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SHOW AND TELL;:[Late Edition]
Paola Totaro. Sydney Morning Herald. Sydney, N.S.W.:Dec 13, 1997. p. 38

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Citation style: ProQuest Standard

Document 1 of 1
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Abstract (Summary)

Just how far the State Government was prepared to go to woo media magnate Rupert Murdoch into developing the Showground is revealed in a report by the Auditor-General, writes PAOLA TOTARO.

Full Text (1927 words)

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ANALYSIS PARALYSIS IS A TENDER SPOT joined to story.

Just how far the State Government was prepared to go to woo media magnate Rupert Murdoch into developing the Showground is revealed in a report by the Auditor-General, writes PAOLA TOTARO.

ALMOST three years ago to the day, Paul Keating delivered his Creative Nation Statement, stunning the arts world, the Liberal NSW Government and even his Cabinet colleagues with the news that Rupert Murdoch had agreed to build a major film studio on the old Sydney Showground.

Dubbed "Hollywood-on-the-Harbour" by the media mogul himself, the plan was hailed despite a dearth of detail - political, financial or legal.

Five months later, and with just 96 hours to go before the State poll that was to sweep NSW Labor to power, an ebullient Michael Egan, then Opposition finance spokesman, made clear his own feelings about Murdoch's bid. Under Labor, he said, Murdoch would not be forced to suffer the indignities of a competitive tender.

Exactly how widely Bob Carr and Egan opened their arms to embrace Murdoch emerged only this week when the NSW Auditor-General, Tony Harris, tabled his 175-page report into the Fox Studios' Showground lease.

Harris's findings not only reveal the extraordinary lengths to which one State Government was prepared to go to accommodate a handshake between a Prime Minister and one of the world's most powerful media bosses, but provide an intriguing snapshot of how public/private deals are forged in the 1990s.

The sideshow began with two basic rules: the Showground redevelopment should involve no government money and the complex should not include a theme park.

Not so, found the auditor: "In the event, a State Government subsidy of between \$84.8 million and \$106.8 million in net present value terms is to be provided by the development" and the area of the Showground to be leased to Fox "was extended to comprise 24.3 hectares of the 28.8 hectare site to allow Fox also to develop a family entertainment park".

The new complex was "likely" to generate net economic benefit to the State, Harris found, but this would not, in the end, be captured by the State Budget while the costs of the project to the taxpayer - in the form of stamp duty deferrals, payment to

remediate and decontaminate the site, rental holidays and other industry incentives - were "considerably higher than the Government's assessment".

In other words, because there had been no competitive tender, because Fox had been advantaged from the very beginning and because the Government could not back up its estimates of a \$400 million injection into the State economy, the Auditor-General concluded there simply could not be any assurances that Murdoch did not receive a sweetheart deal nor that the lease "achieved the best arrangements for the State".

Equally, the Government's protestations that a probity auditor had overseen the process from whoa to go was dismissed: "The probity auditor advised the Audit Office that he does not consider he conducted a probity audit of the Expressions of Interest

process, bearing in mind the limited scope of work performed and the duration of involvement . . . the Audit Office considers that limited scope can be placed on the probity audit function for the Showground process."

More disturbing still was the Auditor-General's reference to the power of News Corporation and hitherto unspoken perceptions of the potential for a political quid pro quo. Its implications are clear: ". . . when a government makes a policy to advantage a specific entity in the absence of competitive process, it should clearly set out the basis and reasons why the particular decision is in the State's best interest".

The report, naturally, drew immediate fire from the big guns. News Corporation's chairman and CEO, Lachlan Murdoch, vehemently rejected suggestions of inappropriate political advantage, arguing they were a direct attack on the people who had brought the project to life, while Fox's Australian CEO, Kim Williams,

dismissed the Auditor-General's conclusions as both preposterous and insulting.

He released a \$60,000 independent audit of the project by Arthur Andersen which concluded that the film studio represented an investment in excess of \$150 million to NSW and the return was estimated at \$339 million and 1,900 jobs.

Predictably, both Premier Carr and Treasurer Egan stuck to their guns, admitting only to direct NSW Government subsidies of \$25 million and insisting that whatever had to be done to attract new industry to NSW had been done and would "continue to be done".

To fully understand the import of Harris's conclusions, it is imperative to turn back the clock a little. The idea that the Showground could become vacant emerged seriously in November 1989 when the Coalition Government announced that the Royal Agricultural Society (RAS) would move to new facilities at Homebush Bay. Originally, plans for medium-density residential housing were touted to pay for the move but were shouted down quickly in a community fracas.

It took nearly three years - until December 1992 - for the salient legislation to be enacted, repealing the old RAS Act and vesting the Showground in the ownership of the Centennial and Moore Park Trust (CMPT) and, six months later, amending laws were enacted to delay the transfer until the RAS had physically moved from the site.

But then came Keating's announcement and it is here that matters became complicated.

Between December 1993 and March 1995, the Coalition Government continued to insist that Fox would have to compete in a tender and all public announcements by the Premier, John Fahey, and the Arts Minister, Peter Collins, show this. What was not known until Harris's audit was that the Arts Ministry had advised Collins on paper that he negotiate directly with Fox.

