

PUBLIC ACCOUNTS COMMITTEE

**WESTERN AUSTRALIAN INFRASTRUCTURE PROJECTS:
FOLLOW-UP INQUIRIES**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
ON WEDNESDAY, 26 SEPTEMBER 2012**

SESSION ONE

Members

**Mr J.C. Kobelke (Chairman)
Mr A. Krsticevic (Deputy Chairman)
Dr E. Constable
Mr C.J. Tallentire
Ms R. Saffioti**

Hearing commenced at 9.36 am**MANN, MR RICHARD****Executive Director, Strategic Projects, Department of Treasury, examined:****MARNEY, MR TIMOTHY****Under Treasurer, examined:**

The CHAIRMAN: On behalf of the Public Accounts Committee, I would like to thank you for your appearance before us today. The purpose of this hearing is to assist the committee as it considers the delivery of infrastructure projects in Western Australia. Today we intend to discuss the new Perth stadium. At this stage, I would like to introduce myself and other members of the committee. I am John Kobelke, the Chair; this is Tony Krsticevic, the Deputy Chair; Rita Saffioti; and Chris Tallentire. Apologies for Dr Liz Constable, who is on another committee but who will be joining us later.

The Public Accounts Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. The hearing is a formal procedure of the Parliament, and therefore demands the same respect given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as contempt of Parliament. This is a public hearing and Hansard will be making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you could provide the full title for the record. If, during the course of today's hearing, you feel that information being requested by the committee breaches commercial confidential requirements, please let us know and then we can decide whether to seek that information in a closed session. Before we proceed to the questions we have for you today, I need to ask you a series of questions. Have you completed the "Details of Witness" form?

The Witnesses: We have.

The CHAIRMAN: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: We do.

The CHAIRMAN: Did you receive and read the information for witnesses briefing sheet provided with the "Details of Witness" form today?

The Witnesses: We did.

The CHAIRMAN: Do you have any questions in relation to being a witness at today's hearing?

The Witnesses: No.

The CHAIRMAN: Thank you for coming here today to answer our questions. We would like to basically run most of them off the actual report that was released just a day or two ago. I would like to start by going to the costings, which are on pages 72 and 73. If I can start with a more general question: what was the methodology for these costings? Did you start with quantity surveyors on the project up, or did you take the 2007 Langoulant report and adjust that for the variations between that project and this project? I want to get an understanding of how you built up the numbers for the project.

Mr Mann: It is a combination of both things. Given the extent of work undertaken back in the 2007 major task force report, that was an obvious starting point. The first thing we did was to review those costings for applicability to the present day. Then, over the process of the project definition plan development, we relooked at essentially all of the spatial areas making up the stadium and the components of the precinct outside it, and we benchmarked those against contemporary stadiums in Australia generally, but also internationally to some extent. We also took into account feedback from all the user groups, in particular the sporting groups that would be using the new stadium, to arrive at our schedule of accommodation, which is the list essentially of every room in the stadium and the spatial requirements in order to deliver the service that we needed. We then developed a plan of how those areas relate to each other functionally. That gave us a final total area and then, using benchmark rates—again the starting point from 2007 where a lot of that work had been done and, incidentally, using the same quantity surveyor that had been used for the 2007 task force work. We relooked at all of those benchmark rates to arrive at the final estimate, so we most definitely used the previous work as a starting point, but we revisited essentially every area in the stadium to arrive at the final estimate as presented in the project definition plan.

Mr Marney: In the process of revisiting those areas, obviously there was a collection of more detailed information as Richard has outlined, and that led to a number of variations or refinements of space requirements from that 2007 task force report. Those variations, along with escalation assumptions, are outlined on page 71 of the project definition plan.

The CHAIRMAN: Can I make sure I am clear on this: did you actually take the 2007 figures and assess their relevance and just work off them as the benchmark, or did you start and build up from the ground separately and then benchmark across to what were the figures for the 2007 estimates?

Mr Mann: Where the 2007 estimates were still relevant, they had been used in the base build up, but we have revisited them against current facilities and current design development and technology to ensure that they are still relevant. In some cases, if we look at the comparison that Tim alluded to earlier, you will see there is relatively little change in spatial area, but in other cases there is some fairly significant change for a range of reasons, which is very typical of a design development phase, which has progressed significantly further than where we got to back in 2007.

Mr Marney: So it was a complete build up, but using task force information where it was assessed as relevant and still current and valid.

The CHAIRMAN: In terms of the actual stadium structure, can I confirm that there is 18 per cent greater floor space?

Mr Mann: Overall in terms of the stadium structure, in the fully enclosed area including the tiers, there is around about 38 per cent greater space. For the tiers themselves it is around 18 per cent. So the overall structure is in excess of 30 per cent greater in area.

The CHAIRMAN: I will come to the 38 per cent, because that was in the media statement. The 38 per cent—we are actually talking about the stadium proper. Are we talking about the forecourt and surrounding area in that 38 per cent figure?

Mr Mann: No, the fully enclosed area, which includes all the area inside the walls and roof, and also the tiers and the undercroft basement space beneath the first floor level.

The CHAIRMAN: Can we just go through the major variations from the 2007 model? The underneath car park has been removed, the removable stands are no longer there. What are the additions and subtractions of significance from 2007 to this model?

Mr Marney: One that is probably of the biggest significance is that increased space. As you would be aware, the Kitchener Park site is quite constrained, and the 2007 task force report therefore had a total area that was quite constrained and, arguably, according to the experts in the field—the architects and so on—had a suboptimal allocation of space for appropriate circulation and back-of-

house services. So the biggest variation is that increase in space on an unconstrained site to optimise the functions —

[9.45 am]

The CHAIRMAN: Can we cut to what the issue is and what might the cost involve. Clearly, you have explained that there is an increase in built size, so that is an extra cost. What else is an extra cost? Then we might go to things that are savings by being removed. What are the significant other changes that add extra cost?

Mr Mann: Again, it is identified in the PDP, but we have allowed for emerging digital technology by providing a backbone cabling system through the stadium.

The CHAIRMAN: So that was not in the 2007 model?

