

Division 62: Western Australian Sports Centre Trust, \$54 413 000 —

Ms W.M. Duncan, Chairman.

Ms M. Davies, Minister for Sport and Recreation.

Mr D. Etherton, Chief Executive Officer, VenuesWest.

Mr G. Nordsvan, Chief Financial Officer, VenuesWest.

Mr R. Mann, Executive Director, Strategic Projects and Asset Sales, Department of Treasury.

Mr J.A. Nyman, Senior Policy Adviser.

Mr E. Stewart, Principal Policy Adviser.

The CHAIRMAN: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information she agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

[Witnesses introduced.]

[9.40 pm]

The CHAIRMAN: Member for West Swan.

Ms R. SAFFIOTI: My question relates to page 680 and is about the spending changes that have been included in this year's budget to reflect the stadium costs. Can I go through those figures as I tried to do before? I want to confirm the new costs in the budget for the stadium. There are depreciation costs of \$10.6 million, \$21.2 million and \$21.2 million. Can I confirm that they are annual costs that will be reflected in the budget and therefore will impact on the bottom line?

Ms M.J. DAVIES: The depreciation costs will appear in the budget. I will ask Richard or David to explain how that actually impacts the budget.

Mr R. Mann: It is in the conventional way—a non-cash cost reflected in the budget bottom line.

Ms R. SAFFIOTI: So it is included as an expenditure item in our budget.

Mr R. Mann: That is correct, as is the conventional treatment for depreciation for all assets.

Ms R. SAFFIOTI: I refer to the finance lease charges of \$16.4 million in 2017–18 and \$32.2 million in 2018–19. As I understand it, that is the repayment of the capital and the finance charges. Can the minister confirm that, or is it just the finance charges?

Ms M.J. DAVIES: That is the interest payments; that is just the finance payments.

Ms R. SAFFIOTI: So it does not include the capital repayments. In relation to the finance lease liability of \$523 million, can the minister confirm whether that liability decreases over the 25 years?

Ms M.J. DAVIES: Yes, in the same way as any home loan mortgage; the interest payments and capital decrease over the 25 years.

Ms R. SAFFIOTI: Sure.

Ms M.J. DAVIES: I am being told that it is on page 687. For the member's clarification, the interest payments plus the capital payments can be seen in the statement of cash flows on page 688. The member can also see the value of the finance loan to be paid down. They will always be in the budget in real terms.

Ms R. SAFFIOTI: What line is that; sorry?

Ms M.J. DAVIES: It is page 688 in the statement of cash flows. The "Other payments" line item shows the capital component.

Ms R. SAFFIOTI: Is that capital component a sub-component of the \$16.42 million or is it on top of that?

Ms M.J. DAVIES: It is in addition. The member can see the interest payments and also the capital payments. It is \$16.42 million and \$6.599 million. It is \$23.020 million in 2017–18.

Ms R. SAFFIOTI: I want to completely clarify this. The \$16.4 million in 2017–18 is basically the financing payment.

Ms M.J. DAVIES: The interest, yes.

Ms R. SAFFIOTI: And the capital repayment is the \$6.6 million in 2017–18. Is that shown in the cash flows?

Ms M.J. DAVIES: Yes; both of them are in the statement of cash flows.

Ms R. SAFFIOTI: So will both those two items leave the consolidated fund each year?

Ms M.J. DAVIES: They will be reflected in the budget in real terms every year, so the member will be able to see them, but obviously they change over the duration.

Ms R. SAFFIOTI: Of course they change, but both the capital payment and the interest on that finance charge leave the consolidated fund each year.

Ms M.J. DAVIES: Yes; they are contract payments.

Ms R. SAFFIOTI: The pre-operating costs on page 680 are fine. The supplies and services costs are \$6.7 million, \$13.1 million in 2018–19 and \$12.8 million. This is the operating cost of the stadium that the minister believes will be recovered from the operating revenue.

Ms M.J. DAVIES: My understanding of the numbers the member is referring to, and Richard can clarify it if I get it wrong, is the DBFM operational costs, which will be covered by revenue, and VenuesWest governance costs.

Ms R. SAFFIOTI: So the football commission payment is not included in that but is on top of that?

Ms M.J. DAVIES: That is correct.

Ms R. SAFFIOTI: But that is hidden in the other part of the budget papers.