WHILE Harris states that there is no evidence Collins acted on this advice, it has become clear through other sources that the then Labor Opposition had gained copies of the memo, effectively providing political insurance for Egan's pre-poll statement that Labor would deal directly with Fox. The ALP clearly believed that if the Liberals went on the attack about abandoning normal tender processes, it could dig out the Arts Ministry advice and force a Coalition retreat.

In addition, on March 20 the Herald was leaked a Premier's Department briefing note which advised that News Corporation had threatened to take its project to Melbourne if

it was forced to compete.

During the next 18 months, the project turned into an ever more bitter controversy. By this time, the State Government had moved to rezone the site by creating a new State Environmental Planning Policy (SEPP) for the area and removing approval powers from the local council.

It also emerged that a "family entertainment precinct" - specifically ruled out in the original Expressions of Interest document - was planned along with the film studios and several key heritage buildings were under threat of demolition.

As more details of the sheer size of the theme park leaked out, wealthy and vocal local residents began a vehement campaign in opposition. The residents managed to harness the support of key Sydneysiders and concurrently began a legal challenge to the validity of the rezoning in the Land and Environment Court.

This and a subsequent appeal were dismissed and a High Court challenge is imminent. Throughout this time, information on the financial aspects of the deal was almost impossible to unearth. The Opposition spent thousands of dollars on Freedom of Information (FOI) requests but the Government resisted on the grounds of commercial confidentiality until the Parliament - via the Legislative Council - intervened.

When Egan refused to comply with the request he faced contempt accusations, escaping at the 11th hour when selected reports were released.

The Auditor-General's scrutiny of the paper trail was finally ordered by the Upper House just days later, in June 1996. When it ended this week, some 24,375 pages of documents from 148 files from four separate government agencies had been unearthed. All were examined meticulously, a process apparently made all the more difficult because record-keeping appeared to be less than perfect. Not only did the Auditor-General's office find that some files had been shredded and handwritten comments had been lost but other aspects of the process "did not have adequate records" at all.

This week, a feisty Egan held a press conference at Fox Studios to respond to the Auditor-General's report. Asked repeatedly if any of Harris's recommendations or conclusions would be heeded (see box), he answered, "No, no. I don't think so."

Implicit in his answers was the belief that the Auditor-General's report represents a final chapter in the Showground saga, the blessed end of a controversy that has dogged Labor for nearly three years.

But according to the Sydney lawyer and staunch Fox opponent Kevin Gibbons, the appeal to the High Court remains, as does a skerrick of hope: "The Auditor-General has let the hounds out of the yard and with their keen noses, their prey will eventually

be brought to ground."

ANALYSIS PARALYSIS IS A TENDER SPOT

REPORTERS' questions to Treasurer Michael Egan at a press conference on Monday at the Sydney Showground. Reporter: Have you received any political benefits from Mr Murdoch?

Egan: No, absolutely not. Quite the contrary. Mr Murdoch's newspapers advocated a vote for our opponents.

So will you make the tender process more open? Is this something you can learn from? - No. No, I don't think so. I think the problem is there is always an inclination for analysis paralysis. That simply means nothing happens. We have made it happen. We have got here a filmmaking capacity that will rival Hollywood. That's what we set out to achieve and that is what we achieved. We did it. For a very small price.

Surely you owe taxpayers an explanation as to why you are going to spend \$107 million supporting Rupert Murdoch? - No. We are only going to spend \$25 million (not supporting Rupert Murdoch) but to attract an industry that has a net present value of \$381 million. That is the explanation and that makes sense.

Well, if Sydney is such a great source, such a great place to invest, why do we have to pay someone like Rupert Murdoch anything like \$25 million? - Because we were vying with Melbourne and other cities in Australia and other locations around the world. And we beat them.

So, can other global media tycoons expect similar bankrolling in the future? - It depends whether they've got investment that adds as much to Sydney and NSW as this one will.

Does that mean yes? - We are always attracting new investors to NSW. And we spend a lot less doing that than the other States.

So the Government is quite prepared to negotiate one-to-one for future deals? - Yes. When it is to the benefit of the State, absolutely. We are not going to let fabulous new investments go somewhere else . . .

So, you are not discriminatory. If any old media mogul comes up to you with a good idea, you are prepared to negotiate? - It depends on whether they have got a \$400 million injection to give the NSW economy up-front. That is a pretty good investment.

So if Kerry Packer came up to you . . . - Well, he hasn't come up with a project as good as that one.

[Illustration]

Caption: FOUR ILLUS: Sydney Showground ... deal involves a subsidy of at least \$84.8m for Rupert Murdoch. Michael Egan ... open-arms welcome for investors. Kim Williams, CEO of Murdoch's FOX Studios Australia. Photographs by Rick Stevens

Indexing (document details)

Author(s): Paola Totaro

Section: News And Features; News Review

Publication title: Sydney Morning Herald. Sydney, N.S.W.: Dec 13, 1997. pg. 38

Source type: Newspaper

ProQuest document ID: 713501991

Text Word Count: 1927

Document URL: <http://proquest.umi.com/pqdweb?did=713501991&Fmt=3&clientId=35052&RQT=309&VName=PQD>

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