

Hon Carmel Sepuloni

Minister for Arts, Culture and Heritage

Proactive Release of Cabinet Material: Government Indemnity of Ancient
Greeks Exhibition at Auckland War Memorial Museum

[03/02/2023]

Date: 02 February 2023

Title: Government Indemnity of Ancient Greeks Exhibition at Auckland War Memorial
Museum

Author: Ministry for Culture and Heritage

This/these document/s have been proactively released by the Minister / Associate Minister.
This package includes the Cabinet paper and other key decision papers, as listed below.

Title: Cabinet Economic Development Committee paper “Government Indemnity of
Ancient Greeks Exhibition at Auckland War Memorial Museum”
Minutes of Decision DEV-21-MIN-0266

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the OIA). Where this is the case, the relevant sections of the OIA that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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9(2)(ba) when the release of confidential information would be likely to prejudice the future supply of information in the public interest.

COMMERCIAL IN CONFIDENCE

Office of the Minister for Arts Culture and Heritage

Office of the Minister of Finance

Cabinet Economic Development Committee

Government Indemnity of *Ancient Greeks* at Auckland War Memorial Museum

Proposal

- 1 This paper seeks agreement to temporarily lift the standard limits of the Government Indemnity of Touring Exhibitions Scheme (the Scheme) over 2022. This would enable indemnification of the exhibition *Ancient Greeks: Athletes, Warriors and Heroes* scheduled to be shown in New Zealand at Auckland War Memorial Museum Tāmaki Paenga Hira (Auckland Museum) alongside an existing indemnified exhibition.

Relation to government priorities

- 2 The Scheme is an important part of this Government's priority of laying the foundations for the future. This proposal supports this priority through ensuring that New Zealanders have access to high quality international works of cultural significance that enhance participation and innovation in the arts sector.

Executive Summary

- 3 This is a routine variation under the Scheme that requires Cabinet approval. Approval for indemnities is formally given by the Minister of Finance under section 65ZD of the Public Finance Act 1989. Unless the exhibition falls within the financial limits prescribed by Cabinet in 1999, the Minister for Arts, Culture and Heritage and the Minister of Finance report a proposed indemnification to Cabinet prior to approval being given [CAB (99) M 4/2B(1) refers].
- 4 Auckland Museum seeks government indemnity for the exhibition *Ancient Greeks: Athletes, Warriors and Heroes (Ancient Greeks)* to be shown in New Zealand from 10 June to 16 October 2022. The total indemnity period would be 2 May to December 2022.
- 5 New Zealanders' access to exhibitions of this nature are typically supported by the Scheme. The fundamental principle of the Scheme is accessibility: Government wishes to facilitate the public's access to significant exhibitions and does this by assuming a high proportion of the risk, minimising prohibitive commercial insurance costs.
- 6 The value of the exhibition is 9(2)(b)(i) (as at 14 October 2021). The exhibition will travel in three consignments split as follows:

9(2)(b)(i)

9(2)(b)(ii)



- 7 The standard limits of the Scheme are \$50 million per consignment value and concurrent total risk up to \$150 million at any one time. Total risk is based on the highest consignment value per exhibition and is articulated as an accrual of likely largest pay-outs.
- 8 As Auckland Museum's application exceeds the standard parameters of the Scheme, Cabinet approval is sought to the following short-term variations during 2022 to enable indemnification of the exhibition alongside another indemnity. The variations sought are greater than the highest consignment values to allow for overlapping periods and potential adverse currency fluctuations (a 10% contingency).

9(2)(b)(ii)



- 9 If agreed to by Cabinet, the next step is for the Minister of Finance, on behalf of the Crown, to give the indemnity if it appears to the Minister of Finance to be necessary or expedient in the public interest.
- 10 If approved by the Minister of Finance, the Ministry for Culture and Heritage (the Ministry) and the Treasury (Treasury) will finalise the indemnity deed for the Minister of Finance's signature. Once signed, the indemnity will be formally tabled in Parliament, although the dollar amount is not stipulated. The indemnity will appear as a contingent liability in the Crown's financial statements.
- 11 Ministry officials are continuing to work with Treasury to understand if there is reason to amend the existing financial parameters of the Scheme.

