

PUBLIC

THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC WORKS MET IN COMMITTEE ROOM 1 ON MONDAY, 7 DECEMBER 2020.

DERWENT ENTERTAINMENT CENTRE REDEVELOPMENT

Mr KIM EVANS, SECRETARY, DEPARTMENT OF STATE GROWTH, **Ms ALISON TURNER**, DIRECTOR, **Ms TEENA GUEST**, SENIOR PROJECT MANAGER, INFRASTRUCTURE TASMANIA and **Mr THOMAS FLOYD**, ARCHITECT, PHILP LIGHTON ARCHITECTS (PLA), WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Valentine) - I welcome you all to the hearing today. I welcome members of the public who may be watching today's proceedings. Although we've all met, for the *Hansard* record I will introduce the members of the committee. First, Jacqui Petrusma MP; Rob Valentine MLC, Chair; Tania Rattray MLC; Felix Ellis MP; secretary, Mr Scott Hennessey; and Ms Rosemary Johnson for Hansard. I believe there are no public witnesses today.

This is a proceeding before parliament and I thank you for appearing before the committee. It is pleasing to hear your evidence today. Before you begin, I have to outline for you and inform you of some of the important aspects of the committee proceedings. A committee hearing is a proceeding in parliament. This means it receives the protection of parliamentary privilege. It's an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure that a parliamentary receives the very best information when conducting its inquiries.

It is a public hearing as well, as you would be aware. It's important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings. Members of the public and journalists may be present and this means your evidence may, in fact, be reported. Do you understand?

Witnesses Evans, Turner, Guest and Floyd - Yes.

CHAIR - Thank you. Would you like to make an opening statement, Mr Evans?

Mr EVANS - Thank you, Chair. I will introduce my team on this side of the table. From Infrastructure Tasmania I am joined by Allie Turner and Teena Guest. Teena will take over from Allie in a substantive way, as the Project Manager moving forward, but I should acknowledge the role that Allie has played to get us to this point. This is officially her last day on the job.

CHAIR - Is that right?

Ms TURNER - For a while.

Mr EVANS - For a little while - she is going on maternity leave.

CHAIR - All the best with that.

PUBLIC

Ms TURNER - Thank you.

Mr EVANS - I am also joined by Thomas Floyd. Thomas is the architect for Philp Lighton Architects who has taken the lead role in the redevelopment design. Thomas is here to answer any more technical and design questions.

In terms of opening comments, Chair, you indicated off-camera that you would like me to give a more detailed background into how we've got to this point and what the broader development looks like. I did have some prepared notes but I might cut straight to that point, if you like.

CHAIR - If you wouldn't mind. It's important for us to understand exactly how the agreements fit together and for us to precisely understand what it is we're approving here today.

Mr EVANS - At the outset, the Derwent Entertainment Centre (DEC) and the surrounding land was owned by the Glenorchy City Council until recently. The DEC is about 30 years old. It's a multi-use, large-scale venue; the largest of its kind in southern Tasmania and has served us well. However, it is now very tired and is struggling to perform, including in terms of compliance.

The Glenorchy City Council looked at the future of the DEC last year and they were also having some discussions with various operators, including the LK Group represented by Larry Kestelman. They formed the view that they should dispose of the DEC and also the surrounding Wilkinsons Point lands. They reached a view they should transfer that facility and the surrounding lands to the LK Group, to enable the redevelopment of the DEC to turn it into a first-class entertainment facility suitable for many purposes - but also to accommodate NBL basketball teams. They also had a vision about - as did Mr Kestelman - of the broader development of Wilkinsons Point and a lot of work went into working up a master plan for the surrounding areas.

In order to make this transaction work, though, and to get agreement to establish an NBL team in Tasmania for the first time for, I think, about 25 years, there is a requirement for substantial public investment in upgrading of the DEC. Late last year, the Government formed the view that if it was to invest in the upgrading of the Derwent Entertainment Centre, it would be desirable for that facility to remain in public hands rather than be sold to Mr Kestelman.

We entered into some discussions with the Glenorchy City Council and in parallel with the LK Group, consistent with the tenor of their discussions with the Glenorchy City Council. On 28 February this year, after a number of months of negotiation, we reached an in-principle agreement to key issues, key terms - subject to the development of the legally binding documents with the Glenorchy City Council - to buy the DEC and surrounding Wilkinsons Point land from them and in parallel enter into, again, an in-principle agreement with the LK Group.

In a nutshell, we were buying the DEC so we could retain it in government and public ownership.

CHAIR - Has that purchase occurred?

PUBLIC

Mr EVANS - That purchase has now occurred. It's quite a complex set of transactions aimed at a number of outcomes. One is updating the DEC; the second is about providing for the future development of surrounding lands at Wilkinsons Point; and also, getting in place an operator for the DEC for the long term to ensure that we maximise its use. As a part of that, we wanted to protect the ongoing public uses of the DEC, so that was a factor in the negotiations as well.

Fundamental to all of those agreements was an agreement from the LK Group to establish an NBL team, as I say, for the first time in 25 years in Tasmania. You will have heard about the fact that the LK Group, or Mr Kestelman, has issued a licence for that team. We are off and running in the establishment phase of setting up our first NBL team for 25 years, the Tasmanian JackJumpers.

