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THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON WEDNESDAY 5 JULY 2023

INQUIRY INTO THE TASMANIAN GOVERNMENT'S PROCESS INTO THE PROPOSED ARTS, ENTERTAINMENT AND SPORTS PRECINCT IN HOBART

The Committee met at 12:02 pm.

CHAIR (Ms Forrest) - Welcome, Treasurer, to the Public Accounts Committee hearing into the proposed Macquarie Point stadium and AFL team arrangements. You would be aware that the Committee has modified the terms of reference to focus more on the financial implications related to the agreement and matters related to that. I will invite you to introduce the members of your team and ask them to take the statutory declaration. Then, if you wish to make an opening comment you are welcome to do that and we will ask questions.

Mr FERGUSON - Thanks, Chair, and first of all good afternoon to you and the Committee, including online. I introduce you to, on my right, Mrs Fiona Calvert, Deputy Secretary, Economic and Financial Policy Division and, to my left, Mr James Craigie, Deputy Secretary, Budget and Finance Division.

Mrs FIONA CALVERT, DEPUTY SECRETARY, ECONOMIC AND FINANCIAL POLICY DIVISION, WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED.

Mr JAMES CRAIGIE, DEPUTY SECRETARY, BUDGET AND FINANCE DIVISION, WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED.

Mr FERGUSON - Thank you, Chair, for the opportunity to be here today to discuss the wonderful opportunity that our State has to secure an AFL and AFLW team, and the major boost that the Macquarie Point urban renewal precinct will provide for economic growth in Tasmania. I would like to highlight the allocation of funds within the Budget, specifically \$230 million toward the commitment of \$375 million for the Macquarie Point urban renewal precinct. This ambitious project holds immense promise for our State. It encompasses the development of a State-of-the-art \$715 million stadium designed to support our licence, along with a broader arts, entertainment and sporting precinct. In addition to this, the Budget includes an allocation of \$34.5 million for the establishment and initial operations of the new club, complemented by \$60 million for the construction of an AFL high-performance training and administration centre. These crucial investments will cater to the needs of our new Tasmanian AFL and AFLW teams as they prepare to enter the national competition.

It is important to recognise that these endeavours will not only create numerous employment opportunities during their construction but also will serve as catalysts for economic activity and private investment by revitalising our waterfront and strengthening our economic position. These projects will undoubtedly contribute to the overall prosperity of our State.

Further, it is essential to acknowledge the broad approach that we are taking towards realising our long-held dream of having our own teams.

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Our commitment extends beyond the Macquarie Point urban renewal precinct with a substantial investment of \$65 million allocated towards the \$130 million upgrade of Launceston's York Park. This integrated package signifies our unwavering dedication to achieving this milestone and proudly representing our State.

I also note that both the Premier and Minister Barnett have appeared previously before this Committee and they've provided, or are in the process of providing, the information that has been requested. Consequently, today my focus will lie solely within the realm of my role as Treasurer and I will refrain from encroaching upon their areas of responsibility.

There has been commentary regarding the role of Treasury and I'm happy to explore that today.

Typically, the Government engages in numerous transactions, varying in size from small to large, and it's not necessarily custom to seek or involve Treasury staff input for every single aspect of each negotiation solely based on potential financial implications. The Department of State Growth has proven itself capable of planning, designing and building.

And, in any event, the Premier has authority to lead and then sign the team deal on behalf of Government.

Additionally, we have highly qualified and experienced staff members within and across each department who possess the expertise necessary to make these decisions, seeking necessary legal, financial or other advice, such as environmental or engineering, as needed.

Treasury, being an integral part of the budget process, has naturally played a significant role at that stage since their involvement is essential, given their close association with managing the budget. As we advance with the precinct project and its future planning, Treasury, along with other relevant agencies, will be a crucial contributor to the Government's project, whether it be as a member of the steering Committee, sub-Committee or any other governance body such as the PCG, which is named up in the contract. Their involvement in the process is integral.

The proposed AFL and AFLW team, combined with the Macquarie Point urban renewal precinct, does present an extraordinary opportunity for our State. As the Treasurer, I firmly believe that the prudent financial investments that are outlined in the Budget will lay the foundation for a prosperous future, creating a thriving waterfront, stimulating economic growth across the State and solidifying our State's economic position.

CHAIR - Thanks, Treasurer. I will open up with questions.

There has been some commentary around the role of Treasury in this. From your perspective as the Treasurer, did you actually have the opportunity to look at the agreement before it was signed?

Mr FERGUSON - As I've previously outlined, and as the Premier has outlined, there is a role for Cabinet members, whether you're the Treasurer or the Minister for Education. There's a role for members of Cabinet to support and be consulted and be involved in Cabinet decisions. Naturally, I won't be encroaching on any Cabinet matters here today, including the role that I might have played as part of the consideration of different stages of this project as they were

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taken through Cabinet processes. That would only be a matter that the Premier could comment on.

CHAIR - I'm asking you, as Treasurer, did you actually see the agreement? You made the point, and the Premier has made the point as well in front of this Committee, that he has the authority to sign an agreement and we acknowledge that. But the question was for you. Did you actually have the opportunity to see the agreement before it was signed?

Mr FERGUSON - The agreement was signed post-verbal briefings where the Cabinet were kept constantly up to date with the process of negotiations. I'm only repeating what the Premier has said. I think that you can take from that that I was verbally kept informed about the process of the negotiations and it's a perfectly satisfactory role for myself.

CHAIR - So, you were aware of the amount of money that was going to be required - not that you were signing the agreement, but you were aware of the content of the agreement?

Mr FERGUSON - I think you've captured that quite well in respect of my role as Treasurer, particularly in relation to the amounts of funding that were being explored in terms of commitments that were being discussed as part of that negotiation. Budget development commences late in the previous calendar year, so I've been constantly kept up to date in respect of the financials and that's the role of the Treasurer. I'm prepared to say that much about my role as Treasurer, noting the interaction with the Cabinet process.

CHAIR - Treasurer, to confirm, then, in your role as Treasurer there was information provided to you around the cost of the stadium or the events facility, the cost of a team -

Mr FERGUSON - Yes.

CHAIR - penalty clauses, those sorts of things - costs that could be incurred on behalf of the State?

Mr FERGUSON - In terms of detailed elements and conditions within the written contract which was being contemporaneously negotiated, I wouldn't necessarily go so far as to say, in your words, 'penalty clauses', but in Secretary Kim Evans's words, 'make good' clauses, to make sure the team was constantly financially viable and strong. No, I haven't been kept involved in those because they were quite properly being led by the Premier and his team in the Department of State Growth. They reach in for resource support from, for example, Crown Law, or economic analysts who have prepared, for example, the business case in support.

In my role, I have absolutely been kept informed and, indeed, provided my own feedback to the Premier in terms of preparing the Budget for the financials as best as we were able. The profile I think does speak to that in the budget papers.

CHAIR - You did say in your opening comment, Treasurer, that the role of Treasury is, in terms of the input you have in various points of decision-making, whether it's a small or a large commitment, one could argue this is a fairly large commitment financially for the State. You said that's a normal part of the process. In this process, can you identify the points at which Treasury provided input into the proposal into the stadium and then the team, and the cost associated with the team?