Mr Mann: No. We have allowed for a different rectangular configuration solution, which, as a net, had a cost-reduction effect when we took out the retractable seating, which you alluded to earlier. You talked about car parking. We have provided 250 bays within the stadium footprint, and we are not providing the 3 000-bay public car park, which was previously allowed for in the Burswood proposal. We have allowed for provision of drop-in cricket wickets, which were not provided for previously. Other than that, there are relatively minor ins and outs, and they are largely associated with the spatial requirements that we talked about earlier.

Ms R. SAFFIOTI: Can I follow up on the spatial requirements? We were talking about how the stadium is bigger but the actual playing surface is smaller than that agreed to in the 2007 task force recommendations, which was Subiaco size, and this is now 10 metres shorter.

Mr Mann: The area is marginally smaller; it is 10 metres shorter but it is wider.

Mr C.J. TALLENTIRE: I am interested in the site works and the investigative work that is talked about. Would that have been conducted around 2007 or from 2007?

Mr Mann: No, there is a combination of a number of phases. The first task was to find out what was out there, so a desktop study of work on the peninsula was done and, because of the history of the site and also the development at Burswood over the last 20 years, there is a significant volume of material available—well in excess of 100 geotechnical reports and a number of environmental reports as well. We essentially assembled all that information and then looked at the gaps and then undertook our own investigation, which is ongoing as we speak, to fill those gaps.

Mr C.J. TALLENTIRE: That is the thing I am interested in. If investigations are ongoing, how much variation in prices occurred due to the findings from those investigations?

Mr Mann: The investigations ongoing at the moment are more environmental than geotechnical. There will no doubt be some further specific geotechnical data, but we are confident that we have assembled enough geotechnical test data now to have a very good understanding of what is under the ground and, therefore, for the state to estimate the likely geotechnical design solution that will provide the foundation system.

The CHAIRMAN: Could we move to what that design solution is please?

Mr Mann: The state has assumed that the stadium structure will be piled. The piled structure will not require anything too much to be done with the ground underneath because, obviously, the piles will be supporting the load. Anything that is unsupported by piles will require a combination of dynamic compaction, which we expect will be larger, polygon-shaped wheeled rollers, which will belt down the refuse layer in the top zero to four-to-six metres of fill. We will then surcharge—this is the state's assumed solution—the pitch area and other critical area such as the bus lay-down area to the south of the stadium and the public open space to the north of the stadium using fill typical of the sort of treatment that is being used for the Mirvac development, for example, and for Waterbank on the other side of the river now.

The CHAIRMAN: This is all bundled up, I presume, in the preconstruction site work, which is a separate contract.

Mr Marney: Correct.

Mr Mann: Yes, where convenient, some of that work we expect will be undertaken with the main stadium and precinct works, but the main ground improvement works will be separately delivered under the first forward works preconstruction site works package.

The CHAIRMAN: So can we get some understanding of this preconstruction site work? Is it basically compaction and cover—does it require any sort of lining? What are the general parameters that would lead to the costing for the —

Mr Mann: No, your first description is a fairly accurate one: compaction and then surcharge. There are some incidental works—fencing the site, clearing, back filling an irrigation lake that sits under the stadium footprint—but compaction and surcharge is the predominant component.

The CHAIRMAN: What are your current indicative costs for that preconstruction site work?

Mr Mann: That is information we would like to note as commercial-in-confidence. For obvious reasons it is not in the public domain at that level of specificity —

Mr Marney: We are currently in a procurement process, so to put a figure to that would kind of undermine that process.

The CHAIRMAN: So the costings on page 72 that I alluded to, is that figure in these numbers?

Mr Mann: Yes, it is.

The CHAIRMAN: So is it underground treatment and piling, or is that a separate one?

Mr Mann: Piling is a separate component of the project, but there is an allowance in there for the preconstruction site works.

The CHAIRMAN: But it is not actually designated with all the points you have there.

Mr Mann: There is not a specific line item that identifies it in the report, no.

Ms R. SAFFIOTI: In respect of dealing with the contamination, you are basically covering it up. So millions and millions of dollars will not be required to clear up the site of contamination.

Mr Mann: Correct. One of the benefits of raising the site to achieve flood level requirements means that it is a “cap and cover” type solution, which is very effective in containing contamination, so it will really be about treatment of contaminated groundwater rather than the removal and treatment of contaminated fill that will be the number one environmental consideration.

Ms R. SAFFIOTI: How much fill will be required to get it to the plaza level?

Mr Mann: I would have to take that on notice. We have estimates there, but just off the top of my head I cannot remember that figure.

The CHAIRMAN: Mr Mann is obviously a very experienced engineer. Can you say something about the settlement rates and to what extent there will be a differential given that the ground underneath is not only contaminated but also of very mixed composition with paleochannels and all sorts of different issues? To what extent, if you are only compacting the top four metres and you have to go down about 30 metres before you get your solid base, is the expectation of settlement rates over five, 10 or 20 years?

Mr Mann: Hence the need for surcharge to treat the deeper layers. You are quite right, dynamic compaction will only treat the shallow surface layers. In part, we are talking up to, in the deep paleochannels, notionally around a metre of settlement over the design life of the stadium, which

we have to accelerate within a 12-to-18 month period to ensure that we minimise settlement over the life to less than 100 millimetres over 40 years.

The CHAIRMAN: Over 40 years?

Mr Mann: That is what we need to achieve in order to make sure that elements such as the playing surface and parts of the sports precinct behave as they should.

The CHAIRMAN: When we come back later to procurement and financing, we need to know who will carry the risk on that.

Mr Mann: The risk for achieving that performance will initially rest with the preconstruction site works contractor. That risk will then be assumed by the main stadium contractor.

The CHAIRMAN: I have confidence, because we have seen it with the convention centre, that the stadium with the piling is not going to move. My question goes to the playing field and the surrounding plaza if, over a 10-year period, that drops to 10 millimetres leading to trip hazards or dips in the playing field. Who is going to be responsible for the cost of bringing that up to —

Mr Mann: Those remedial works would be part of the maintenance component of the main procurement model, which is one of the reasons that model has been selected.