Ms M.J. DAVIES: Provision has been made in Treasury's budget for the payment.

Ms R. SAFFIOTI: Yes, but it is not shown explicitly anywhere.

Ms M.J. DAVIES: No.

Ms R. SAFFIOTI: So it is hidden. Can I now ask about the total cost of this project? Is this the right agency? Can I confirm yet again that the DBFM, the finance lease charge and the capital component is basically driven by the DBFM contract, which is worth \$1.21 billion?

Ms M.J. DAVIES: The value of the contract with Westadium Consortium is \$1.2 billion and includes construction costs plus lifecycle upgrades, maintenance and operational costs.

Ms R. SAFFIOTI: The non-DBFM was confirmed at \$151 million, the \$336 million is the public transport cost, which is confirmed, and then we go through the depreciation costs that we are carrying on our books—a per annum cost. The minister can correct me if I am wrong anywhere.

Ms M.J. DAVIES: It is not a cash cost.

Ms R. SAFFIOTI: I know that it is accrual accounting.

Ms M.J. DAVIES: The member cannot add it to the cost. We do not do that with any other project. I know the Treasurer went through this with the member when she attended his budget estimates hearing.

Ms R. SAFFIOTI: You do do it.

Ms M.J. DAVIES: I do not accept the premise of what the member is doing. She is adding a whole list of numbers together and putting them out there in the public, which is not accurate.

Ms R. SAFFIOTI: Does the budget bottom line, the operating deficit or surplus include accrual concepts like depreciation?

Ms M.J. DAVIES: Absolutely.

Ms R. SAFFIOTI: Okay, so it is a cost that is reflected in the budget papers.

Ms M.J. DAVIES: You are too smart by half, member.

Ms R. SAFFIOTI: No, it is in the budget papers; I did not make this up.

The CHAIRMAN: Order! We can have questions and answers happening here but not just an argument backwards and forwards. Member for West Swan, wind it up so that others can get a chance.

Ms R. SAFFIOTI: The additional costs as a result of this stadium include the football commission, which the minister is assuming is going to be fully funded, the Public Transport Authority subsidy in relation to 50 per cent cost recovery for people attending games, the jetty, which is an additional \$5 million cost that appeared in the Transport budget, and depreciation. That gives the full costs of this project.

Ms M.J. DAVIES: What I can tell the member is what is in my budget. The member has gone through all of the costs associated with the project. We have always been clear about what the cost to construct the stadium will be. In this budget we can start to see the repayments of the interest and capital as well. We are providing that level of detail, which we would not do if it was a project that we had built in a standard government process. That is true. A greater level of detail is being provided.

Ms R. SAFFIOTI interjected.

The CHAIRMAN: Order! Allow the minister to answer, please.

Ms M.J. DAVIES: A greater level of detail is available through these budget papers than there would have been had we gone down a normal government procurement process and the government had built it itself. You would never see the interest related to a project.

Ms R. SAFFIOTI: Yes, you would—Treasury Corporation.

Ms M.J. DAVIES: And do you ever talk about it?

Ms R. SAFFIOTI: Yes.

Ms M.J. DAVIES: No, you do not.

Ms R. SAFFIOTI: Were you in estimates?

Ms M.J. DAVIES: You do not.

The CHAIRMAN: Order! I think we will move on. Member for West Swan, this is not achieving anything.

Ms R. SAFFIOTI: She is asking me a question. We always talk about borrowing costs.

The CHAIRMAN: Member for North West Central.

Mr V.A. CATANIA: Back in 2015, VenuesWest struck a naming rights deal with Jack Bendat. The item on naming rights is visible on page 680 of the budget papers under spending changes. Can the minister explain the benefits of this deal to the state?

Ms M.J. DAVIES: The state basketball centre has been one of the significant investments that this state government has made. I presume that the member has visited the centre, features of which include eight courts and office space for Basketball WA, the Perth Wildcats and now the Lynx. Anyone who has not been to a Lynx game should go; it is fantastic. The centre also includes a kiosk and community basketball clubrooms. Obviously, they play a whole raft of country matches there through country week. Jack Bendat's name is synonymous with basketball in Western Australia. He has been a supporter through the Wildcats and now the Lynx. Certainly, we entered into an agreement around naming rights for the WA basketball centre. That has been reflected in the budget. Essentially, it allows VenuesWest to direct those benefits into maintenance and the operational expense of this basketball centre and contributes to keeping costs down for users. It has been a significant deal and I think quite fitting, on reflection, of the generosity and willingness of Mr Bendat over a long time to contribute to basketball and he has again done that through the home of basketball.