That is it in a nutshell, but it is underpinned by six legally binding agreements, five of which have now been finalised. I will run through each of those, if I could.

The first is that the Government purchases the DEC and Wilkinsons Point from Glenorchy City Council for \$8 million with the DEC, as I say, remaining in public ownership. That settled on about 4 November - so the Government of Tasmania now actually owns the DEC and Wilkinsons Point.

As I have indicated, a second agreement was produced around the establishment of the NBL team. The Government has agreed to enter into a sponsorship of that NBL team for an average of \$2 million per year over five years, plus indexation, with a further five years subject to achievement of key agreed milestones and targets - so it's potentially a five-year sponsorship deal. It is an enabler for the establishment of the team. For Mr Kestelman's part in signing that sponsorship agreement, he has now issued the licence and commenced the establishment of the team.

In terms of the DEC itself, last year we did a lot of work with the Kestelman group, and we co-funded some work to look at future options for development. There were three basic options looked at. Option 1 was the costs associated with upgrading the DEC to a standard to be able to conduct NBL games. That is what we called option 1 and that would cost in the order of \$35 million. Option 2 involved not only upgrading it for the purpose of NBL games, but also upgrading other facilities to make it more of a multipurpose venue fit for concerts and other uses as well as NBL games. Option 2 would cost \$46 million.

Option 3 was a total redevelopment of the DEC at the cost of \$100 million. We clearly didn't accept that as an option.

We did agree that option 2, which involved not only the upgrade of the DEC for the purposes of conducting NBL games, but also as an entertainment facility more broadly, was what we should do.

We entered into the third agreement with the LK Group - that was what we called the 'detailed design agreement' whereby we would agree with the Kestelman Group subject to option 2, which is the middle option - what are the detailed design features that we would expect within the DEC in order to part with public funding.

PUBLIC

I should have added a little earlier that having reached these in-principle agreements back in February then along came COVID-19 and everything stopped. We didn't pick up conversations again with the LK Group until June this year. All of these legal agreements that I'm talking about were negotiated between June and November just gone.

Again, sale agreement to the council; sponsorship agreement for the team; detailed design agreement with the LK Group; and a lease agreement so they would be the operator of the DEC in the long term. That's an up to 49-year lease, obviously with a range of conditions, including that it continues to be made available for community access. There is also the payment of an annual rent, which was set after discussions with the Valuer-General and on top of that base rent, a percentage rent subject to the performance of the DEC as a commercial venue.

CHAIR - Sorry, you're saying that the rent can vary depending on how it performs?

Mr EVANS - Yes, there's a base rent - \$200 000 - that's a fixed annual rent. Then there's a performance rent on top of that. As I say, we discussed these matters with the Valuer-General on the way through, in terms of developing that agreement.

Ms RATTRAY - The operating lease is for a period of up to 49 years. Is the committee to be informed that the fixed annual rent is \$200 000 for 49 years?

Ms TURNER - There's a provision in the lease that's been agreed to that, I think, the rent is fixed for the first period. The first period is 10 years, and then it provides for a market review of that base rent prior to the beginning of each renewal period.

CHAIR - The renewal period is?

Mr EVANS - Ten years.

Ms TURNER - I think it's in blocks of five after the initial period.

Mrs PETRUSMA - Regarding the performance provision of the percentage rent, how is that calculated. If they had big games and good gate takings, for example, do we get a percentage of that? Is that what we're saying?

Ms TURNER - Yes, potentially; to the extent that across all events that are held during the year, it takes account of outgoings and revenue received as associated with those events. To the extent that it becomes a highly profitable facility into the future, the Crown, as the owner, has the potential to capture part of that upside.

Mr EVANS - The next agreement is the development agreement itself - the redevelopment agreement for the DEC - and that, as you would expect, requires compliance with all of the sorts of requirements that you expect for -

CHAIR - Access requirements and all of those sorts of things/

Mr EVANS - Yes, things like buy local, employment of trainees and apprentices, the Wood Encouragement Policy. The sorts of things we would normally include within a tender, are within the redevelopment/development agreement.

PUBLIC

Mrs PETRUSMA - How much land does that involve?

Ms RATTRAY - The future purchase?

Mr EVANS - I'll come onto the future purpose because that's the one we haven't yet negotiated. They're the agreements relating to the DEC, the design agreement, the development agreement and the lease itself. I think we've done a good job in protecting the public interest in each of those. More broadly, when this was first contemplated, it was not just the redevelopment of the DEC but the future development of the surrounding Wilkinsons Point land. In terms of that land, we've agreed in principle a term sheet to negotiate a detailed sale contract to the LK Group - what we call a 'future land sale and development agreement'. It hasn't yet been negotiated but the terms have been established through an -

Ms RATTRAY - MOU?

Mr EVANS - No, it's a high-level term sheet to underpin the negotiations. I would say that -

CHAIR - It sets the boundaries.

Mr EVANS - It does. That requires Mr Kestelman to pay us a deposit of 10 per cent of \$6 million, which would be purchase price for the surrounding land - again, discussed with the Valuer-General - and to pay the holding costs whilst he's working out his development. We wouldn't transfer the title though, and complete that transaction either in part or full until such time as he has substantively commenced individual developments on site.