The CHAIRMAN: As we know with contracting, if you are passing a risk then we will have to pay a premium for that I assume.

Mr Mann: Risk is always priced in contracting; it is always a balance.

Ms R. SAFFIOTI: So we will be piling the main stadium structure—not the playing field—and the bus interchange and other structures outside the stadium; is that right?

[9.54 am]

Mr Mann: Correct, let me make it clear though; that is the state's assumed reference design solution. A key factor in agreeing that we go out separately for preconstruction site works contractors under a design and construct contract is that we are actually very keen to see what the market tells us is the best solution to achieve those ground settlement standards that we need. It may be that we get some variant to the state solution, and that remains to be seen. We think, on the basis of our geotechnical experts, that is the most likely solution and that has therefore been assumed in developing the cost plan, but we are open to other design solutions if they can be demonstrated to be value for money.

Ms R. SAFFIOTI: Given your experience with the metropolitan rail project, is the geotech for the site very similar to what you dealt with with the Esplanade train station?

Mr Mann: In many respects, yes. We have the same layers of Swan River alluvium overlying Guildford formation. We have the same issues with paleochannels as well, which is exactly what we had to deal with on the foreshore, and we also have the benefit of the same geotechnical advisers who were involved in that project as well, so we are dealing with familiar ground, literally.

Ms R. SAFFIOTI: Can I confirm that last thing about contamination: there is not tens of millions of dollars in this budget to deal with contamination on this site?

Mr Mann: No, we are expecting there will be very minimal requirement for excavation and disposal of contaminated material.

Ms R. SAFFIOTI: Given that the Burswood residential towers have been built on a similar basis of sort of cut and cover, or covering and then putting piles in, is that your experience?

Mr Mann: Yes, very similar.

Ms R. SAFFIOTI: Can I ask one other question about the raised plaza? I know the 2007 report had an underground car park, in a sense, and the underground layer—as it was called at the time—was to service the playing field and the back-of-house or kitchen requirements. This is now proposing

that you build it up. So you still have that same first concourse, in a sense, or that first level, but it is now aboveground rather than belowground.

Mr Mann: As an undercroft basement.

Ms R. SAFFIOTI: So the plaza is built up, and that is the first layer, and that is where everything—so structurally, compared with the 2007 Burswood proposal, there is not a lot of difference in the underground car park scenario and plaza. I know initially some of the commentary was saying that there would be no underground car park at all, but there is, and there would be no plaza —

Mr Mann: The difference is in its scale. We have 250 bays sitting under there now as opposed to 3 000. Previously, it was an order of magnitude greater.

Ms R. SAFFIOTI: Sure.

Mr A. KRSTICEVIC: You talk about 38 per cent extra space now because you have not got those constraints. Are you saying that the Kitchener Park proposal would not have been functional to the extent that it needed to be to run a proper stadium facility?

Mr Marney: It would still function, it would just be constrained.

Mr A. KRSTICEVIC: What does that mean in terms of delivering the service?

Mr Marney: Tiny circulation spaces in particular —

Mr Mann: The key areas that have grown relative to the 2007 report are circulation space, tiers, seating area for general admission particularly, team facilities, catering and administration.

Ms R. SAFFIOTI: Can I confirm in the reconfiguration for this stadium—with the original stadium in 2007 there were going to be 54 600 general admission seats. Is that the same configuration, or has the expansion been—I have read a lot about the premium seating, and a lot about the suites and coaches' areas and things like that. Is the target still 54 600 general admission seats out of 60 000?

Mr Mann: No. From memory it is just over 8 000 premium product seats now; the remainder are general admission. However, another important distinction in the current design is the range of the premium product, and we deliberately use “premium product” as the term rather than “corporate”—it is much more extensive. The intention is that that premium product will be available to a broader range of people who otherwise would not have been sitting in what was previously referred to as “corporate” seating in the previous proposal. So there is a wider range and a greater number of premium seats relative to the previous proposal.

Ms R. SAFFIOTI: So there is a drop of about 2 500 in general admission seats; is that right?

Mr Mann: Of that nature. We will confirm that in the report.

The CHAIRMAN: Can I just lead us into the transport issues. Clearly there is an intent to have hardly anyone drive there with only 250 bays in the stadium, and I assume some of those are required for special purpose and not available for premium. However, the report says that premium tickets would go with parking in order to get best value from it. Therefore, if there are not enough bays underground—there are going to be 8 000 premium seats—and there was talk of about 700 bays in the sports precinct, then those 700 bays, while potentially usable, do not have a road structure to allow cars to come in and out. They would have to come early, close the gates, and then leave after people have gone, as I understand it. Can you explain how those issues are likely to be addressed if we are going to provide parking bays for premium seats?

Mr Mann: In respect of that area, it is exactly as you described it, which is similar today at Kitchener Park. It has to be said this will be an ongoing item for discussion between the various parties. It is no secret that football would like a significantly larger number of bays on site. From a planning perspective, as you also alluded to, for this site it is undesirable to have a large number of people parking there. You would need to manage it to allow the public transport to work efficiently

pre and post the game, and also on the road network it would create some significant problems, particularly in the Friday afternoon peak for Friday night games. We are very keen to explore, with football particularly, the solutions for using offsite parking for their premium product patrons—so potentially Belmont, Burswood and East Perth—with access to the stadium via bus services, special purpose vehicles, or the pedestrian footbridge, but the matter is by no means dead. Yes, we, in our master plan, identified 250 plus 700—around 950 bays—onsite, but football would like a significantly greater number, and we are going to need to come up with a solution that enables the premium product to work properly.

The CHAIRMAN: Mr Mann, clearly you have a degree of expertise in transport issues and I would like to get your view on what the chances are of succeeding with this move to public transport. Is it around 40 per cent of people who use public transport with the Subiaco stadium currently?

Mr Mann: Up to 40 per cent for a good event, yes.

