not end up with proponents, like in this case, who cannot make a profit and then call it quits because it is not in their interest to hang around.

[3.00 pm]

**Mr Muirhead:** Yes, I am sure there are better ways. They would all cost money and they would cost money up-front on the event. For example, if you spent a lot more money on market research to test demand for such an event with both populations here and populations in target markets—whether Melbourne, Sydney, Adelaide, Singapore, Kuala Lumpur—certainly that would give you some more certainty, but it would be very expensive to do so. It would be very time consuming to do so and in the dealings that I have had over the times and the observations I have had of many event proponents, particularly where they are mobile events, I am not sure they would hang around and play with you while others would be saying, “We are happy to have you”. Yes, there are definitely better ways you could do it, but it would cost money to do so. It would be through more detailed market research up-front rather than after the event.

**Hon KEN TRAVERS:** Earlier on you made a comment to the effect that, I think, the promoters or the partners in this event had a long track record. Who were you referring to when you said that?

**Mr Muirhead:** Chugg Entertainment, Sunset Events and A&R—Sat Bisla.

**Hon KEN TRAVERS:** Although your major partner was Sunset Events though, was it not?

**Mr Muirhead:** I do not know the equity splits now. I cannot recall them.

**Hon KEN TRAVERS:** The head contract was with One Movement and that was made up of the three partners of Sunset —

**Mr Muirhead:** I do not know what their equity was in the—I do not have access to that information now.

**Hon KEN TRAVERS:** Are you saying you had a contract with A&R?

**Mr Muirhead:** No, I think our contract was with One Movement Pty Ltd, was it?

**Hon KEN TRAVERS:** My understanding is that One Movement basically had three shareholders who were the same shareholders that own Sunset Events. You were primarily negotiating with Sunset Events and they created a company called One Movement, which you then had the arrangements with.

**Mr Muirhead:** I assume so.

**Hon KEN TRAVERS:** It strikes me the primary event partner would have been Sunset Events.

**Mr Muirhead:** I assume so. You probably have more information in front of you than me. That may well be so —

**Hon KEN TRAVERS:** Who were you negotiating with in terms of discussions?

**Mr Muirhead:** The negotiations were with David Chitty, I think, of Sunset, but I know that he was referring to his other partners or whatever they were—again, I do not have that in front of me—at the time being Chugg and Bisla, but I do not know their equity positions.

**Hon KEN TRAVERS:** Is Sunset Events one of those companies that you see as having had a long track record?

**Mr Muirhead:** I think so.

**Hon KEN TRAVERS:** What events have they run previously that would make that —

**Mr Muirhead:** They have had major music festivals in the state.

**Hon KEN TRAVERS:** Which ones?

**Mr Muirhead:** I cannot recall the names, but they have got the ones down in the south west that they run. There is a big one they do in Fremantle—Blues and Roots. They do one or two down in the south west. I do not think I have any information on that.

**Hon LIZ BEHJAT:** Southbound.

**Mr Muirhead:** That is quite a big event, I think, Southbound.

**Hon KEN TRAVERS:** Would it surprise you if I told you that the Blues and Roots Festival only started in 2004?

**Mr Muirhead:** No.

**Hon KEN TRAVERS:** And Southbound in 2005?

**Mr Muirhead:** No. Is that a problem?

**Hon KEN TRAVERS:** You are saying that these were companies that had a long history of —

**Mr Muirhead:** I am sure he had other events before that.

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**Hon KEN TRAVERS:** Prior to that, the best I can work is they ran the outdoor cinema in Kings Park. In terms of major music events, the history is that those were events, which, when you think back that we are now talking a while —

**Mr Muirhead:** And Chugg Entertainment.

**Hon KEN TRAVERS:** It is still only seven years. Yes, but the primary contract was with Sunset Events.

**Mr Muirhead:** I do not know. I do not know what the equity was in One Movement.

**Hon KEN TRAVERS:** As far as I can tell, Chugg was not —

**Hon LIZ BEHJAT:** Chugg drops off after the exit agreement. Chugg drops off and the contract ends up between only Sunset Events —

**Hon KEN TRAVERS:** We have a company with two major events that we are aware of have existed—one since 2001, one in 2005—and at the time we were talking about negotiating this, we are talking about 2006, 2007. So, I mean, I would have thought that is not a long track record. They have had a couple of events and in the music industry where you can have events spring up and drop off fairly quickly, I would have thought —

**Mr Muirhead:** Perhaps I meant high profile operators then, in terms of Sunset. My understanding was that Sat Bisla had a successful event in the states, A&R, and I think Chugg had a long track record. But I can see what you are saying, or I have to concede because you have the information and I have not.