The Scheme enables significant touring exhibitions to show in New Zealand

- 12 Since the Scheme's inception in 1986, government has supported many touring exhibitions coming to New Zealand. The parameters of the Scheme are set at \$50 million per consignment value and a \$150 million total concurrent loss limit. There is no upper limit for the value of an exhibition. Risk assessment is based on the highest value consignment per exhibition and the loss limit is an accrual of these likely largest pay-outs.

Auckland Museum seeks indemnity for an exhibition opening mid-2022

- 13 Auckland Museum seeks government indemnity for the exhibition *Ancient Greeks* (10 June to 16 October 2022), toured by the British Museum, London, England. Auckland Museum is partnering with the Western Australian Museum, Perth and the National Museum of Australia, Canberra to bring the exhibition to the Southern Hemisphere. *Ancient Greeks* is currently on display in Perth until 7 November 2021 and will show in Canberra from 17 December 2021 to 1 May 2022 before opening at Auckland Museum on 10 June 2022.
- 14 *Ancient Greeks* will be the first major exhibition of ancient Greek artefacts in New Zealand and will provide a unique opportunity for New Zealanders to experience the British Museum's world-renowned Greek Collection. The exhibition consists of 177 objects (refer Appendix A for the object list), and includes iconic pieces being toured internationally from the British Museum for the first time.

As the values exceed the standard limits, Cabinet agreement is necessary

- 15 The exhibition arrangements negotiated between the exhibition partners and the lender require that the works travel in agreed consignment numbers. While this results in consignment values that are not consistent with the standard limits of the Scheme, the arrangements result from legitimate actuarial analysis and are common internationally. Breaking the exhibition into additional consignments would increase costs substantially.
- 16 *Ancient Greeks* will travel to New Zealand in three consignments split as follows:

9(2)(b)(ii)



- 17 Indemnity is required from when the objects are condition reported at the National Museum of Australia in Canberra after 2 May 2022 and until they are returned to the British Museum in late-November to early-December 2022. The total period of cover required is 2 May 2022 to December 2022 (exact dates to be confirmed).
- 18 The value of the exhibition's consignments exceed the \$50 million per consignment limit and the \$150 million limit on total risk set by the Scheme. Consequently, Cabinet's agreement to temporarily lift the limits of the Scheme is necessary to enable indemnification. If agreed, the next step will be for the Minister of Finance, on behalf of the Crown, to give the indemnity if it appears to the Minister of Finance to be necessary or expedient in the public interest to do so.

Concurrent exhibition indemnities at New Zealand cultural institutions

- 19 There is an existing indemnity for an exhibition at Tairāwhiti Museum (total value of 9(2)(b)(ii)) that will overlap the proposed indemnity period for the *Ancient Greeks* exhibition between 2 May and 1 June 2022.

New Zealanders will benefit from access to the exhibition

- 20 *Ancient Greeks* demonstrates the significance and cultural value necessary to warrant government indemnity. The exhibition is expected to be appreciated by a broad range of people and to offer valuable opportunities for cultural experience, education, and scholarship. The exhibition will also provide New Zealanders with access to internationally significant cultural heritage material when they do not have the means to easily travel beyond New Zealand.
- 21 The exhibition is expected to engage a variety of audiences and enhance learning opportunities through diverse and extensive public and education programmes. *Ancient Greeks* will also add to the tourism value proposition in Auckland while on display from June to October 2022. Auckland Museum forecasts approximately 100,000 domestic visitors will attend the exhibition, with further opportunity to engage additional audiences should New Zealand's border be widened to accommodate more international visitors.
- 22 Auckland Museum has considered the potential impacts of public health measures on visitation should restrictions be in place while the exhibition is on display. The Museum has established the maximum visitor capacity in the exhibition galleries across a range of scenarios, based on the floor space and current social distancing requirements. The Museum has a Covid-19 response group which meets regularly to assess the situation based on latest information, rules and regulations, and planning is updated constantly as new information comes to hand. If the Museum is required to physically close the exhibition to visitors, there are digital options available to continue public participation and engagement. These include running virtual online educational programmes and a virtual walk-through of the exhibition.