The CHAIRMAN: The 2007 target was 61 per cent by public transport. When you started on this project, you were hoping to get 70 per cent. The master plan says 83 per cent by public transport but some of those people would use public transport into East Perth and walk across the river. So are you targeting something closer to 90 per cent using public transport from a central —

Mr Mann: No. The 83 per cent includes those people who will be using public transport to get to East Perth and then use the pedestrian bridge.

The CHAIRMAN: You have got 10 000 people potentially coming by car; but obviously they cannot, because there are not enough bays for 10 000 people to come by car.

Mr Mann: That does not allow for people parking in the CBD and using the bus service, then, to access the pedestrian bridge, or parking in East Perth.

The CHAIRMAN: That is my point. It is 83 per cent without counting the people who take their car to East Perth or an offsite parking area and then get another bus.

Mr Mann: I would have to review that. The figure of 83 per cent does include people who are using public transport to get into the CBD.

The CHAIRMAN: That is not the figures that are on page 27. But we will not quibble over that. The point I want to ask you, though, is, as a professional in this area —

Mr Mann: In terms of the integrity of the public transport solution, absolutely—in fact, it is critical that it does work is the bottom line. The best example is Lang Park in Brisbane, where a cultural change was associated with the new facility, and they are now up to, in some cases, 90 per cent public transport use, because they developed a stadium that was all about the public transport solution, and it delivered a very efficient public transport solution that had the capacity and the efficiency to obviously appeal to the public at the end of the day, and we need to do the same thing. PTA has demonstrated that we certainly will be able to provide the capacity. It will now be a matter of, one, delivering a quality of solution that will appeal to the public, and then, two, ensuring that it is properly promoted.

The CHAIRMAN: So if it turns out to be less than efficient—the public transport offer—has that been factored in in terms of a potential drop in crowd and what that does for the financial side of things?

Mr Marney: The aim is to have it efficient and manage that risk.

The CHAIRMAN: Okay. Perhaps we could turn to the elements of that solution. I am going to work off page 32, just as a schematic way of going around it. First, I will start at the north-west corner, which is Windan Bridge. That is a walk of 1.5-plus kilometres to one of two stations or potentially other destinations or other parking areas. Can we have a bit of an explanation of what is

involved, whether the current footpath over Windan Bridge needs to be widened, how many people it can take, and what other work needs to be done, and at which destinations?

Mr Mann: Yes, it does. That assumes upgrade of the footbridge across the river.

The CHAIRMAN: What would be the indicative cost for that? I presume that the footpath would have to be realigned going across Graham Farmer Freeway to get to the stations.

Mr Mann: Those costs are being developed by the Department of Transport now. They anticipate finalising and delivering their project definition plan for transport infrastructure by the end of the year.

Ms R. SAFFIOTI: Will East Perth train station need to be expanded, too?

Mr Mann: My understanding is no; it will be adequate for the purpose.

The CHAIRMAN: I move now to the south-west corner, which is the bridge over the Swan River to take 14 300 people. What is the estimated potential length, height and width of that bridge, and is the option, as the Premier said, to take buses over that bridge still on the table?

Mr Mann: The easiest answer is no. At this stage, it will be solely for pedestrian use. We are at the moment in the process of pedestrian modelling to determine its exact width, based on the required capacity. Notionally it will be of the order of 10 metres wide, or potentially wider. Its length is around 400 metres, and then we include the ramp down onto the western bank of the river.

The CHAIRMAN: Is there an issue with it needing to have a large span in terms of the aesthetics and the little bit of navigation that takes place on the river there?

Mr Mann: They will all be considerations, and they will obviously be issues that will be addressed in the design. But in terms of being insurmountable, absolutely not.

The CHAIRMAN: For you engineers, nothing is insurmountable. My worry is the cost. What sort of cost are we looking at if we go for an aesthetic bridge that has the width and has the height to span that length?

Mr Marney: That is really the subject of the project definition plan that is worked on at the moment by PTA, and that should be due for completion around December.

The CHAIRMAN: Most of us obviously enjoy the MCG. There is a very nice walkway through into the city from there. So do we end up with a model like that or do we end up with a goat track in terms of how much money is available to give us a quality bridge?

Mr Mann: We would anticipate that based on the approvals that we will need to secure to build that bridge, a goat track will be unacceptable by any means. We would expect that bridge to be a significant feature for the city.

The CHAIRMAN: The next one is the bus interchange. Potentially there will be only 20 parking bays, all on the right side so that people will not have to cross the road. But I think 120 buses, or something, will be expected to move the crowd. Where will they park offsite? How is that going to operate?

Mr Mann: I would have to look at the public transport PDP. PTA has already done enough modelling to demonstrate that that solution works pretty well.

Mr Marney: Again, it is a matter that will be fully analysed and fleshed out in the transport PDP that is due in December.

Ms R. SAFFIOTI: The whole basis of this project is the transport solution. You must be confident that \$300 million will deliver you that transport solution. The whole basis of this project is people being able to get to the ground and out of the ground. A stadium is a stadium wherever it is. I suppose the transport is the big question mark. You must be confident that \$300 million will deliver

you an iconic bridge over the river, expanded Windan Bridge, a new bridge over the Victoria Park drive east, new bus platforms and the new six-platform station at Burswood.

Mr Marney: I think that is a fair statement. The stadium itself is a concrete doughnut. It would not be that hard, really.

Ms R. SAFFIOTI: And it could be built anywhere in a sense.

Mr Marney: Yes.

Ms R. SAFFIOTI: What makes this one different is that you are building an entire transport system to feed the stadium, let us face it.

Mr Marney: It is the support infrastructure around it that is quite complex, as you pointed out; hence the need to go through a detailed project definition plan for that infrastructure. PTA is working on that at the moment. I think the short answer to your question is: the government has chosen this site. We are working through a very rigorous process to assess what is required and the associated cost to make that site work as best as possible.

[10.10 am]

Ms R. SAFFIOTI: Why was it not done simultaneously with this, given that the transport, to me, is the major component of the stadium? You have done this and you are only now working out the project definition. When this basically highlights all the requirements you need for transport, surely the PTA could have been doing those at the same time as your committee.

