

**Division 35: Western Australian Sports Centre Trust, \$112 733 000 —**

Ms M.M. Quirk, Chair.

Mr M.P. Murray, Minister for Sport and Recreation.

Mr D. Etherton, Chief Executive Officer, VenuesWest.

Mr G. Nordsvan, Chief Financial Officer, VenuesWest.

Mr S. Humfrey, Director, Sport and Recreation Development, Department of Local Government, Sport and Cultural Industries.

Ms E. Ramage, Chief of Staff, Minister for Sport and Recreation.

[Witnesses introduced.]

**The CHAIR:** 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. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

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 he 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, 31 May 2019. 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 through the online questions system.

I give the call to the member for South Perth.

**Mr J.E. McGRATH:** On page 497, under the heading "Deliver Training and Competition Facilities for High Performance Sport", I refer to the total cost of service and the increase from the 2018–19 budget of \$135.7 million to \$178.6 million. Note 1 of the explanation states —

The increase in Total Cost of Services in the 2018–19 Estimated Actual compared with the 2018–19 Budget primarily reflects updated costs associated with Optus Stadium that were underestimated in the 2018–19 Budget.

Can the minister explain to the committee how that underestimation occurred?

**Mr M.P. MURRAY:** As I am mindful of the time, I will pass that straight over to David to answer so that the member will get a direct answer to his question.

**Mr D. Etherton:** I thank the member for the question. We had a quick chat about this on Sunday. Unfortunately, this is part of a number of questions that we are going to get, so I might try to answer them all at the same time. What has happened with the Optus Stadium budget is that in 2018–19 we made a number of revenue adjustments. When the government came to power it made a commitment to sell the naming rights. The member will recall, particularly from his involvement on the Perth Stadium steering committee, that we tried for a long time to get stadium memberships approved as part of the deal with the football clubs and the Australian Football League. We were not successful at that time, but not long after the new government was elected, the venue operator got that deal done. What happens with revenue recognition in the budget is that at the time that the revenue was realised, we needed to put that into the budget. In 2018–19, we added in tens of millions of dollars of revenue, because we had signed a heads of agreement with Optus for the naming rights and we had signed up the contract to have stadium memberships. We added a bucketload of revenue in 2018–19. At the time, the costs of operating the stadium were not real because we had not had a full year of operations.

In this budgetary process, we now have the costs, so we have added those costs in. The other little complicating factor is that under an auditor's ruling, our accounts now have to be what are called consolidated accounts. Two years ago, we brought into our budget only the net revenue payments. If RAC Arena made a profit, we would bring that number in on its own. Because of the audit ruling, we now bring in all the revenue that is raised by RAC Arena and all the costs, and then we have a net figure. It is the same with Optus Stadium—we bring in all the revenue and all the costs. In 2019–20, the costs have been realised, so we understand what those costs are, and I am happy to explain where some of those cost increases have occurred, but we have also brought in that consolidation. If, for example, we sold \$15 million more food and beverage in the year than we had budgeted for, what will show is a \$10 million increase in costs. In really rough terms that is \$5 million for labour, \$5 million for the costs of goods

and \$5 million in net profit. In the cost side of our budget we will see a \$10 million cost increase, but it is actually a \$5 million improvement on the bottom line in that example. Because our accounts are now consolidated, we bring all of that in. What the member is seeing between 2018–19 and 2019–20 is that in 2018–19 we added in a whole pile of revenues associated with those couple of decisions. We then also added in a reduction in the finance cost. We renegotiated and refinanced the deal to reduce the finance. This year we are seeing that all the costs and associated revenues are now understood and, as a result, over the first two years of the forward estimates we have added in a significant increase in costs and revenues.

[9.30 pm]

**Mr J.E. McGrath:** I note the budget for full-time equivalents in 2018–19 is \$284 000 and that the estimated actual for 2018–19 increases to \$351 000. Paragraph 3 under the heading “Explanation of Significant Movements” states, in part —

The increase in FTEs in the 2018–19 Estimated Actual compared with the 2018–19 Budget primarily reflects FTEs associated with Optus Stadium related to in-sourced catering staff that were not included in the 2018–19 Budget.