CHAIR - Of that land, how much of that is actually Crown land versus Glenorchy City Council land originally?

Mr EVANS - It was all Glenorchy City Council land, and we've purchased it.

CHAIR - That purchase of \$8 million encompassed the extra land that's surrounding the DEC?

Mr EVANS - Yes, we purchased the DEC and surrounding land for \$8 million; we're selling the surrounding land for future development, subject to a whole range of other conditions, to Mr Kestelman for \$6 million.

Ms TURNER - If I can just add, parts of the land, including the foreshore strip, have transferred across as part of the sale but the Crown is effectively holding it in trust for council. Now that the sale's gone through, we'll also do a formal subdivision of the land and that foreshore strip will be returned to council -

CHAIR - Basically Glenorchy Art and Sculpture Park - GASP.

Ms TURNER - Yes, that's right. Yes, so the GASP strip as well as the internal road through the site. Council will continue to own and maintain that into the future. It has, I guess, technically transferred across to the Crown as part of the sale but we're holding it in trust until that subdivision is completed.

PUBLIC

Mr EVANS - The last piece is that the Government in parallel, has a commitment to build a multi-court community facility; I think it has committed in the order of \$20 million to do that. That project is being run by Communities Tasmania, and they are going through a process to work out on the land adjacent to the Derwent Entertainment Centre what that would look like. They will come to you as the Public Works Committee separately once they are a little further advanced with their planning for the four court multipurpose community facility.

CHAIR - For clarity, the extra footprint that we were looking at this morning, that is not in relation to that particular development.

Mr FLOYD - No, all we looked at this morning was specifically our DEC job.

CHAIR - Yes, but on the diagram when we were looking at these extra bits.

Mr FLOYD - They were all for our DEC.

CHAIR - That's for the DEC. That's nothing to do with this extra component that Mr Evans is talking about.

Mr FLOYD - No. Not that I am aware of.

Ms RATTRAY - Back to my question around how much land is envisaged -

Mr FLOYD - 9.4 hectares.

Ms RATTRAY - Is the total amount to go to the LK Group?

Mr FLOYD - No, no.

Ms RATTRAY - I am interested in what the \$6 million within the next five years -

Mr EVANS - We have defined what we would sell to them essentially as those lands that are not required for the operation of the DEC and the multi-court facility.

Ms RATTRAY - Right. It is the 9.4 hectares minus the Glenorchy City Council in trust for - so that's the GASP strip.

Mr EVANS - Yes.

Ms RATTRAY - And the roadway? And then also the Department of Communities multi-courts purposes facility to be identified which is approximately -

Ms TURNER - We are not sure at this point. The Department of Communities is in the process of finalising a tender to get a design consultant on board, which will allow them to specify with some more certainty how much land it is they actually need to construct that facility.

Ms RATTRAY - How can you put a price of \$6 million on a piece of property, if you don't know how much you're selling?

Ms TURNER - That sale price that -

PUBLIC

Ms RATTRAY - Even the Valuer-General would need some sort of idea of how much.

Ms TURNER - Back in, I think it was 2018, the Valuer-General did an assessment of the entire site, including putting a valuation on the DEC as well as the sort of Brooker Highway frontage land and then the -

CHAIR - Car parks?

Ms TURNER - Yes. It considered the entire site. I guess that was the reference point for the \$6 million sale price that has been sort of agreed.

Mrs PETRUSMA - Just to confirm, the \$6 million is not part of the project that has come before us today; that's a separate project.

Ms TURNER - That's right.

Mrs PETRUSMA - It's outside the remit for the committee. I think what we just really need to understand today is what this committee is looking at - and that is just the DEC redevelopment, yes?

Mr EVANS - That's right. If I could come back to the heart of -

Mrs PETRUSMA - It's the \$41 million that we're sort of -

CHAIR - That's exactly right. My only query is whether the car parking is included in what Mr Kestelman is actually covenanting for.

Mr EVANS - No. We would see provision of future car parking for the operation of the DEC and the community facility as being essential for the publicly-owned part of the operation.

CHAIR - It would be jointly used, though.

Mr EVANS - We still have to work that through, and there might be a number of options we can look at in terms of future car parking. However, there's no point in us owning the DEC or a community facility if we don't have appropriate areas for car parking.

CHAIR - For clarity, in terms of Mr Kestelman's involvement with the DEC itself and the agreements that have been signed, he would obviously have use of those car parks for his purposes while they are conducting events in relation to the NBL and other -

Mr EVANS - Absolutely.

CHAIR - aspects to their particular agreement. But they don't have total control over that car park; is that correct?

Mr EVANS - No. I took the question as being what is going to remain in public ownership and the lands that are important for car parking to enable the operation of the DEC and the multi-court facility will remain in public ownership.

CHAIR - Public ownership. Okay.

PUBLIC

Mr EVANS - The arrangements in terms of the use of that land for the operation are established through the lease agreement.

CHAIR - Maintenance of that land - of the car park, for instance - sits with who?

Ms TURNER - There's a split between structural and sort of day-to-day operational. Because the Crown owns the land it has responsibility for any sort of structural repairs and maintenance, and that is both for the car parking areas as well as the building itself. Day-to-day operational repairs and maintenance will sit with the LK Group as the tenant under the lease.

CHAIR - If it needed resurfacing?