Mr Marney: In many respects they have been, but the functional layout, if you like, of the stadium itself has to be sorted first from a master plan perspective before you then structure the supporting infrastructure or transport infrastructure around it. There is a degree of, if you like, sequential planning required. I think to have a 12-week delay between the two project definition plans is reasonable.

Mr Mann: There are two elements to the development of the transport infrastructure—PDP. The first is around capacity—ensuring that the system has the capacity to deliver the outcome we need. The second and, in many respects, easier bit is then developing and defining the assets, including rolling stock, that are required to deliver that capacity.

Mr Marney: So it is a more complicated design and definition process.

Dr E. CONSTABLE: How many occasions in any one year will there be a major event at the stadium, do you anticipate?

Mr Mann: Modelling, I think from memory, is around about—I will have to check the report—35 events at the stadium per annum.

The CHAIRMAN: I think we will move perhaps to trains and the 35 000-plus people to be moved. That is 28 000 from the two Belmont stations and 7 500 from East Perth.

Ms R. SAFFIOTI: On page 29 it refers to a three-platform facility. I understand each of the three platforms will be able to take nine-car sets. Is that right?

Mr Mann: Correct.

Ms R. SAFFIOTI: It says here, and has confused me, that 28 000 patrons serviced from the Joondalup, Armadale, Fremantle and Mandurah lines will go via Perth city. My understanding is that after a game there will be three or six nine-car sets lined up?

Mr Mann: We will have rolling stock to the east of Belmont Park station in sidings, and we will have shuttle services from Belmont Park to the city, as well as directly running to Armadale, to Fremantle and to Joondalup.

Ms R. SAFFIOTI: There will be services running to Armadale, Joondalup and Fremantle. They will not be nine-car sets because the platforms cannot accommodate them.

Mr Mann: No; they will typically be six-car or four-car sets, depending on the rolling stock we are using. Nine-car sets would be the shuttle moving back between the city and Belmont Park.

Ms R. SAFFIOTI: This report refers to 28 000 patrons servicing Joondalup, Armadale, Fremantle and Mandurah. So those wanting to go on the Armadale line will get on their four-car set and head the other way; is that right?

Mr Mann: Correct.

Ms R. SAFFIOTI: This is why this wording is a little bit confusing. And everyone else will go on the shuttle service into the city and under the City Link project. How many new platforms are being built to accommodate the nine-car sets?

Mr Mann: The City Link includes where platform 9 used to be—the Midland line. An additional platform is being built right now on that side of the station near Roe Street. Not just the shuttle service back from the city to Belmont Park but Joondalup patrons will be able to through-run directly up to Joondalup as well.

The CHAIRMAN: That is a six-car set?

Mr Mann: Essentially, it is the reverse situation that happens today at Subiaco where you can go directly from Mandurah to Subiaco, but the Joondalup trains have to either disembark at Leederville station or in Perth and then get the shuttle out to Subiaco. It is the reverse situation and reverse configuration.

Mr C.J. TALLENTIRE: Can I just ask then, looking at the diagram again—the station south area, that is indicated as providing for 13 000-plus people to come in—is that using the existing infrastructure on the Armadale and Thornlie lines? Is that what you are referring to there with the station south; that is, the Armadale line coming in?

Mr Mann: Part of it, yes.

Mr C.J. TALLENTIRE: What other bit would there be?

Mr Mann: Others alighting at the station. We are separating two station entrances to separate the crowd effectively, so we get about 50 per cent at each end of the station so that we help manage the crowd better.

Mr C.J. TALLENTIRE: I am trying to picture which other bits would come into it. But leaving that aside, you are saying there will be capacity for 13 000 people to come via the Armadale line to the stadium. Is that using existing infrastructure on the Armadale line?

Mr Mann: Those that come via that line, Armadale and Thornlie, yes, will be using the existing infrastructure.

The CHAIRMAN: Could I just come to the number of cars that you need? If you are going to move those 35 000, then how many railcars would be required and then how does that fit into the overall capacity?

Mr Mann: My understanding is that PTA is confident that, based on its current rail acquisition program, it can deliver that capacity.

The CHAIRMAN: This precludes them actually having an event on during peak hour, does it?

Mr Mann: Peak hour is always a difficulty. It is at the moment, so I would expect it will be no different.

The CHAIRMAN: No, but at the moment we have less than 40 per cent on public transport.

Mr Mann: Friday night is a challenge.

The CHAIRMAN: So basically we could not have a game on Friday night because commuters going home from work will be using the current rolling stock, and therefore there would not be adequate rolling stock to move this number; is that what you are saying?

Mr Marney: Again, that would be a matter for the project definition plans the PTA is working on and factoring in their existing program of acquisition of existing rolling stock.

The CHAIRMAN: The Premier's basically said there is a difficulty with Friday nights. I am just trying to get the underpinnings why; is it primarily because you need your trains and then the buses to move people?

Mr Mann: Absolutely; exactly the same situation we have today.

Ms R. SAFFIOTI: There is a difference, though, because you are moving 40 per cent by public transport of a 40 000 capacity stadium. Now we are moving to a 60 000 capacity stadium and 80 per cent. So, yes, it is similar but I do not think you could say it is exactly the same because you are moving tens of thousands of more people by train —

Mr Marney: It's the same problem on a grander scale.

Mr Mann: It is the same problem but a bigger one.

Ms R. SAFFIOTI: Yes.

Mr Marney: But again that is why the project definition plan is there—to drill to the bottom of, quantify and address.

Ms R. SAFFIOTI: Sure.

The CHAIRMAN: Anything else on transport?

Dr E. CONSTABLE: Are you able to tell us what you anticipate the cost of providing transport for each event?

Mr Marney: The cost to the state?

Dr E. CONSTABLE: How much is it going to cost to provide the transport to the state?

Mr Marney: We would have to take that on notice. Our cost recovery on public transport is around the 20 to 25 per cent mark, so it would be 75 per cent or whatever estimated passenger movements are.

Dr E. CONSTABLE: It would be useful if we could get some indicative figures on that.

Mr Marney: We could take that as supplementary information.

The CHAIRMAN: If you would, please.

