

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

BUDGET STATEMENTS

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 7 SEPTEMBER 2009**

SESSION THREE

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 1.45 pm**ALEXANDER, MR RON****Director General, Department of Sport and Recreation,
PO Box 329
Leederville 6903, sworn and examined:****ROSIELLE, MR DAMIAN****Chief Finance Officer, Department of Sport and Recreation
246 Vincent Street
Leederville 6007, sworn and examined:****WATT, MR ALEXANDER****Director Business Management, Department of Sport and Recreation
246 Vincent Street
Leederville 6007, sworn and examined:**

The CHAIR: Welcome. Please come and have a seat up front; front row seats are guaranteed! If we are settled, we will begin. I think our final member is still on the way. We will run the risk of starting without her; it is always dangerous but if everyone is okay, we will start.

First of all, good afternoon and welcome to this afternoon's meeting. Before we begin, I am required to administer an oath or an affirmation.

[Witnesses took the oath.]

The CHAIR: Thank you very much. Would you please state your name and the capacity in which you appear before the committee.

Mr Alexander: Ronald James Alexander, Director General, Department of Sport and Recreation.

Mr Rosielle: Damian Rosielle, Chief Finance Officer, Department of Sport and Recreation.

Mr Watt: Alexander Richard Watt, Director of Business Management, Department of Sport and Recreation.

The CHAIR: You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

The Witnesses: We have.

The CHAIR: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during today's meeting. Please be aware of the microphones and try to speak directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's meeting, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that premature publication or disclosure of the uncorrected transcript may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia, and the

committee values your assistance today. Members, it would assist Hansard if, when referring to the budget statements, you could please give the page number, item, program and amount in preface to your questions.

I now ask: do members have questions?

Hon KEN TRAVERS: My first question is about the three per cent efficiency dividend savings. On what figure was the three per cent calculated? Is it appropriations or does it also include any other money such as Lotteries Commission money that you receive?

Mr Alexander: Can I just ask for clarification? Does it have to be with regards to a particular budget item?

Hon KEN TRAVERS: I am particularly looking at page 594 of the budget papers—my apologies for that—in terms of the savings that are identified there. I am trying to work out how the three per cent savings were identified.

Mr Alexander: In the main, it is only our operational budget and not the entire grant money that we had. In the main, we have been able to handle it, with some issues, as you would imagine when looking at cuts. We can indicate where some of those are. We have gone through most of our budget and adjusted many items inside it.

Hon KEN TRAVERS: Yes, but what was the figure of \$574 000 in this financial year? What is that three per cent of—what figure is that three per cent of?

The CHAIR: What page is that on?

Hon KEN TRAVERS: I am sorry—page 594.

The CHAIR: Thanks.

Mr Rosielle: Three per cent of our total cost of services less our grants and subsidies funding less depreciation.

Hon KEN TRAVERS: So, total cost of services—which figure is that?

Mr Rosielle: Page 600—our income statement.

Hon KEN TRAVERS: Yes; so it is the \$667 million?

Mr Rosielle: Yes, it was based on the 2008-09 budget paper figures.

Hon KEN TRAVERS: Right.

Mr Rosielle: So, for the 2008-09 budget it would have been based on the \$73.547 million, less the depreciation costs, less the grants and subsidies costs.

Hon KEN TRAVERS: So that is the one million —

Mr Rosielle: Yes; it would be the employee benefits of \$12 million plus the supplies and services.

Hon KEN TRAVERS: So it would appear to me that you are getting a reduction; that is, your three per cent cut includes the money that you received through Lotteries Commission grants.

[1.55 pm]

Mr Alexander: No. That has not been part of the three per cent cut at all; the grant money has not been touched by the three per cent cut.

Hon KEN TRAVERS: Is that not included in the \$73 million?

Mr Rosielle: It is, but it is included in the \$53 million for grants and subsidies, which was taken off the \$73 million when applying the three per cent cut.

Hon KEN TRAVERS: Did you say \$53 million for grants and subsidies?

Mr Rosielle: Yes, the 2008-09 budget, in the second column.

Hon KEN TRAVERS: Which page are you looking at?

Mr Rosielle: Page 600.

Hon KEN TRAVERS: All of the \$53 million was taken out?

Mr Rosielle: That is right.

Hon KEN TRAVERS: Going back to the dividends, can you give the committee a bit more information about the \$110 000 in savings on housing and travel?

Mr Alexander: Where we have a local officer employed, we do not necessarily need housing. We scrutinised our budget and were able to come up with some savings under that.

Hon KEN TRAVERS: Do you have any examples of that? Will you be getting rid of housing for your officers?

Mr Alexander: I might have to take the question on notice, but I think Karratha was one of them. We had an officer going back to Karratha who particularly wanted to work there and was from Karratha.

Mr Watt: To clarify that, we actually did not have a house; it was money set aside in the budget in the eventuality that we might need a house if we recruited non-local. We would still need to find a house through government housing, but there was money in the budget as a contingency, should we have needed to and could obtain a house. The money was not allocated to a house in particular; it was sitting around unallocated at the time in the budget.

Hon KEN TRAVERS: That is one example; where are the rest of the savings? Surely that is not the full \$110 000?

Mr Alexander: The \$110 000?

Hon KEN TRAVERS: Yes.

The CHAIR: Were you indicating that you might want to take that question on notice?

Mr Alexander: There was \$10 000 in travel and there was \$100 000 in housing. That was due to position vacancies and savings in travel costs. There was \$10 000 in travel costs, apart from the \$100 000 set aside for housing.

Hon KEN TRAVERS: Is the \$100 000 for one house in Karratha?

Mr Watt: Two houses, statewide.

Hon KEN TRAVERS: Where was the other one?

Mr Watt: It was about \$50 000.