I understand that VenuesWest has insourced catering and VenuesWest controls all stadiums owned by the government. The running of Optus Stadium has been given to VenuesLive because it won the tender. Why does VenuesLive not carry the extra cost of those FTEs? Why does the government have to carry that cost? If VenuesLive has a contract to operate the stadium, why does it not have to pay for all those extra costs brought about by its decision-making rather than passing that cost onto the government?

**Mr M.P. Murray:** I will defer to Mr Etherton.

**Mr D. Etherton:** This is related to the answer I gave previously. An accounting treatment is used that consolidates all the FTEs. AEG Ogden and VenuesLive act as our agent when they offers services at RAC Arena and Optus Stadium. There are two different managers, but they act as our agent. When VenuesLive employs additional staff, those additional FTE come onto our books. I can comment particularly on that growth and the difference between those two numbers. I think the member will probably be aware from his time on the Perth Stadium steering committee that the original business model put forward by VenuesLive to the government in the bidding process had the catering service outsourced to another company. That bid included very few FTEs; it was a contract management regime. When we assessed the bid and finalised the deal, we said, “Hang on a sec! The margin you are giving on that is not high enough in comparison with what we understand we should be making. The profit on that is not high enough so there is some leakage of profit out of this.” That leakage of profit is a leakage from Western Australian taxpayers. We did not support that, so we negotiated with VenuesLive to bring that in and to have the catering as part of the VenuesLive business. That meant that all the staff who had been previously serving food and alcohol, and managing the restaurants et cetera, were to be employed by a separate entity and not a part of our books—not acting as our agent. The deal we arrived at was aimed at getting a greater percentage of the revenue to stay with the taxpayers of Western Australia. We did a deal so those staff would be employed by VenuesLive. As our agent, they are then consolidated into our books. That is how that occurred.

**Mr J.E. McGrath:** Minister, in hindsight, given what the CEO of VenuesWest has just told the committee, would the government not have been better off to have outsourced those catering services?

**Mr M.P. Murray:** Like anything, a hindsight view is probably irrelevant because it has happened. Things have changed. Again, I defer to Mr Etherton.

**Mr D. Etherton:** No, the margin is substantially higher under the current model, so the benefit is substantially better for the taxpayer of Western Australia. It was a good decision and history has borne out that it was a good decision.

**Mr J.E. McGrath:** Is the minister confident that going forward, the stadium—we all agree and every Western Australian to whom I have spoken thinks the stadium has been a great outcome for our state—will continue to fund itself and will not become a drain on the government purse?

**Mr M.P. Murray:** I am quite confident about that, because of the way it is being managed. I take my hat off to the staff of VenuesWest and VenuesLive. The questions the member has asked previously point to that. Changes have been made to get a great return for the taxpayer. That enables the interest bill to come down. Those sorts of things will happen into the future. Of course, some maintenance will be needed in the outgoing years, over and above the ones that have not been planned for. But, overall, I have great confidence in the people who are running the stadium. I take my hat off and commend them for the work that they have done so far.

**Mr J.E. McGrath:** I think the maintenance is covered under the design, build, finance and maintain contract, so I do not think maintenance will be an issue for the taxpayer going forward.

**Mr M.P. Murray:** Again, issues can always come up and we know that that is not always covered. We know that in government. I suppose those arguments will go on forever. Again, I will hand over to Mr Etherton.

**Mr D. Etherton:** Under the deal, the overwhelming majority of the maintenance will be funded under the DBFM agreement. There are four different furniture, fixtures and equipment groups. Three of those FF&E groups are maintained by the operator and one is maintained by Westadium under the DBFM agreement. There will be, as the minister said, a maintenance cost for VenuesLive going forward. It is very small in comparison with overall maintenance. If I think upon the question that the member has asked, I think the bottom line he is seeking is that if we add up all the changes over those two years, the budget is about \$2 million better off per annum than when we started to make those changes. That is a lot of movement. I am happy to sit down and go through all those movements, but I think that the member is ultimately interested in whether we are better or worse off than we thought we would be. At the moment, we are forecasting that we will be \$2 million a year better off.

