



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

**(Reference: Auditor-General's report No 5 of 2006:
Rhodium Asset Solutions Ltd)**

Members:

**MR R MULCAHY (The Chair)
DR D FOSKEY (The Deputy Chair)
MS K MacDONALD**

TRANSCRIPT OF EVIDENCE

CANBERRA

WEDNESDAY, 13 JUNE 2007

**Secretary to the committee:
Ms A Cullen (Ph: 6205 0136)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

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The committee met at 2.05 pm.

CURTIS, MR TONY, Chief Executive Officer, ACTTAB Ltd
KOURPANIDIS, MR CON, Chairman, ACTTAB Ltd Board
QUINLAN, MR TED, Deputy Chairman, ACTTAB Ltd Board

THE CHAIR: Good afternoon. I welcome to these proceedings Mr Kourpanidis, Mr Curtis and the former Deputy Chief Minister, Mr Quinlan, who is here today in a new capacity. Before we get underway, I need to read to you the statement for the information of witnesses.

The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings. Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others, necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

Today's inquiry is into the Auditor-General's report No 5 of 2006, relating to Rhodium Asset Solutions Ltd. I ask the witnesses to give their name and the capacity in which they appear when they first speak, for the benefit of the *Hansard* record. I invite you to make some comments, if you would like, on the matters under inquiry. I am conscious of the fact that we have received correspondence, but I would invite you, I guess, Mr Curtis, to say some words in relation to that and any other matters that you want to put on the record in relation to this inquiry.

Mr Curtis: Thank you. My name is Tony Curtis. I am Chief Executive of ACTTAB Ltd. Our chairman, Mr Con Kourpanidis, will be making a statement.

Mr Kourpanidis: For the purpose of the record, my name is Con Kourpanidis and I am the Chairman of ACTTAB. Thank you, chair, for the opportunity to be here today. We welcome this opportunity to appear and to make an opening statement before responding to any questions which the committee may have of us.

When it was first released, the board and senior management of ACTTAB read with interest the report of the Auditor-General in relation to Rhodium Asset Solutions Ltd. As the committee will no doubt appreciate, ACTTAB has no basis of knowledge from which it can comment on the factual accuracy of that report, or on the appropriateness

of its recommendations. Accordingly, the comments that ACTTAB makes today relate solely to the possible implications of the report for the governance of ACTTAB.

Quite apart from ACTTAB's consideration of the Rhodium report in the course of its ordinary governance activities, as the committee will no doubt be aware ACTTAB was also asked by the ACT government to consider whether there was any action which ACTTAB felt it should take arising from that report. The ACTTAB board is satisfied, and has advised the government, that it has in place internal management structures, processes and protocols that it considers give an appropriate degree of assurance that activities of the nature criticised by the Auditor-General of Rhodium either would not occur or would be speedily detected and rectified at ACTTAB.

Accordingly, the board is satisfied that, arising from the report, there is no action that it should necessarily take to amend those structures, procedures and processes to better guard against the possibility of activities of that nature occurring at ACTTAB. However, as indicated in our chief executive's letter of 24 April 2007 to the committee chair, ACTTAB is happy to assist the committee in its consideration of the broader governance issues that arise from the report generally.

There are two particular issues of general governance that are discussed in the Rhodium report on which I wish to make some specific comments. The first relates to the relevance of public service standards, processes and practices to the governance of a territory-owned corporation, or TOC. Shortly stated, ACTTAB believes that public sector norms are relevant to, but cannot and must not be regarded as determinative of, the governance standards that must prevail in a TOC.

This is because there may well be circumstances in which it is not only appropriate but also legally incumbent on the management of a TOC to depart from public service norms. This derives from the very fundamental differences between the role and structure of a government department or agency on the one hand and those of a TOC on the other. The commonwealth's Corporations ACT 2001 and the ACT's Territory-Owned Corporations Act 1990 impose on the board and management of a TOC very different duties and obligations to those which apply to departmental and agency management and staff.

In particular, the TOC Act specifically provides that the main objectives of a TOC include requirements that it operate at least as efficiently as a comparable business and that it maximise the sustainable return to the territory on its investment in that TOC. Having said that, I must stress that ACTTAB is acutely aware that, as a TOC, it is in a very different position to a purely privately owned commercial corporation. Its public ownership means that it is subject to a range of checks and balances and public expectations that do not apply to its private sector counterparts.

For this reason, ACTTAB is always very mindful that it needs to be able to publicly account for, explain and defend its commercial activities, including the extent to which it departs from public service norms. While we do not depart lightly from public service norms, we make no apology in saying that we do depart where we believe it is appropriate or necessary for us to do so in order to meet our statutory and commercial objectives.

I should say that we do not read the Auditor-General's report as arguing that TOCs must never depart from public service norms. Rather, we read it as saying only that these are benchmarks to which TOCs should have regard in their internal decision making but from which they can properly depart in appropriate circumstances. Read that way, we are in full agreement with that report.

The second matter to which I wish to make some specific reference relates to the role of a TOC's ministerial shareholders. ACTTAB are pleased to advise the committee that we believe we have an open, accountable and constructive relationship with our ministerial shareholders. We routinely provide board papers, agendas and minutes to the ministers' offices to ensure that they are aware of what we are doing and have an opportunity to intervene if they wish to do so in the exercise of their statutory or shareholder powers. And we maintain ongoing personal contact with the ministers' advisers for that very same purpose.