The exhibition would be prohibitively expensive without indemnity

- 23 Assuming government indemnity is approved, *Ancient Greeks'* exhibition budget (refer Appendix B) projects losses of 9(2)(b)(ii). Auckland Museum has considered if it would be possible to increase revenue and remove the need for indemnity, however, it would not be financially viable for the museum to pay for commercial insurance as set out below.
- 24 Admission charges for the exhibition were calculated by making comparisons with other major paid exhibitions in New Zealand, and Auckland Museum must be careful not to over-price so as not to lose visitors. Increasing ticket prices would reduce access and visitor numbers and would undermine the principle of accessibility that is fundamental to the Scheme.
- 25 Seeking additional sponsorship is not a viable option at this stage, as Auckland Museum has already secured substantial in-kind and external

sponsorship to offset costs. Auckland Museum’s budget includes 9(2)(b)(ii) sponsorship in kind.

26 Auckland Museum has calculated the cost of insuring through a commercial insurance scheme. 9(2)(b)(ii) [redacted]
[redacted]
[redacted]
[redacted] This would absorb significant resource that would otherwise be available to support core activities the Museum is mandated to provide under the Auckland War Memorial Museum Act 1996.

27 Auckland Museum’s 2020/21 Annual Report shows the Museum’s cash reserves have decreased by \$1.3 million over the year; and receipts from commercial operations have more than halved compared to the 2019/20 financial year (from \$2.37 million to \$1.005 million). The Museum’s financial position has evidently been impacted by COVID-19, and having to meet the full cost of commercial insurance would put the Museum under even more financial pressure.

Government can support the exhibitions through indemnification

28 Agreement is sought for the following short-term variations to the standard limits of the Scheme for the outlined periods, to allow for indemnification of the exhibitions. The variations sought are greater than the highest consignment values to allow for overlapping periods and potential adverse currency fluctuations (a 10% contingency).

Period	Exhibitions	Temporary increase – consignment limit	Temporary increase – total loss limit
2 May – 1 June 2022	Tairāwhiti Museum – <i>Tū te Whaihanga</i> (existing indemnity 9(2)(b)(ii) [redacted]) Auckland Museum – <i>Ancient Greeks</i>	9(2)(b)(ii) [redacted]	[redacted]
2 June – December 2022	Auckland Museum – <i>Ancient Greeks</i>	[redacted]	[redacted]

29 If approved, this would be the highest consignment value indemnified under the Scheme to date. The highest value exhibition indemnified under the Scheme was *Monet and the Impressionists* shown at Te Papa in 2009. The total value of the exhibition was approximately 9(2)(b)(ii) [redacted], travelling in consignments of up to 9(2)(b)(ii) [redacted].

30 If Cabinet declines to approve the variations to the existing parameters of the Scheme, Ministry officials will discuss with Auckland Museum how

commercial insurance may be funded for the exhibitions while minimising the negative impacts on its core services and activities.

Security provisions and ‘first-risk’ insurance protect Government’s interests

- 31 While indemnification or insurance is a prerequisite to loans of high value works, the works’ irreplaceable nature means that lenders are primarily concerned with other risk mitigation arrangements giving comfort that the works will be returned undamaged. This is consistent with government’s own objectives when making an indemnity available. Strict security provisions to mitigate the risk of loss or damage are stipulated in the indemnity deeds and the Crown will have no liability to make any payment unless the applicant has fully complied with their obligations. To date, no claim has ever been made against a Crown indemnity under the Scheme.
- 32 Applicants must also take out ‘first-risk insurance’ up to a specified amount relative to the total value of the exhibition. Auckland Museum will take first-risk insurance of up to 9(2)(b)(ii) cover, the requisite threshold under the Scheme for an exhibition valued at or above \$275 million, at a cost of 9(2)(b)(ii).