Ms TURNER - That would sit with the Crown.

CHAIR - With the Crown?

Ms TURNER - Yes, for a complete resurface. If there are potholes in the car parking area, for example, that would be something that the LK Group would manage on a day-to-day, week-to-week basis.

CHAIR - Okay. Thank you.

Ms RATTRAY - For completeness, the reason I was asking those questions is that it's part of the introduction in this brief.

CHAIR - Yes. That's right.

Ms RATTRAY - That's where the question has come from.

CHAIR - That's fine. As long as we understand and I think that's quite clear.

Mr EVANS - In this paper we have tried to be as comprehensive as possible in giving you the broader context for the specific purpose we're here for, which is to get approval for the DEC redevelopment which is \$41 million minus \$1.2 million that we have already spent.

CHAIR - I thought it was 46 and was the government's component -

Mr EVANS - Sorry, that's right. The government's which is capped at 41.

CHAIR - Yes, that's what we're approving today.

Mr EVANS - Yes.

CHAIR - Thank you. Anything further you want to add?

Mr EVANS - I might just turn to Allie as to whether I have missed anything.

PUBLIC

Ms TURNER - I don't think so. In terms of the broad context, that's a pretty neat summary of how the redevelopment sits within the broader deal that has been discussed and negotiated. The reason Thomas is here from Philp Lighton today, is that they were first engaged on the concept design work that was undertaken in the second-half of 2019. They have been continually engaged to progress the concept into a more detailed design phase - along with a number of other local consulting and other firms as part of the project.

Mr EVANS - What this broader transaction provides for is to facilitate the establishment of the team; redevelop the DEC into a modern, contemporary multi-purpose entertainment facility including for NBL games; establishment of the four-court community facility; and the future development of the Wilkinsons Point land in accordance with the broader vision established by Mr Kestelman last year.

It's a pretty exciting package and the Government sees it as really important. Part of the reason we've pushed so hard to finalise all the agreements, is that this is a really important, almost shovel-ready project in terms of the building and construction industry in this COVID-19 world.

Ms RATTRAY - A point of clarification, Chair. The four-court multi-sport facility is external to the inside of the DEC?

Ms TURNER - Yes.

Ms RATTRAY - That will only facilitate basketball; is that correct? Will that court that will be inside the DEC only facilitate basketball?

Ms TURNER - They play netball games in there as well. The redevelopment provides an opportunity for a drop-in court to enable NBL games to be played and broadcast from within the facility. One of the other things that the redevelopment contemplates is a larger floor space, so that you put more than one court in at a different orientation and play multiple games at the same time. That could be basketball but it could be netball, for example.

Mr EVANS - Or badminton.

Ms TURNER - Yes.

CHAIR - Or other events that take place.

Mr EVANS - Dance eisteddfods.

Ms TURNER - Yes.

Ms RATTRAY - I asked a question in Estimates last week and was told it would facilitate more than one type of sport. I am getting some clarity around what sports will be inside, because the four court multi-sport facility is outside.

Ms TURNER - Yes, the four court separate facility will be a physical separate building.

Ms RATTRAY - That is under Communities Tasmania.

PUBLIC

Ms TURNER - And that one will provide for absolutely more than basketball. I think they are contemplating netball, football, badminton and those sorts of things. That will be more community focused in nature. Whereas the DEC will have both a commercial and a community tie in in terms of its functionality.

Ms RATTRAY - Will it be affordable to hire for a community event as in community sporting event is the question?

Mr EVANS - There will be commercial events in there, whether that be NBL games or whether concerts, but we have also provided for in the lease agreement that those community based events are accounted.

Ms RATTRAY - So it will be affordable for those sports to hire that venue if it is not being used for the more commercial.

CHAIR - It is an important question in terms of affordability. Do you have any cap on what might be charged per event or in some way constrain the commercial nature, given that this third party is operating it? They can virtually charge whatever they may see as commercial proposition for them, but it might not be viable or affordable for the community.

Ms TURNER - There are a couple of important things the lease agreement does. It includes a base hiring agreement and requires that the hiring agreement including costs have a reference to industry standard. That is one important thing it does. Separately and probably more importantly, it also requires to the extent the venue is not used for commercial purposes it is available for community usage, including on an at cost sort of a basis. That is to recover the bare minimum costs of opening the doors, not necessarily charging a commercial rate for the usage.

CHAIR - Is there a certain percentage of events that have to comply with that or is it so many times a year they have to let it out at this reduced rate?

Ms TURNER - It is not specific in that regard. It is intended to capture any days or periods of time where it is not otherwise booked for commercial purposes to be available for community usage.

CHAIR - Perhaps we can go to the submission now and we will work our way through, usually page by page, to see if there are any questions members have, so we will go straight to the introduction. You have given a good overview and probably most questions are answered, but will leave it open for members.

Mrs PETRUSMA - I know we did briefly mention 49 years before, but why was it selected up to 49 years for?

Ms TURNER - From memory through the discussions with the LK Group, they were looking for long-term certainty on the basis that if they were going to invest their own private funds into redevelopment of the surrounding land, they saw the DEC as an important component of the broader redevelopment and they were looking for that commitment in terms of length of time. On the flip side that length of time was as far as the Government was willing to go in locking in for such a long period of time. Is that fair to say, Kim?