Hon KEN TRAVERS: Where was the other one?

Mr Watt: I might have to take that question on notice.

Mr Alexander: On the point of where the houses were, the answer to the question is that it was a contingency we had in place should we need it, across our regional areas. It is not a matter of what region it is in; it is a matter of whether we needed it, so there is really no answer to come back with. That is the answer.

The CHAIR: Because it was not allocated for a specific region.

Mr Alexander: No, it is a contingency should we need to find housing for somebody.

Hon KEN TRAVERS: I turn to page 593. Can you provide a breakdown of where the money under the Lotteries Commission Act is allocated?

Mr Alexander: Yes, in the main our annual report shows that. Is the member talking about the whole allocation?

Hon KEN TRAVERS: There are different programs, but I was intrigued to know exactly how much is allocated to each program.

Mr Alexander: We have full accounting of where the Lotteries Commission funding goes. It is many and varied. Through one program, funding goes to sporting clubs; something like \$87 000 or \$89 000, from memory. That goes to their sustainability to help them employ development officers and CEOs, and to run the programs. That is where the bulk of it goes. I think about \$3.8 million went this year the Western Australian Institute of Sport. A range of moneys also go towards community programs. That allocation is certainly available in a more finite sense. I do not have the exact number of grants, but it is certainly well over 100.

[Supplementary Information No C1.]

Hon KEN TRAVERS: At the same time, if it is possible, could you provide a list of all the grants and subsidies money, broken up into how much comes from the consolidated fund and how much is from the Lotteries Commission funding?

[2.00 pm]

Mr Watt: Would that be for 2008-09 as a complete year?

Hon KEN TRAVERS: Yes, for the past year, but also how much in your budget for this financial year.

Mr Alexander: We can give you the budget for this financial year but not necessarily the break-up. We can give you the break-up for past year, which Alex has with him, and we can table it now, if you like.

The CHAIR: Sure; thank you very much.

Mr Watt: I did not bring eight copies.

The CHAIR: We can sort that. Is that a public document, or would you rather it kept be confidential from the media?

Mr Watt: I think it could be public. There are file reference numbers in there. The grant recipient amounts are published in the department's annual report.

The CHAIR: Are you suggesting you would like the reference removed?

Mr Watt: It is probably not that secret.

Hon KEN TRAVERS: I refer to the ME stadium and the recent announcement that the agency has been given—I am not sure how it is determined—in-principle approval to negotiate redevelopment of that stadium. Can you explain what exactly has been approved by the government regarding ME stadium?

Mr Alexander: Certainly. The only thing that has been approved is to go forward with negotiations with the Town of Vincent with regard to obtaining a lease at Members Equity stadium to go ahead and potentially develop it.

Hon KEN TRAVERS: What is the intention for the development of Members Equity stadium if you are successful in obtaining a lease from the Town of Vincent?

Mr Alexander: The intent is to start on the eastern side, and then move forward after development of the eastern side to the side on which the Fred Book stand is located to develop that end. From memory that takes it up to nearly 21 000 capacity. Then there is the capacity for when the need arises to build in either end on the north and south side to bring the ground up to just on 25 000 capacity. At the moment it is a negotiation.

Hon KEN TRAVERS: How does what the government is intending to do on the eastern side differ from what the Town of Vincent was proposing to do on the eastern side?

Mr Alexander: The proposal by the Town of Vincent was quite a large development with a lot of the major facilities on the eastern side. When we had discussions on what would be the best buy for the community, it was felt that we needed the major facilities on the western side. Given the occasional four o'clock and afternoon games it was felt it would be better to have the major stadium on the western side. Also, when you build on the western side, you build the eastern side first, and it is supported by the facilities on the western side that are currently there. Then when it is time to do it you have some facilities on the eastern side. You can have temporary facilities on the western side and when you commence the building on the western side, it is supported by a new eastern stand and then you have some temporary facilities at the same time as you are building the western side.

Hon KEN TRAVERS: Are you talking about knocking over the Fred Book stand?

Mr Alexander: Yes.

Hon KEN TRAVERS: Is that likely to have heritage implications?

Mr Alexander: Potentially. There are also two examples of other stadiums at both Lathlain Park and Leederville—and, arguably, better examples.

Hon KEN TRAVERS: There were not as many great players—as a home ground!

Mr Alexander: That would probably be arguable as well, depending on the vantage point!

Hon KEN TRAVERS: As an old Royals supporter!

I am intrigued to know whether you are negotiating with the Town of Vincent. Is one of the options for it to do the development that the government wants at the ME stadium?

Mr Alexander: No; that option is off the drawing board

Hon KEN TRAVERS: The government will consider only taking over a lease? What happens if you are successful?

Mr Alexander: No. There are two questions; one was: is the Town of Vincent's proposal still on the drawing board? No it is not; that is off. If the government is to go ahead with building a stadium there, it wants to be the owner of the stadium, so it will require a long-term lease to invest heavily with community money there.

Hon KEN TRAVERS: Right. If you are successful in negotiating a lease with the Town of Vincent, do you then need to enter into further negotiations with the existing venue manager for that location?

Mr Alexander: That arrangement is between the Town of Vincent and the current venue managers. The state would like to take hold of the facility without any encumbrances.

Hon KEN TRAVERS: Does that mean, as part of your negotiation with the Town of Vincent, it will be about providing money for the Town of Vincent to settle any current arrangements it may have in place for the management of that venue?

Mr Alexander: Very potentially. But I cannot say yes and I cannot say no because that is part of the negotiations that are going to go ahead.

Hon KEN TRAVERS: Based on even my knowledge of the existing arrangements at the Town of Vincent and its venue manager, of which I am sure the government is aware, for you to get a clean, unencumbered lease to that site it would mean negotiating a settlement with the existing venue manager, would it not? Is there another way that it is possible to achieve a negotiation with the Town of Vincent that does not involve that?