But, having said that, the ACTTAB board firmly believes that, in the absence of any exercise of ministerial powers of intervention, it is the board's responsibility rather than that of the shareholder ministers to set and implement strategic direction and policy for ACTTAB. To the extent that the Auditor-General's report may be read as suggesting the contrary, we would respectfully disagree with it.

Our ongoing contact with ministers and their advisers is in no way an attempt by the board to induce ministers to subsume what the law says is the board's role in these respects. Rather, it simply recognises that ministers do have powers of intervention if they wish to override or direct board decisions, and that they should have sufficient information to allow them to make an informed decision about whether or not they wish to exercise those powers.

In this regard, ACTTAB is pleased to advise the committee that ministers have to date had sufficient confidence in the diligence and judgment of the board that they have not found it necessary to exercise those powers of intervention. ACTTAB board members, both individually and collectively, are committed to continuing to perform their statutory obligations of governance and management at a level that ensures that that remains the case.

Mr Chairman, I thank you for your indulgence in allowing me to make these opening remarks and we would be pleased to take any questions that you may have of us.

THE CHAIR: Thanks, Mr Kourpanidis. I appreciate that. I will lead off with a couple of questions. I am not sure if you wish to take these as chairman, or Mr Quinlan or Mr Curtis. How would you compare the corporate culture at Rhodium, notwithstanding that you were not in a position to assess the accuracy of all the claims that were in the Auditor-General's report, with that in existence at ACTTAB? You would have some sense of that, I would have thought.

Mr Kourpanidis: I can't specifically speak with any authority on the culture that existed in the organisation. I, like a lot of other people in Canberra, have only been privy to what has been picked up in the press and what I have read.

THE CHAIR: You have read the report, I take it, of the Auditor-General.

Mr Kourpanidis: Not thoroughly, but I have gone through it, yes.

THE CHAIR: But you have, though, Mr Curtis.

Mr Curtis: I have.

THE CHAIR: Mr Curtis, do you have a view, as the chief executive?

Mr Curtis: Again, I am not privy to what the culture was that existed at Rhodium at the time of these events taking place but, needless to say, I think the culture within ACTTAB was probably somewhat different. I do not know whether that was a matter of history and the longevity of the organisation, because ACTTAB, of course, goes back 43 years, with 43 years of evolution and development of policy and procedures.

What surprised me coming into the organisation two years ago was the fact that these policies and procedures were very well documented and existed. Although things were done differently in ACTTAB than they were from my experience in the public service, everything conceivable was documented. I would expect that had that been the case in Rhodium, and I am not in a position to comment on what was the case or not, I can't understand the events that have taken place. I guess only the chief executive of that organisation would be in a position to comment.

THE CHAIR: I am sure you have seen some of the evidence we have taken in public already. For example, have you looked at the way in which they proceeded? It is claimed that the former chief executive negotiated a sponsorship agreement with the Brumbies of in the order of a third of a million dollars or a bit higher and the board found out after the event. Does that sort of thing occur in ACTTAB, or do all of those things have to go through your board and get signed off?

Mr Curtis: Any sponsorship in excess of \$10,000 is required to go to the board for signing off. Anything under that, I am endorsed to negotiate those agreements and sign off on them, but it is also incumbent on me as the chief executive to report those occurrences to the board on a monthly basis as part of our policy.

THE CHAIR: Can you help us understand the steps that you have put in place, or maybe your predecessors or the board, to try to encourage a corporate culture of diligence and prudence within ACTTAB? What sorts of mechanisms are there to ensure that that occurs?

Mr Curtis: I guess I would refer back to the extensive policies and procedures that exist. It probably starts off with having a corporate governance overview statement which was documented and last amended probably about three months ago. I think that the process of revisiting that corporate governance overview statement was probably driven by the fact that events had taken place at Rhodium and the board thought it timely to revisit that policy to make sure that there were no issues arising from that. I am pleased to say that, although there were probably some minor amendments to the statement, nothing that took place at Rhodium influenced the changes that were made at that time.

There is also a range of policies relating to, for example, a code of ethics, and I think that it is very important to the corporate culture of the organisation that that is well-embedded and grounded in employees from the time they join the organisation. There is also official policy relating to travel, the use of credit cards, hospitality and related issues, a whole range of issues—sponsorship guidelines, for example.

I thank my predecessors for the existence of these documents and would probably claim no credit for what has occurred in the last couple of years because, as I said earlier, there is a history to the organisation. There has been a history of good governance and prudent spending, although I would make reference to a later audit by the Auditor-General on the use of corporate credit cards and sponsorship, amongst other things, that took place after the Rhodium inquiry, where there were some comments made in relation to ACTTAB. But I would say in defence of the organisation on those matters that were raised that they were in accordance with the policy that exists within the organisation.

THE CHAIR: And that still prevails today—those policies are unchanged?

Mr Curtis: That is the case.

THE CHAIR: Is that a list that you want to give to us or is it just some guidance?

Mr Curtis: I am quite happy to provide that list of policies.