PUBLIC

CHAIR - In five-year lots, basically, which is inclusive to the 49, then in the fiftieth year something might be renewed if it were successful and continued -

Ms TURNER - I think the last period is four years instead of five, so it is 10 plus seven lots of five and a four at the end.

CHAIR - Okay, mind you, it will be interesting to see what sort of competition we are having in 50 years time. It might be something entirely different.

Ms RATTRAY - Chair, it might not be necessarily be part of what we are looking at today, but it is in the overall context. I found it interesting that it is a fixed annual rent. Even the Government sponsorship is plus indexation. Why wasn't it lease plus indexation on that \$200 000 annual rent?

Ms TURNER - I think, Tania, it might have indexation applied to it.

Ms RATTRAY - It says 'with a fixed annual rent'. Can that be clarified?

CHAIR - Together with a percentage rent.

Ms RATTRAY - But a percentage rent could be nothing if they don't make anything.

Mr EVANS - We might be able to check that as we speak.

CHAIR - That is the base rent isn't it? Plus the other bit that you were talking about.

Mr EVANS - That's the fixed base rent then on top of that a performance.

CHAIR - So there is the performance rent on top of the \$200 000; I think that is what they are saying.

Ms RATTRAY - But that may well be nothing if there is no performance. If it doesn't perform as anticipated, there might well be nothing. Still having the rent at \$200 000 for effectively 49 years - I hear what you say, that in about 10 years, you will reassess it. The LK Group gets ownership of the land they purchase for the \$6 million for their development into the future. It's not like they are necessarily putting a lot of money into a Crown-owned facility and not getting anything back for themselves. That is a discussion for the committee.

Ms TURNER - If I can just clarify, I've just popped up the lease and it may be a terminology issue. The concept is a fixed rental, but is subject to annual CPI with that additional performance rent on top.

CHAIR - Okay, that is something that is missing.

Ms RATTRAY - It is missing from your documentation then because it clearly says 'plus indexation for the Tasmanian Government sponsorship'. Thank you.

CHAIR - To clarify, when you are talking about the \$6 million, you are talking about the LK Group owning the land at the end of the day?

PUBLIC

Mr EVANS - This is the future development land around it.

CHAIR - That's right - it's not the DEC itself because that remains in public hands. I just wanted to clarify exactly what they were saying.

Ms RATTRAY - The comment was made that the 49 years was on the basis that the LK Group was putting a lot of their own money into it. Well, they are going to own what they put their money into.

CHAIR - That's true.

Mr EVANS - It is also worth remembering that right across the country, these sorts of facilities don't make a lot of money.

Ms RATTRAY - That's right; that's why I said that percentage might be nothing.

Mr EVANS - The alternative is that we do nothing with it and it continues to deteriorate.

Mrs PETRUSMA - Mr Evans, in regard to the \$6 million for the development land, isn't that going to facilitate \$200 million-worth of development, employment outcomes and jobs for Tasmanians too? So the multiplier effect you are getting from that development is quite big?

Mr EVANS - That's right, and you've probably seen his broader master plan, which includes hotel developments and other sorts of developments on the land. I go back to the point that whilst we have entered into a sale agreement, we won't actually complete the sale and transfer title until and unless Mr Kestelman undertakes those developments.

CHAIR - At the end or the beginning of those developments?

Mr EVANS - We still have to negotiate that agreement, but the term sheet that we have requires him to pay a deposit on the purchase, pay the holding costs, and we don't complete the transaction until and unless he has substantively commenced the development. We are still to negotiate the future land sale, and development agreement is exactly what that means.

We would have done it by now except for COVID-19. We have focused on the most immediate tasks, which are the redevelopment of the DEC, the four court facility, and the establishment of the team. If this broader transaction was going to continue to meet the original time lines, we needed to focus on those immediate tasks.

We have an agreement in the term sheet and the principles around which we will develop the future land sale, on the development agreement. This would include that if he doesn't proceed with the development, the Crown would retain the right to do something different with the land.

CHAIR - You're not bound into it if development is -

Mr EVANS - We're only bound into it if he delivers in accordance with the broader vision that he has established.

CHAIR - Quite clearly it is all about risk management.

PUBLIC

Mr EVANS - Yes.

CHAIR - You are satisfied that the agreements in place provide a level of risk management needed to secure the Government's funding that is being put into it, if you can put it that way.

Further questions on page 1? No. For members of the public, the Tasmanian Government has committed \$70 million in the 2020-21 State Budget for the purchase and upgrade of the DEC.

Mr EVANS - Almost \$70 million provides for the purchase of the DEC and surrounding lands from the council. It provides \$8 million for the DEC redevelopment and it provides for the four court multipurpose facility.

Ms RATTRAY - Which is around \$21 million.

Mr EVANS - Which is roughly \$21 million.

CHAIR - Any further questions. Page 2. No. Page 3, Project Rationale.

Ms RATTRAY - It's pretty much a repeat of the introduction.

CHAIR - It is. Can you outline the life of the DEC from the very start, in its original construction, if you know that? Who owned it? How it was transferred to the Glenorchy City Council? Do you have that in your -

Mr EVANS - I don't have all of the detail, but it was built about 30 years ago. It was funded by the government. It was then subsequently transferred to the Glenorchy City Council.

