

**Simon Scott**

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**From:** Wells Economic Analysis [REDACTED]  
**Sent:** Tuesday, 17 January 2023 1:03 PM  
**To:** PAC  
**Cc:** Meg Webb  
**Subject:** Submission to Standing Committee of Public Accounts Event Stadium  
**Attachments:** Parliamentary Standing Committee Submission v2.pdf

Simon Scott  
Committee Secretary  
Parliamentary Standing Committee of Public Accounts  
Parliament House HOBART TAS 7000

Dear Simon,

I attach a submission (as attachment) to the Inquiry into the Tasmanian Government's process into the feasibility planning for a new sporting and event stadium in Hobart.

Regards

Graeme Wells  
Ph [REDACTED]

**Submission to Inquiry into the Tasmanian Government's process into the feasibility planning for a new sporting and event stadium in Hobart, Parliamentary Standing Committee of Public Accounts.**

Wells Economic Analysis  
Graeme Wells

Tuesday, 17 January 2023



The focus of this submission is item 3 of the Inquiry scope; the economic evaluation of the stadium proposal. The submission draws on four relevant documents (with associated appendices and references):

- Colin Carter, *A Licence for a Tasmanian Team?* A Report to the AFL Commission, July 2021.
- Price Waterhouse Coopers (PWC), *Hobart Stadium: Estimating the Economic Impacts of a new Arts, Entertainment and Sports precinct in Hobart*, September 2022.
- Tasmanian Government, *Strategic Business Case, Tasmania's New Arts, Entertainment and Sports Precinct*, 2022.
- Legislative Council Select Committee, *Final Report on AFL in Tasmania*, 2020.

The case for the new Hobart stadium, together with upgrades to UTAS Stadium in Launceston and the Dial Regional Sports Centre, emerged from the push to establish a Tasmanian AFL team. Clearly, if the stadiums were just to be used for 11 men's home and away games, the proposed spending (nearly one billion dollars in total<sup>1</sup>) would not be justified. Instead, the economic case relies on the attraction of non-AFL use and development of associated arts, entertainment and sports precincts in both Hobart and Launceston.

Broadening the scope of the stadium proposal makes evaluation difficult. While the Business Case and Economic Impact Statement is contingent on the development of an associated Arts, Entertainment and Sports (A, E & S) precinct, any significant private sector investment contingent on the stadium is unlikely until the popularity of the stadium under operation has been well established. The role of further public investment is unclear. In any event, a revised Mac Point Master Plan, which takes account of the new stadium, the A E & S precinct, upgrades to TasPorts berths, the positive spillover from the proposed Antarctic precinct, and space allocated to ongoing operations as a working port, is not publicly available<sup>2</sup>. Presumably a revised Master Plan would clarify these matters, as well as access issues such as whether port operations such as log trucks and cruise-ships are likely to constraint access to the stadium.

While acknowledging these significant uncertainties, this submission is based on the four documents referred to earlier. There are two overall conclusions:

- Information provided in the Impact Statement is incomplete and is insufficient to draw firm conclusions as to the overall impact on the Tasmanian economy and the Tasmanian fiscal position.

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<sup>1</sup> This is the sum of forecast cost for the Hobart stadium (\$741m) UTAS stadium upgrade (\$208m) and Dial arena (25m).

<sup>2</sup> As recently as 20 June 2022, Premier Rockliff was referring to 'the proposed new arts, entertainment and sporting precinct at Regatta Point'.

- The reported benefit/cost ratio of 0.5 may be a significant overstatement.

These shortcomings are potentially significant and limit the usefulness of the Business Case as a basis on which to make funding and investment decisions.

### *Economic Impact Statement*

This analysis is based on the results of simulations with the Victoria University Regional Model (VURM). This is a well-regarded general equilibrium model widely used for analysis of the impact of policy interventions such as infrastructure projects. The analysis comprises two steps. The first involves establishing a 'base case' which describes the characteristics of the Tasmanian economy under 'business as usual' assumptions. In the second step involves applying 'shocks' to the model. The first shock appears to be straightforward, and it would involve making a change to the base case scenario which increases capital spending over an assumed three-year construction period. There are two issues where clarification would be helpful:

- Was the increase in investment assumed to occur in three equal instalments, or in accord with the capital expenditure profile (over 6 years – see p.65 of the Business Case).
- To which sector was the increase in expenditure applied?

From the summary results provided it appears that the investment increase was applied in equal instalments to an A, E & S sector which is presumably an aggregate of some of the 79 industry sectors in the VURM model. This approach is potentially problematic if the A, E & S description has the generally accepted meaning. Normally, A, E & S would exclude sectors such as transport, accommodation, engineering, construction, professional services, and manufacturing. The A, E & S sector that is going to use the stadium when it is complete, not the sector that is going to be the primary source of labour during construction. However, as the Impact Assessment indicates, additional employment in the A, E & S sector accounts for more than any other sector in the construction phase. This seems implausible and, because A, E & S is a labour-intensive sector, would result in an overestimate of the number of jobs created. Of the 4200 FTE jobs (1400 per annum) the Assessment reports approximately 1600 (533 per annum) would be generated in the A, E & S sector, with approximately 1500 (500 per annum) in civil engineering and construction. Other sectors such as retail trade and communication make up the rest.

**Does this interpretation misinterpret the Assessment results? If so, clarification would be helpful.**

### *Fiscal Outcomes*

There is widespread concern that the various AE&S projects, of which the stadium is a part, will divert resources away from other needs such as healthcare and housing. In this context the impact of the stadium on the current fiscal deficit is important. **There should be clarity as to the fiscal assumptions and outcomes in the impact assessment:**

- Is the maintained assumption that the Tasmania government pays \$350m, and the remainder of construction costs from other sources, with a federal contribution treated as a 'gift'?
- Is a balanced-budget constraint imposed when calculating the impact of Tasmania-wide impacts? If so, which Tasmanian taxes change, and by how much? If not, what is the time profile of the impact on the Tasmania budget? Do alternative fiscal closures have a material effect on state-wide impacts?

### *Cost Benefit Analysis*

It is difficult to evaluate the cost-benefit study as the detailed CBA analysis has not been released.

**However, several issues suggest that the benefit-cost ratio reported in the Business Case has been significantly overstated.**

- Government guidelines make it clear (Handbook, p.11) that 'The value of land should be determined by its opportunity cost, that is, what it could produce in its best alternative use'<sup>3</sup>. The land on which the stadium is to be built does have alternative uses. For example, before the current site was selected, the Macquarie Point Corporation accepted a tender for development of a 2.7-hectare site known as 'The Escarpment' the market value of that parcel of land can be well-established. It has an alternative use, and the opportunity cost should be included in the cost benefit analysis. The same issue may apply to other areas used for the stadium development.

**It appears that the government guideline has not been followed. Costs are understated.**

- As is standard practice future streams of costs and benefits are discounted back to current-period values. Timing of the various flows has a material impact on the discounted values. Because costs are incurred early, and benefits accrue later, this consideration is more important for the assumed flows of benefits. If it has been assumed that the forecast flows, as documented in the attached table<sup>4</sup>, immediately rise to their long-run value, this results in a significant overstatement of the discounted benefits. Some events such as cricket test matches are assumed to occur once every eight years. A home game for an AFL final would occur in the distant future, if ever. For every year that benefit flows are deferred, their discounted value falls by approximately seven percent.

**The assumed time profile of benefit flows should be clearly documented. If an immediate step-up to long run values is assumed, it results in a significant overstatement of discounted benefits.**

- It is difficult to see how most of the benefits quantified on p.59 of the Business Case should be counted as community benefits. Their inclusion overstates discounted community benefits:
  - a. 'Generating high-value jobs'.

Without detailed information it is difficult to know how industries in VURM are defined. However, using the ANZSIC classification, the four largest industries in Tasmania contribute around 45% of the workforce (not 53% as quoted in the Business Case). This proportion is the same as in Victoria, although 'education' makes the list in Tasmania, and 'professional and scientific services' in Victoria. As detailed on p.19 of the Business Case, the majority of jobs generated in the operation phase are in restaurants and accommodation (or, in the ANZSIC classification Accommodation and Food Services). In turn part-timers, many of whom are low paid workers, make up the majority of the workforce in this industry.

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<sup>3</sup> Commonwealth of Australia, *Handbook of Cost Benefit Analysis* (Financial Management Reference Material No.6), January 2006.

<sup>4</sup> See the attached Table 'Key Content Assumptions', Appendix 6 of Business Case.

It is hard to justify the claim that the stadium leads to significant diversification, or that it is particularly significant in generating high-value jobs.

### Sectoral Distribution of Labour Force

Victoria and Tasmania

	Construction	Retail Trade	Education	Accommodation and Food services	Professional Scientific and Technical Services	Health Care	Four Largest
Victoria	10.13	9.82	8.78	6.30	9.57	15.13	44.65
Tasmania	8.47	10.12	9.10	8.21	6.81	16.78	44.48

Source: ABS Table 6291.0.55.001 Labour Force, Australia, Detailed; ANZSIC sectors.

#### b. 'Sports spectatorship and self-rated health'.

To be relevant for cost benefit analysis, one would need to be able to show that attendance at sporting events **leads to** better health outcomes. **The paper cited in support of this proposition (Inoue et.al.) explicitly cautions against this interpretation of their results.** To quote "because of the cross-sectional nature of the study, causality between sporting event attendance and self-rated health cannot be inferred. Future research should use a longitudinal research design or identify appropriate instrumental variables to gain insight on causal inference" (Inoue, p.7).

#### c. 'Psychological benefits for sports spectators.

**The Doyle et. Al. paper cited in the Business Case is not relevant for a cost benefit study.** In plain language, the paper is intended to identify various aspects of spectator experience as an aid to marketing by sports promoters. Unsurprisingly, if attendance did not have effects such as generating positive emotions, patrons wouldn't go. The paper does not identify any consumer or social benefits over and above the price spectators pay for the ticket.

#### d. 'Livability'

The effect of stadiums on property values in surrounding areas is quite mixed. The projects cited in the Assessment refer to stadiums built in areas where house values were lower than average; the reverse is true at Mac Point. In an era where Hobart house prices have accelerated to the extent that essential service workers can no longer afford to live near the hospitals and other services in the CBD, it is hardly the case that, were it to occur, a further increase in house prices should be regarded as a benefit.

## Key Content Assumptions

- Hobart Stadium is assumed to be operational in 2030 (ideally 2028, however due to current Tasmania infrastructure pipeline and building challenges, 2030 is a more realistic target).
- It is estimated that from 2030, the new Hobart Stadium could host up to 44 events per year should Hobart host 7 regular AFL season matches.
- This could be achieved with an additional acquisition budget of \$5.5 million plus access to the risk pool for music content.
- It is estimated that the stadium could see 587,000 in attendance each year, and 115,700 interstate and overseas visitors each year.
- When taking into account existing content in Tasmania, the incremental net uplift is 420,000 in attendance and 104,000 interstate and overseas visitors.

### 4. Future content calendar

Content	Content per year	Estimated Attendance	Estimated Visitation %	Visitors per event
<b>AFL</b>				
AFL Final Matches (i.e. Dedicated Tasmanian team)	0.25	30,000	35%	10,500
AFL Regular Season Matches (i.e. Dedicated Tasmanian team)	7	20,000	25%	5,000
AFLW Matches (i.e. Dedicated Tasmanian team)	2	5,000	5%	250
<b>Football</b>				
A-League Matches (i.e. Western United)	3	7,500	10%	750
Tier 2 Socceros (i.e. vs Qatar) and Tier 1 Matildas (i.e. vs Brazil)	0.25	22,500	30%	6,750
Youth international football (i.e. Olympics U23 qualifiers etc)	0.25	5,000	5%	250
<b>Rugby</b>				
Tier 2 Wallabies (i.e. vs Fij, Japan)	0.25	22,500	30%	6,750
Super Rugby Magic Round	0.25	20,000	30%	6,000
Super Rugby Matches (i.e. Melbourne Rebels)	2	7,500	10%	750
<b>Cricket</b>				
Test Matches (i.e. Ashes)	0.125	67,500	15%	10,125
Men's ODI / T20	0.5	17,500	30%	5,250
Women's ODI / T20	0.5	7,500	10%	750
BBL (i.e. Hobart Hurricanes)	4	10,000	15%	1,500
WBBL (i.e. Hobart Hurricanes)	4	5,000	5%	250
<b>Entertainment</b>				
Tier 1 concerts (Internationals)	3	30,000	5%	1,500
Tier 1 minus concerts (Internationals or popular Australian)	5	15,000	2.50%	375
Ad-hoc sport (i.e. UFC, Football Internationals, Boxing, College Football, Supercross, Motocross)	3	22,500	50%	11,250
<b>Existing Tasmanian Events</b>				
Dark Mofo / Mona Foma	2	7,500	25%	1,875
Local events (i.e. Targa, Festival of Voices, Aust Wooden Boat Festival)	3	5,000	2.50%	125
Mass Participation events (i.e. Australian Masters Games, International Transplant Games, Special Olympics)	0.25	15,000	50%	7,500
<b>Business Events</b>				
Business Events (>1,500 ppl)	2	2,500	50%	1,250
<b>World Cup Content</b>				
Tier 3 Content	0.5	27,500	40%	11,000
Tier 4 Content	0.5	17,500	40%	7,000
<b>Weighted Total / Annual Average</b>	<b>43.625</b>	<b>587,188</b>		<b>115,700</b>