THE CHAIR: I am not pressuring you, but it may be useful for us. For my edification and that of the committee, that is a list of the sorts of internal procedures, is it?

Mr Curtis: Internal policies and procedures that exist, yes.

THE CHAIR: Very good. Thank you for that. Dealing with some of the more celebrated elements of the inquiry into the Auditor-General's report, you are particularly ensconced in an area or industry where hospitality and entertainment are a pretty logical part of the equation. I do not think that you would have a lot of success if you decided not to be involved in any of that—it would probably send out some strange messages. That, from my point of view, is a given. What do you have in place to ensure that you are not subject to the sort of criticism that certainly has been applied against Rhodium? How many corporate credit card holders would you have in the organisation, for starters?

Mr Curtis: Each of the executive—there are four of us—would have credit cards. One of our managers would have a credit card, that's five, and I think each of the board members has a credit card.

Mr Quinlan: Bar one.

Mr Kourpanidis: Except the most recent.

THE CHAIR: Not Mr Quinlan. He has been around too long!

Mr Curtis: The processes of accountability in relation to the use of those credit cards are that, in relation to the executive and managers, I personally sign off on expenditure that is incurred on those cards. In the case of myself, the chairman signs off on any expenditure incurred. In the case of the board, I sign off on any expenditure incurred.

THE CHAIR: That sounds reasonable to me. I am not sure where the issue of entertaining clients came up—I am not sure at which inquiry because we have a few on the go—but I understand that you are in a competitive business with what I would call high rollers but what you have told me you call VIPs, and there are other terms for people who are sought-after clients. When they are entertained, looked after or whatever, is there documented in some form in the organisation the detail of who they are and the circumstances?

Mr Curtis: Yes, it is all documented. However, there has been a policy in the organisation in terms of maintaining the confidentiality or privacy of those individuals that there be limited documentation. When I say “limited”, there would be records—for example, in diaries—of who was entertained and under what circumstances. For example, if a particular event was paid for on a credit card, I would report that to the board on a monthly basis. The expenditure would be actually signed off by the chairman or, if it was another executive, it would be signed off by myself. There are limits on the amount of expenditure that can be incurred in any one instance.

THE CHAIR: What is that figure for your subordinates and then for you?

Mr Curtis: I think in my case it is \$2,000 and in the case of executives \$500.

THE CHAIR: If, say, Mr Kourpanidis said, “You have taken clients to a restaurant and you have spent”—to pick a figure—“\$600. Can you tell me who those people were?” would that information be readily available, if he required it?

Mr Curtis: That is readily available.

THE CHAIR: What you are saying is that it is not broadly published to your board in that level of detail.

Mr Kourpanidis: It is published to the board. Anyone on the board would know who the people attending the lunch or the function were. We just choose not to record on the actual credit card slip the names of the VIPs who may be there. Everyone—

THE CHAIR: Is that because they go into the organisation’s central accounting?

Mr Kourpanidis: For their own privacy we think that it is probably more appropriate that third parties do not know who they are.

THE CHAIR: But there is a record somewhere that is accessible?

Mr Kourpanidis: Yes.

THE CHAIR: So if your directors said, “We want to be comfortable,” that could be substantiated? There is no problem or deficiency in the records?

Mr Curtis: I would say that this does not involve thousands of dollars.

THE CHAIR: I understand that.

Mr Curtis: We are probably talking about hundreds of dollars. An occurrence may take place once every two months, for example. It is not as though these sorts of things occur once a week.

THE CHAIR: But the system is in place if somebody wants to examine it, is it?

Mr Curtis: Yes. You will probably recall from the subsequent inquiry into the use of credit cards that that issue was raised. Although there was a valid credit card receipt and authority provided to the Auditor-General, there was comment made by audit that there was no ready way for them to check back as to who were the beneficiaries of the hospitality. At a subsequent exit audit they were provided with that detail and advised where that documentation was kept. But of course that was following the audit.

THE CHAIR: So you are saying that their assumption is wrong, and there is more detail.

Mr Curtis: That is correct. We have clarified that with them in our response. The detail that I am talking about would be held by my executive assistant on a computer-maintained diary which would list every event, occurrence or meeting that I might have with a VIP client and who that client is. As I indicated earlier, on a monthly basis I would report those meetings to the board.

THE CHAIR: Just continuing in that vein in terms of sponsoring, with these sorts of people—VIPs, as they are called—is that primarily hospitality or are there cash payments to valued clients as well?

Mr Curtis: No cash payments as such. However, for example, at Christmas time we may send a bottle of wine.

THE CHAIR: So they are nominal.

Mr Curtis: Yes.

THE CHAIR: Not substantial?

Mr Curtis: It is not substantial. As you are probably aware, we are involved in a number of sponsorships of sporting events at a national and local level. When I say at a national level, I mean that we are involved through the Sportsbet arrangements with Tabcorp. There is hospitality provided in relation to, for example, NRL and AFL matches. The number of seats that would be given in relation to those arrangements would vary from time to time, but it would be our policy, where possible, to take one or a number of our VIP or privileged clients to those events, if it were possible, as a form of hospitality.

THE CHAIR: On the top of your statement, Mr Kourpanidis, on page 2, you said:

The main objectives of a TOC include requirements that it operate at least as efficiently as any comparable business ...