CHAIR - Were there any Commonwealth Government funds involved?

Ms TURNER - I think it was a bicentennial project. I am not sure whether that meant that it had Commonwealth Government funds or not.

CHAIR - I was interested to know that side of it, because, the state government originally funded it and now they are purchasing it again. They gave it across for \$1. I don't know how much they would have transferred it to the Glenorchy City Council for. I thought if you had that history, you might be able to share that, not that it is anything to do with the \$41 million at the moment.

Mrs PETRUSMA - In regards to that, I know that when I was the minister for sport and recreation, the state doesn't usually own sports facilities. In Launceston, the Launceston City Council owns a lot of the sports facilities, and that is what happens state wide. Usually, the state government might have facilitated the initial development, but then the councils take over the running, maintenance, et cetera, of them. This is what happens statewide.

CHAIR - The value is placed in it over years in terms of its maintenance and operations, keeping it in a reasonable shape. At this point in time, that is going to be significantly impacted by the works. I thought that might assist.

PUBLIC

Ms RATTRAY - Given that sports facilities do not make money, it will end up being something that will cost the Tasmanian community forever and a day.

CHAIR - But they will have access to a major facility for indoor sporting, which is obviously what the investment is intended to deliver.

Further questions on page 3? Page 4?

Mrs PETRUSMA - Chair, if the costs go over the \$41 million the state Government has committed, the LK Group funds everything else after that?

Mr EVANS - Yes, they do. The development agreement we have caps our contribution at \$41 million and makes the LK Group liable for any costs over and above that.

Ms TURNER - And equally to the extent the cost of the actual building works was to come in under \$41 million, the development agreement also provides the Crown would essentially only pay those actual costs. So, it is up to \$41 million but not beyond and we would not be paying more than the actual cost of the works.

CHAIR - To answer the earlier question with regard to the multi-sport facility, for the members of the public who may be listening, includes basketball, netball, futsal, volleyball and gymnastics. It is a significant number of sports and no doubt others as they may be able to be accommodated.

I note where you are talking about it being a location with suitable transport connections as it is riverfront land in Hobart's northern suburbs, strategically located the northern gateway to Hobart and the City of Glenorchy, has a direct connection to the Eastern Shore via the Bowen Bridge and it also would have ferry access, at some point. It is something to think about.

Page 5?

Mrs PETRUSMA - When we talk about an NBL standard training and performance facility, can you describe to the committee what an NBL standard training and performance facility actually looks like? What does that mean for Tasmania? What are the elements of it?

Mr EVANS - Ali might be able to add, but all of the league sports require facilities, whether it is AFL, NBL, or cricket. They require performance and elite facilities for the resident teams. We are still working through what that means for the LK Group, because we want to have a broader look at elite facilities across all sports. We do not want to deal with that issue outside of looking at sports more broadly including TIS, AFL, cricket.

Ms TURNER - Would it also be worth talking about, and this might be one that Thomas can provide a bit more detail, is within the DEC redevelopment itself some of the upgrades to bring it to NBL standard and around broadcasting and player amenity, and viewer experience. Thomas, could you talk to some of those?

Mr FLOYD - For athletes to operate at their peak, the DEC originally did not have player facilities of toilets and showers that would support team sport, so they have been placed at the back of the venue. They include offices for coaches, some storage for their gear, and also accessible showers in those spaces to complement the team showers and toilets.

PUBLIC

In regards to broadcasting, all that lighting and audio visual technology in the venue now is towards end of life and is being replaced through an informed process with specialist AV consultants, which the LK Group are liaising directly with. That will allow them to broadcast these games nationally and internationally with an American audience in mind.

For people viewing sport and basketball in the venue, their experience has been heightened by creating a better atmosphere around the court, new retractable seating all the way around the court which, at the moment, is on two sides. There is some fixed seating on the lower bowl on the bottom also going to be transformed into retractable seating. By having retractable seating all the way around the bowl, we have been able to create the most flexible and multi-purpose flat floor space we can within the constraints of the existing venue.

Towards the arrivals precinct and the front door of the venue, we have three food and beverage offerings now with different standards of offering. They are catered to your more traditional pie and chips you would get at a sporting event, but then higher end burgers and Tasmanian beer sales at another concession space, and a third food and beverage offering that can open up for longer periods of time and be operating when the stadium is not operating as a baseball stadium. They are all functions that modern day venues would be built with and which were lacking in the program at the DEC given it is a 30-year old facility.

CHAIR - Catering for corporate boxes would be undertaken in those kitchen facilities onsite or would they be expected to -

Mr FLOYD - There is a corporate program for the DEC. On that side of the plan shown in yellow, we have a new commercial kitchen and a bar that supports this space and feeds directly out onto with a very close connection to some of the seating shown in orange just in front of that back-of-house area. Let's imagine corporate seating would mainly be in that retractable seating through that part of the plan, but also the more favourable seating around the courts. You have two rows of operable seats or seats set up game by game that go right up next to the court edge.

CHAIR - And for the rental of the space for dinners and the like, those corporate facilities, the commercial kitchen would be available for those?

Mr FLOYD - It comes down to how facility management want to run the venue. It has been designed as such where that can run independently to the rest of the stadium, so you do not have to open up the entire stadium. Likewise, that food and beverage outlet which is closer to the Brooker Highway can be opened up and run for the community events and separately to the entire stadium.