Mr Alexander: As I said, I suspect so. But if they assess it—they are currently losing money there—the negotiation will be what it is. I suspect you are right.

The CHAIR: It is also something of a hypothetical question.

Hon KEN TRAVERS: With all due respect, Madam Chair, it is not a hypothetical; the government has indicated that it intends to negotiate that lease, and it is a very real part of the negotiations. The director general has just indicated that the government is trying to get an unencumbered lease. There is already an existing venue management arrangement in place for that. I think understanding how the government intends to get an unencumbered lease is very relevant. As a regular observer of these things, I am trying to understand how it is physically possible to do that without the venue management contract being part of the negotiations. What is the government's time frame for the completion of the negotiation?

Mr Alexander: We would like it completed before Christmas, but, then again, it is a negotiation and negotiations being what they are —

That is currently happening.

The CHAIR: Is it as long running as the one on the Town of Cambridge?

Mr Alexander: I prefer not.

Hon KEN TRAVERS: I understand that the Town of Vincent owns the site freehold?

Mr Alexander: It does, yes. It is zoned recreation in perpetuity, hence one of the attractions to develop the ground.

Hon KEN TRAVERS: Can you go through it again? Has any money been allocated by the government to the upgrade at this stage?

Mr Alexander: No.

Hon KEN TRAVERS: Have any estimates been established on what the upgrade would cost?

Mr Alexander: There have been various estimates. The Skilled Stadium was \$160 million. That was a couple of years ago, so we think to do a similar project would be slightly more than \$200 million now.

[2.10 pm]

Hon KEN TRAVERS: When you say \$200 million, what exactly would you expect to get for that \$200 million?

Mr Alexander: That again becomes a hypothetical question because if you build the eastern stand and then you do not do anything for a number of years, the escalation on that blows out. If you were actually to build that stadium today you could do it for \$200 million we believe, without having finite architectural work and quantity surveying work done. You would get your eastern stand, your western stand and you would get two ends for that, and then that gets down to what quality of seating and what quality of finish you have. But that is the general ballpark if it was to be done now using today's dollars.

Hon KEN TRAVERS: So, how many seats would you expect to have for \$200 million?

Mr Alexander: Twenty-five thousand. But I do stress this is without architectural work and quantity surveying work; it is looking at other facilities that have been completed recently.

Hon KEN TRAVERS: What was the Town of Vincent's proposal?

Mr Alexander: The Town of Vincent's proposal was \$73 million. I cannot quite remember the number of seats that that was going to give on the eastern side.

Hon KEN TRAVERS: What was wrong with that proposal from a government point of view?

Mr Alexander: One of the things, when people sat down to look at what we would like to deliver for the community, was that it would certainly give the proposal coming forward a symmetrical ground. It was considered that the eastern side might be a bit loaded with regards to what was going over there because we wanted to have the major stand on the other side of the ground with the sun

behind it, and it was not going to develop a symmetrical ground which would be efficient or as efficient as the one planned. Also, as far as the community looking at something and wanting some pride in its civic structure, it would give a better look, as well—a better finish.

Hon KEN TRAVERS: If you were to build the eastern stage, under the government's proposed eastern stage redevelopment, how many seats would you actually expect to have at the stadium once you have completed the upgrade of the eastern side?

Mr Alexander: Let me see if I have it in my notes, I am not sure I have it. No, I do not have the exact number given for seating on the north, south and west side; I am not sure what total that brought it to. I thought it was very close to 20 000, from memory, when you take into account the existing seating, some of which is temporary.

Hon KEN TRAVERS: So you would expect the ground capacity to be approximately 20 000. So then when you knock down the western side to rebuild that, what would you expect the ground capacity to drop to at that stage?

Mr Alexander: We are looking for the whole capacity to be about 25 000, when you do the eastern, western and the north and south ends. You can have 25 000 or 26 000 but that depends on finite design and finite decisions on what you want the capacity to be, but currently it is estimated to go to 25 000.

Hon KEN TRAVERS: Yes, but I am trying to work out the staging of it because you are saying you are not going to build as big an eastern side, but you then want to knock down the western side and rebuild that. If you only take it to 20 000, if you knock down the western side, I would have thought to rebuild that. You are suddenly going to go well below the existing sort of figure of 17 000 or 18 000 of the existing —

Mr Alexander: Are you talking about in the short term while you are building it?

Hon KEN TRAVERS: Yes.

Mr Alexander: Sorry, I thought you were talking about when you finished.

Hon KEN TRAVERS: I am trying to get to the finish; I am still building it at this stage.

Mr Alexander: All the finite architectural work has not been done with regards to when you actually build the eastern stand and then when you start working on the western stand what that will mean in terms of seating because while you are building you can have, depending on the builders and depending on the costs, a range of temporary seating. It is generally cheaper to knock it all over at once and build it, but depending on the need for time, depending on whether you can have some other allocation, whether you can use Subiaco Oval or whether you could use the WACA, you can do that, so some of those decisions have not been made on the staging of it. Then also you can build up the ends; you can build up the south and you can build up the north while you are doing the western side. At the moment the eastern stand at Members Equity Stadium is a temporary stand, so what you have there, as a suggestion when you do the eastern stand, will all go and there is the capacity to use that temporary seating in other areas of the ground, particularly the north and south while you are doing the western side. It is not ideal, but if you are going to do a rebuild, that is what happens with rebuilds. There is certainly some inconvenience.

Hon KEN TRAVERS: Yes, some inconvenience and additional cost, and the need to maintain your stadium at least at the existing capacity, I would have thought in most cases, or find an alternative.

Mr Alexander: There is but if you do not, you can then look for a temporary solution at another of the major grounds, or you can talk to sports about a subsidy for less seating, or the sport has to take less numbers.

Hon KEN TRAVERS: I guess what I am trying to understand is what was the level of detail that was understood when the minister recently made the decision that he was going to go down this

path of redeveloping Members Equity Stadium. In the past when governments have made those sorts of decisions there has been quite a degree of research and work done, and I am just trying to understand the level of detail in terms of this one.

Mr Alexander: Firstly, in trying to make a decision, it was searching for a venue, and a range of venues were looked at. The Members Equity Stadium venue was considered the appropriate one given that it is zoned recreation in perpetuity, so it makes good sense to use that venue. Then the first thing to do is an investigation to see whether you can obtain the site, so the government can own the venue and then own the facility. Then the Major Stadia Taskforce report, which had been completed, said that there was a need to have a two-stadium policy, a rectangular stadium and an oval shaped stadium, so going forward Members Equity has been selected. Then you look at the capacity that is required, so going on the work done on the major stadia report, it was approximately somewhere in excess of 22 000 depending on the current need. The current need is assessed, certainly by the sports in conjunction with the government, at approximately 25 000. So that certainly accommodates that and then how you get there is to finally be determined once negotiations on the site are completed.

Hon KEN TRAVERS: Is there still a requirement to do a business case on what the final size of the stadium after redevelopment would be in terms of the numbers?

Mr Alexander: There is still some work to be done with regard to what the final number will be, but there is a lot of work to be done with regards to the architecture of it, the quantity surveying and how it will be done.

Hon KEN TRAVERS: But the first thing will be to work out how many seats you want, isn't it, or how many seats you think you need under a business case?

Mr Alexander: We believe we need approximately 25 000 and that is pretty much the number.

Hon KEN TRAVERS: So has the department now done a business case and satisfied itself that that is the number, because you made mention earlier that the sporting codes have indicated that is what they want. Has the department verified that yet?

Mr Alexander: There is a lot of work being done in the Major Stadia Taskforce looking at numbers. We have discussed it with the sports and we are looking at the various competitions and the numbers they are attracting. The number that we believe is close to the mark is 25 000. In getting there, there is the opportunity to get there in stages and there is also the opportunity to determine potentially now or as we go along. Some of that work has not been done finitely and does not need to be at this stage, but we believe it is about 25 000, given the Western Force is probably going to get another game a year, Perth Glory and the potential for some games from rugby league.

Hon KEN TRAVERS: So, has the department done a study in that regard then to establish that?

Mr Alexander: We have given the minister some advice, it depends on what you say a business case is. We have collected all available information—some of it is from the business case out of the Major Stadia Taskforce report, some of it is from discussions with the sports as to what their needs are, what their expectations are and what they think their crowds are, and also from our gathering of information from around the country.

[2.20 pm]

People may want to label that as a business case. That is certainly our best effort to come up with the numbers. We can hire a consultant and do a lot more work but at this stage we do not feel that is necessary.

Hon KEN TRAVERS: Will that occur once you have confirmed access to the site? Is it your intention to do that?

Mr Alexander: There is certainly more work to be done. As I said, our indications are that 25 000 is a good number, given the crowds Western Force was getting and potentially get and to allow for

some expansion. When you do the western side and the eastern side, you might do it to 20 000 and see how those numbers are going. That may determine what you put in at the end.

Hon KEN TRAVERS: Basically, at the moment you are just trying to get access to the site and the actual detail about the stadium, the size and the redesign will be work that you will do subsequent to that?

Mr Alexander: We have to do the architectural work and the quantity surveying work. We also have a mountain of information on what the sports want, what architects said the Major Stadia Task Force want and KPMG's assessment of what would be the appropriate numbers.

Hon KEN TRAVERS: My recollection of the Major Stadia Task Force is that it recommended that a business case be done before you did any further upgrade.

Mr Alexander: Yes, and would a business case warrant it? The sports have done a business case and we are in possession of that business case. As I said, there is a mountain of work.

Hon KEN TRAVERS: I understand that the sports have done it but I am trying to find out what assessment of that business case the department or Treasury has done.

Mr Alexander: We have assessed those on an ongoing basis. That information has added to our advice to the minister. Our advice to the minister is that 25 000 is an appropriate number but also we do not have to tick off on a final number right now. We do not see that that is a wise thing to do, to tick off on a particular number when we do not need to and when more information may come along. Western Force might get more games, so it allows us some flexibility. We think that is a prudent thing to do. We would be confident that it would not be too far one way or the other from 25 000.

Hon KEN TRAVERS: Is there an actual document that lists that assessment?

Mr Alexander: There are probably about 15 documents that contribute to that number.

Hon KEN TRAVERS: Are you able to provide those on notice?

Mr Alexander: I would have to discuss that with the Minister for Sport and Recreation.

Hon KEN TRAVERS: Maybe you could provide us with a list of those documents and also discuss it with the minister and see if he is happy for you to provide us with those documents.

[Supplementary Information No C2.]

Hon KEN TRAVERS: I think you would agree that one of the problems with Subiaco Oval is that there has not been proper planning of it in the past in the way that governments have funded upgrades and the like, which has caused the problems that we now have at Subiaco Oval with the lack of a long-term plan and vision and business cases in terms of when upgrades were done et cetera. Is that a fair assessment of the history of that?

Mr Alexander: It is probably not up to me to comment on the history. I do have a very firm opinion but I am not sure whether it is my duty to share that with the committee today. Going forward with regard to the rectangular stadium, a lot of work has been done on arriving at what would be the best buy for the community.

Hon PHILIP GARDINER: I wish to follow on from Hon Ken Travers in the same tack really. With the amount of information you have, what does that tell us about the financial sustainability of the stadium you are talking about at East Perth oval? Does it tell us that it is a profitable venture over the term of the project?

Mr Alexander: If you take into account life cycle maintenance costs, that determines how much a particular sport is going to pay and what sort of crowds it gets. The study that was done by LEK Consulting on behalf of the sports indicated that there would be about a \$900 000 deficit on that

facility with regards to life cycle maintenance costs. Life cycle maintenance costs require 1.5 per cent of capital cost to be put aside for the facility each and every year.

Hon PHILIP GARDINER: I am not quite sure why it should have a deficit unless we have a policy that we should be subsidising our sporting facilities in the city that way. What criteria do you have for assessing how much the capital expenditure should be and what kind of subsidisation we should be having for any of our sporting facilities?

Mr Alexander: Or our libraries or our art galleries.

Hon PHILIP GARDINER: I accept the point. Some have some of it and others do not. I am wondering how you are assessing yours on the sporting side.

Mr Alexander: We assess it on what the life cycle maintenance costs are. We then have a transparency of the costs. Some of the documentation we have relates to what crowds a particular sport expects to get, the value of that sport to the community and the vibrancy to the state, all those sorts of things that a sporting facility can bring to a community, and as a part of vital infrastructure for any city, to have a stadium. We then assess what the costs are and then it is up to the government to determine how much it wants to charge a particular sport for that. That is up to the government of the day to determine.

Hon PHILIP GARDINER: There is no normal criteria on which you have been advised how much to apply for sporting facilities? I refer to page 600 of the budget papers. At the bottom are details of controlled grants and subsidies. I presume that the second line, the community sporting and recreational facilities fund, \$20 million, and the sports financial grants of \$14 million odd, making \$34 million in total, is a contribution by the government of Western Australia. It seems that me that that \$34 million is a direct contribution from the government to sporting and physical infrastructure.

Mr Alexander: The \$20 million is for CSRFF grants.

Hon PHILIP GARDINER: Is that out of the government funding?

Mr Alexander: That is out of the government funding. That goes to community sporting facilities such as a recreation centre or a swimming pool. We have previously given up to one-third of the cost of the facility. It is potentially up to 50 per cent of a facility if they have certain criteria like good water treatment, solar heating or whatever it might be. That has changed a little. The financial grants of \$14 million are made up of money that has gone to the WACA and to the Western Australian Institute of Sport for a range of different facilities.

Hon PHILIP GARDINER: So it is soft and hard infrastructure in a way?

Mr Alexander: Yes.

Hon PHILIP GARDINER: When it comes to the hard infrastructure, I am interested to know how you are able to make an assessment about a business case. If a business case comes to you, does it have to pass any financial criteria before you go on to the soft criteria?

[2.30 pm]

Mr Alexander: Yes, certainly. We get revenue expenditure from the sports, both the capital costs and ongoing costs of the facility and you make a presentation to the government of the day and it then determines the way forward. There is no gold standard where a sport must pay X and the deficit on a facility will be Y. It is for the government of the day to determine the current situation. As I said, we have a standard—we being Treasury—which says that 1.5 per cent of capital costs should be put aside for refurbishment. Arguably, that has not happened over the journey when the money has been put aside for one reason or another. That means that after the life of a facility—say it is approximately 40 years—there should be a sinking fund available to completely replace that facility. This has not been applied, particularly for community facilities, in the past. If that standard is applied for community facilities, that increases the cost of participation, whether it is a sporting

venture or whether it goes to a library. That then becomes a decision for the government to determine what sort of charges it wants to put on the users.

Hon PHILIP GARDINER: I am very aware of where you are coming from. I come from a country town and I know that out of the rates, a vast amount is spent on subsidising sporting facilities. That is justified, in many ways, by our belief in the involvement of sport in the country, of course, but compared with the arts, the subsidy is enormous. What I am intrigued about is why, for certain categories of physical infrastructure, there is not a criteria; for example, you cannot lose more than five per cent per annum on its investment or something like that. Is there nothing like that? Is it all purely political in the end?

Mr Alexander: There is not a standard, no. The government determines what value it is getting from the sport and what value the community is getting. I know that at the moment a lot of work is being done on the social side of sport. Certainly our department has recently had a whole different relationship with the Department for Child Protection where a lot of work is being done, and sports are contributing to that. We have 5 000 sporting clubs in the state. We are now starting to look at how we can include some of the people who are affected and who Terry Murphy from the child protection agency has to look after. We are looking to marry each of those children—or the ones who he thinks will benefit—with a sporting club. That is almost the unseen side of what is happening. We are encouraging and looking for foster parents through sporting clubs. I guess that when a government is looking for why it is investing in sport, it takes those things into account. I do understand what you are saying. There is not a standard that says we must get this return and we will put this in, other than the standard that says that the life cycle maintenance costs are 1.5 per cent of the capital costs. What Treasury is looking for now is to say, “Here is a transparent cost. Understand that that cost is there. Factor that in and make a determination on how much you will charge to make sure that the participants put something back in, but also so their particular venture will survive”.

Hon PHILIP GARDINER: Thank you for that point. I will come back to you on the other point.

Hon KEN TRAVERS: My question follows on from what Hon Phillip Gardiner was talking about. Have you been involved in the new state basketball centre?

Mr Alexander: I certainly have.

Hon KEN TRAVERS: Using that as an example, could you explain how you believe that will or should be operated? It is a very modern facility that is about to be opened. What will be the circumstances for a venue like that?

Mr Alexander: We think it should be run by Venues West, which used to be called the WA Sports Centre Trust. It is a facility approaching \$50 million. If it is to be looked after correctly, it requires money to be put aside for its maintenance. It must be programmed very well so that it will be a well-used facility. Basketball WA will get charged X dollars for court rental. They will be given, I think, 10 500 hours. Keeping in mind that that it is for Venues West to decide. This is my understanding of the current negotiations. Basketball WA has asked to be allocated 10 500 hours. There will be X dollars for the commercial ventures they have, which will be at a higher rate, and there will be a lesser rate for state teams and other things that they might be doing. That is currently in negotiation to try to ensure that the state gets some contribution to the life cycle maintenance costs, as well as the sport getting to use a world-class venue. It also helps to assist it with its operations. I am sure that the community wants vibrant state sporting associations, so you are getting the balance between what is fair to make a contribution to a facility, but also they need some upside to be able to hire staff and run the venture.

Hon KEN TRAVERS: What sort of financial impact would that model have on Basketball WA compared to what it would have cost to operate from its previous stadium at Perry Lakes?

Mr Alexander: Certainly our understanding is that the costs were a lot less. Often you find that the 1.5 per cent you will put towards the life cycle maintenance cost, or the other side—the straight maintenance—is not necessarily done. Sometimes what you have, with a range of ventures and a range of sports, is that in some of these facilities the revenue is taken and the appropriate maintenance is not necessarily completed. That is a very good reason why we believe Venues West should be running the facility.

Hon KEN TRAVERS: I hear that, but I am also trying to get an idea of what that means in a direct impact onto that fund in terms of membership and affiliation fees as a result of that decision being taken.

Mr Alexander: It will mean some subsidy from the government.

Hon KEN TRAVERS: To —

Mr Alexander: To basketball. What the state, through Treasury, is asking, is that the 1.5 per cent life cycle costs be identified, if not put aside, so it can say that that is the real cost. You can argue whether or not that is the real cost because our community in the last 100 years has not necessarily done that. If we were to do that, the cost of participation, for all of our community infrastructure, not just sport, would cost a lot more. It is identifying, if you like, the real costs. If you had to replace it in an arbitrary 40 years, that is what we would put aside and the community would have that as the cost and they would use it to replace the facility, but that has never been done in the past. What Treasury has asked is to identify that. Then you have a negotiation to get an appropriate contribution to the facility. If that does not meet the 1.5 per cent life cycle maintenance cost, that figure is called X and that is the subsidy that the library or the art gallery or the sporting centre is getting from the state.

Hon LIZ BEHJAT: Going back to Hon Ken Travers' question on ME Bank stadium, I am interested to know —

Hon KEN TRAVERS: Members Equity.

Hon LIZ BEHJAT: MB Bank.

Hon KEN TRAVERS: Yes, not Medibank.

Hon LIZ BEHJAT: No; ME Bank. They are advertising themselves as ME Bank, not Medibank. It was Members Equity Stadium and it is now ME Bank Stadium.

Mr Alexander: That is right.

Hon LIZ BEHJAT: I am talking about the old Royals home ground.

Mr Alexander: Perth Oval.

Hon LIZ BEHJAT: Perth Oval. There is a company that manages that facility. You indicated, I think, in your answer that in negotiations with the Town of Vincent the government will only move forward if they can negotiate a settlement with that management company. Are you saying that the government is not prepared to look at a proposal where the existing management could remain in place and manage that on behalf of the government?

[2.40 pm]

Mr Alexander: At this stage the government is looking to get the ground with the lease unencumbered. I am not sure, Madam Chair, whether I should be discussing what is a current negotiation going forward.

The CHAIR: I agree. I think you have to make a judgement about that.

Hon LIZ BEHJAT: I understand. If that puts you under pressure, do not answer it.

Hon KEN TRAVERS: That is why I was going to ask to go into private session at the very end.

Mr Alexander: I do not mind the pressure, but I just do not want to give the wrong answer.

Hon LIZ BEHJAT: Maybe we can go into private session later on.

The CHAIR: There is that option, but later on is soon, because we are only scheduled for another 10 minutes.

Hon LIZ BEHJAT: I have another question in relation to that. Does the proposal that you are looking at consider access to public transport, night-time lighting, vandalism and general disruptive problems in the area surrounding the stadium? My second question is: is the government also looking to perhaps value-add to the stadium in any way by perhaps looking at acquiring the use of other land that might be near, such as Loton Park Tennis Club?

The CHAIR: Careful.

Hon LIZ BEHJAT: I understand that that facility has been attracting some English Premier League soccer clubs—Fulham was here recently, as was Wolverhampton Wanderers, a soccer club close to my heart as it is my hometown. They thought it was a great facility and that Western Australia had a great climate, and thought it would be good to use WA as a place to establish training facilities and training clinics, and to acclimatise themselves for getting involved in South East Asian competitions. They had to use the WACA for their training grounds because they do not have anything at ME Bank. Have we looked at the bigger picture here and considered developing some sort of centre-of-excellence training facility for overseas clubs to use, which they could pay the government to use?

Mr Alexander: With regard to your first question about the transport and vandalism, the \$200 million that I quoted does not include any transport or any other work. That is just simply for the stadium. It is a bit like the quote of \$1.1 billion for the major stadium; in that cost there was \$200 million worth of escalation, and not far off \$200 million worth of transport. The costs of the stadium, at today's value, would be about \$700 million or thereabouts, not \$1.1 billion. With regard to transport and that, there are other costs to that.

With regards to other land in there, the purchase of other land on which to build other things has not been considered. With regards to the potential for a training ground, I know that the soccer authorities are looking at making Leda Stadium the home of soccer. They are looking to create a substantial premises to be the headquarters of soccer.

Hon LIZ BEHJAT: Where was that?

Mr Alexander: At the moment they are looking as Leda, which is the old velodrome. They are looking at the potential to do something there. Of course, there will always be the opportunity for teams to train at ME Bank Stadium, if it goes ahead.

Hon KEN TRAVERS: When the department is in caretaker mode, does it monitor election commitments made by the major political parties? I know a lot of departments do.

Mr Alexander: Yes. When you say "monitor", we have a whiteboard and we put them on there and we follow with great interest what all sections of the community are doing with regards to what gets promised and what we might have to deliver on.

Hon KEN TRAVERS: I understood that most agencies monitor what has been promised, so that whoever becomes the new minister has a list of everything that has been promised.

My first question is: I do not know if you saw the election commitment, released just before the election, for the \$25 million worth of projects that were to come out of the \$80 million sport and recreation fund that was promised. I have copy of it and am happy to provide it to you, if you want it. I am particularly interested in a number of those projects, things like the \$8 million for the upgrade of Centennial Park, the \$5 million for the white water park, and the \$2 million for the Pinjarra swimming pool, which strike me as not conforming with the requirements of the CSRFF, either the old or the new guidelines. Is that correct?

Mr Alexander: It is not as clear-cut as one answer. Some parts of, for example, the Centennial Park operation may, and then it fits. In regard to white water park, the previous maximum amount was \$1.8 million; going forward that is \$3 million or \$4 million, so that would have to be a consideration. That then becomes a ministerial decision on what the government wants to do.

Hon KEN TRAVERS: With respect to all of those projects that were included in the \$25.737 million worth of projects that were included under the \$80 million sport and recreation fund in the election commitments, are you able to give us an update on which of those have progressed and where the rest of them are up to? I am happy for you to take that on notice, and I am happy to provide a copy of the document I am referring to that lists each of them.

Mr Alexander: We have some of it here, but I would prefer to take that on notice to give a more complete answer.

[Supplementary Information No C3.]

Hon KEN TRAVERS: Can you also tell me whether they will be funded under the CSRFF, and, if not, how will they be funded, and whether or not you will require any additional funding from government to fulfil those election commitments?

Mr Alexander: We will be able to give some of that finitely, and for others we will not because it is work that is proceeding. We will certainly give you what we are able to.

Hon KEN TRAVERS: Then maybe when it is work proceeding, if you could give us what the work is that is proceeding.

The other big election commitment that was made was the netball centre. Can you identify for me where I can find the funding in the budget for the state netball centre?

Mr Alexander: There is \$4.5 million available, and I will leave it to Mr Rosielle to identify the exact spot.

Mr Rosielle: Page 600 of the budget papers shows \$4.5 million. It is part of the grants and subsidies budget of \$47 million. Previously it was included in our asset investment program, but due to a Treasury policy change, it did not give rise to assets, it was all included as part of our grants and subsidies budget.

Hon KEN TRAVERS: Under which subheading?

Mr Rosielle: On page 600.

Hon KEN TRAVERS: I have got the controlled grants, but there is commonwealth grants, community sport and recreation —

Mr Rosielle: Yes, it is part of our sports financial grants of \$14 072 000.

[2.50 pm]

Hon KEN TRAVERS: Is that the documentation that you gave us earlier on how that remaining \$14 million of expenditure is broken up?

Mr Rosielle: Yes.

Hon KEN TRAVERS: Did anyone from the department attend the WA Netball Association dinner just prior to the last state election?

Mr Alexander: I did not, but somebody did.

Hon KEN TRAVERS: Do you know whether they made any notes on the election commitments that were made at that dinner?

Mr Alexander: I am not sure if they made any notes.

Hon KEN TRAVERS: Or did they report back any election commitments that were made at that dinner?

Mr Alexander: There was comment.

Hon KEN TRAVERS: What were those comments?

Mr Alexander: I am not sure I should be commenting on hearsay from a dinner necessarily, and I probably would prefer not to, because it is just that, hearsay.

Hon KEN TRAVERS: It is an officer of the department attending and my question is whether or not they heard election commitments made at that dinner, and whether or not they made any notes of those or whether they reported back on those.

Mr Alexander: I would prefer not to comment on what one of my staff members heard at a dinner.

The CHAIR: I think there is some question about relevance.

Hon KEN TRAVERS: There is relevance; do not worry about that!

The CHAIR: I am sure the member has some argument about relevance as well.

Hon KEN TRAVERS: There is relevance. If you do not want to comment, maybe you could check your records and see if there is any documentation as a result of any contemporaneous notes. I am happy for it to be on a confidential basis. Also, if you could identify to the committee, at a later stage, which officers attended so we are not dealing with hearsay. We will think about it as a committee, and I will discuss it with my colleagues at a later time.

The CHAIR: That is a request for the names of the people who attended that function.

[Supplementary Information No C4.]

Mr Watt: Madam Chair, there was an earlier question about sports financial grants and we can provide that information now, if you require.

Mr Rosielle: The question related to the make-up of the \$14 million and \$72 000. There was \$4.5 million to netball, the state facilities infrastructure fund, \$6.42 million, the Western Australian Cricket Association, \$600 000, the Western Australian Institute of Sport, \$1.111 million; Venues West for Wildcats funding, \$200 000; Healthway, \$160 000; Youth Futures, \$300 000; active outdoor lifestyle, \$215 000; and other initiatives, \$566 000.

Hon PHILIP GARDINER: You have mentioned the life cycle maintenance costs often. Can you tell me where in the government accounts I can find where that sinking fund is for the different sporting infrastructure?

Mr Alexander: You will not find them in our accounts. I will pass over to Mr Watt as we will find them in Treasury.

Mr Watt: Thank you for the question. For government assets where life cycle costs are incorporated into the budget—full costs—money is put into a holding account relevant to each agency each year. In the appropriation papers, or the appropriation bill for each agency, there is generally a figure for a holding account balance, and in the budget papers at the whole-of-government level there are figures kept for holding accounts. Holding accounts are not necessarily held as cash, perhaps more as a notional figure, which can be drawn on in the future to fully fund or partially fund capital asset programs or capital investment programs. The Department of Sport and Recreation has a holding account for its camps, for example, for the depreciable assets, and it also has a holding account for depreciation on IT assets; desk-top computers and so on. For example, our desktop computer program will be wholly funded by drawing down from the holding account, and our estimates reflect those holding account draw downs each year. They are incorporated into our estimates as well. But for the other facilities, where the facilities are owned by a local authority, then the local authority would incorporate those in depreciation charges for its assets and its accounting treatment of that, and when recognising life cycle costs they would put in an amount into, if you like, a sinking fund or a reserve of some sort. Holding accounts often have different

names, but sinking funds, capital reserves, asset replacement funds, any of those things would generally be in the definition of a holding account.

Hon PHILIP GARDINER: I might come back with a supplementary question out of this session because I do not fully understand that and I would like to see some substance.

A more important issue than we have probably been covering relates to the people development and sport recreation side, which shows a \$5 million budget on page 597. I want to ask a couple of specifics, if I may. I come from a country town that has an Australian Rules football club whose membership is composed of about 80 per cent Indigenous Australians, but it has had extreme difficulty getting financial support to hold even small functions, which help bind the team. As you can imagine, that is a difficult thing to do. Yet that club has found accessing funds difficult. I cannot understand why it would be so difficult. The president of the club works for me on a farm, so I am aware of the difficulty. Why would it have been so difficult, because that club would have fitted into this absolutely, and it provides a great service in the area, which you pointed out before, of getting youth involved and so on?

Mr Alexander: That is too broad a question for me to answer. I can give my view of where some of the difficulties occur in the Indigenous area, if you like, that is unless you want to name the particular area.

Hon PHILIP GARDINER: It is Moora's football club. But, in general, I presume that would be an area in which the department would want to try to channel funds—not big but funds, but enough to make it viable.

Mr Alexander: Absolutely. In fact, in that community sporting and recreation facilities fund account, we have half a million dollars set aside specifically for Indigenous projects, which is over and above that which is set aside for Indigenous projects in the rest of it. My recall tells me that a lot of Indigenous projects were funded in the last round of CSRFF. What traditionally has happened, or can happen, in funding is that, firstly, some of those areas do not necessarily have good —

Hon PHILIP GARDINER: Management?

Mr Alexander: No. Often the areas that have good local government management and also good political leadership know where the dollars are. They know how to apply for the dollars, how to do the project and how to acquit the dollars. We have done some work in recent years in funding, because unless people know the funding game, they miss out. We have been putting a lot of funding into, particularly, the North African and the Indigenous areas. Two years ago we were having debates because we could not get money to this area, to the stage where we have now spent half of our 2009-10 budget in the culturally and linguistically disadvantaged area because we are getting lots of applications from these particular groups and the money is starting to flow. We have four-week turnaround in funding, simple application forms and to some degree we take risks to put money into those areas. On the one hand, there are many accountability forums in government for money and, on the other hand, we want money to flow to these organisations very quickly to do community good. There is often a conflict, as a public servant, trying to get the money out and trying to meet accountability standards. We have had great success in recent years in getting that money out by having people go and talk to people about how they do it, more so than is done in some other areas. You have to work really hard to do that. This particular question I cannot answer. We have our officer who covers the Moora area, and certainly the opportunity is there. I can only guess as to why that one has not been —

[3.00 pm]

Hon PHILIP GARDINER: That is okay. I will follow that up.

Mr Alexander: We are more than happy to meet with you, or for you to meet with our regional officer, and he can explain that to you.

Hon PHILIP GARDINER: Thank you very much for that.

The CHAIR: That might be the best way to follow up, rather than a supplementary. I will give Hon Ken Travers one final question. If we start the next session five minutes late, so be it.

Hon KEN TRAVERS: My problem is that if I start, I will not stop! Can you provide us with a very quick answer about the remaining useful life assessment of Subiaco Oval?

Mr Alexander: It is 40 years, basically.

Hon KEN TRAVERS: As a result of this study, is there any work that the government is required to do now at Subiaco Oval? I accept what the study says about the 40 years, but is there any work that is required in the short to medium term?

Mr Alexander: Some work had to be done on the heritage gates at the Subiaco end. This is off the top of my head. I think there was also an issue about some more toilets—perhaps temporary toilets—at the three-tier stand end. There was also some adjustment of concrete because a couple of bits had fallen off.

Hon KEN TRAVERS: Is that an issue for the state government or is that an issue for the West Australian Football Commission?

Mr Alexander: The money is an issue for the Football Commission.

Hon KEN TRAVERS: Does the government intend to do any further work as a result of that study?

Mr Alexander: Encourage the commission to do the work, yes.

Hon KEN TRAVERS: Perhaps you can take this on notice and provide a more detailed answer on what work needs to be done and who is responsible.

Mr Alexander: I think the report has actually been released.

Hon KEN TRAVERS: Yes, I have a copy of the report, but with these sorts of reports it is often hard to understand exactly what they mean. We can read the report, but I suspect that your technical officers might be able to give us a clearer idea of what that actually means in terms of —

Mr Alexander: Demystify it!

Hon KEN TRAVERS: Yes! I have had a look through the report, and that is why I am asking the question!

The CHAIR: If you can just clarify the question again, we will take it as a supplementary.

Hon KEN TRAVERS: I am asking for an indication of the implications of this report in terms of any work that is required at Subiaco Oval, and the approximate costs, the time frames and who is responsible.

Mr Alexander: I think the overriding assessment was that the structure is sound for the next 40 years, and some minor works are required. That is it in a nutshell.

The CHAIR: I am aware we need to complete this hearing. If members have further questions, please provide them by midday tomorrow, and we will get them to you in the very near future. Thank you very much for your attendance today. We appreciate your assistance with our hearing.

Hearing concluded at 3.03 pm