**Hon KEN TRAVERS:** I am happy if you can give me other information —

**Mr Muirhead:** I do not have that information in front of me and I do not have access to the information now, so I cannot tell you what the equity partners are in those events; I do not recall that information. We would have anything up to 24 to 30 events a year, plus regional events, plus arts and cultural events. It may seem like a flaw, but I do not hold in my head the information about each of the event proponents, their shareholders, their statuses, whether they are companies, NGOs or not-for-profits or indeed local councils. Without that type of information it is difficult for me to respond sensibly to you.

**Hon KEN TRAVERS:** Are you aware of whether that Sunset Events—I think you mentioned Mr Chitty. Was Tourism WA dealing with them around the same time regarding any other events or was this their only contact with them that you can recall?

**Mr Muirhead:** I do not know that they were dealing with any others, but there may have been discussions with Eventscorp because of its event development requirement. It is important to understand that a state like Western Australia does not have events stampeding in to be held here; it has events stampeding out of here. We have an event development component. There may have been discussions going on, but certainly none that I am aware of and not that I just do not recall; I am not aware that there were any other discussions.

**Hon KEN TRAVERS:** This is one of the things I am still not sure about. Were they involved at the MASS event, the Margaret River Music, Art, Surf and Style Festival, or was that after your time that that appeared, which was an extension of the Margaret River Pro?

**Mr Muirhead:** Was that the one that was meant to replace the Margaret River Masters?

**Hon KEN TRAVERS:** Yes.

**Mr Muirhead:** I do not know if they were involved. There were a number of players in that, but I do not think we pursued that.

**Hon KEN TRAVERS:** The MASS occurred back in 2009 or something.

**Mr Muirhead:** Did it? The event occurred?

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**Hon KEN TRAVERS:** The government sort of announced that it was going to occur. Are you saying it never —

**Mr Muirhead:** Which one are we talking about?

**Hon KEN TRAVERS:** The Margaret River arts and style, which was linked to the Drug Aware Pro, the surfing.

**Mr Muirhead:** Was it a side part of it, was it, the music festival?

**Hon KEN TRAVERS:** The MASS, as I understood it, was about having an event to broaden out just the surfing, to have a broader event in the Margaret River region, promoting Margaret River around arts, surf and style.

**Mr Muirhead:** No, I am not aware of that.

**Hon KEN TRAVERS:** The other final question I have is—going back to the document you have signed, you mentioned earlier the \$200 000; we talked about that being a lot. I think you also said that maybe in the first year you would have a fair few, you know, up-front costs in terms of a lot of that event planning in the first year, but I also note in subsequent years you have also crossed it out and made it \$100 000, but, as I understand it, it ended up being still \$150 000 in each year. Do you recall any of the negotiations that occurred around that issue?

**Mr Muirhead:** I would not have had direct negotiations, but I would imagine that, like every negotiation, both sides have to agree and I can only assume at that point that was what they were prepared to go to. I think it is very important to understand that there are many things in a negotiation and many things in a contract that would be nice to have, but at some point or another one party walks away from the negotiation. I know that Eventscorp was negotiating quite hard. I can only assume that they tried for that, but that the event proponents were not prepared to do it.

[3.10 pm]

**Hon KEN TRAVERS:** All right.

**Mr Muirhead:** I am sure it was not given away freely.

**The CHAIR:** In regards to the performance of the executives that were under your control, did you have performance plans in place for those?

**Mr Muirhead:** At what time?

**The CHAIR:** Obviously when you were CEO, but in particular the time when decisions were being made about One Movement.

**Mr Muirhead:** I would have to go back and check and they would be on record. Certainly, I would have performance meetings with each of my executive directors; we would talk about how things were going, where they were going. We went through, at the time I was there, various iterations of performance management from deeply intensive three-way—well, no, we did not do it at Tourism WA. But certainly filling in forms as to your own performance through to a quite informal performance appraisal, which would be sitting down, meeting, talking about issues; what are the issues that concern me, what are the issues that concern the executive director, and where do we go and what formal training do they think they need.