That sounds sensible, but what would you use as your yardstick for performance? Do you have a comparable entity? You have a couple of giants in this pond with you.

Mr Kourpanidis: You are right. We are the minnows in the gaming and wagering sector. We can only compare ourselves to our bigger brothers around the country, use the figures that they return and judge ourselves against those. There is really no other tool that we can use—other than the bigger players in the same industries.

THE CHAIR: Do you set a profit target or dividend target each year that you try to achieve? Obviously there is a high measure of uncertainty as to whether you will get there or not, but I imagine there are factors that you can bring into play that help.

Mr Quinlan: That is incorporated into the territory budget. There is a specific incorporation of our budget into that.

THE CHAIR: Your promised dividend to the territory.

Mr Quinlan: Yes.

Mr Curtis: To put that in perspective, up to about this time last year two of our largest VIP clients turned over in excess of \$30 million with the corporation. Unfortunately, again about this time last year, we lost one of those long-term clients to another jurisdiction. The reason for that was not that the relationship had soured or deteriorated but the fact that our competitors were able to offer incentives or rebates to entice those people to bet in another jurisdiction. That is the sort of environment that we are operating in.

We do receive what you would probably term an unbelievable level of loyalty from VIP clients who are resident in the ACT. That probably stems from the level of service that ACTTAB has been able to offer them over its 43 years of existence: even though they are offered these incentives to move to another jurisdiction, they choose to stay with us. They are the sort of people that we value and, where possible, try to maintain a personal relationship with to ensure that they stay with us.

THE CHAIR: Doesn't that make it pretty hard to meet that dividend—if you lose someone as big as that?

Mr Curtis: Yes, it does, and it takes a lot of 50c punters to make up a \$10 million client. But again, whilst we might have lost that person, we have also taken on board a lot of smaller clients who might be betting a million a year with us. They are probably the bread and butter of most of our competitors. We believe that, if we are able to offer them a level of service that exceeds that offered by our competitors, the odds are that they will in turn be discussing that with their colleagues and we may be able to entice some of those colleagues to join us. That has been the case over the last two

years that I am aware of.

DR FOSKEY: I note that, when we invited them to give us some evidence or write a submission, ACTTAB did say that they felt that the findings and recommendations were of little or no relevance to ACTTAB. Given that most of the concerns that the Auditor-General raises with Rhodium are in relation to hospitality and entertainment expenses—which, as you have indicated today, are a very major part of your customer relations—it seems to me that there are some areas of commonality. Consequently, I thank you very much for coming today.

I am interested in the issue of dividends and profit. Could you indicate to me at this point what profit you made in the last complete financial year and compare that with the dividend that you returned to government? Those would be useful figures.

Mr Curtis: I do not have those figures.

Mr Quinlan: It is in the budget. The dividend is 50 per cent of the profit.

DR FOSKEY: We can look up your annual report and so on.

Mr Quinlan: It will be in paper 4 in the budget.

DR FOSKEY: What was your total entertainment and sponsorship budget?

Mr Quinlan: We will take that on notice.

Mr Curtis: As I said, in terms of hospitality it is probably measured in the hundreds of dollars rather than the thousands. Sponsorship would probably total roughly \$200,000 a year. I am not including in that Celebrate in the Park, which is a major sponsorship. I will take that on notice and provide the committee with those details.

DR FOSKEY: We can work out for ourselves what percentage that was of your profits. I should make sure you understand that Rhodium's sponsorship was greater than its profits, so in that way these questions are pertinent. You have indicated that you have sponsored a number of events. We all know Canberra in the park. Could you go into detail about that—as to how much is involved in that sponsorship?

Mr Curtis: That sponsorship is in the order of a quarter of a million dollars a year. It is an event that we are proud to be involved with. We think that the impact on the organisation of that particular event and the benefits that are to be derived by the corporation by being involved are probably unsurpassed by anything else that we do. As you are aware, we are involved in a number of minor sponsorships of groups like the Raiders and the Brumbies, in sporting events, and also, in the racing industry, of thoroughbred racing and harness racing.

The committee would also be aware that that particular sponsorship was the subject of scrutiny by the Auditor-General in respect of the subsequent inquiry into the use of corporate credit cards and sponsorship. The value to the organisation was questioned, but the perspective ACTTAB comes at this from is that having our name out in the community is a means of attracting a customer base or building on a customer base

that we would not ordinarily have if we were not involved in that sort of sponsorship.

We are operating in a climate where, with the use of the internet, our competitors could be anywhere around the world. Having our name out there as being a good corporate citizen, being community minded and being involved in what is the peak event for Canberra—its birthday celebration—is something that is worth our being involved with. I know that that view is supported by the board. We would be looking to build on the momentum of our sponsorship of that event over the past couple of years as we move towards the centenary celebrations in 2013.

DR FOSKEY: Have you got any way of evaluating the impact of sponsorship like Canberra in the park? Do you have any way you can tell whether it does the things you want it to?

Mr Kourpanidis: It is a bit harder than with a traditional sponsorship to evaluate a return for the investment, if you like, because it is more a branding and improving of the corporate identity of the organisation out there in the community. Following on from what Tony said, these days there is no difference in where someone chooses to invest their wagering dollars. It is just so easy to have an account with A, B or C organisation as opposed to ACTTAB. The only thing that we can really fall back on is to keep pushing the point that, if you invest your money with ACTTAB, the local organisation, some residual will come back to Canberra via the profits that come back into the ACT coffers.