Mr Marney: They would be indicative but we will give you all the assumptions that lay behind that calculation.

The CHAIRMAN: If we could move to procurement, which I think is on page 78, you have indicated the market sounding has already taken place. How broad was the market sounding? Did this go to the financing side as well as construction?

Mr Mann: No. With all sectors we spoke to design, facilities management, financing and construction.

The CHAIRMAN: The previous inquiry that this committee did had some issues with market sounding, not that the market sounding was not done to a reasonable standard, but the interpretation that was put on that when the papers went to cabinet was obviously beyond what it had done. So I would like to actually get a bit of a feel in terms of what you think the market is in those various areas, particularly in finance. I mean, is there a real appetite for PPPs, given the two major PPPs for stadiums in Australian recent history have been total disasters? Is there an appetite out there for financing the stadium on a PPP basis?

Mr Mann: Firstly, those two projects both transfer demand risk, and we are not doing that, and included operation of the stadium in the model, so we are not using that model—and one of the reasons is that we think it is very difficult to transfer demand risk for a facility like this, as those two examples have proven. The answer is, yes, there is very significant interest both nationally and internationally. In adopting this model, we have been careful to provide for a structure that will not allow financing to dominate the model. So the Premier has made it clear that the state will be making a significant up-front financial contribution in addition to private sector finance so that you will be having, based on current market, certainly a very achievable financial solution. As you would expect from builders and designers, given current industry pressure, there is very significant and an almost reliance on this project, particularly locally. So in all areas, facilities management as well, there is very keen interest. This is certainly a project that is on the radar internationally.

[10.20 am]

The CHAIRMAN: Could we have an explanation of what is the structure of this DBFM model that you are proposing here?

Mr Mann: The state will contract with a single entity. That entity will be responsible for designing, building and maintaining the facility, most likely for a 25-year concession period, commencing at the completion of the construction. The same entity will be responsible for financing the delivery of the stadium during the design and construction period. It will be responsible, notionally, for around 40 per cent of the total capital cost of the asset, indicatively. We have not finalised what that final proportion will be.

The CHAIRMAN: Is that around \$400 million on a \$1.1 billion project?

Mr Mann: Of the \$800 million escalated cost of the stadium, it will be around \$350 million, with the state contributing the remainder of the capital cost.

Mr Marney: So its contribution would be to the stadium project only, not the supporting transport infrastructure around it.

Ms R. SAFFIOTI: And not including the sporting precinct?

Mr Mann: The sporting precinct will be delivered as part of the stadium package.

The CHAIRMAN: Have you done indicative costs of that \$350 million that the private entity would have to borrow?

Mr Mann: That will be developed as part of the public sector comparator, which is the next phase of the project. Essentially, the public sector comparator will reflect the hypothetical cost of traditional public sector delivery.

The CHAIRMAN: Who will develop the public sector comparator?

Mr Mann: The project team will develop that with the support of various expert advisers. That will be developed by the same project team that has put together the PPP.

Ms R. SAFFIOTI: The escalated cost is \$902 million. Is it 40 per cent of that, not the \$800 million?

Mr Mann: Yes, it is 40 per cent of the total capital cost.

Ms R. SAFFIOTI: The total escalated capital cost?

Mr Mann: Of the stadium, plus the precinct.

Ms R. SAFFIOTI: So is that \$902 million?

Mr Mann: Notionally; however, we end up distributing the final procurement packages.

Ms R. SAFFIOTI: Can I just clarify the cash flows from government? So \$350 million would be an equity injection, such as a grant from the government to the private sector entity; in what year?

Mr Mann: Again, that is not finalised. If we base it on, for example, the Midland Health Campus model, where the state and commonwealth contributed capital funding in the form of progress payments during the design and construction phase, that is a relatively straightforward and simple model. We would expect something similar, but we have not absolutely locked down on that structure yet.

Ms R. SAFFIOTI: And of the \$400-odd million that this entity will be contributing, will the state be making annual payments of that, plus the maintenance costs over the next 25 years?

Mr Mann: The state will commence quarterly service payments—they are generally quarterly in this form of procurement model—once the completed stadium is handed over and operational.

Ms R. SAFFIOTI: So from 2018?

Mr Mann: From 2018, notionally, or earlier, if it is completed earlier.

Ms R. SAFFIOTI: My last question on this is about the net debt impact. When will we have to bring the total cost of this project on to the net debt in the budget?

Mr Marney: It is more than likely that the entire cost would come on net debt at the time of practical completion.

Ms R. SAFFIOTI: So not at the time of signing the contracts?

Mr Marney: We would have to work through exactly what the eventual structure of this is. It is possible that it would come on at the time of, if you like, the financial close and signing of contracts. It would depend very much on the nature of the eventual deal. The state's component would be as per the payment schedule throughout construction.

The CHAIRMAN: But if that approach is taken, would the addition to net debt at the time of completing the contract and bringing it to account also therefore include the interest payments on the money borrowed and the ongoing management issue?

Mr Marney: It would depend on the structure of the deal.

The CHAIRMAN: It could actually be billions of dollars over its 25-year life.

Mr Marney: The actual payments scheduled for maintenance would not be part of that debt impact.

Mr Mann: No; it reflects the capital—the net present value of the capital asset.

Mr Marney: It would not be billions; it would be in the order of the cost of servicing and repaying that debt over the entire life.

The CHAIRMAN: Would all the interest costs be included?

Mr Mann: The interest that is directly relevant to the capital asset, yes.

The CHAIRMAN: Just going back to the actual DBFM model, it says on page 79 that they be required to deliver three schematic design solutions. I am not clear; is that a shortlist of three —

Mr Mann: Yes.

The CHAIRMAN: — or would the proponent who gets the RFP have to provide three?

Mr Mann: It is the three preferred respondents. That is the competitive design process.

Mr C.J. TALLENTIRE: So your treatment of debt will be quite different to how the UK treats debt or keeps debt out of its national balance sheet when it comes to the use of a PPP?