Ms GUEST - If the internal arena was used as a car show dinner or something like that you can use the commercial kitchen at the back to feed into that area.

Mr FLOYD - Yes.

Ms RATTRAY - Can you point me to where the corporate boxes are?

Mr FLOYD - Sure, part of the top of the plan as it is shaded white which hasn't got colour on it. That's back of house. Directly below that is an orange bank of seating. They are

PUBLIC

corporate boxes. If you go left, towards the blob of yellow, that is the corporate space. It is shaded yellow, so they have that connection through there.

Ms RATTRAY - Fine. I have a question on this page as well. It talks about promoting sustainable transport and providing infrastructure to support the use of bicycles, walking and other sustainable transport modes. Does that mean you would have electric charging points somewhere?

Mr FLOYD - We have gone as far as providing public bicycle parking on the Brooker Highway side of the site. Then we have bicycle parking in the compound at the back of the site, within the secure compound for staff.

I think there is a vision for ferries to provide access from the city and Mona to this site. There are established bus routes and there will be a Metro bus program worked through with the facility management to provide those forms of transport to the site.

Ms RATTRAY - No charging stations planned?

Mr EVANS - To be decided, I think, but certainly not precluded.

Mr FLOYD - There's always the option to put it in.

CHAIR - It would be sensible. A lot of people want to get around that way these days.

Ms RATTRAY - There's a push for the fleet to change to all electric, so there will need to be provisions for that somewhere. There is plenty of space out the back, as long as you don't sell it in the meantime.

CHAIR - You mention with the Hobart City Deal and activation of Wilkinson's Point, under that section of page 5, the last dot point, 'Provide public access for public art, passive recreation and community events, and GASP activities'. Do you know whether GASP is going to continue to be funded in relation to what is happening on this site, or is that something for the Glenorchy City Council to deal with? The Government is not involved.

Ms RATTRAY - Can we identify what GASP actually stands for?

CHAIR - Glenorchy Arts and Sculpture Park.

Mr EVANS - Our key, as it says here, is to provide for public access to that on an ongoing basis. We have done that.

CHAIR - The Government's not involved with the operational aspects of that?

Ms TURNER - No.

Mr ELLIS - Mr Evans, I think you might be the right person to ask this. We talk about the Hobart City Deal and Wilkinsons Point, and its part that it plays in that. How will this join up with the rest of the Hobart City Deal?

PUBLIC

Mr EVANS - That is a good question. There are a number of things within the City Deal that are interlinked, including transport and traffic solutions more broadly, but also things like public housing, a gateway to international flights into the future, and the Antarctic and science precinct. Within the City Deal itself, there is a recognition that in various parts of the greater Hobart region we need to identify key developments. This development is named as one that should be supported and facilitated through the Hobart City Deal.

CHAIR - Is that park and ride? Isn't there a park and ride component?

Mr EVANS - No. This development is identified in the City Deal. We see this as an important part of delivering on the City Deal.

CHAIR - Did I not read in here somewhere, where the parking area would be used for park and ride?

Ms TURNER - That is one thing that has been identified by the LK Group as part of the broader master plan for the site. Depending on how that evolves over time, park and ride may form part of that broader development, subject to how that development proceeds in practice.

CHAIR - That's fine. I wanted to make sure I didn't dream it.

Ms TURNER - No, you didn't.

Ms RATTRAY - It's listed on page 5, development park and ride.

Ms TURNER - The LK Group has put the master plan through the planning process. In the second half of 2019, it submitted an amendment to the specific area plan. That went through the usual council process and then was submitted to the Planning Commission earlier this year, which subsequently approved that amendment to the specific area plan. It contemplates the new master plan for the site.

CHAIR - Further questions on page 5? Moving to page 6.

Mrs PETRUSMA - Mr Evans, in regard to the potential benefits, it talks about how this could offer up to \$200 million-worth of value. Can you outline why this is a good outcome for the site? This is tied up in the Hobart City Deal, the agreement's between state and federal government, and it helps to activate part of that. It is an under-utilised piece of land, it is going to have a lot more development on it. Why is this a good outcome?

Mr EVANS - I think that what is reflected here is the result of work commissioned by the LK Group in putting together the grander vision to support the redevelopment of the DEC and Wilkinsons Point. Their analysis would indicate that redevelopment of the DEC, establishment of a basketball team, unlocks the future development potential of that broader area. It is a pretty exciting master plan, if you have had the opportunity to look at it. They got some independent economic analysis from SGS Economics and Planning to look at the impacts of the 10-year stage build. You have to remember that the DEC redevelopment is only the start. This is a 10-year future program for broader Wilkinsons Point. Potentially unlocking value of up to \$200 million is pretty exciting in terms of the initial investment that we are required to make.

PUBLIC

CHAIR - With respect to the multi-sport facility side of it, yes, it is exciting that \$200 million in total is going to be generated. Was an analysis done as to demand and need for that particular multi-sport facility in relation to all the other facilities that are available in the region? Why was this settled on, so that we know that it is not going to end up being a white elephant?