[9.50 pm]

Mr P.B. WATSON: We have had the basketball naming rights; will there be naming rights for the new stadium?

Ms M.J. DAVIES: No.

Mr P.B. WATSON: Why?

Ms M.J. DAVIES: The Premier has been very clear about it. It was paid for by taxpayers, as was the basketball centre, but this is a significant community asset.

Mr P.B. WATSON: So is the basketball centre.

The CHAIRMAN: Order, member for Albany.

Ms M.J. DAVIES: We want the Perth Stadium's name to be synonymous —

Mr P.B. WATSON: The government gets \$92 000 a year; it could get millions for the stadium.

The CHAIRMAN: Member for Albany, it is late in the evening, but I will call you if you do not allow the minister to answer the question.

Ms M.J. DAVIES: The member asked about whether or not we would provide naming rights for Perth Stadium. No, there is an inherent value in having —

Mr P.B. WATSON: I am too scared to say anything else!

Ms M.J. DAVIES: Let me explain why. There is inherent value in having the name Perth Stadium associated with a key piece of infrastructure that attracts potentially millions of people to our state. When significant events are held there, we want the name Perth Stadium front and centre. In addition to the fact that the taxpayer is footing the bill for the construction of the stadium, we think there is benefit in having Perth Stadium attached to the name.

Mr P.B. WATSON: I refer to spending changes on page 680 of the *Budget Statements*. The estimated actual in the first line item “Catering Services Transition” goes from \$2 580 000 in 2015–16 to \$4 423 000 in the out years. Why is there such a big change? It is nearly 70 per cent more.

Ms M.J. DAVIES: I will ask David Etherton to respond.

Mr D. Etherton: The reason the amount changes is that one is over a half year of the transition back to us and one is a full year. We had catering at our six self-managed venues managed by a private sector provider. That contract ended. Under that deal there was commission only showing on our budget. Under this deal, we show the income and the expenditure, and the spending changes are obviously the expenditure component of that. The explanation for the gap between those numbers is that one amount is for half a year and the other is for a full year.

Mr P.B. WATSON: Does that mean that the cost is still the same? In the out years it has gone to \$4 423 000; is that what it was beforehand?

Mr D. Etherton: Yes, in essence the number has not changed. We just have an amount for one year and an amount for half a year.

Ms R. SAFFIOTI: Getting back to the stadium, in relation to the cash flow, when the capital is being paid down, is there a balloon payment at the end?

Ms M.J. DAVIES: The advice I have been given is that we do not disclose payment details. I am going to admit that I am not familiar with the term “balloon payment”.

Ms R. SAFFIOTI: Just to clarify 100 per cent, we do not know whether there is a balloon payment, but does the design, build, finance and maintain contract—the \$1.2 billion—represent the total capital component? Does it include the cash flows of the capital decrease cost finance charges? Does that \$1.2 billion include the finance lease charges, which are listed on page 680 of the *Budget Statements*, and the capital component, or is it just the finance lease charges?

Mr R. Mann: The net present cost of \$1.2 billion is the full, all-inclusive cost of the contract, so inclusive of all financing costs, the state’s upfront capital contribution, facilities management services over 25 years and, as I said, all the financing charges as well—so the full cost of the contract in net present cost terms in 2014 dollars.

Ms R. SAFFIOTI: If we were to do a spreadsheet and add up all the capital payments reflected in the cash flow statement, all the finance lease statements and bring it back to current day net present value, we would arrive at \$1.2 billion. The only X there is the balloon payment. Is there a balloon payment at the end? I do not need to know how much.

Ms M.J. DAVIES: I have already said that we do not disclose that type of information and I will need to defer to Richard to explain why.

Mr R. Mann: I can disclose that there is no balloon payment in the capital cash flow stream.

Ms M.J. DAVIES: Did the member hear that?

Ms R. SAFFIOTI: It can be disclosed that there is no balloon payment in the capital cash flow stream. That is it for me.

The appropriation was recommended.