**The CHAIR:** Were there any issues that came up that you recall?

**Mr Muirhead:** About this event?

**The CHAIR:** Yes.

**Mr Muirhead:** No; not about this event.

**Hon KEN TRAVERS:** In terms of this event, what sort of contact did you have with the minister regarding it?

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**Mr Muirhead:** Sorry, which event?

**Hon KEN TRAVERS:** The One Movement festival.

**Mr Muirhead:** Which minister?

**Hon KEN TRAVERS:** Well, any ministers.

**Mr Muirhead:** The original concept was approved under Hon Sheila McHale and the subsequent arrangement did not need to be approved by Hon Liz Constable, I do not think, because it had already been approved. The minister certainly was aware of it, but it was a board decision to approve it. But certainly in my weekly or fortnightly meetings with the minister, she would have been briefed on the board decisions. But it was not customary, unless the minister specifically sought the information, to go through line by line what was in the contract. There would certainly be a summary of how much expenditure was being put in by the agency, but the minister would not normally need to know, unless he or she sought it, the full details. That was the purpose of a statutory authority.

**Hon KEN TRAVERS:** So, did either of those ministers ever seek details about this event?

**Mr Muirhead:** Over the six years I am sure they did, but I do not recall the individual occasions.

**Hon KEN TRAVERS:** So you do not recall any issues. Are there any issues that you recall where specific issues—I mean, because certainly at various times the issues surrounding this event became quite high-profile.

**Mr Muirhead:** Well, certainly after the event started running and because, you know, the CEO of WAM was quite opposed to the event or did not like the event or whatever and was quite vocal himself about that. I am sorry, but again, there would be other events that would have been probably discussed more; there were other higher risk events, to be honest. In what was visible at the time, this was not seen as a super-high risk event both in terms of the quantum and in terms of the nature of it and the proponents. It did not have the same risk profile of events that could be cancelled for weather, for example. So there may well have been records of ministerial meetings held at Tourism WA, but I do not have access to those. So I am not trying to avoid the question —

**Hon KEN TRAVERS:** No, no—I am asking from your memory whether you ever recall the minister sort of interrogating you about this event.

**Mr Muirhead:** No—I mean, I remember the board interrogating us and the development through it. As I said, this was an event that the board took a high degree of interest in and that was because there were people on the board who had special knowledge in this area, so they were vitally interested in it and whether it would happen and whatever and were doing their own soundings. You know, that is an important point: that we were actually taking soundings through board members, like John Spence, who had a background in the music industry, about the various individuals concerned and whether it was going to work.

**Hon KEN TRAVERS:** And I understand that, but I would have thought once the event started to get a public profile in terms of questions around this —

**Mr Muirhead:** I was not there very long after that.

**Hon KEN TRAVERS:** Right.

**Mr Muirhead:** Do not forget the first event was held, I think, in late 2009 and that was when I left.

**Hon KEN TRAVERS:** So you do not recall the minister ever asking questions about it of you at those meetings?

**Mr Muirhead:** I am sure there were some questions, but I do not recall it being an “Oh my god! We need to get this organised; the minister really wants to know this and that”. But there were a lot



of things happening all the time, other events, so it may well have been, but I do not recall it as “this is a big issue; we need to sort this out”.

**Hon LJILJANNA RAVLICH:** This is my last question, Mr Muirhead, and that concerns the role of WAM. You just made a comment in relation to the CEO of WAM. Can you just explain to the committee, first of all, who was the CEO of WAM at the time, and what was his and WAM’s role?

**Mr Muirhead:** Paul Bodlovich, I think, was the CEO at the time or director, whatever. Certainly, we put a lot of effort into trying to get WAM to get an involvement in the event. I think he was quite critical of the event and I am not clear as to why that was because certain members of his board either current or past were very supportive of the event, indeed, attended the event. I am not clear as to what his issues with it were other than he felt that—I do not know what he felt, but he was quite critical of it.

**Hon LJILJANNA RAVLICH:** And so WAM was not a participant? I understand —

**Mr Muirhead:** No, WAM I think at the time we have asked the proponents to engage with and look for opportunities for WAM to participate in the event to do the things that they did. WAM does a lot of excellent things around both the development of the music industry, WAMI events and all that type of thing. But I do not believe they participated and I do not think the CEO was there at the first One Movement festival; in fact, I think he was out of the country.

**Hon LJILJANNA RAVLICH:** Can I ask you whether you believe that their lack of involvement may have undermined the confidence in the event itself?