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Mr FERGUSON - Treasury has had a necessarily limited role in that because it's been led by the Premier with the support of the Department of State Growth, who have the wherewithal and the experience to manage large projects and small projects.

CHAIR - But you said that these people seek financial advice. That's what you said.

Mr FERGUSON - When they require it, when they need it. Treasury doesn't insert itself into other agencies' business if they're running according to their own program. If advice is requested it may be provided, but it's not necessarily the case that anybody should assume that Treasury somehow inserts itself into a process that is being well informed and well managed by a different department.

CHAIR - You would expect that people involved in State Growth who are leading this, or the Premier's department, wherever they were in the relevant parts of it, you said yourself they would seek financial advice. Would they seek that from Treasury? Where would they seek that financial advice?

Mr FERGUSON - I think my comment was that if they need to seek that advice, they can, but in this particular case, the Department of State Growth is one of the most competent and skilled departments at delivering capital projects. You might imagine - and I don't feel that I should name them - there would be different departments, particularly small ones, that don't have a lot of experience in large construction projects and may well need to lean on the support of Treasury - but, just as or perhaps even more relevant, they may be leaning on the support of the Department of State Growth for their own capital projects.

The role of Treasurer, and my team that support me, has been making sure that we've stayed in regular contact, via the Premier himself and through our Cabinet process, to make sure the Budget was well prepared, being well informed about the elements of the deal that were being committed to, including the cost of stadium infrastructure and the State obligation to provide that as part of our capital budgeting in the Budget, but also, as you've indicated, the team finances as well.

CHAIR - To clarify then, Treasurer, you are saying that the people within State Growth who deliver major infrastructure projects might seek financial advice from sources other than Treasury if they needed it?

Mr FERGUSON - Yes, absolutely. For example, Crown Law, if they want to get a contract checked out before it's signed or, for example, an external consultant - as occurred with the development of the business case. As you know, the rather large folder of documents that has been provided to Tasmanians in the parliament shows that so much expertise has been obtained to ultimately draw up the business case and to ultimately obtain the support both of State and Federal Government towards this project - the State Liberal and federal Labor governments.

Ms WEBB - I just want to clarify whether your question was answered and whether, potentially, the answers the Treasurer has supplied indicate that there weren't instances. I think you asked for an outline of instances in which Treasury provided advice or input and a description of, I presume, dates of those.

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In answering, Treasurer, you have talked about the fact that State Growth is competent - and that's fine - and has the capacity -

Mr FERGUSON - But I've also said that Treasury has had a limited role. I think I've been quite transparent about that.

Ms WEBB - Can I confirm, are you able to provide the instances in which that occurred, or clarify specifically that it didn't occur?

Mr FERGUSON - It's not Treasury's project. Treasury haven't been -

Ms WEBB - That's not the question I'm asking you, Treasurer.

Mr FERGUSON - Well, I'm answering it the way I feel is appropriate. Treasury haven't been driving this project, nor has it been needed by State Growth to hold their hand along the way. That is not how it works. State Growth is perfectly equipped and capable in planning and delivering large capital projects. This is not something Treasury have needed to provide that detailed and other advice towards.

Where we have been instrumental, of course, is ensuring that we have been kept informed along the way to ensure the commitments that were being considered by Government - with the hope they would be supported by the Australian Government and by the AFL - is provided for in the Budget, with good notice in advance.

Ms WEBB - I am just trying to clearly understand, and perhaps you can confirm it for me: are you saying that no advice was provided from Treasury?

Mr FERGUSON - I am not prepared to say that because I can't guarantee that officers haven't spoken to each other, but Treasury hasn't played - and shouldn't have been expected to play - a formal role in a process that is being led by the Premier -

Ms WEBB - I was not asking about a formal role.

Mr FERGUSON - If I can answer, with the support of the Department of State Growth. The Department of State Growth has led and driven this project and has significant resources - not the least of which is the business unit within that department, Infrastructure Tasmania, which has significant resources to develop and deliver these programs. This was a complex negotiation that the Premier has successfully achieved for our State, which involves numerous engagements with the Australian Government and of course the AFL.

Ms WEBB - Thank you, Treasurer. I certainly would welcome your answering the question, so I will put it to you again. Are you confirming that Treasury advice was not provided?

Mr FERGUSON - Was not asked for, was not needed. I have made that clear, I think, in my opening statement.

CHAIR - Treasurer, there was a list of documents provided to the other House that indicated there has been a role of Treasury, obviously throughout the budget decision - which you would absolutely expect, because that is a Treasury piece of work, after all. In that

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commentary in the budget papers, in the Risks and Sensitivities chapter, there are a number of comments around the risks - and one was the stadium, or the Macquarie Point development. In terms of the work that was done to inform that comment in the budget papers, what was that based on? It talks about the risks.

Mr FERGUSON - I am very comfortable addressing that, but also I want to make a point that in the documents that were tabled before the parliament - and if I can add to a previous answer - there are references to occasions where Treasury have provided advice to Cabinet. I just want to make that transparent point. But it does not change my earlier answer in terms of the role of Treasury. Now, to the risk section of budget paper 1 -

CHAIR - How was that comment informed?

Mr FERGUSON - There are many risks documented in the Budget in quite a proper fashion by our friends in Treasury and Finance, to make sure that MPs and the Tasmanian public can see what areas of government programs or capital projects have risks. Of course, you never eliminate risk, you have to manage risk. That, like any other large project, has been documented in that way.

To answer your question, how was it arrived at, it is on the basis that a large project like this one, which has secured federal and State funding to enable it as you progress it through - noting that there can be latent conditions on the side, there can be disruptions to work, there could be escalations as a result of inflation or a labour market shortage, that can impact on the costs of a large project. As we have said, as a government we intend to manage that project within an inch of its life to make sure we do capture and contain the total capital expenditure on that project, but Treasury need to - and do - alert to those risks and make sure they are documented in a transparent fashion. If I may take you back, let's say four or five years, you would have found the Bridgewater Bridge in an almost identical description -

CHAIR - Let us not get diverted -

Mr FERGUSON - It is not diversion, it is my point that any large capital project before it is commenced would be identified as a risk -

CHAIR - My question, Treasurer, was what informed those comments. What information did Treasury base that risk assessment on? You said there has been a very limited role for Treasury in the proposal, the agreement that was signed, the development of that. There must have been some communication here, otherwise how could the Treasury have possibly encapsulated that as a risk?

Mr FERGUSON - I might ask Mr Craigie to add to my answer, but it would be a very routine matter for Treasury to note that there is an upcoming large project to be delivered by 2028, over the next five years. Any large project would be documented as a budget risk.

I'm happy to ask Mr Craigie to add to the basis upon which he formed those views.

Mr CRAIGIE - Through the budget development process we get detailed submissions from each agency. As part of that they outline risks and include their budget bids. It's informed through the iterative process of budgeting.

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CHAIR - The Treasurer said there was very little communication or request for advice from Treasury regarding the project that was agreed to and signed under the agreement. It seems as though they are almost operating in silos. If there is no sharing of information and advice being provided back then we see this as a major risk because -

Mr FERGUSON - Treasury does provide advice to the Cabinet and to the budget Committee in respect of all of these matters, particularly as the deal was emerging. Its financial needs were being met by the budget process. I'm happy for Mr Craigie to add to mine and his earlier answers on that.

Mr CRAIGIE - There is a timing issue in that the final agreement was signed after the budget process had concluded. Budget Committees were informed at a point in time with the agency's best advice.

CHAIR - Treasury hadn't had access to all the detail on the agreement because it wasn't signed yet. Is that what you're saying?

Mr FERGUSON - The budget papers are prepared well in advance in any case. I don't think we're in a position to give a day-by-day account of the budget paper development. The budget development process is a timing matter in documenting a range of not just numbers but also the risks section of budget paper 1, which would be Treasury's work. I don't write the risks chapter, Treasury does. That's their analysis based on the level of information at the time the budget papers are locked down.

Mr WILLIE - I accept that Treasury doesn't insert itself into other agencies and their processes. Why didn't you ask to see the document before it was signed? As Treasurer, the person responsible for the State's finances, why didn't you ask Treasury to provide advice to the Cabinet on the agreement?

Mr FERGUSON - Because I'm satisfied and I trust the Premier to be able to negotiate a deal in good faith. We work together. There's a lot of trust. There's plenty of interest and involvement by me in the nature that I have described. It's a very good result for our State. I hope that one day you might support it and that you don't wait until it is built, Mr Willie.

We've played a key role and I've supported the Premier. We've supported him as a team to be able to negotiate good deals with the Australian Labor Government and the Australian Football League to make sure that we are able to achieve our long-held dream of a team and with the necessary infrastructure to support that. I have previously said at my Estimates hearing and am happy to say it again here today, I've been very satisfied with the approach that has been taken and have provided my support for it.

Mr WILLIE - It is clear that Treasury didn't provide advice to the Cabinet on the agreement. Did Treasury prepare an advisory?

Mr FERGUSON - Mr Willie, what I'm prepared to say is that anything to do with Cabinet matters I will not directly involve myself. The Premier is the chair of Cabinet. It's only for him to discuss Cabinet matters if he should choose to. I observe the protocol, I've been observing it for nine years and I don't intend to breach that today. However, there is a list of documents that were submitted to Cabinet and you can transparently see occasions where advice has been provided.

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Mr WILLIE - That's not my question, Treasurer. My question is whether an advisory was prepared by Treasury, but not necessarily given to the Cabinet.

Mr FERGUSON - I am not going to add to my earlier answer.

Mr WILLIE - Well, I'm not asking for Cabinet deliberations and I take that responsibility very seriously. What I'm asking is whether a document exists.

Mr FERGUSON - Not that I'm aware, Mr Willie, but I'm not going to add to my earlier answer.

Mr WILLIE - Treasurer, wouldn't you have some concerns with the business case and the assumptions that were made within that - the 44 events, large attendances at A-League and NRL games? As Treasurer, wouldn't you ask for Treasury advice on the business case?

Mr FERGUSON - The business case was prepared by independent experts and supporting through the work stream of the Department of State Growth. It is a proper process to follow. The Labor Party has been very vocal in saying that they don't support the business case. I find that interesting because the Prime Minister of Australia does.

We have the work, it's been done from my point of view as Treasurer and as a member of the Government. There's been a professional and appropriate piece of work done around not just the development of the stadium case, the Tasmanian bid, but ultimately the two successful negotiations for federal funding from the Australian Labor Government, Mr Willie, your colleagues in Canberra, and the AFL.

Mr WILLIE - Treasurer, within that business case the assumptions were given to the independent consultancy firm that undertook that by the Government.

Mr FERGUSON - Yes, and?

Mr WILLIE - And don't have any questions in terms of the realistic expectations around 44 events, A-League games - I think seven or six from memory - and NRL games. We are talking 15,000 to 16,000 people on average. Wouldn't you ask for Treasury advice on a business case?

Mr FERGUSON - No, Mr Willie. I am not going to undermine the Premier or the Department of State Growth in the competent work that they have done. I've made it clear in my opening statement that I will be refraining from encroaching upon their areas of responsibility. What I as Treasurer have done and will continue to do is ensure that the Budget is managed really carefully, that we allocate resources in this Budget and future budgets that meet our obligations and allow us to be able to achieve our goals.

I do that not just on this project but on all projects that my colleagues are promoting and developing, although we're not able always to fund everything that is requested through the budget bid process. I'm pleased with the achievement of our Premier. You should be celebrating and patting him on the back rather than undermining and criticising what has been a generational dream to achieve an AFL and AFLW team for our State.

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Mr WILLIE - Premier, in terms of -

Mr FERGUSON - Deputy Premier or Treasurer.

Mr WILLIE - Premier maybe one day.

Mr FERGUSON - You can dream.

Mr WILLIE - Treasurer, this contract is one of the largest contracts that has been signed by the State Government or a representative of the State Government in living memory. Have you been derelict in your duty as the person responsible for the State's finances in holding the Premier to account?

Mr FERGUSON - Mr Willie, I cannot imagine what it's like going around with 10 broken toes from kicking all the tyres that you do. This is an appropriate process that we've followed. The Premier has done a great job. He has secured what previous Labor premiers dreamed of and did not get to do. It is a big deal -

Mr WILLIE - He's the first premier that went to the AFL with a blank cheque.

Mr FERGUSON - That's not correct and you are quite wrong about that. Now you have got 11 broken toes. It's a disrespectful comment to make, it's unreasonable. It's a large deal for our State and that's why we have carefully managed on our way through. The Premier has done a great job. The Department of State Growth has done a tremendous job.

We have an agreement. You've been able to read it because it's been transparently provided. Rather than criticising, I think you should give the Premier a pat on the back.

Mr WILLIE - No, I am interested in good governance, Treasurer, and collective responsibility. Your duty -

Mr FERGUSON - I think what you are doing is playing politics.

Ms WEBB - I'm an independent so I'm not interested in playing politics.

Mr FERGUSON - You would never play politics, no.

Ms WEBB - I'm happy to endorse that question as a genuine question.

Mr FERGUSON - Independents play politics all the time, as you know.

Ms WEBB - Well, if you're accusing me of that, by all means be specific. Other than that I'm interested in good governance. This is a valid process undertaken by a joint standing Committee of the Parliament. We are perfectly entitled to ask you questions about it.

Mr FERGUSON - But independents can't claim to never play politics, because that's just not right. We are all politicians here.

Ms WEBB - Are you making an assertion about me personally?

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CHAIR - Let's stop. We are not going to argue across the table, thank you.

Dr BROAD - Treasurer, did you do your own due diligence on the AFL contract?

Mr FERGUSON - I have answered those questions. I hope that the Committee accepts that I've answered that in the level of detail that I've been able to. Not only have I been, together with my Cabinet colleagues, and this is the extent to which I am prepared to discuss Cabinet because it would be a breach of protocol to go further -

Dr BROAD - With all due respect, you talked about being informed from the Premier. The question I am asking is, did you do your own due diligence? Instead of being informed, were you proactive in terms of -

Mr FERGUSON - Run around behind people's backs and do my own analysis? No, Dr Broad, as a unified government I have trusted the Premier, we trust each other. We do our work professionally, confidently. The Department of State Growth has done a magnificent job leading this piece of work on behalf of, if you like, the Government.

In terms of my own role, as I have been clear, I have to refer to previous answers. As Treasurer, I have made sure that the Budget made necessary provision for what we hoped to secure in those deals in terms of the capital, the cost of the team and of course the training and administration facility.

The Government has been diligent in looking after the interests of our State and securing the deal. Ultimately, we know that there is a difference of opinion between Liberal and Labor on this issue. I am happy to be as open as I have been, but I am not in a position to say that while the Premier is doing his work, I would have in some way gone behind his back and undermined it. That is not how we operate.

Mrs ALEXANDER - Treasurer, I am curious to understand when the Budget was prepared, there is a line item dedicated to the stadium in the Budget. How was that figure arrived at? That is one part of the question. The second part is: are there any borrowings that are expected in relation to the delivery of that particular line item in the Budget?

Mr FERGUSON - Thank you, Mrs Alexander. I will ask Mr Craigie to add to my answer in respect of both of parts of your question.

First of all, the budget development process is managed by me, my office with the support of Treasury and the vehicle that is used is the Budget Committee. It is a Committee of the Cabinet. We receive information from each agency as to their capital and operational requirements. In respect of new initiatives, an assessment is done of the priorities and the decisions that are made at budget Committee lead to papers that are then prepared by the department for my review - and the Committee's review - which ultimately are taken for final approval to Cabinet.

So, that is how it was decided. I hope I have answered the first part of your question.

Mrs ALEXANDER - Yes, you just touched on the fact that there is an assessment of priorities. So, that would have meant that the line item for the stadium was assessed as a

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priority and it was assessed against certain criteria. So, there would have been some due diligence or examination in order to assess priority.

Mr FERGUSON - Yes. The process is internal to the Committee. We were aware that we needed to provide resources for the team and for the stadium to support it. So, knowing that and at that time, when we were developing the Budget, we were not absolutely certain as to whether the Albanese Government would come to the party with the \$240 million request or if the AFL deal could be secured. Ultimately, it was and so we were in a position, having done the work and being kept informed, to ensure that necessary provision was being made, together with the other new priorities that we have identified in the Budget, including, for example for Health.

There was a question about borrowings. I might ask Mr Craigie to respond to that because we do whole-of-government borrowings.

Mr CRAIGIE - The State funding for the Macquarie Point urban renewal and the team has been allocated to State Growth. It appears in the State Growth chapter. There are three line items. The funding is coming from the General Government Sector and the General Government Sector borrows through Finance-General. So, to the extent the debt is required to fund any of those commitments, that will be funded through Finance-General.

Mr WILLIE - And the assumptions are on a 10-year average of a Tasmanian bond through the finance corporation?

Mr CRAIGIE - Chapter seven, the assets and liabilities chapter, goes into quite a bit of detail in budget paper 1, on exactly what interest rates are applicable on each year of the Budget and the forward Estimates. The short answer to your question is yes, they are based on advice on TASCORP on the forward borrowing curve on a 10-year basis.

CHAIR - If I can just follow up on the ongoing costs, Treasurer. The Committee is looking at the ongoing financial implications for the State. There are still a lot of unknowns around all of that. But in terms of the cost of running a team, we know they are expensive - it's a business. If you look at the AFL annual report and you look at some of the other teams, Western Sydney for one, they struggle to be financially viable and require the AFL to assist in their financial sustainability. It seems in that agreement that we've signed up to, and that's publicly available, the majority of that cost and risk of financial sustainability sits with the State. Do you have any concerns around that at all?

Mr FERGUSON - No, I don't. It was the necessary model to be able to secure a team. The only deal you can buy is the one that you can secure. It was a good deal that we obtained for the State. I think it has been a longstanding awareness. The Premier has been open about it for well over a year that we needed to put forward the operating support toward a future team. What changed was the amount. I think previously it was discussed as \$10 million a year. It is \$12 million a year.

No, I don't hold that concern. Naturally, what we all should be looking for here is for the team to be successful and, over time, for it to obtain additional sponsors and its own opportunities for revenue. That is a matter dealt with in the contract, with plenty of years before the end of the first agreement period. Thought and consideration is given to future revenue opportunities.

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But no, I don't hold that concern at all. It certainly isn't a challenge for the Budget to be able to do that in future years.

CHAIR - When Mr Dillon appeared before the Committee, he indicated a figure of around \$50 million per annum to run the team, which is more than what we are putting in or committing to in the first instance. You talked about other streams of revenue. Do you see that that could be a figure we might be looking at in the absence of significant sponsorship and other things? All AFL teams get sponsorships, but there is a fair gap between the \$12 million now we are talking about and roughly \$50 million. Do you think that could see the State having to underwrite more?

Mr FERGUSON - I don't see that eventuality. I would obviously be open to others' advice on this but I don't see that eventuality. We have provided our level of commitment and the AFL carries significant responsibility as well for the success of our team.

CHAIR - So, on what do you base that comment? How are they ensuring the financial sustainability of our team?

Mr FERGUSON - Because it is a joint agreement for the development of a team where Tasmania's contribution is captured in the terms of the agreement, \$12 million a year, plus the delivery of the infrastructure to support it. I haven't had that concerned raised with me. I would be interested if you had that concern, but I don't hold that concern.

CHAIR - I am looking at other teams that do require significant financial support from the AFL. It is all outlined in the annual report, it is not a secret.

Mr FERGUSON - Exactly, and ours would be no exception to that and so the AFL should. Indeed, they are putting forward more than \$300 million to game and development support in our State. It is a joint obligation.

CHAIR - Mr Dillon indicated to the Committee that they would not be topping up to the degree that they do to W[estern] S[ydney], for example. And that's how it appears the agreement is. I am no expert in this in terms of understanding the full implications of a contract that is yet to be commenced, but this is a concern that has been raised by members of the community that the cost is going to blow out and Tasmania is going to have to foot the whole bill.

Mr FERGUSON - Yes, I don't see it that way. We have an agreement with the AFL; it is a joint commitment to the development and success of the Tasmanian team.

We as the Tasmanian Government provided our level of support, which is first of all significant but also satisfactory in terms of achieving an outcome. One thing that should not be lost on any of us - not least of all the Committee itself - is that everybody is committed to the success of this team and in negotiating the deal the Premier and the outgoing CEO have, together with the commission, worked on a model everybody is satisfied with, on the best advice, that the team will be successful.

CHAIR - Are you aware of any other states required to underwrite their teams?

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Mr FERGUSON - I know about our deal and I also know a number of other teams have similar governance models to what is outlined in our club development agreement.

CHAIR - I am not talking about the governance, I am talking about the financial backing. We know, for example, recently the Victorian Government has put in a lot of money to Marvel Stadium; that is not to the team, or a team, as there are many Melbourne teams. Are you aware of any other states required to top up the funding of their team?

Mr FERGUSON - Being outside my expertise and my portfolio, I would have to defer to others on those matters, but I am happy to speak to our agreement or at least the financial implications of our agreement.

Mr WILLIE - With the federal agreement, there are some conditions on preparing a precinct plan; it is my understanding it has to be submitted to State Growth by 1 October. How are you going to fund the different elements of that precinct plan, Treasurer? There is a wharf upgrade of \$259 million; the Northern Suburbs Transit Corridor; housing. I have seen comments from you in the media saying you are going to fund the housing privately. Can you give us an understanding of each piece of that precinct plan and how you are going to fund that?

Mr FERGUSON - I hope you will understand and respect, Mr Willie, I am happy to pick up pieces of the question, but that would be questions for Mr Barnett as the minister responsible in this area. I am being disciplined to not speak over other people's portfolios. From the Treasurer's point of view, I will look forward to working with and supporting not just Mr Barnett and the Premier, but also Macquarie Point Development Corporation, as is my track record on this.

We have an agreement with the Australian Government for \$240 million to put into the precinct and to deliver the stadium. Along the way there are other expectations we will continue to work on - not just the precinct plan in general - but also the long-term vision being achieved right across the precinct. Naturally, there are lots of steps still in front of us in delivering on those different elements, but different ministers with different portfolios are giving their attention to that. In my own case, although I do not have the correct people at the table, I could speak for Macquarie Wharf for example, that there is an expectation by the Australian Government we will make steps to progress the upgrade of those wharves and that is something I am doing in my role as Minister for Infrastructure and Transport with TasPorts.

Mr WILLIE - We are talking about hundreds of millions of dollars to fund the precinct. Is it going to be debt-funded from the consolidated fund?

Mr FERGUSON - We do not individually debt-fund projects. What we do is debt-fund any fiscal balance or any fiscal deficit that may require it. Mr Craigie might be able to add to that. We do have cash from revenue and then, if taken as a total the budget needs supplementation from borrowings, that can happen. Do not forget that the businesses themselves will make prudent decisions on the advice and decisions of their board about upgrades to their assets, for example. The best example of that would be TasPorts. TasPorts is now - and I am speaking without the benefit of my State Growth people but I am happy to say - TasPorts is working with the Australian Antarctic Division right now on securing the commercial agreement that will underpin the upgrade of Macquarie [Shed]No. 6.

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Mr WILLIE - In terms of the transit corridor and other elements of the precinct that do not have a government business involved, how are you going to fund that through the Budget?

Mr FERGUSON - I said at Estimates, future budgets will continue to consider those matters. At the moment, we have something of the realm of \$50 million that is available for the activation for public transport on the northern corridor. At the moment, unfortunately, that is suspended because the Australian Government has put it into its so-called strategic review. I hope it survives that process and there aren't budget cuts that made it -

Mr WILLIE - We are probably concerned about the inaction for so many years.

Mr FERGUSON - That's not the case, Mr Willie.

Mr WILLIE - It has been sitting there for a long time.

Mr FERGUSON - It is not the case at all. It has been a commitment we have made that in years 5 to 10 of the 10-year deal we will activate that. Our own budget has provided extra money towards the activation.

I am very comfortable sharing with you and the Committee there definitely will be future decisions to be made at future budgets to progressively activate the next steps that will be identified through that precinct plan which is currently being managed by Macquarie Point Development Corporation with the oversight of Mr Barnett.

Mr WILLIE - Do you have an understanding of the global figure to fund the precinct or are you waiting for the plan to be submitted?

Mr FERGUSON - I can, first of all, say to you there isn't a figure that I know and I am withholding from you and will not tell you. There just is not such a figure. The work is being progressed in different organs of Government as to what and deemed what sequence those steps should be taken, noting that precinct plan is due in October.

Ms WEBB - On the plan the Federal Government is expecting to see in order to then deliver on its commitment for the \$240 million, is the Federal Government expecting to see that costed or just a descriptive document?

Mr FERGUSON - I could not speak for the Australian Government, but I would be speaking across my colleague on this one. I can say that precinct plan has been commenced by Mr Barnett's instruction to MPDC to get on with it. That was done some time ago now so that's good. In terms of the Australian Government, I believe they will be quite supportive of the workstream underway at the moment, noting there are some things the Australian Government are committing and are saying they are prepared to do. There are other things they are saying will be the responsibility of the State or its businesses to manage in the years to come.

Ms WEBB - Understanding that the \$240 million is contingent on an acceptable plan being presented, presumably, to the Federal Government and they have specified some things that have to be included - the housing, the wharf upgrades, some element of First Nations presence, potentially, and I think there are a couple of other elements - are they expecting to see that presented in a plan that includes costings?

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The reason I am asking is because we have already heard that \$240 million is entirely available for the State Government here to spend as they wish. It has already been indicated it will be spent on the stadium. The AFL are expecting the whole \$240 million will be spent on the stadium. None of the Federal Government money is going to pay for the rest of the elements. We all understand that quite openly.

Therefore, the question will remain, I presume, for everyone including the Federal Government, how will the other elements be delivered? Are they expecting to be given an understanding of how those other elements are to be funded?

Mr FERGUSON - That is a good question. No, I cannot speak across that because it would be with my colleague minister and the Premier who are leading the engagement with the Australian Government on that.

Your question leads me to say there is more work to be done on non-stadium elements to ensure the precinct plan achieves an integrated and sensible plan for the whole precinct, not just for the stadium footprint and to ensure it is coordinated and complementary with different elements including, as you have said, the Indigenous recognition on site, that it has a proper place and is funded and resourced appropriately.

There is more work to do here. I would also say not only does it go back to Mr Willie's question, it should not necessarily be assumed either that the State has to do all of that heavy lifting. We may well need to see some investment from the private sector.

Why wouldn't we also say to the Federal Government in years to come, this next business case is ready and we would like you to look at chipping in? We would not rule out the opportunity to seek further Australian Government support through its programs and so we should, if that was possible.

Ms WEBB - Is there an expectation from the Federal Government of those sorts of details given there is a lot of uncertainty there as to how those other elements may be delivered?

Mr FERGUSON - I could say I cannot speak for the Australian Government, nor across my colleague minister, but I would not have thought that was necessarily expected at that level of detail. What they are doing, I suppose, from their own due diligence, is that before we write the cheques for these funds, we would like to see what the broader plan looks like.

Ms WEBB - The plan goes from the Macquarie Point Development Corporation to the minister on 1 October. What is the expectation in terms of the progress of that, then, to the Federal Government and the release of the money, the grant actually coming to us for use?

Mr FERGUSON - Again, I do not want to speak across my colleague's portfolio, but I would expect there would be a negotiation of a formal grant deed at that point.

Ms WEBB - Do you as Treasurer or Treasury have any role in that negotiation?

Mr FERGUSON - I wouldn't have thought so. But if the input was requested and our expertise is useful in that process, then yes. But I wouldn't expect that that is necessarily the case.

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Ms WEBB - Has Treasury been involved in any of the negotiations up to this point, up to the point when the grant was made public as a proposition?

Mr FERGUSON - No, it hasn't, it hasn't needed to be. It has been led competently by a different department, the Department of State Growth, with plenty of visibility and awareness by myself as a colleague minister in the Cabinet. I can say that much. No, I wouldn't expect that a department as skilled and experienced as the Department of State Growth in dealing with the Australian Government on the largest projects would need that support. But if it was desired it would be made available, for sure.

Ms WEBB - Even in a circumstance that any grant such as this from the Federal Government could well have implications for us in terms of GST calculation going forward, Treasury hasn't been involved in discussions or negotiations, or providing advice into it at this stage?

Mr FERGUSON - The answer is as I've stated. In terms of GST, we certainly do take a view that it should be GST-exempt in terms of future GST assessments for our State. And for this particular project, we have put forward the case that it should be exempted by the federal Treasurer. I'm happy to say that much.

But also, before you ask, no, I haven't had an answer yet from Dr Chalmers. I look forward to him finding it within the Government to support that because that would be a good thing and a good-faith action by the Australian Government to do that. I have written and requested that exemption and a decision has not yet been made. Noting that the Prime Minister and the Federal Minister for Infrastructure, Catherine King, who made the initial offer, are not under the relevant act, they're not the people that can provide that exemption. Only the Federal Treasurer can.

Ms WEBB - If the exemption isn't provided, it obviously then becomes relevant for Treasury in the sense that it will have implications for our GST grants going forward. So, presumably, at that point, if that were to play out, Treasury then has to start factoring that into all budgetary considerations for our State going ahead, yes?

Mr FERGUSON - That's correct to an extent. I will ask my subject expert on this, Mrs Calvert, to answer further. But, yes, that would be the case that if it weren't GST-exempt then there would be implications. However, even the skilled people in Treasury Tasmania would not necessarily be able to estimate what those changes to the budget position would be.

Mrs CALVERT - As the Treasurer has said, it is actually not easy to give an answer, particularly at this point in time, as to what the long-term impact will be on our GST. I will go into some of the detail about why that is the case.

I just wanted to preface it by saying that the quarantining of Commonwealth payments shouldn't be the default situation. It should only be used in exceptional circumstances as it actually compromises the concept of horizontal fiscal equalisation, which obviously we benefit significantly from.

When you look at an exceptional circumstance, the payment to the Mersey Community Hospital was a very good example. It was a very large one-off payment that was provided for

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something that wasn't provided to other jurisdictions. We have provided a submission previously to a Legislative Council Committee - I think that's still on our website - that sort of gives a bit more detail as to why this is the case.

Ms WEBB - It would be on the Committee website, too, so readily available.

Mrs CALVERT - There are also a couple of good documents on the Commonwealth Grants Commission's website that provide a bit further information.

In terms of the actual current funding that we're talking about, a simplistic assessment would suggest that all but the State's per capita share would be redistributed and that would be lost through our GST. At the current time our per capita share is 2.17 per cent, or \$6.6 million. But, as with anything GST, the simplistic assessment is not necessarily how it works. A whole range of issues would need to be taken into account. The Commonwealth Grants Commission (CGC) doesn't assess how we are treated until the year that the payment is made. They will look at the purpose of the funding, the amount received relative to other states for a similar purpose. They will look at the extent to which the funding that we receive for that particular purpose is above or below our equal per capita share, so it will go into a pot with a whole range of other things. They will look at our actual expenditure needs in that area, including the assessed cost of providing the service.

In this case, unlike the Mersey one, which was a one-off payment, it is funding provided over five years. That is then further complicated by - the CGC does a three-year averaging, which means that a payment in any year will influence the GST distribution over three successive years, with a lag. So, when you look at the initial payment of \$20 million in 2023-24, that would be reflected in the CGC's assessments in 2025-26, 2026-27 and 2027-28. Then all of those other factors come into account in those years, so it is very difficult for us to assess at this point in time.

Dr BROAD - Mrs Calvert was just talking about the purpose of the funding. The argument put forward as to why the funding for the Launceston stadium is not being GST-exempt was because it was just for the stadium. It's now pretty clear, in evidence that we have received, that the whole \$240 million will be allocated just to the stadium. Therefore, doesn't that mean by your own arguments that it is highly unlikely that the purpose of the funding will be for a precinct and, therefore, we are unlikely to get a GST exemption?

Mr FERGUSON - Thank you for the question. I'm not sure I could answer that any better than Mrs Calvert just did, only to say that it in terms of a decision, regardless of your or my urging, only Dr Chalmers can make that judgment. I hope that he does. I hope that it is a positive decision. If it's a negative decision, that would be regrettable. But as Mrs Calvert has just said, it would be difficult to attempt to calculate what those implications would be. It should not be assumed that it is dollar for dollar, I think that much is clear.

In terms of the allocation of funding, the Australian Government is very clearly supportive of the stadium. The Australian Labor Government is very strongly supportive of the stadium, but has defined it as being for the precinct. That was the basis for my approach to Dr Chalmers - to attempt, on behalf of the State, to approach him in the wisest and most sensible way to get that outcome. I hope that is understood.

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Dr BROAD - Yes, but the overwhelming evidence is that that funding will be allocated entirely to the stadium. That is what the AFL expects and that is the evidence that we have received: that the funding won't go to the precinct; it will go just to the stadium. Your own argument has been that it should be GST-exempt because it is for the precinct. Doesn't your own argument fall away because that funding has been allocated just to the stadium?

Mr FERGUSON - The alternative would be to not seek a GST exemption from the federal Treasurer on the basis of your logic, and that is not what we are doing -

Dr BROAD - On the basis of your argument, Minister.

Mr FERGUSON - I disagree, respectfully. Ms King has, in fact, written with an offer of funding through her portfolio, obviously with the support of her government, that it is for the precinct. It is on that basis that we have sought the GST exemption. We will acquit ourselves as wisely as we can on advice. But if I would follow your logic, Dr Broad, with respect, then we would not be eligible at all, so I'm not approaching it that way.

Dr BROAD - The difference here is that the Federal Government is talking about funding for the precinct but your Government is talking about that \$240 million being allocated just to the stadium. The AFL expects that that \$240 million will be allocated just to the stadium. The only people who are talking about a precinct and \$240 million appear to be the Federal Government.

CHAIR - Can I just clarify a question because I have been wanting to ask you for a little while what is going on, Treasurer: is it your view that the \$240 million commitment from the Federal Government, noting the correspondence that sits behind that, is to be used to build the events stadium?

Mr FERGUSON - It is for the precinct, but we are prioritising and putting forward our plans for capital construction, based on our income and our expected capital expenditure.

CHAIR - The question was, do you see the \$240 million being spent on the construction of a stadium?

Mr FERGUSON - First of all, there is a lot of procurement yet to happen. We have secured the finances that we need for our capital projects at Macquarie Point - in particular the stadium. I hear what you and Dr Broad have said in your questions, but we have the funding that we need to build our stadium. The purpose for which the Federal Government has, in writing, described its funding commitment leads me to seek a GST exemption, and I have sought that. I continue to be as wise as I can, and to not follow the logic of Dr Broad. If I were to follow that logic, I would not have sought the exemption because I would not have got it.

CHAIR - Let's not get personal, let's just focus on the question here. The question was, will the \$240 million actually go towards the building of a stadium? That is what I hear you say. The other expectations of the Australian Government, through the minister, and obviously there will be further other comments, were for the State to then ensure that there was housing development, there was an Antarctic precinct, and all the other matters that are outlined in the correspondence there - so that cost will then have to be borne by the State Government. This is what Meg was asking about. Am I correct? Let's get it really clear that this is what we are talking about.

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Mr FERGUSON - I do not think this is as black and white as you may be leading me to answer. We will take advice on the best way forward because we have sought a GST exemption -

CHAIR - Let's put that to one side for the moment. I am just talking about the money.

Mr FERGUSON - I hear what you are saying. I am trying to answer. The GST question has led us to this point in the question. I want to make the point that we have sought an exemption for GST calculation purposes. We will use funds for the precinct in the best way we can.

Yes, it is the amount of money that is required for the stadium. In the funding deed, the State is also going to negotiate the State responsibilities in acquitting those funds. I will take advice about the best way to account for that, noting that there are other projects around the precinct that the State will take responsibility for.

I will never rule out the opportunity to seek more federal funding but, yes, as I think the Premier's testimony and others have stated, it is for the stadium, but from the Australian Government's point of view, they have stated it is for the precinct, and on that basis it is prudent to seek a GST exemption for that purpose.

CHAIR - Regarding Mrs Calvert's comments around the exceptional circumstances that warrant an exemption, because of the undermining of the horizontal fiscal equalisation mechanism, of which we are a beneficiary, if Dr Chalmers, in his assessment, said no, we are not going to undermine that, because all the states are going to be complaining about it - as we all complain about Western Australia for a range of other reasons.

If that was to be his decision, based on the fact that it could undermine the principle of horizontal fiscal equalisation, you would have every intention of continuing to proceed with the plans as they are?

Mr FERGUSON - Yes, we would, but it is not a contingent matter. It would be advantageous for the State if the Australian Government would provide that GST exemption, which, as I think we all recognise, can only be provided by the Federal Treasurer. In this particular case, it is my view that the exemption is beneficial for the State, but we are not able to quantify by how much. It would just be a good outcome for the State. I do take your point that the HFE in general is a principle that we should universally - and across the party divides - be supporting because it is necessary for smaller states and it has been very good for Tasmania in that original design, for sure.

Mrs ALEXANDER - Treasurer, I just want to go to the Treasury reference in the budget papers - especially budget paper 1 - where they talk about the expenditure risk in general. In referring to the Macquarie Point urban renewal project, I quote from the Treasury's statement:

As a large infrastructure project, and with the scope of the project yet to be fully defined, the project may be subject to the same ongoing supply constraints and cost escalations that other major projects across both the public and private sector are experiencing.

PUBLIC

Based on this statement, Treasury would have looked at potential cost escalations, because we have been talking about the \$750 million for at least a year and a half now.

Has Treasury, then, produced any estimates of what is the potential risk exposure from cost escalations, and what we should be prepared for in terms of covering those cost escalations?

Mr FERGUSON - Sure. I will ask Mr Craigie to answer in more detail. I will not attempt to put words in his mouth, but I can say it is a qualitative risk rather than a quantitative one. It is an attempt to demonstrate - as there are with other expenditures and potentially revenue items across the Budget - that Treasury, with its necessary black hat on, will raise what the risks might be for awareness. The same was the case, by the way, as I said before, with the government radio network and the Bridgewater Bridge.

I would not think that Treasury has a figure in mind at all. May I point out that previously we were talking about a \$740 million stadium, and more recent assessments have brought the figure in at \$750 million. That is an acceptance that with any large project there will be risks. You cannot eliminate it, but you can, and you should, manage it.

With those words as my part of the answer, I might ask Mr Craigie to respond further, given that you and your team wrote this.

Mr CRAIGIE - Thank you, Treasurer. I think you have answered the question comprehensively. The only comment I would add is that it is a generic description of risks around a larger construction project.

Mr FERGUSON - So you do not have a figure in mind?

Mr CRAIGIE - It is a generic representation of the risks in infrastructure projects in the current environment of significant demand for infrastructure projects across the country, as has been alluded to by Infrastructure Australia and other bodies.

Mr WILLIE - There are no detailed designs or costings at the moment, so it is very hard to put a figure on it.

Mr FERGUSON - That is why you have a project control group.

Ms WEBB - As the member for Elwick has just pointed out, we do not have any designs finalised, so we do not know. We have had a clear risk identified, which is really expected, to be honest, given what Infrastructure Australia and the *Financial Review* have talked about in terms of escalating costs for projects in recent times. Yet we have the Government - the Premier - and the AFL both firmly insisting that it will be delivered on budget - \$750 million - and on time.

Do you think that is really a rational or sensible commitment to make, Treasurer?

Mr FERGUSON - It is a sensible thing to be -

Ms WEBB - In a commitment.

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Mr FERGUSON - When you go to procurement, your messages to industry are fairly material. Ministers, unlike others, have to protect that process, and allow a procurement process through the most competitive means possible, looking like an informed purchaser of those capital services.

As I have said, you should not believe - and I know you do not - we should not think that we can eliminate risk. What you have to do is manage it, which is why at my Estimates hearing I discussed that the role of the executive steering group or Committee - or the Agreement Project Control Group, as it is named - would be to manage this very closely, and taking account of the best method and timing of procurement so we can manage that cost exposure and make sure we not only get a great product, but an effective financial outcome as well.

Ms WEBB - In terms of the exposure to that risk that is identified in the budget papers - which you have described just now as a generic statement of the risk, because we don't have a great deal of detail yet around the design and what not - at what point do Treasury start to quantify that risk, then, if they have not done so already?

As Mrs Alexander asked, if things had been actually calculated against that risk, if that has't occurred yet, at what stage in the proceedings does that occur in Treasury to quantify what potential liabilities we are facing around cost overruns?

Mr FERGUSON - And if the question - if I can rephrase it, and you nod if I get it right - if the question is at what point do you start seeing those figures being reflected, if they are being achieved or realised? I will ask Mr Craigie to respond further, but the agency the agency responsible in this case would be Macquarie Point Development Corporation with the oversight of the home agency being State Growth, that will manage those risks and they do report risks to Treasury routinely for any project. Then, if it emerges as a budget risk, it is dealt with through the budget process. If the budget Committee and the Cabinet would agree to changing the profile of funding or the volume of funds, then it is reflected in the budget papers or potentially even the revised estimates reports. Mr Craigie, can you add to that and possibly fill in any gaps?

Mr CRAIGIE - The estimate of \$715 million, I understand, has some contingencies already in it to absorb some of the risks we are talking about. At the point in time the Budget was prepared, we did not have the information we have today of signed agreements et cetera. It is a point in time estimate and as the Treasurer alluded to, as estimates change, the budgets are updated.

Ms WEBB - To confirm then, because my question was when would Treasury start to look at figuring and quantifying the risks and the potential implications it has, what I might have heard you answer is that would occur at budget time next year, potentially.

Mr FERGUSON - And [inaudible] -

Mr CRAIGIE - We get advice from agencies on an ongoing basis about emerging budget risks, but they are publicly reported at those two points.

Mr WILLIE - In the Government's submission, Treasurer, is a claim the stimulus from the stadium investment will help to pay for schools and hospitals; 67 per cent of our revenue comes from the Federal Government, State taxation makes up about 20 per cent. Can you point

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to the State revenues that will be captured by the investment in the stadium, apart from the \$300,000 payroll tax a year that was in the cost-benefit analysis, that would pay for two teachers and maybe a teacher assistant?

Mr FERGUSON - Mr Willie, it is a qualitative statement about the simple fact of economics that if you have economic activity, it will ultimately lead to the ability of governments, State and Federal, to raise revenue and fund services. The reason we have been able to create so many new jobs for teachers - I know this is of particular interest to you, Mr Willie - is that we have been able to grow our economy and our revenues have followed behind. If you are asking me to -

Mr WILLIE - Can't find enough of them at the moment.

Mr FERGUSON - I beg your pardon?

Mr WILLIE - I said you cannot find enough teachers at the moment, but that is off topic. Going back to my question -

Mr FERGUSON - Mr Willie, you lead me to that; that is because we have a very strong economy and people have choices for work now. It is a phenomenal time of our economy that we effectively have full employment and I acknowledge that has consequences for employers, including schools.

Mr WILLIE - Back to my question. Can you point to the State revenues that will be achieved through the stadium spend?

Mr FERGUSON - You have identified one. There will be, with the economic activity, various forms of revenue for government. I am not prepared to put a dollar figure on it, other than the payroll tax figure identified in the business case. But as you activate and see economic activity, particularly as you see surrounding the Macquarie Point precinct, you may well expect to start to see further changeover of properties, which leads to stamp duty receipts. You may well start to see other businesses doing stronger and better, adding to their payroll, it leads to that. From my point of view as Treasurer, I do not come in here today making any particular dollar figure amounts in terms of State revenues, only that it will be positive.

Mr WILLIE - On this claim it will pay for schools and hospitals, it is very clear there is not a lot of State revenue generated from this spend on the stadium.

Mr FERGUSON - One thing is very clear, and I think we should be able to agree on this, and that is if you continue to block this stadium, we will get none of it.

Mr WILLIE - We have not blocked anything, Treasurer.

CHAIR - Treasurer, let's move on.

Mr FERGUSON - Well, you are having a good go at it with those 10 broken toes.

Mr WILLIE - Well, why don't you bring it to Parliament?

CHAIR - Treasurer, on bringing it to Parliament.

PUBLIC

Mr FERGUSON - You know it is going to Parliament.

CHAIR - On bringing it to Parliament, do you have any indication of what you think the cost of a Project of State Significance assessment will be? As I understand it, it will be a cost for Macquarie Point Development Corporation, but that obviously has to come from the State Government somewhere. Do you have any idea how much that is going to cost?

Mr FERGUSON - I do not have that figure. I am aware and have taken some advice on the matter. It will be cost neutral for the planning commission as an entity and it will be a cost recovery from the client, in this case MPDC. I do not have a figure in my mind and that would be something that is in front of us as the order has not even been put before parliament yet.

CHAIR - Treasury is going to be called upon to fund Macquarie Point Development Corporation.

Mr FERGUSON - I would not think Treasury will be called upon to fund it further to the existing project costs. We were originally thinking this would be a major project and the same rules would have applied.

Of course, we will manage this, as Mr Craigie has indicated, with any budget management process. The costs would be seen as coming from the project budget of the actual process itself.

CHAIR - You are saying the current funding for the Macquarie Point Development Corporation as funded through the budget process is expected to cover the cost?

Mr FERGUSON - Yes, it's funded to the Department of State Growth currently and as the funds are transferred to the client - being MPDC in time - yes, the budget allocation, particularly as the run-up to the actual major construction phase, there's significant project funding available. In our original thinking, that was for major projects, which would have had a similar cost recovery model through the TPC's assessment panel.

Ms WEBB - Back to the questions the Member for Elwick was asking of economic benefits. Treasurer, I heard you indicate you are certain there is a positive economic benefit in terms of economic activity. My understanding is there is fairly universal consensus through a few decades of evidence now from economists that net economic benefit is minimal from stadium developments of this kind.

CHAIR - We are nearly out of time, Meg, we need to focus on the question because the Treasurer has other commitments.

Ms WEBB - Thank you. There are gross economic benefits that occur, but when you factor in the substitution effect - because it is mostly from local spending that would otherwise have been elsewhere - have you had modelling done to confirm for you there is a net economic benefit of any substance and substantial magnitude that will be delivered by this stadium? Not just economic activity, but net economic benefit in the outcome?

Mr FERGUSON - I would not try to do a better job than is outlined in the business case, which speaks very directly to that point.

PUBLIC

Ms WEBB - It does not, actually.

Mr FERGUSON - I think it does. I would respectfully disagree.

Ms WEBB - I do not believe it does describe net.

Mr FERGUSON - With \$2 billion worth of activity forecast -

Ms WEBB - I am not asking about activity.

Mr FERGUSON - I heard the question. Wouldn't it be good if people would come and see a concert here in Tasmania instead of in Melbourne? That is a good substitution that you would see the economic activity here in our State, rather than in a neighbouring State. Not to mention the activity and the benefit that will inevitably occur of having an entirely new industry here in Tasmania, not just a team but the stadium industry which would follow.

Ms WEBB - All evidence able to be accessed indicates otherwise in terms of stadiums, Minister. You are saying you have something different to -

Mr FERGUSON - I would welcome you producing that for me to help persuade me that -

Ms WEBB - Have you looked into or had someone look into providing you with a modelling of economic benefits?

Mr FERGUSON - It is your assertion. If you are able to show me that -

Ms WEBB - Okay, let me quote from two well-known US economists.

Mr FERGUSON - If I may finish my sentence, if you are able to show me how \$2 billion of economic activity does not lead to economic benefit, I would love to see that.

Ms WEBB - I would certainly think you would be keen to see the modelling on that, because the substitution of the local spending is there. There is also evidence to say that even the interstate tourism spending has a substitution effect here, locally, and with our citizens going elsewhere to follow, for example.

If you are not able to point me to modelling you have done about economic benefit, then we will assume at the moment we do not have that modelling available to us.

Mr FERGUSON - Please do not make any assumptions about that. As I have said, the Premier and my colleague, Mr Barnett, in their portfolio areas have led this and done a great job. They may be able to speak to some of those other matters you have described.

Ms WEBB - Interesting.

Mr FERGUSON - It would be surprising if you would be able to provide me a shred of evidence \$2 billion of economic activity does not have an economic benefit for our State. I would be very, very surprised.

PUBLIC

Ms WEBB - I'll provide for you a quote from Siegfried and Zimbalist 2000, two economists:

Few fields of imperial economic research follow virtually unanimous unanimity of findings that there is no statistically significant positive correlation between sports facility construction and economic development.

Mr FERGUSON - Again, it might be my closing answer, Ms Webb. With great respect, how could 4,000 jobs not be a great economic benefit for our State and for people to find hope and employment and the ability to provide for their families? That sounds like economic benefit to me.

Other stadiums have been successful. Adelaide Oval is probably one of the most remarkable examples and if you would not want our State to get some of those benefits, that would disappoint me.

Ms WEBB - That is certainly not my assertion and Adelaide is not Hobart.

Mr FERGUSON - Here I stand and I refer you to the business case.

CHAIR - I know we are out of time and I appreciate you have another appointment, Treasurer. Thank you for your appearance today. I do not believe we have any questions on notice.

Mr FERGUSON - Thanks for the opportunity.

THE WITNESS WITHDREW.

The Committee adjourned at 1:20 pm.