All we have to sell to people is that we are small, we are boutique, we try and offer exceptional service and we are local. The idea behind the Celebrate in the Park sponsorship hits exactly that point—getting the name out there; letting people know that we have been around for 42 or 43 years and we intend to be around for a lot more; and saying to people, “When you are thinking of having a bet, think of us, because something will come back into the town by sticking with us.”

Mr Quinlan: Can I also refer the committee to the Territory Owned Corporations Act, under which ACTTAB is established. It has four primary objectives for all territory-owned corporations. One of those relates to being a contributor to the community. Those four are specifically designated within the act as being of equal importance. So one of our primary objectives has to be to contribute to the community of the ACT by virtue of the Territory Owned Corporations Act.

DR FOSKEY: Is there ever any suggestion made by a minister or other government representative about what might be a good way to do that?

Mr Kourpanidis: Not specifically.

DR FOSKEY: How long have you been sponsoring Canberra in the park?

Mr Kourpanidis: This is the third year. We have just had our third year. It was an idea that was brought to the board by the then chief executive, who presented to us the pros and cons of getting behind that particular sponsorship. The board thought it a good idea and took it up.

Mr Curtis: Just to pick up on your earlier question, Dr Foskey, and this occurs each year, there is exit survey work done by Jeremy Lasek of the Chief Minister's Department as to brand recognition concerning our sponsorship. Naturally, at that time, in exit surveys, the recognition is very high. We would hope that that would translate eventually into customers. There is a monumental shift going on in the wagering business away from horse wagering to wagering on sports. It is primarily being driven by the younger generation—those in their early twenties. That group comprises a large number of people who attend concerts like Celebrate in the Park. We think that our involvement in that will translate into business for us.

DR FOSKEY: I am interested in the definition of a VIP client that you are targeting or hoping to attract. What makes someone a VIP client? How can you—

Mr Quinlan: Volume.

DR FOSKEY: So it is the amount of money that they spend that makes them a VIP client. Do they have to be rich? Could they be someone with a problem gambling habit?

Mr Quinlan: Not at the level of money we are talking about, no. This is multimillion dollar betting.

DR FOSKEY: You think that it is not a problem when they are spending that much money?

Mr Quinlan: Mr Curtis is far better qualified to talk about punting generally, but there are professional punters who play the margins and who have a very high volume of betting with a low but generally positive return. Their returns are generated as much by volume as by the particular skill in picking a winner. These people have computers and staff. They are an enterprise—a big enterprise.

Mr Curtis: They generally work on a formula that might be returning them eight or nine per cent on their investment. We do not have a large number of those clients. As I said, until last year we had two major clients who were wagering \$10 million to \$20 million a year. But we have a large number who probably fit into the category of, say, in excess of a quarter of a million dollars up to a million dollars. They are generally people of means who can well afford to be wagering those sorts of amounts of money.

DR FOSKEY: So you cannot identify a VIP client until they have spent a certain amount of money and proven themselves to be a VIP client?

Mr Curtis: We identify account customers. There may very well be cash customers who fall into that category of betting that we are not aware of. Our agents or subagents may be aware of them through transactions that are occurring in retail facilities. However, generally these people are clients who have accounts with us and who probably have approached our technology division in terms of securing direct interfaces to enable speedier transactions to occur—so we have a personal relationship with them and are aware of their circumstances through that contact.

DR FOSKEY: And they are likely to be invited to the VIP tent at Canberra in the park or sporting events that you sponsor?

Mr Curtis: Yes. But, surprisingly, a lot of them are not interested in that sort of thing. They are generally so engrossed in their business that they are thankful to have the offer but they decline.

THE CHAIR: They do not know what they are missing out on, do they?

DR FOSKEY: Their interest in sport certainly is less.

THE CHAIR: It is a business. I think that is what you are saying.

Mr Curtis: They run it as a business, rather than as a hobby. Of course, there are hobbyists there that might invest anywhere between a quarter of a million and a million dollars a year. I think that is significant in anybody's language.

THE CHAIR: Just to pick up on a point Dr Foskey raised, from earlier hearings and other matters you actively promote services for people with problem gambling through your facilities, don't you?

Mr Curtis: Certainly. It is approaching two years now that we have been directly involved with Lifeline through the club care program. Our reasoning behind becoming involved in that program was that in excess of 30 of our subagencies are located in club premises spread throughout the territory. I think there are 70-odd clubs in Canberra and 30-plus of those have ACTTAB subagencies. So we thought it important, in terms of building that relationship with the club industry and with Lifeline, that we become part of that program. I am pleased to say that we make a contribution to Lifeline through that program of \$30,000 a year.

DR FOSKEY: I think you have indicated that the board approves sponsorship and entertainment expenses above \$10,000?

Mr Curtis: It is \$2,000.

DR FOSKEY: It is \$2,000; right. Does the board also participate in the sponsorship and entertainment activities?

Mr Kourpanidis: Yes. Certain members of the board will try and attend different functions so that there are at least a few people from the board there as well. The ideal split is probably a 50-50 split, and that varies from time to time depending on whether people are available or out of town or how many people take up an invitation. But we try and have a mix of our corporate customers and people from the organisation as well.