**Mr K.M. O'DONNELL:** I refer to page 495 and the significant issues impacting the agency. Paragraph 7 states —

Scalpers are utilising sophisticated software to bypass computer security systems to purchase large numbers of tickets and the industry has necessarily absorbed the cost of greater monitoring efforts to minimise the ... impact ...

Can a definition of a “large amount” be provided and an example of an event in which this amount was purchased by scalpers?

[9.40 pm]

**Mr M.P. MURRAY:** I am sure that can be clarified somewhere, because, as the member knows, there is a bill going through the house to try to tidy up some of this. If I look at the notes I have, for one concert, for example—the Eminem concert at Optus Stadium—there were 102 reseller issues experienced at the box office. Although Viagogo was the main reseller of these tickets, it was also found that one lady on Gumtree had onsold the same two tickets to six different groups of people. There is no conscience whatsoever. For the Ed Sheeran concert, nearly 200 tickets were scalped between two shows, again mostly through Viagogo. This is an international company that we know has been squawking a bit about the legislation we are putting in place, and we also put their name up in lights to try to encourage people not to use them. We know that since February 2018, 477 patrons have arrived at the RAC Arena to find that tickets they purchased through secondary ticket resellers were invalid—477! I think I have told the story before in this place, but I was one of the people who turned up and was turned away at the gate, because I was there on the wrong day.

**Mr P.J. RUNDLE:** Did you buy your ticket through an authorised source?

**Mr M.P. MURRAY:** Yes, my wife! But, seriously, 477 people were affected. There is a warning there: unless a person knows the reseller, they should not take the risk. The tickets are not cheap, by any means. Some of the events now sell out quickly, or the better seats are sold out very quickly, and people think it is quicker and easier to go through a reseller. No, it is not; it can be very costly. I would hate to be one of the people who paid around the \$200 mark, or even more than that, who turned up at the gate and did not get in. The best advice we have is just do not do it, and make sure that the ticket is an authentic ticket.

**Mr K.M. O'DONNELL:** I can understand people reselling. There is sophisticated software. Through the monitoring system in place, have we found that large chunks of tickets are going to one group or individual?

**Mr M.P. MURRAY:** I will hand that over and defer to Mr Etherton.

**Mr D. Etherton:** I thank the member for the question. The bot technology that purchases tickets is deliberately designed to confuse the ticketing technology. It is a constant race between the ticketing technology and the bot-buying technology to see who can win the race of not letting the bots have access to the tickets. The bots' job is to convince the ticketing company that there is not a bucketload of tickets going to the same address or the same house, and the ticketing companies are working hard with their software engineers to make sure that they catch those people, block them and cancel the tickets. I know that both the ticketing companies that service our venues, Ticketmaster and Ticketek, spend a lot of money making sure that they protect consumers. I do not have any data on a particular event for which they have said that, for example, 600 tickets went to a scalper. We have started collecting that data in the last year and a bit, but we only get that data when someone turns up and goes home crying because they have spent \$600 on a ticket and found it to be useless. We get that data and record it so that we can understand the breadth of the problem. The consumer detriment of a husband buying his wife two \$600 tickets, hiring a limo, turning up and not being let in is a terrible thing to witness. Having been there and witnessed it, it is disgusting.

**Mr M.P. MURRAY:** We had a lot of publicity about the two American tourists who were here who thought they would go and see a game. That does not do our tourist industry any good whatsoever, because that is what they talk about, not the good experience.

**Mr K.M. O'DONNELL:** That leads into my further question. Have any major sporting events, such as AFL games or finals series, for which people struggle to get tickets, been subject to scalpers purchasing large numbers of tickets, especially games such as the finals last year—Eagles versus Collingwood ?

**Mr D. Etherton:** I do not have the data on the AFL final. I know that 18 months or so ago, a bucketload of tickets for the Ashes were cancelled across the country because those tickets had been affected by a serious scalping attempt, but I do not have the data from the AFL. I can only presume from the fact that I am not aware of them that the numbers were not large at the AFL grand final.

**Mr K.M. O'DONNELL:** Not the AFL grand final; the semi-final, I think it was.

**Mr D. Etherton:** Yes, the preliminary final. Those tickets are sold with only a week's notice, so it is much harder to scalp when there is not a long lead time, compared with when there is a lead time of eight months to sell a ticket. Ultimately, we find that the scalpers will not take the risk, because they know that they do not have much of a chance to offload those tickets.