There is comprehensive planning for exhibiting in the COVID-19 environment

- 33 While the COVID-19 environment increases the potential of disruptions to touring exhibitions, Auckland Museum has undertaken comprehensive risk assessment and contingency planning for the exhibition’s transit and display. If indemnity is approved, the documents will be submitted as part of the indemnity deed negotiations prior to seeking the Minister of Finance’s final approval. The exhibition will open to the public in accordance with the COVID-19 Alert Levels or other public health orders applicable at the time, and there will be no change to security arrangements in different Alert Levels.
- 34 The Scheme requires at least one experienced courier to accompany consignments during transit. Auckland Museum is required to complete any necessary visa and Managed Isolation and Quarantine (MIQ) applications, and all costs associated with travel and MIQ will be carried by Auckland Museum.

9(2)(ba)

Conclusion

- 36 While the consignment values and total value of the items involved exceed the usual limits for the Scheme, the heightened risk should be weighed against the benefits to be accrued from the exhibition. It is submitted that risk

can be appropriately managed, in support of New Zealanders' access to these cultural objects.

- 37 If the variations to enable the indemnifications are approved, the Ministry will negotiate with Auckland Museum to finalise the details of the indemnity deed. The deed will be provided to the Minister of Finance for final approval, if giving the indemnity appears to the Minister to be necessary or expedient in the public interest to do so. Auckland Museum would require the deed to be in place by 2 March 2022, three months prior to the exhibition's departure from Canberra.

Financial Implications

- 38 There are no direct financial implications in this paper. However, the maximum possible cumulative pay-out would be NZD 9(2)(b)(ii) (current exchange rates apply) in the extremely improbable scenario of multiple major emergencies or other events destroying all the works for all three exhibitions during the respective Auckland Museum and Tairāwhiti Museum indemnity periods. This is the total combined value of the three exhibitions.

Legislative Implications

- 39 The proposals in this paper have no legislative implications.

Impact Analysis

- 40 A Regulatory Impact Statement is not required for this paper.

Climate Implications of Policy Assessment

- 41 A Climate Implications of Policy Assessment is not required for this proposal.

Human Rights

- 42 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

- 43 Treasury, Tairāwhiti Museum, and Auckland Museum have been consulted in the drafting of this paper.

Communications

- 44 If indemnity is approved, publicity requirements will apply to Government's support, and the applicants will be required to acknowledge the government indemnity in any publicity and marketing for the exhibition. The values of the items will not be made public and are to be confidential between the lenders, exhibition partners, the applicant, and the government.

Proactive Release

- 45 This paper and associated Cabinet Minute is intended to be proactively released within 30 business days of Cabinet's decision. Commercially sensitive information and matters relating to security of the items will be redacted in accordance with the relevant sections of the Official Information Act 1982.

Recommendations

It is recommended that the Cabinet:

- 1 **Note** that Auckland Museum has applied for indemnification of the exhibition *Ancient Greeks*.
- 2 **Note** that the Government Indemnity Scheme currently operates under the following parameters [CAB (99) M 4/2B(1) refers]:
 - 2.1 Crown risk assessment will be based on the "likely largest pay-out", which will equal the highest value single consignment or, if transit is not indemnified, the highest value single artwork
 - 2.2 the Crown will accept risk up to \$150 million at any one time based on an aggregation of likely largest pay-outs
 - 2.3 the consignment limit is \$50 million
 - 2.4 the level of first-risk insurance that must be procured commercially is to be altered to a banded scale as set out in the submission under STR (99) 9, starting at \$50,000 for an exhibition valued at \$2.5 million through to \$500,000 for an exhibition valued at or above \$275 million
- 3 **Note** that Cabinet has agreed that the Minister of Finance and Minister for Arts, Culture and Heritage would report to Cabinet if there were special cases which require indemnification outside these parameters [CAB (99) M 4/2B(1) refers].
- 4 **Note** that, to reduce travel costs, the exhibition will come in agreed consignments which will exceed the consignment value limits of the Scheme.
 - 4.1 9(2)(b)(ii) [REDACTED]
[REDACTED] The exhibition dates are 10 June 2022 to 16 October 2022, and the indemnity period is 2 May 2022 to December 2022.
- 5 **Note** that the total value of the exhibition, at 9(2)(b)(ii) [REDACTED] at current exchange rates, is above the total loss limit of the Scheme.
- 6 **Agree** to the following exceptions to the existing parameters of the Scheme for specified periods:

9(2)(b)(ii)



- 7 **Note** that the variations sought are greater than the highest consignment values of the exhibitions to allow for overlapping indemnification periods and potential adverse currency fluctuations between now and the end of the indemnity periods.
- 8 **Note** that the Ministry for Culture and Heritage will negotiate with Auckland Museum to finalise the Indemnity Deed, to be provided to the Minister of Finance for final approval.
- 9 **Note** that following the signing of the Deed, the government indemnity is formally tabled in Parliament (although the dollar amount is not stipulated) and the indemnification will appear as a contingent liability on the Crown's financial statements.
- 10 **Note** that the Ministry for Culture and Heritage, in consultation with Treasury, is continuing work to understand the trends and changing demands on the Scheme.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for Arts, Culture and Heritage

Hon Grant Robertson

Minister of Finance

9(2)(b)(ii)

PROACTIVELY RELEASED



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Government Indemnity of *Ancient Greeks* at Auckland War Memorial Museum

Portfolios Finance / Arts, Culture and Heritage

On 8 December 2021, the Cabinet Economic Development Committee:

- 1 **noted** that the Auckland War Memorial Museum Tāmaki Taenga Hira (Auckland Museum) has applied for indemnification of the exhibition *Ancient Greeks: Athletes, Warriors and Heroes (Ancient Greeks)*;
- 2 **noted** that the Government Indemnity Scheme (the Scheme) currently operates under the following parameters [CAB (99) M 4/2B(1)];
 - 2.1 Crown risk assessment will be based on the ‘likely largest pay-out’, which will equal the highest value single consignment or, if transit is not indemnified, the highest value single artwork;
 - 2.2 the Crown will accept risk up to \$150 million at any one time based on an aggregation of likely largest pay-outs;
 - 2.3 the consignment limit is \$50 million;
 - 2.4 the level of first-risk insurance that must be procured commercially is to be altered to a banded scale, starting at \$50,000 for an exhibition valued at \$2.5 million through to \$500,000 for an exhibition valued at or above \$275 million;
- 3 **noted** that Cabinet has previously agreed that the Minister of Finance and the Minister for Arts, Culture and Heritage would report to Cabinet if there were special cases that require indemnification outside the approved parameters of the Scheme [CAB (99) M 4/2B(1)];
- 4 **noted** that, to reduce travel costs, the exhibition *Ancient Greeks* will come in agreed consignments that will exceed the consignment value limits of the Scheme;
- 5 **noted** that:
 - 5.1 *Ancient Greeks* will travel in three consignments, with the highest value single consignment being 9(2)(b)(ii) (current exchange rates apply);
 - 5.2 the exhibition dates are 10 June 2022 to 16 October 2022, and the indemnity period will be 2 May 2022 to December 2022;

6 **noted** that the total value of the exhibition, at 9(2)(b)(ii) at current exchange rates, is above the total loss limit of the Scheme;

7 **agreed** to the following exceptions to the existing parameters of the Scheme for specified periods:

9(2)(b)(ii)

8 **noted** that the variations sought are greater than the highest consignment values of the exhibitions to allow for overlapping indemnification periods and potential adverse currency fluctuations between now and the end of the indemnity periods;

9 **noted** that the Ministry for Culture and Heritage will negotiate with Auckland Museum to finalise the Indemnity Deed, to be provided to the Minister of Finance for final approval;

10 **noted** that following the signing of the Indemnity Deed, the government indemnity will be formally tabled in Parliament (although the dollar amount will not be stipulated), and the indemnification will appear as a contingent liability on the Crown's financial statements;

11 9(2)(ba)

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Carmel Sepuloni
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Kris Faafoi
Hon Willie Jackson
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Meka Whaitiri
Rino Tirikatene, MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV