

# PUBLIC

## THE JOINT STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON FRIDAY 9 AUGUST 2024

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

**CHAIR** - Welcome, Minister and his Secretary. Today's public hearing is in regard to the Macquarie Point Stadium, for brevity. This Committee has been inquiring to this matter for some time now and then we were planning to report, however, that parliament was prorogued and there's been a delay in our proceedings. Particularly, we'd like to hear from you on the decisions and things that have occurred since we last heard from you. Particularly with about the impact on the State's financial position with the likely costs and treatment of the Federal Government funding, particularly from the Treasury point of view that we're interested in getting your advice and information following our last appearance, so this Committee can report in a timely manner, hopefully. So, don't prorogue again.

**Mr FERGUSON** - Message received.

**CHAIR** - Right, if you'd like to introduce yourself the table and he might like to take statute declaration as well.

**Mr FERGUSON** - Good morning, Chair, and to your Committee and new members of the Committee since I was last with you. Yeah, I'd really like to introduce you to Mr Gary Swain, who is the Secretary of Department of Treasury and Finance. He's relatively new to this role, but no stranger to the Committee and Members of the Parliament, coming from Deputy Secretary of State Growth.

**Mr GARY SWAIN**, SECRETARY, DEPARTMENT OF TREASURY AND FINANCE WAS CALLED, MADE THE STATUTORY DECLARATION, AND WAS EXAMINED

**CHAIR** - In the absence of any - I was hoping you might have given a bit of an update as to what's happened from your perspective in that time. But, if you were happy to go straight to questions to try and list it that way?

**Mr FERGUSON** - I think I would like to give you - then perhaps an overview summary of things that have occurred since. I think my last appearance with you was in December [2023]. In the time since the 2023/24 Budget was presented in May [2023] of last year, a number of things have changed and transpired. We discussed at one of our earlier hearings the fact that we were booking in our State budget expected contributions to the Stadium Project and the Macquarie Point Precinct project in advance of the Federal Government's final funding decisions and the and so now that-

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- roll them into our budget, those revenue figures. So, that's been an update. Additionally, the deed with the AFL itself has been finalised and - approximately May [2024] of this year, April or May of this year - we achieved the Federal funding agreement, the actual bilateral agreement as opposed to a funding promise. For those reasons, we're now in a very clear

position which we're able to discuss with your Committee today as to as to what that looks like. Funding in last year's Budget was presented as a capital fund through the Department of State Growth. Now that we have all of those funding and bilateral agreements in place, funding in the upcoming Budget will be presented in a different way. It will be presented as funding directed through Macquarie Point Development Corporation as the deliverer of that project. That's the biggest change.

**CHAIR** - Can we have some indication about the financial impact of the things that have occurred? There was a degree of uncertainty, as you've alluded to, in how certain - the amounts that we're gonna be provided and what the conditions, if you like, were. Can you talk about the financial impact that has on the State's bottom line as a result of that, whether it goes through Macquarie Point or not?

**Mr FERGUSON** - Well, I would argue that, first of all, when the Budget is presented on September 12th 2024, you'll be able to see the latest accounting and profiling of those funds. I am not at liberty to discuss those in detail today, but the structure will be shown exactly as I have described. It will be reflected, not as capital through State Growth, but I would go as far as to say, it will be an equity payment to Macquarie Point Development Corporation as a government-owned corporation to deliver those funds to deliver that project.

Regarding impact on the budget, because we are having a new financial year coming into the forward estimates, there will be a higher amount of total funds. I think last year it was \$230 million. This year, you will see a new financial year coming into the forward estimates. That will be the second way - it will be a further updated set of numbers in the budget.

Finally, because it will be equity to our State-owned corporation - as opposed to purchase of non-financial assets; capital grant throughout one of our GGS<sup>1</sup> government departments - for that reason, it will have no difference to the net operating balance. It will have a small improvement to the fiscal balance and no change in that treatment to borrowings figures and GGS net debt. I wonder if, Secretary, you would fill in any gaps?

**Mr SWAIN** - I think you have covered it, Treasurer. In regard to debt going to the general pool, so it will not be dealt with, as I think you discussed last year, as an individual debt or going to the assessment of funding need, which happens leading up to the current year of the budget. That really will not change as it moves from State Growth capital into equity through financial.

**Mr FERGUSON** - I am reflecting, Chair, if I may, on my own answer and our discussion last December [2023] - it might have actually been a July [2024] hearing - the borrowings will still remain with GGS because the borrowings will not be affected in the way it is represented by the movement of funds through the corporation.

**CHAIR** - Because this is now going to be an equity transfer to Macquarie Point Development Corporation, in terms of scrutiny of the budget, what opportunities will there be in that process to scrutinise Macquarie Point Development Corporation?

**Mr FERGUSON** - As far as my corporate memory is, is that we always have Macquarie Point Development Corporation output scrutinised in the budget estimates process, that is my

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<sup>1</sup> General Government Sector

experience. When I was Minister responsible, we would typically have the CEO available in the room. Gary, is that your understanding?

**Mr SWAIN** - That is and it will be dealt with in the finance-general chapter and the infrastructure chapter in Budget Paper Number 1 as well.

**Mr FERGUSON** - Minister Street is the Minister responsible for Macquarie Point Development Corporation and in his outputs, I would think, fully expect to be scrutinised on MPDC matters. It could equally be raised with myself in Treasury estimates because we will be funding that through finance-general.

**CHAIR** - But my point is that we found in the past that the Treasurer, I am not saying the Treasurer, not necessarily you, will say, 'That is a matter for the Minister' and the Minister will say, 'That is a matter for the Treasurer'. I just want this really clear that you will be happy to take questions on this.

**Mr FERGUSON** - I would expect them. But there would be boundaries, I suppose, in terms of what material is canvassed. From the financials point of view, the borrowings that Government makes to support the overall government program, not just this particular project, but borrowings that are required are achieved for us by TASCORP, provided to finance-general. In this case, finance-general is also the organ of government where that equity is provided to MPDC. I would be happy and look forward to your questions and we will do our best to answer those. In terms of the actual project delivery though, I would today or in future defer to my colleague Minister.

**Mr WILLIE** - This arrangement could change again though if you enter into a 3P<sup>2</sup> arrangement. We had Macquarie Point Development Corporation (MPDC) here recently. They said that they were going to go to an expression of interest to look for private capital soon, so the way you have structured it and the way you have explained it may change again.

**Mr FERGUSON** - I do not envisage that, Mr Willie. Thanks for the question. Secretary may wish to add, and would invite you to. I would not envisage that at this stage because of the fact that the Government is making the funds that, previously, you had seen as capital funds through State Growth, will become equity transfer to our State-owned corporation. The equity will stay on that balance sheet to deliver the project. And seeking private investment as well onsite, I don't believe, would change the absolute value of those equity amounts that have been put in there. I don't see it that way, but I can understand your question in so far as we are seeking private investment. Although it's outside my area, I understand that there is interest for that to occur, but the equity holding of the corporation itself wouldn't be affected by that. It would just grow the total value of the precinct.

**Mr WILLIE** - So, MPDC may hold that equity over a 20- or 30-year period potentially, depending on the arrangement with a private investor?

**Mr FERGUSON** - Yes, with the caveat that at a point in the future, although those decisions are still future decisions, it's anticipated that there will be a transfer to Stadiums Tasmania once the precinct is built.

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<sup>2</sup> Public Private Partnership

**Mr WILLIE** - What oversight will Treasury have in negotiations with a third party? I guess the risk here is that the State Government enters into an arrangement, potentially for political purposes, to say, 'look, we have a private party interested in this'. You may say it's commercial-in-confidence. The terms may be less than advantageous for the State. There might be higher costs over the period. What oversight will Treasury have in those negotiations? What parameters will you go into those negotiations with, making sure that you're protecting the State's interest?

**Mr FERGUSON** - Great question. I'll ask our Secretary to respond.

**Mr SWAIN** - We have a couple of involvements: one will be through the POSS<sup>3</sup> planning process, where we'll take an interest in the economic and financial assessments. I just dropped that in, though it's not directly relevant to your question.

**Mr WILLIE** - Just on that, some of that information will be public at the end of the month, will it?

**Mr SWAIN** - That's up to the applicant, which will be MPDC, but I believe they are getting close. In relation to the overall governance and delivery of the project, there is a steering Committee that Treasury has a senior representative on. That representative is there to make sure that the interests of the budget are considered and also that the contracting and procurement approach is consistent with all the TAs<sup>4</sup> and TIs<sup>5</sup> and frameworks that we use to protect public interest. Associated with that, as I think you'd all be aware, there are some international trade obligations that are honoured through the delivery of the procurement in line with the TIs, so we'll also be able to make sure that's adhered to. Really, the global answer to your question is there is an overarching Steering Committee with a number of parties. Treasury is represented at a senior level on that.

**Mr WILLIE** - Okay, that is good to know.

**Mr FERGUSON** - If it would be okay, Chair, I might just offer to write to you after this hearing and give you some further clarity from our Government's point of view about where those boundaries may best be considered in advance of the estimates hearing so that we are clear with each other about questions that can't be referred endlessly to the other estimates output.

**CHAIR** - That would be helpful because in our House - I'm not sure about downstairs, but they're covered by two different Committees. Once inside, it's impossible to know what's said in the other in those circumstances.

**Mr FERGUSON** - I'll provide it to you as the Chair of PAC and then that is something you can share.

**CHAIR** - The other thing that's changed too was you had a very clearly Stated expectation, Treasurer, that the Federal Government funding should be quarantined from the GST calculation. It's not, which wasn't a surprise to me. What modelling have you done to

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<sup>3</sup> Project of State Significance

<sup>4</sup> Treasury Acts?

<sup>5</sup> Treasurer's Instructions

assess the impact of that reality now on the Federal Government commitment toward the precinct - not necessarily to the stadium itself but to the precinct.

**Mr FERGUSON** - First of all, it was a surprise to us because we were waiting for over one year for an answer in reply to four separate written inquiries from the Government. On the basis of the length of time that it was taking, we felt that it was being seriously considered, not ruled out of order. It was in order, and bitterly disappointed and angry with the Australian Government for making that decision and, secondly, to make us wait that long. It's not over yet because future GST updates still provide the same opportunities to get the same outcome in the future. There will be a 2025 GST update late this year and we will be looking again to lobby in advance of that, and in the context of a looming Federal election, to leave nothing to chance, including engaging with the Federal Opposition.

We don't accept the decision of Dr Chalmers at all, particularly given the flawed logic he and the Prime Minister have relied upon. First of all, the Prime Minister said that this project in Tasmania does not qualify for such GST exemption. He drew a parallel with the Brisbane 2032 Olympics, claiming that they had not been given GST exemption. But he was wrong because they had given that exemption.

**CHAIR** - Yes. The Commonwealth Grants Commission have written papers on the treatment of the Olympic Games in Brisbane and they are all published, freely available to the public.

**Mr FERGUSON** - My point is a different one, which is that the Prime Minister drew a parallel when he said it the same should apply in Tasmania. That is our point: the same should apply.

**CHAIR** - The error is his. I am not denying that. My question was now this decision's been taken, the politics and your anger with the Federal Government aside from all that -

**Mr WILLIE** - Rewriting history.

**CHAIR** - Yeah, that's right.

**Mr FERGUSON** - Well, not at all. I refute that.

**CHAIR** - What is the impact on the State Budget over the Forward Estimates as a result, as we know it has a long lead?

**Mr FERGUSON** - There will be an impact on the State Budget. That is why it is unacceptable.

**CHAIR** - The question is, what is the impact?

**Mr FERGUSON** - I will only be able to reinforce what the Deputy Secretary, Mrs Calvert, said to the Committee last year, which is that it is not possible to model nor estimate the impact because it's retrospective some years into the future. To say that a different way, we will not know until all of the other inputs are available to the CGC<sup>6</sup> in making GST

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<sup>6</sup> Commonwealth Grants Commission

allocation decisions to Tasmania. So, it's not possible to even estimate, but it is clearly a number between zero and \$240 million, and that is a major impact on the Budget, in my view, and it is a real budget risk and that is why we'll continue to argue for it. I invite the Secretary to add to your question because you have asked us what modelling can be done.

**Mr SWAIN** - Thanks, Treasurer. I can add a little bit of detail, which I think is consistent with the discussion you had last year. So, the first year of expenditure is 2025-26. That is reflected in payments, I think, with a two-year lag, from memory. Tasmania's spend is judged against an assessment of need in Tasmania and then that is compared to the expenditure of every other jurisdiction in relation to an assessment of need in their jurisdiction.

**CHAIR** - That is the job of the Commonwealth Grants Commission. They do a fine job.

**Mr SWAIN** - So, it is a relative assessment at the time and it is not knowable at this point, so I mean, yeah, we can't model that.

**Mr FERGUSON** - We cannot put a figure on it, but we can agree that it only represents a negative risk to the budget. We can agree on that.

**CHAIR** - So, is that sort of thing - I mean, I am not trying to pre-empt what is in the Budget, other than is this the sort of risk that would be identified in the Budget in your section in Budget Paper No. 1 on risks?

**Mr WILLIE** - Revenue and expenditure.

**CHAIR** - Yes. Is that the sort of thing you would include now that decision has been taken?

**Mr FERGUSON** - I might have to take that on notice, or take it on board and refer you to the Budget, which is obviously a month away.

**Mr WILLIE** - The stadium project itself was at risk of the last one.

**Mr FERGUSON** - Well, any major project is always described as a budget risk in BP 1<sup>7</sup> every single time - Royal Hobart Hospital, Bridgewater Bridge, because with any major project the Treasury do need to discuss in BP 1 risks associated with major projects on the basis of workforce shortage, escalation, materials prices.

I can just add, if I may. We were denied our requests for that GST exemption on 23 May [2024] this year. As the Secretary has mentioned, the first payment is scheduled for 2025-26, therefore, it is important to understand that the Commonwealth payments received in that financial year 2025-26 will not impact the Commonwealth Grants Commission's assessments until 2027-28. On that basis, there is actually more than one GST update opportunity to get this matter resolved in our favour. One of those opportunities is late this year. Even though it is in calendar year 2024, it is the 2025 GST update, but also the following year and possibly the one after that. I can inform the Committee I have again written to the Commonwealth Treasurer on 31 May 2024 urging reconsideration of this issue. I copied that letter to the Prime Minister and the Federal Opposition Leader. We will continue to strongly advocate for Macquarie Point

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<sup>7</sup> Budget Paper No.1

## PUBLIC

Precinct funding to be excluded from GST relativities to ensure that Tasmania receives its proper share of GST revenue, but also so that we get the full value of what that Commonwealth grant was intended to achieve.

**Mr WILLIE** - We've just had a rewriting of history because the Treasurer didn't ask for the exemption until he was asked about it in Question Time. The point where you could have actually leveraged the Federal Government was prior to them making a commitment and getting the Federal Government to commit to that publicly.

**Mr FERGUSON** - May I reply to the speech?

**Mr WILLIE** - Well, you're rewriting history.

**Mr FERGUSON** - Well, I'm actually not.

**Mr WILLIE** - You didn't ask for the exemption until you were asked in the Parliament.

**Mr FERGUSON** - I hope you weren't a history teacher, Mr Willie.

**Mr WILLIE** - I was a science teacher.

**CHAIR** - Do you have a copy of the letter you first wrote asking for the consideration of the exemption of the GST?

**Mr FERGUSON** - Yes, I actually discussed it. I actually have tabled those letters in previous occasions. The first written letter was on 9 May [2023] involving myself. That's a matter of public record. It's also a matter of public record, which I absolutely invite the Committee and Mr Willie especially to take heed of, that I have had discussions with Dr Chalmers before I wrote that letter and also the letter referred to those discussions. That's a matter of record and it's unfortunate that we continue to have those false histories being played out by the Opposition.

**Mr WILLIE** - Your request was after you were asked in Parliament by a letter,

**Mr FERGUSON** - Mr Willie, I'll make the point again. Discussions were held, commitments were made that they would be considered. It was followed up with four letters from me, and that is the record.

**Mr WILLIE** - I have another topic.

**CHAIR** - Just checking other Members. Okay, you go then.

**Mr WILLIE** - I'm interested in the unsolicited bid, Macquarie Point 2.0 as it's known. Is State Growth making an assessment, I know it's not your department, but I'm interested in Treasury's view of that project, and we've had the Premier ruling that out. I would have thought having some competitive tension between the two projects would be good at this stage because they're both in their infancy really.

**Mr SWAIN** - I can add a little bit in that regard, but perhaps not a comprehensive answer. Under the solicited bid process -

**Mr FERGUSON** - Unsolicited bid.

**Mr SWAIN** - Unsolicited bid, I beg your pardon - Treasury's participation is hard-wired if there is a decision to do an assessment under unsolicited bid sort of arrangements. We would be involved if we go down that path, but ultimately that's a decision for another Minister.

**Mr FERGUSON** - Yes, and it's outside my area of responsibility as well, but naturally, I've been watching the public discussion and commentary around it, but I haven't involved myself in the matter and Treasury doesn't. Treasury and our role as Treasurer is to implement Government policy which is to build at Macquarie Point precinct.

**Mr WILLIE** - You don't have a view? You're waiting for direction from a Minister or the Premier if there is a change of course?

**Mr FERGUSON** - I wouldn't put it quite like that, but we have a job to do and we're getting on with it. The Government has made it clear that that's not our plan to pursue alternative locations and visions. It's been interesting in the public discourse, but we're committed to our project and all parties involved, including the Australian Government, Tasmanian government, Macquarie Point Development Corporation and the AFL itself. We're all on a unity ticket about the way forward, so we're implementing that.

**Mr WILLIE** - Will that change if private capital can't be secured for the Government's project?

**Mr FERGUSON** - No, we're very confident on the interest levels in that space, but I would have to refer you to my colleague, Minister Street, in relation to those matters.

**CHAIR** - You did talk about major projects being a risk and this has been one of them. You mentioned workforce shortages, price escalations and things like that and the Government have repeatedly made their claim that they will spend a total of \$715 million and not a cent more. In light of the comments acknowledging those challenges, how do you continue to make that claim?

**Mr FERGUSON** - Two reasons: first of all, a point of clarification, our budget papers always reflect budget risks, even if they are not materialised. But you cannot eliminate risk: even with a small project there is risk.

**CHAIR** - You are not denying that, I am just -

**Mr FERGUSON** - risk to be managed, not eliminated.

**CHAIR** - Yes.

**Mr FERGUSON** - Those risks are reflected for from an - what would you say - like a budget transparency point of view. It is one of the opportunities the independent thinking within Treasury and Finance Department are able to bring to MPs and the public's own awareness. That is, when you build a major project, there are risks that need to be managed.

Secondly, the costings of this project have been developed during a period, where, escalations were no longer a surprise. I would make that point. Whereas, a lot of projects that were committed to in the earlier days, pre-pandemic or during the early phase of the pandemic, they are the ones that really suffered the biggest price escalations. That is because of those supply constraints, labour market shortages, international steel prices and in shipping. Those increases, when they were priced, people were not aware of them as we are now much more aware of those prices that have been calculated in that new environment.

**CHAIR** - The proposal that has been published fairly recently with the new concept designs and everything, show quite an interesting structure. That will obviously require a high degree of engineering. I am not an engineer. I do not know how possible it is to make it look just like that, for example. However, the question I had for you was about the commitment to only spend \$715 million of Tasmanian's money on this.

Acknowledging all those challenges, even though some of this decision has been made, but there has been a whole heap of other pressures come to bear. I am asking how you can continue to make that claim in light of those comments on cost escalations, workforce shortages and the like.

**Mr FERGUSON** - In my role as Treasurer, I will not be running the project. MPDC will be with the oversight of Mr Street. All I can really do is reinforce the position of the Government. Which is, that we will be managing this project, to quote the Premier, 'within an inch of our lives'. To really closely manage, scrutinise and ensure that it follows best practice in terms of the assurances that need to be obtained at each step on the way through, so that risks are identified and then mitigated at the earliest possible stages. It was the case that at our previous hearing, Ms Calvert talked to the Committee about how even that project sum did have some contingency within it.

I am going outside of my portfolio here. I will probably draw the line pretty much there. That is the position of the Government. That is, with really strong project management, the Secretary's discussed how a senior member of Treasury sits within the steering group to provide those inputs as well. That is the position of our Government.