Mr Curtis: I think that is important in terms of building relationships too. The background of some of these people of means is such that I think they appreciate the fact that you may have a chairman or deputy chairman or a director of a company that is prepared to take time out, with little reward, to meet with them and perhaps engage in some form of hospitality. I know from personal experience that the feedback that I

have had from a couple of our VIP clients is that they appreciate that connect with the directors of the company.

THE CHAIR: And, I imagine, because you have got some high profile board members, people find it interesting to meet people in that league.

Mr Curtis: That is true.

Mr Kourpanidis: As I said earlier, at the end of the day that really is all that we have to offer. They can just as easily pick up the phone and place their business somewhere else.

DR FOSKEY: It sounds, therefore, like you are not that optimistic about the future.

Mr Kourpanidis: No, I would not say that. We would like to think that a lot of those small and middle tier customers that we have over time become bigger customers. People do not just become large—

DR FOSKEY: In a more globalised environment. You have been indicating that that is the sort of thing you feel up against, and the sponsorship and the entertainment are the small tools that you have to assist you, but—

Mr Kourpanidis: We have to stay contemporary. But, at the end of the day, our competitors are doing the same and, in fact, a lot more because they are able to. They can offer incentives and inducements and kickbacks and rebates—things that we do not do.

DR FOSKEY: But is it going to make you rev up your entertainment and your corporate hospitality?

Mr Kourpanidis: No. What we have is, I believe, enough for the playing field that we are in and the people that we are dealing with. It is satisfactory.

THE CHAIR: You could not compete with Tabcorp or UNITAB in their league, could you, really? So I guess what you are saying is that you have to target what your activities are to a narrower base, but hopefully you have got a few other attributes.

Mr Kourpanidis: Yes, and it is local targeting. It is to the people from within our own area.

MS MacDONALD: And you would probably say that you give quite a personalised service as well which might be lost with some of the larger TABs.

Mr Kourpanidis: Yes, that is one of our strengths. We believe that is one of the strengths of being a small player. At the end of the day, they pick up the phone and they can talk to the top men in the organisation if there is a problem. You try that at Tabcorp; it will not happen.

THE CHAIR: I would like to thank you gentlemen for your attendance today. We appreciate your cooperation with the inquiry.

MS MacDONALD: I would like to take the opportunity to apologise for being late. I was held up at another event.

ROBERTSON, MR JOHN, Executive Director, ACT Procurement Solutions, Shared Services Centre, ACT Department of Treasury

THE CHAIR: Good afternoon. Mr Robertson. Are you familiar with the witness statement?

Mr Robertson: I heard the witness statement.

THE CHAIR: You are familiar with that and are happy with that? You understand it?

Mr Robertson: Yes.

THE CHAIR: You might state your name and your position once we hear from you. Before we go into general questions, is there anything you would like to say for the benefit of the committee in relation to this inquiry?

Mr Robertson: I am John Robertson, Executive Director, Procurement Solutions, Shared Services Centre, ACT Department of Treasury. Thank you very much for the invitation to appear before the committee. I do not wish to make an opening statement. I am at the committee's disposal.

THE CHAIR: If I could lead off, one of the reasons that we wanted to invite you to join us for this inquiry sprung out of evidence that was presented recently to the committee. Could we get a bit of background? Could you explain the ACT procurement guidelines as they relate to attending meetings and functions provided by suppliers, especially when food, beverage and entertainment are provided? Maybe related to that, so that we can cover both issues, could you also explain the guidelines as they relate to accepting gifts from suppliers of goods and services to the territory?

Mr Robertson: Perhaps before I start, what I might do is touch on the relationship with the Government Procurement Act and the guidelines issued by the board in relation to territory-owned corporations. The Government Procurement Act itself in the broad sense applies to territory-owned corporations, but there are a number of specific parts of the legislation from which territory-owned corporations are specifically exempted. That is at the start of a number of parts of the legislation, for example, around contract disclosure requirements. Also, over the years, the ACT Government Procurement Board has released a number of guidelines and circulars and other material for the information of ACT public servants, the bodies in which they work and the external suppliers with whom they deal.

In relation to those, the ACT Government Procurement Board, at the time it established those particular guidelines, specifically exempted territory-owned corporations from the—

THE CHAIR: When did they establish those guidelines?

Mr Robertson: The board itself specifically exempted the territory-owned corporations from the operation of the government procurement unit's guidelines and also from the government procurement quotation tender thresholds guidelines. That was at the time that those guidelines were established.

THE CHAIR: When was that?

Mr Robertson: The APU guideline was established in 2002, and 2003 for the quotation tender thresholds guideline. Following the establishment of Rhodium as a territory-owned corporation, my understanding is that the board considered the matter and applied that same exemption to Rhodium that applied to the pre-existing territory-owned corporations.

In relation to your initial questions, there is a lot of guidance material that is provided to public servants and others that are involved. I have copies of some of these which I will be happy to leave with the committee after I have referred to them. The ACT Government Procurement Board issued a probity and ethical behaviour procurement circular in 2003. Its number is 2003/06. In that the ACT Government Procurement Board provided fairly clear guidance to agencies and staff about the acceptance of gifts, gratuities and hospitality. There is quite a deal of material there that I could actually read into the record, but I am happy to hand it over to the committee.

THE CHAIR: We will take that. Can you give us, though, in general terms what the practices are? Do people involved in procurement accept hospitality from suppliers? If so, what essentially are the ground rules?

Mr Robertson: In terms of what the practices are, they are actually more stringent in relation to procurement and they are an additional overlay on the requirements that are already faced by all public servants in relation to requirements under the Public Sector Management Act.

The other requirements which have been the subject of recent discussion in the Assembly have been amendments to the government procurement legislation. Essentially, put in very simple terms, if you are actually involved in the procurement process, you should not accept any gifts or hospitality from anyone who is likely to be involved, and in the normal course of events you need to think extremely carefully before you accept any gifts and hospitality.

Our normal practice is that any invitations, gifts or hospitality are not accepted. Polite refusal is the normal approach. I notice that in the previous hearings of this committee there were some questions asked of the Rhodium chair and the Rhodium acting chief executive about what was happening with some of the so-called promotional products. There were some comments made that perhaps public servants or others might have received such material. As part of the preparation for coming to this committee, I actually made stringent inquiries of all staff of ACT Procurement Solutions, and no staff of ACT Procurement Solutions have received any such gifts, hospitality or any other promotional products from Rhodium or any of its current or former staff.

On the very rare occasions when there is any hospitality—and you specifically referred to suppliers—ACT Procurement Solutions, in its industry development role, does have dealings with industry associations as well as suppliers. On some occasions hospitality is accepted from industry associations; for example, the recent presentation dinner for the master builders association, but that is something where there is nothing involving any particular suppliers.

The only other time when issues about hospitality from suppliers arise is that some of my staff are invited to Christmas drinks. On those matters, I personally do not attend any such Christmas drinks. Perception often is as important as reality in this game. In circumstances where people might have been working very closely together on a project all year, I do not refuse permission to my staff to attend such drinks. It is a matter for personal judgment. I do require, though, that in relation to those staff consideration is given to the nature of the event. So if it is a few drinks in the office after work, the staff provide prior notification and we effectively keep a list of staff who attend such events. That is essentially where we draw the line. To the best of my knowledge, I am not aware of any material gifts or things that have been received by any ACT Procurement Solutions staff.

THE CHAIR: Just to reaffirm that, from your investigations you can find no evidence that staff who made procurements from Rhodium received any gratuity or entertainment in their dealings with Rhodium?

Mr Robertson: Certainly no one that is working within ACT Procurement Solutions. I am unaware of what commonwealth public servants or others—

THE CHAIR: No, purely the territory. I understand.

Mr Robertson: In terms of the procurement officers who work with ACT Procurement Solutions, in that context I note that we are now charged, for all significant procurements, with assisting all ACT agencies. During the time frame which was the subject of the committee's inquiries, quite a number of staff transferred from other agencies to ACT Procurement Solutions to give effect to the government's decision. All of those staff who are with us and a couple of senior staff who have left and gone interstate have been questioned as to whether they received anything, and I have had a completely clean sheet in that no one has received any hospitality or anything from Rhodium.

THE CHAIR: So there are some issues. A lot of your people would have come on board since all this thing came to light.

Mr Robertson: The transfer process commenced relatively early in the 2005-06 financial year. Some of them came from other agencies. A lot of the people were already on board, because ACT Procurement Solutions has doubled in size over that time frame. But a lot of the staff, prior to February 2006, which seems to be a date of interest, had moved from other agencies to ACT Procurement Solutions in the six months prior to that period.

THE CHAIR: Who, in practice, makes the decision on whether to utilise Rhodium for fleet management or is that just a given across all agencies?

Mr Robertson: It is based on a government decision.

THE CHAIR: It is a whole-of-government decision?

Mr Robertson: It is a whole-of-government decision.

THE CHAIR: So there is no individual person within a department that makes the call as to whether to look for anything competitive? It is just automatic business across to Rhodium?

Mr Robertson: It is automatic business for the operation of the ACT government fleet. Individual public servants who wish to do salary packaging or novate their lease exercise their own personal choice. That is a matter for them; it is not a matter for the government.

THE CHAIR: Within your team are you the person who is the point of interaction? Has it been with Rhodium or do you have one of your subordinates perform that function?

Mr Robertson: Procurement Solutions became responsible for management of the whole-of-government fleet contract in the middle of last year, so after the events that are referred to here.

THE CHAIR: What about prior to that time?

Mr Robertson: Prior to that time, the whole-of-government arrangements were managed out of another part of ACT Treasury, the central financing area, that part of Treasury.

THE CHAIR: They dealt with the vehicle fleet issues?

Mr Robertson: They dealt with the whole-of-government fleet financing and also management of the fleet contract. Following government decisions in the lead-up to the budget last year, responsibility for the fleet management moved to ACT Procurement Solutions, and that is consistent with us picking up the management of a lot of other whole-of-government contracts.

THE CHAIR: And have your inquiries extended to the people that are in that area?

Mr Robertson: I have not had the opportunity to speak to all the people in that area, no.

THE CHAIR: So the central financing unit is where the responsibility would have rested in the relevant period?

Mr Robertson: Purely for the whole-of-government arrangements, which is giving effect to government decisions that there would be a single contract. It is not a contract that was competitively tendered up until the current process.

THE CHAIR: Just finally, you do not have a view on where the \$32,000 worth of china and Waterman pens went?

Mr Robertson: My understanding, based on the Auditor-General's report—and I think it is page 55 of the Auditor-General's report—is that most of it sounds like it is in storerooms out at Rhodium at the moment. My recollection of reading the report—

and I checked it when I was sitting in the back there—was that on page 55 of the Auditor-General’s report it describes that most of that has not been distributed and is still sitting there.

THE CHAIR: Well, we had slightly different evidence presented before the committee the last time we sat.

Mr Robertson: My recollection of reading the *Hansard*—I think it was page 46 of the *Hansard* of 10 May—was that there was some speculation that some of it might have gone to government people. I was not present at those hearings, but my reading of that was that essentially a lot of that was happening elsewhere than with ACT government staff and agencies.

THE CHAIR: Yes, with private suppliers.

Mr Robertson: Private suppliers and—

THE CHAIR: I think they were the main focus. That has covered my questions. Dr Foskey, do you have anything to ask?

DR FOSKEY: I do not have very many questions. Thank you for coming, Mr Robertson. What would ACT Procurement Solutions’ involvement be in any of the activities that Rhodium has undertaken in the period of the Auditor-General’s investigation? Did you have any involvement in any of that?

Mr Robertson: We would have had involvement in the sense that ACT Procurement Solutions have a number of government provided vehicles, government plated vehicles, and I certainly had an executive provided vehicle as part of my senior executive package. So in that sense there were some limited dealings.

Rhodium was not subject to the detailed provisions, as I have described, of the Government Procurement Act, and therefore any of its external procurement activity had no involvement with the APU or the government procurement board processes. I do not recall having any specific activities myself.

Since my group has taken responsibility for managing the whole-of-government fleet contract, we have obviously been involved in the so-called fleet management group, which brings together all of the ACT agencies who are party to the whole-of-government fleet arrangements. That is information exchange with fleet management, and it has been used as an opportunity to discuss the impact of some of the government’s decisions around fleet.

DR FOSKEY: So that is a permanent arrangement, that ACT Procurement Solutions will manage the whole-of-government fleet arrangements from now on, rather than individual departments?

Mr Robertson: Yes, while we have external contracts subject to any future decisions by the government. As to the current tender process for the provision of fleet management services to the ACT government, once that contract is executed we will manage that. We are managing the current arrangements with Rhodium, as I said.

There are a few other things I can leave with the committee in terms of our induction processes and some of the other documents; for instance, the Treasury guidelines which the probity and ethical behaviour circular that I mentioned builds on. I am happy to leave those with the committee secretary.

THE CHAIR: That will be useful. In conclusion, you are comfortable that there are good governance procedures in place in terms of the procurement side of the territory notwithstanding this saga. From the point of view of the territory people who would have been interacting with Rhodium, and continue to, and with other suppliers, you are satisfied that things are in order?

Mr Robertson: I think there are probably some elements that can be drawn out of the RSL's motto and others. With these things, we should not forget what has happened in the past, and also be very vigilant. Certainly as part of our procedures, one of the first things we do—and it is part of our induction checklist, which is one of the things I will give to the secretary—is that we actually require people to read the relevant documents: not just the procurement circular, but also the Treasury supplementary documents and the others.

The issue you raise about gifts and hospitality is very much up-front because we recognise that we are out there dealing with a lot of players in the private sector commercial market who do not have the same constraints and safeguards that we have. So it is very important to us that the staff understand that very early.

We put a lot of effort into making sure that the territory's position is protected. We are very conscious that when things are not done properly, there is a lot of government time, a lot of Assembly time and a lot of management time involved. There is more than enough work for people to do without generating issues that require a lot of external oversight.

THE CHAIR: To finish, I did, in fact, visit Rhodium once and I raised the issue of gifts with Ms Clark, the chief executive. They changed their policy after that point and took a more structured view. Do you get requests for advice from the TOCs on how to handle these issues? I know they are not necessarily at the same level of control, but have you been approached by the remaining TOCs—

Mr Robertson: I do not recall any direct personal requests on that. In the time that I have been leading ACT Procurement Solutions, we have had a number of people who have actually headed up the policy unit and, effectively, the APU secretariat. They may have had more direct approaches at operational level. I know I have had many approaches, as have my senior staff, from commonwealth agencies as they move to the current framework of the commonwealth procurement guidelines because they were conscious that we had a robust, well developed, broad framework, not just in the probity area but across the board for procurement activities. They had access to our material through the BASIS website and they were actually interested to see whether they would be able to effectively use them and adopt those things.

We were quite comfortable for them to do that, but pointed out that the commonwealth Department of Finance, particularly when we had the main flurry of

activities, was developing commonwealth procurement guidelines and they needed to comply with their own legislation, not ACT legislation. It may well be that the TOCs or individuals within TOCs had referred to that material without specifically discussing it with us. We tried to make them clear so that people could look at them without having to keep ringing up about them.

THE CHAIR: Thank you for your assistance today. We will adjourn.

The committee adjourned at 3.07 pm.