**Mr P.J. RUNDLE:** I refer to page 495 of budget paper No 2, volume 2, and point 2. There is reference to the venue names. How does the government use the money it accrues through naming rights?

**Mr D. Etherton:** I am not sure I understand the question, but I will have a crack at answering it. In our self-managed venues, we will sign a naming rights agreement with HBF, for example, in the case of three of our venues. In that naming rights agreement we say, "You pay us X, we will give you Y", and then we are paid that money every year in the HBF example. With Optus Stadium and RAC Arena, that is paid directly to the operator who is operating the venue on our behalf, and then we get our proportion based on the deal that we have struck with the private sector manager of the venue. Does that answer the question, member?

**Mr P.J. RUNDLE:** Is any of that money used to support the development of sports at a grassroots level?

**Mr M.P. MURRAY:** All revenue that comes into the state is supporting the sporting industry in one way or another. As I understand it, the money goes directly into the consolidated account after it has gone through the VenuesWest system, and it helps balance the books, to say the least. Previous governments did not do that, so it was coming straight out of taxpayers' pockets. Money coming in through naming rights certainly alleviates the taxpayer of funding whatever—it could be a hospital, it could be sport, or anything. We welcome the extra funding that is coming into the system.

**Mr P.J. RUNDLE:** Minister, there are 13 venues that service approximately six million patrons. Is it possible through supplementary information to get a breakdown of the accrual of the naming rights from each venue?

**The CHAIR:** Member, can that be handled by a question on notice?

**Mr M.P. MURRAY:** As has been said previously in the house, it is confidential, as it was with the previous government. By putting out those figures, we could damage the amount of funding we get, because people would then have an advantage in saying how much they should or should not pay, or what they would like to pay. It could also damage the confidence of people who may take out a contract for the naming rights and then in the future be white-anted by someone else who knows exactly what that contract is. Business is business, and it is confidential business.

[9.50 pm]

**Mr J.E. McGRATH:** I refer to "Provision of Venues and Precincts Delivering Quality Sports and Entertainment Experiences" on page 498. I heard the minister make some comments after the coach of the West Coast Eagles expressed concern about the surface at the new stadium. The minister has played a lot of footy. I was there at the weekend watching the soccer and the ground was like a billiard tabletop. I would like to know whether the minister could inform the committee of the type of surface and grass, and whether it is the only surface of that kind in the AFL. I would like a bit of information, and to know whether it is a real problem or whether it will be better when we get the winter rains.

**Mr M.P. MURRAY:** There are several issues there. On Sunday, I went to a function for the fiftieth anniversary of the De Grey Football League, in which I played. When that issue was mentioned in one of the questions I was asked, there was huge laughter. When we went up to Marble Bar, the oval had been graded very nicely. Then we had an emu stalk and pick up big stones, which we put off to the side of the oval. These people were still walking; they did not have crutches or anything else. The joke was about how hard the stadium ground was. I think Goldsworthy was the first place in that area to have a grassed oval, but it was watered with sewage water. If someone fell over and took off a bit of skin, by the time they got home, they had a great big yellow sore on their leg and had to take off Monday to go to the doctor. We still had footballers out there. On a more serious note —

**The CHAIR:** You are not suggesting that the Eagles are soft, are you?

**Mr M.P. MURRAY:** I think there are a few elephants—big bodies, small feet, small steps. That is their problem. Because of the issue with the stadium's ground, testing of the ground has been done and approved by the AFL. Some areas may be a bit harder than others. I am not privy to exactly what the turf is. I will hand that over.

**Mr D. Etherton:** I think the member will recall from the process we went through a number of years ago that the ground has a synthetic underlay to which the roots then attach. We spent a fair bit of time and money oversewing that with rye-grass, which is a winter-performing grass; that makes the grass feel softer. One of the challenges in Western Australia is that the rains do not come until later and the rye needs the rains for that softness to come. As the minister says, a Clegg hammer test needs to be performed to determine the hardness of the surface. At the moment, the surface is sitting smack bang in the middle of the average range required by the AFL, so we are very happy with that. As the minister also said, some bits are a bit harder, so we are working closely with the Eagles and Dockers and also Westadium, which manages the turf, to increase the aeration in that area to soften the turf.