Mr Marney: In this circumstance the asset itself will be owned by the state. That really determines the treatment of all financial flows around the facilities—the different classes of financial flows being the recoup of capital investment over the life of that contract, the interest costs associated with the debt on that capital and then the ongoing maintenance costs. Those components would be treated differently, but because the asset is owned by the state, that kind of pre-determines the

accounting treatment as debt. The procurement model here is not about shifting money off the state's balance sheet; it is about having incentives for the entity that is designing, building and maintaining the facility, and to do so in an optimised way from a whole-of-life cost for the facility. It is not about shifting money off the balance sheet; it is just making sure they have skin in the game.

The CHAIRMAN: In evidence to another inquiry, I think you indicated that the cost of private capital is probably around two per cent higher than government. Basically from some \$350 million, they are already paying two per cent more straight off. That is a tremendous amount of money unless they can find other savings in the efficiency of their operations.

Mr Marney: I think that two per cent figure is probably in need of updating. I am happy to provide that as supplementary information. The evaluation in the procurement process against the public sector comparator is whatever that additional margin is, whether it is one per cent, two per cent or 2.5 per cent. The evaluation process is there to assess whether or not that premium that we would pay for that financing component is worth the risk transfer that we are actually making to the proponent. It is complicated but that is really what that evaluation is about.

The CHAIRMAN: Having confidence in the ability of both you gentlemen, what options are open to the government if the public sector component that you develop proves to cost less than going to a private provider?

Mr Marney: If that was the case, our advice to government, out of the evaluation process, is you go with the public sector comparator and do it yourself.

Mr Mann: And publicly fund it.

The CHAIRMAN: Would you have to start with a request for a proposal all over again in terms of the construction?

Mr Mann: Almost certainly we would go with a different procurement model in those circumstances.

The CHAIRMAN: So you would have to start the RFP all over again.

Mr Marney: It would be a much simpler process, but yes.

The CHAIRMAN: What sort of delay would be involved in that?

Mr Mann: It is difficult to say without deciding what the best model at the time might be.

The CHAIRMAN: I turn to the financial analysis on page 82. The key issue here is in the paragraph in the middle of the second column, which says under that model, revenues cannot fund the full live cost of the stadium. Can we have an indicative annual amount as to what will be the shortfall in meeting the whole-life cost of the stadium?

[10.30 am]

Mr Mann: We can but we will have to take that on notice. We certainly can provide that.

Mr Marney: It is not unlike the current circumstance, which has led to a stadium that arguably has not been adequately maintained and led to this project having to be undertaken in the first place.

Ms R. SAFFIOTI: As part of the process, have you undertaken estimates of the operating outcome of the stadium each year?

Mr Mann: Yes.

Ms R. SAFFIOTI: What is in that result?

Mr Mann: Again, I would have to refer to that report. I can take that on notice. We certainly can provide that.

The CHAIRMAN: If those figures are available by supplementary information, that would be appreciated.

Ms R. SAFFIOTI: Currently the stadium is operated by the West Australian Football Commission. Acknowledging the problems as in lack of maintenance each year, a return is put to the Football Commission which it uses to help fund its operations throughout the state. Have negotiations been had with the Football Commission as to what would happen regarding cash flows to the Football Commission after the stadium has been built?

Mr Marney: That question is really outside the scope of our responsibilities on the project. It is probably a question more for the relevant minister or the Department of Sport and Recreation.

Ms R. SAFFIOTI: In determining the operating results of the stadium, there are two components here. There is a financial impact—financial results—each year. Given the high capital costs, it would probably be in the negatives. You say that it is probably going to make a financial loss unless you have a government subsidy or you have football stadium members similar to AAMI Stadium in South Australia where people have membership of the ground, not of a particular club, which has its own faults. Then of course you have the Football Commission considerations. The report of 2007 noted that the Football Commission received about \$7 million each year from the operations of Subi. As part of your brief, how do you factor those costs into the annual impact?

Mr Mann: The answer is that we have kept it at a higher level. We have simply looked at the operating revenues that have been generated by the stadium. At this stage we have not made any assumption as to the distribution of those revenues.

Mr C.J. TALLENTIRE: Let us assume that there is an AFL and Crown contribution; would the scale of those contributions change the financing model that you have used?

Mr Marney: It would depend on the scale of those contributions. As I understand, those matters are matters of active discussion between the government and those entities.

The CHAIRMAN: I have two questions, and these go back over what we have covered to some extent. With respect to the DBFM model going to EOI then RFP, there is talk about activation of the area around the stadium in the report. Is that linked to that contracting arrangement? Is the potential that someone who comes in as an investor will be given access or some right to land to develop actually help add value to the contract?

Mr Mann: Firstly, the precinct works will be included in that package and the master plan does contemplate some commercial opportunity, particularly on the western side of the stadium, the lake side. Already in our master plan there is an expectation that those opportunities will be developed as part of that process. Secondly, given that activation of the precinct is something we are seeking to achieve, it is inevitable that we will be asking for some innovation around those proposals, yes.

The CHAIRMAN: The point of my question was: is it currently under serious consideration that, in terms of actually adding value, you would provide a right to some extra land to offset part of the cost of the construction?

Mr Mann: Not specifically, no. What we have done, though, in the modelling is we have assumed very limited commercial return other than activity directly associated with game day, due to the current status of development and the location.

Mr Marney: That is not to say that the procurement process would not bring forward, if you like, development opportunities by the proponents that may seek such investment by the stadium.

Mr Mann: They would need to be consistent, obviously, with the overarching planning considerations and use of the precinct for recreation and sporting purposes.

The CHAIRMAN: But the last two questions go more to —

Mr Marney: Sorry; just on that, in our evaluation of those proposals, obviously we would factor in the cost of that land at market value or best estimate thereof.

The CHAIRMAN: But if that is not actually in the request for expressions of interest, then you do not have a level playing field if one proponent comes in with that sort of package and you have not offered it to others. So the issue is: when you go out with your EOI, is that going to be part of the possible package?

Mr Marney: If the market comes back with that, then that might be fed into the RFP process, so that is where we would level that field.