**Mr Muirhead:** I could not—I do not know. I do not know what else—their lack of confidence in its own right would have depended on what else was said to other people, which I am not privy to.

**Hon LJILJANNA RAVLICH:** Sure, thank you.

**Hon PHILIP GARDINER:** I think Hon Ljiljanna Ravlich just about covered my questions on WAM too. The only thing is in the minutes of this particular meeting, which we have in front of us, it seems —

The consortium of Sunset Events, Chugg Entertainment ...

And so on —

are of the firm view that the widest net possible needs to be cast to deliver the visitor numbers ...

And WAM would have to be a key party to that wider net, I would have thought. I am surprised —

**Mr Muirhead:** And that is why it had involved key actions as well.

**Hon PHILIP GARDINER:** Yes, and I am just surprised that it was almost not a condition to cover the performance risk, if you like, that WAM was not committed. That is why I was interested in Hon Ljiljanna Ravlich’s questions.

**Mr Muirhead:** Yes, I mean, you would need to check elsewhere, but my recollection is that WAM was going to play a role like that, but ended up not doing it. I do not know why that was because I know that there was pressure on and I think the recommendations there —

**Hon PHILIP GARDINER:** Were for meetings —

**Mr Muirhead:** It does not say that they had to make a contractual condition around WAM; it does talk about a contractual condition for Michael Coppel and Michael Gudinski, but it does not say about WAM. But certainly I remember having meetings with WAM myself with David van Ooran, with other people—Dave Hyams, I think—and there was discussion about it. But for whatever reason, WAM did not end up, as I recall, participating in or doing any of that support.

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**Hon PHILIP GARDINER:** Yes, and if this was a music festival to try and attract visitors to Western Australia on a sustainable basis, it is surprising to me that WAM withdrew. In the notes here in the minutes, it says they are going to have “twenty local bands”.

**Mr Muirhead:** Correct.

**Hon PHILIP GARDINER:** Which I would have thought would have been reasonably material and adding to the festival.

**Hon LJILJANNA RAVLICH:** Casting the net wide.

**Hon KEN TRAVERS:** Which leads nicely into my questions, unless Mr Muirhead wanted to respond to Mr Gardiner at all?

**Hon PHILIP GARDINER:** No, that is fine.

[3.20 pm]

**Hon KEN TRAVERS:** Again, going back to the heads of agreement with your written notations on it, under “Distribution of profits” it has the notation “where is ... about WAM?”

**Mr Muirhead:** Correct.

**Hon KEN TRAVERS:** Am I right in assuming that would suggest that there had been at some point discussions that WAM would receive some sort of profit share out of this event?

**Mr Muirhead:** I do not think that profit share has a role in it, rather than profit shared.

**Hon KEN TRAVERS:** If you have a copy of it there, it is not under the event holder’s obligations; it clearly seems to be linked to the issue of distribution of profits. I think you had the right page there, it is number five.

**Mr Muirhead:** I think you will find it is at the end of the event holder’s obligation. If you look at the event holder’s obligations in there, it would have been reference to that, that they would have had an obligation to deal with WAM.

**Hon KEN TRAVERS:** There was never any discussion that WAM may have some profit sharing?

**Mr Muirhead:** Not with me or with us. Certainly I remember that we wanted to have WAM involved in it, and participating and doing an element of the work with the proponents, but we would not have got involved in dictating or determining that they should get a percentage of profit. I do not think that is the role government should play in any contractual negotiation.

**Hon KEN TRAVERS:** If you are funding the establishment of the event, I would have thought you would have some way of saying a bit of the profit should go that way rather than back to us.

**Mr Muirhead:** It think it would be very dangerous ground for government to step on, to start determining who should be getting profit out of these types of things other than asking for a share ourselves. The way I normally make my notations, I think my line that goes up there means that there should have been another obligation of the event proponent because there are a number of obligations, which would have been to negotiate with or reach agreement with WAM on the delivery of certain bits of the event.

**The CHAIR:** Thank you, Mr Muirhead. If there are any additional questions, the committee will forward these to you via the minister in writing in the next couple of days, together with the transcript of evidence which includes the questions you have taken on notice. If members have any unasked questions, please submit them to the committee clerk at the end of the hearing. A response to these questions will be requested within 10 working days of receipt of questions. Should you be unable to meet the due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. We might not have additional questions, in which case you will just get the transcript.

Finally, on behalf of the committee, thank you very much for your attendance this afternoon.

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**Hearing concluded at 3.22 pm**

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