**Mr M.P. MURRAY:** From my reading of injuries and lower leg injuries, they are the lowest in the whole league. For one of those injuries—I will not say exactly who—my view from watching the game is that someone fell on his leg, but that was put down to the surface. We are not just wiping it off. We have a duty of care. There is no doubt about that. We have to manage that. We cannot blame everything on the surface.

**Mr K.M. O'DONNELL:** I was in the Pilbara, too, a long time too. Shay Gap, Goldsworthy, Karratha—been there, done that.

**Mr J.E. McGRATH:** He played with no boots.

**Mr K.M. O'DONNELL:** I was a flanker.

**Mr M.P. MURRAY:** I will make a very brief comment about the “no boots”. When we went to Marble Bar, the team was predominantly Aboriginals, with only three white people, and the only three people with boots on were the white ones!

**Mr K.M. O'DONNELL:** That is true.

I refer to page 495 and paragraph 1 under “Significant Issues Impacting the Agency”, which states —

Concerted and collaborative efforts to attract world-class sport and entertainment events to Perth are paying off.

Have any world-class sports and entertainment events declined the invitation; and, if so, what were the reasons? Was the facility, Optus Stadium, a reason?

**Mr M.P. MURRAY:** Again, it is very commercially orientated. Events are trying to sell themselves around the world all the time and considering the cost and profits. We do not go out there and make a lot of noise about it. Some people decline. One of our biggest problems with world-class events is distance. They might go to Sydney first, and then to pack up and come across to Perth adds a huge amount of cost to their tours when they could be packing up and going to Asia or somewhere that way. We have talked about this matter previously. Ongoing work is being done at all times to attract events through tourism, VenuesWest and sport. It does not matter, but we are out there. To say that someone left because of cost or whatever would damage our commercial relationship with those people.

**Mr P.J. RUNDLE:** I refer to the income statement on page 501 and the line item “Sale of goods and services”, which is about halfway down the table under “Income”. Can the minister tell me what the spike in income estimated for the financial year is attributed to?

**Mr M.P. MURRAY:** That being an operational issue, I will defer to David.

**Mr D. Etherton:** Thanks for the question. Can I clarify which year the member is talking about having a spike? Which year is the member particularly focused on?

**Mr P.J. RUNDLE:** I refer to \$103 million budgeted and \$133 million estimated actual on page 501.

**Mr D. Etherton:** Because we opened Optus Stadium only halfway through that financial year, we had only half a year's worth of turnover in 2017–18. Between the 2018–19 budget and the 2018–19 actual is the consolidated effect. As I mentioned before, at Optus Stadium costs have gone up in some areas and revenues have gone up as well. I will come back to the catering example. If we had \$15 million more in sales than we had forecast, \$10 million will come up as a cost, but it is not an increase in net cost; it is an increase in total costs. Does that make sense?

**Mr P.J. RUNDLE:** Yes. The government has budgeted a pretty steady decline in income over the next four or five years. What does the minister attribute that to? Is that as a result of less content going through VenuesWest venues?

**Mr M.P. MURRAY:** Again, I will defer.

**The CHAIR:** Mr Etherton, we are running short on time, so just keep it brief, please.

**Mr D. Etherton:** The decrease between 2018–19 and 2019–20 is, in essence, a downward forecast in the number of events and the turnover for events at Optus Stadium; that dominates that number, yes. With Optus Stadium, we forecast an average—I think, John, from our work—of about 40 to 41 events a year. Sometimes that will be 42 or 43. Sometimes that will be 39 or 40. In this financial year, for example, we have had two AFL finals. Our long-term average is one, so we budget for only one. We do not budget to have two finals every year because it is very rare that we would have two finals at this destination. We also had the Perth Glory grand final on the weekend, similarly. Yes, it forecasts that next year will be more like a normal year. This year cannot be described as a normal year if we look at the dot point describing the content that we had this year.

**The appropriation was recommended.**

*Committee adjourned at 10.00 pm*

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