The CHAIRMAN: I have two engineering-type questions out of the project definition plan. First, the 60 000 is potentially going to 70 000. The extra 10 000, I presume, would be incredibly expensive, because the plan has them above the roof. What are the potential engineering models if you have to remove the roof to put in an extra 10 000?

Mr Mann: Again, we will be very interested to see what the private sector tells us. With modern construction methodology, we would expect to be able to come up with some very efficient solutions. The distinction between the previous model is that we have elected to design a bowl essentially for 60 000 capacity, rather than 70 000 up-front. That really reflects uncertainty as to the need to expand over time, so we have no doubt that we will get an efficient solution for future expansion, but we certainly do not shy away from the fact that it will be an expensive solution relative to what was proposed previously.

The CHAIRMAN: The example there would be the rectangular stadium in Melbourne, where the cost of actually adding the extra seats came close to the total cost of the stadium. Adding those 10 000 is potentially a problem here, is it not?

Mr Marney: If you do not plan to do it up-front, then, yes, that is the outcome; but if you plan it within the structure —

The CHAIRMAN: So what is the plan—putting the roof another 10 metres higher or something?

Mr Marney: That is up to the market to come back to us and factor in as efficiently as they can.

Mr Mann: More likely it will be providing the structural capacity to deal with expansion and designing sections of the stadium such that those future add-ons can be accommodated as efficiently as possible.

Ms R. SAFFIOTI: Just to confirm what you said, the current design of this bowl is 60 000 and previously it was up to 70 000; is that right?

Mr Mann: The previous bowl basically was a 70 000 bowl with gaps to fill in later.

The CHAIRMAN: The final question relates to the bump seats. Are these going to be plastic chairs out on the grass? What sort of structure is involved, given that you no longer have a moveable stadium?

Mr Mann: There are a number of examples, in New Zealand in particular, where this has been done really efficiently, so you would expect it to be a very similar standard of seating to what is provided in the rest of the stadium; they will just be portable and transportable and bumped in when required for rectangular events.

Ms R. SAFFIOTI: What is the additional cost? Is that included in this costing?

Mr Mann: Yes, it is.

Ms R. SAFFIOTI: Would the sporting code have to pay for the additional costs every time it uses the stadium, or is it part of the total?

Mr Mann: How we would structure venue operation costs in those circumstances is detail for further down the track.

The CHAIRMAN: Finally, the bump seats, as I understand it, led to the first level of seats being raised 1.5 metres.

Mr Mann: It is a combination of things. It is really two things being achieved. First, in the desire to expand the range of premium product, one of the innovations, particularly in the US, that came to light were ground-level field clubs which enabled people to get very close to the action in suites directly behind the fence. In order to make them work, you need to have space, and that would require raising the first tier of seats. Raising the first tier of seats then provided the opportunity for bumping seating rather than a retractable solution, which, obviously from a cost-effective perspective, given the number of times that it would be needed, was a very desirable way to go. So we got two benefits, essentially, out of raising the first tier of seats.

The CHAIRMAN: Is the downside of that the inferior sightlines to Etihad?

Mr Mann: It is actually an advantage for the lower tier because you are more elevated. So, overall, our sightlines are equivalent to or better than most parts of Etihad and better than the MCG.

The CHAIRMAN: That is not what it says on page 59.

Ms R. SAFFIOTI: In respect to the boundary line.

The CHAIRMAN: Page 59 makes it clear that the sightlines are inferior to Etihad. It says it is —

... better than the Melbourne Cricket Ground lower tier and marginally less than the Etihad Stadium ...

And then it goes on and says —

- The upper tier sight lines will match the Melbourne Cricket Ground upper tier ...

It says nothing about Etihad, because Etihad is actually better. So, it is inferred there that the upper tier is actually worse. If you look at the diagram there, you cannot actually see the first 10 metres of play out from the boundary.

Mr Mann: We will have to check the detail there. My understanding is that for the upper tiers, we are equivalent to Etihad. For the lower tier, we are certainly superior to the MCG and again we are equivalent to Etihad, and that is —

[10.40 am]

The CHAIRMAN: But, Mr Mann, it actually says in your report “marginally less than the Etihad” allows up to; that is what is in there in black and white.

Mr Mann: Okay; my apologies.

The CHAIRMAN: You have always got to do trade-offs—that is what you needed to do—to get the best result. It seems we have got a trade-off in sightlines in order to do that.

Mr Mann: We have at this stage as well, and bear in mind we are going to get three additional designers tackling the problem as well.

Ms R. SAFFIOTI: It is good to see the boundary line. Anyway, I have one last question. Just overall, what is the cost premium of building on this site, which is basically a swamp, as a percentage of the total contract—five or 10 per cent on building this on the site?

Mr Mann: The allowance for ground treatment is very similar to what was estimated by the task force, which is around about \$50 million in a total base stadium cost of \$690 million.

Ms R. SAFFIOTI: So, about \$50 million is because of the site work required.

Mr Mann: Ground improvement and additional piling costs.

The CHAIRMAN: I was finished, but the \$690 million, Mr Mann, brings me back to pages 72 and 73. So, the cost of the stadium at \$690 million is without electricity, without water and without sewerage; is that correct?

Mr Mann: Not within the stadium itself, but the provision of those utility services to the stadium site is included in the precinct costs, yes.

The CHAIRMAN: So the point is: your \$690 million for the stadium means no electricity, no water and no sewerage.

Mr Marney: It is just classified in the precinct costs, not in the stadium's.

Ms R. SAFFIOTI: Can we ask why that happened? Given that there seems like a bit of a prerequisite to have water and power for the stadium, why was that part of this new sports precinct, which I understand is an oval? Why do we classify that outside that \$700 million bucket? Why were the water and electricity not part of the stadium costs?

Mr Mann: There is not a particular reason; it is probably geographic as much as anything, but that is where those costs sit.

The CHAIRMAN: I think you are both very loyal public servants.

Thank you very much, we have gone a bit over time, but we really appreciate you appearing before the committee and giving evidence today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such correction must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence, and we also appreciate if that supplementary information could be provided. Thank you very much.

Hearing concluded at 10.42 am