**CHAIR** - If the project was approved - there is still a lot of water to go under the bridge before we get to there. If it was partly built and there was, for whatever reason, with all sorts of global circumstance at the moment, who knows what could as it is hard to contemplate -

**Mr FERGUSON** - A hypothetical external shock?

**CHAIR** - Yes. If it was partly built, surely there will be a call on the Government to come forward. Particularly, if private capital dried up for some reason.

**Mr FERGUSON** - Well, it would be a hypothetical, but the whole point of the discussion from our point of view as a Government is to really carefully manage the project. To get strong governance around the project team itself, which we have. Including, the involvement of a senior Treasury official and to look to MPDC to very carefully plan and manage. All, of course, subject to Tasmanian Planning Commission approval through the Project of State Significance process -

**CHAIR** - And Parliamentary approval?

**Mr FERGUSON** - and Parliamentary approval.

**CHAIR** - Yes. The point I am making is the Premier, particularly, has said you will not spend a cent more. If you get to that situation, does that mean you will not spend a cent more? Where we sit there with a half-built or three quarter-built facility?

**Mr FERGUSON** - The position is we will not be spending more than what we have indicated. We are not about building things half: we are about building things properly, competently, with good advice and managing risks at the earliest possible stage. That is the best answer I can provide.

**Mr WILLIE** - What if some of the economic analysis that comes out of the POSS shows that the Government's figures are off the mark? We also know that there is a review of the stadium taking place at the moment. It will be pretty hard to keep your commitment, won't it, if you proceed?

**Mr FERGUSON** - Well, I'm not sure how to answer that, Mr Willie, because you've come on board since the last time I sat in front of this Committee. You've had a road to Damascus moment. It's amazing, you even look different. You look happy. You look happier, you seem more joyful. You've got a Kamala Harris kind of joy about you.

**Mr WILLIE** - That's not what you were saying this week in the Chamber, Treasurer.

**Mr FERGUSON** - It's really good. You look good, you look good, you seem happy. Jokes aside, the Tasmanian Planning Commission have published their guidelines. It does include environmental planning considerations and the economic value component. All of that will be inputs to their final determination and then you and I and everybody else at this table will have an opportunity to cast a vote in our Houses. So, rather than engage in those hypotheticals, there is a process that is being followed and I hope it is positive.

**Mr EDMUNDS** - I think you do too.

**CHAIR** - So, you have another line you want to go down?

**Mr WILLIE** - I am just saying there are spanners that could be thrown into the works and they will fight it very hard to make their commitments and their promises.

**CHAIR** - I will take that as a statement.

**Mr FERGUSON** - Well, Government is about actually being responsible and making decisions and then being responsible for them. So, I accept that.

**CHAIR** - All right, do you have other areas you wanted to go to?

**Mr WILLIE** - Not really.

**CHAIR** - No? I mean, it is hard to fully understand this without the Budget. I guess this Committee, as I said to you earlier, Treasurer, we are hoping to report on this particular matter.

## **PUBLIC**

It may be that we need to look at things further at a later time, but I do not have any other questions on this at this stage.

**Mr FERGUSON** - All I would like to add to your final comment just now, Chair, is that when you see the Budget, I believe I can say that you won't be surprised by anything that you see having had this discussion here today.

**CHAIR** - Okay, well I would appreciate - the Committee would appreciate the letter from you outlining what areas would fit with each Committee in terms of budget scrutiny because some of these corporations and other entities that have been established by government are very hard to scrutinise in the Budget session.

**Mr FERGUSON** You will be able to hold it up in front of me or Minister Street and say -

**CHAIR** - 'Answer this'.

**Mr WILLIE** - 'Stop passing the buck.'

**Mr FERGUSON** - This is the appropriate session for this question.

**CHAIR** - When you've been here a long time you find that happens a bit.

**Mr FERGUSON** - I am doing that to assist you in each House actually, so there is no avoidance of doubt. Thank you.

**CHAIR** - All Right, well thanks for your appearance today and we will see you again shortly on another matter.

**The Committee suspended from 9:43 am till 10:15 am.**