Mr EVANS - I can't give you a detailed answer to that question because it is really a matter for the Department of Sport and Recreation rather than the Department of State Growth. It has been long recognised that there is a need for additional community-based sporting facilities, particularly in that part of the Hobart region. I understand that a commitment was made by the Government prior to the last election -

Mrs PETRUSMA - I might be able to assist because I was the minister for sport and recreation. Many studies have been done based on the eastern and western shores and there is a dire shortage of multi-sports facilities. Football Tasmania would like it for futsal because there is a shortage of facilities for futsal. Gymnastics Tasmania wants it, Netball Tasmania wants it, Basketball Tasmania is running out of places to hold basketball in the south.

CHAIR - It is a covered facility you're talking about?

Mrs PETRUSMA - Yes, also badminton. There is a dire shortage in Tasmania which is leading to fewer people participating in team sports. Women and girls want modern facilities, they want toilets and they want showers. We needed more courts, more facilities, better quality facilities to get kids playing sport at a younger age. We needed a development where it could be multi-use sports during the day, age appropriate for seniors during the day, kids after 3 p.m. It is in a central location and allows people from the Eastern Shore to come across the Bowen Bridge. It allows people from the western shore to use it too. We might need to replicate it on the eastern shore.

CHAIR - Thank you for that. There may well have been in the past a vision that something might happen on the Cosgrove site.

Mrs PETRUSMA - This one supersedes that.

CHAIR - Thank you. Any further questions on that aspect? No.

Page 6, continuing there. With respect to the paragraph directly under the first set of dot points - the redevelopment will also provide a catalyst for the broader development that will support the precinct to facilitate much-needed job opportunities for Tasmanians living in the northern suburbs of Hobart. Noting that, as at the 2016 Census, the unemployment rate in the Glenorchy City Council area was 9.3 per cent, how do you intend to maximise employment from that local area? I hear what you are saying about apprentices and all the rest, but they could come from anywhere. Is there some understanding as to how you intend to do that?

Mr EVANS - I imagine that will be through active engagement with Glenorchy City Council. They are very excited about it. The reason they were initially the champion of this broader proposal with the LK Group was about the job opportunities for their local residents. I imagine that, with individual developments, they would be working very closely with us and with the LK Group about how we can maximise job opportunities, whether that is in retail,

PUBLIC

hospitality, entertainment, other aspects of the development as it proceeds. We can't understate the construction and building opportunities that will emerge, either.

CHAIR - Thanks for that. It is easy to write words, but to know that there is a bit of a plan in place to make it happen.

Mr EVANS - We would actively work with the LK Group and the Glenorchy City Council.

CHAIR - The next set of dot points - the development would generate \$6.7 million in direct value added to the GSP, and support up to 42 full-time equivalent jobs per annum over the construction period. The next line down, total direct and indirect impacts are estimated to be about \$18 million of value added to GSP per annum, and create up to 129 full-time equivalent positions. That is over the 10-year construction period. So, 42 full-time equivalents per annum over 10 years would -

Mrs PETRUSMA - The first one is the construction period.

CHAIR - Yes, it's just the construction period. It says 'per annum for the construction period'. So how long is the construction period? Do you know how long it is going to take us to see that come to fruition?

Mrs PETRUSMA - August next year, isn't it?

Mr EVANS - There are a number of things here. There is the redevelopment of the DEC. There is the broader construction of the Wilkinsons Point Precinct, which would be over 10 years, then there are the jobs and economic benefits flowing from those developments. Which, as I said, might be in hospitality, it might be -

CHAIR - It could be a number of areas. An additional 1145 or 809 direct full-time positions. It is no small stimulus. With respect to those figures on that last dot point, do we have any tabulation that we can point to as to how that was derived?

Mr EVANS - They were extracted from the independent SGS Economics and Planning report prepared by the LK Group. I am not sure what level of detail is in that report.

Ms TURNER - It was quite a lengthy report. It was publicly available. We could provide a copy if the committee would like to see it. It supported the planning amendment that was put through for the specific area plan by the LK Group, so it is a public -

CHAIR - So that has been lodged with the Glenorchy City Council.

Ms TURNER - Yes, it was lodged with council last year, and went through the Tasmanian Planning Commission process this year as well. I believe it was August or September when the Planning Commission actually approved the amendment to the specific area plan.

Ms RATTRAY - Just with regard to stage 1. Thank you for the opportunity to look at the works that are already being undertaken. I think if you have that for \$300 000, you have done a pretty good job. I think it is value for money.

PUBLIC

It says these works are expected to be completed by the end of 2020, which is about three weeks away. That is not likely to be the case. Is that correct?

Ms TURNER - Those preliminary works, we expect, will be completed by Christmas.

Ms RATTRAY - All that we saw this morning will be done? The clean-out will be -

Mr FLOYD - It is an enabling package, like removing a majority of things that aren't structural and don't trigger a building permit, that will enable the next contractor to come in and have a clean run, to undertake stage 2.

Ms RATTRAY - So all those wires hanging out of that front foyer will just stay there? Nobody will do anything with those?

Mr FLOYD - They will be tidied.

CHAIR - We thought they might make an artwork.

Mr FLOYD - As the foreman mentioned, they have to keep all the exit signs operational, and all the fire protection operational. A lot of those wires do need to stay for now.

CHAIR - It must be a nightmare, making sure you are not touching live wires.

Ms RATTRAY - It's definitely on target for that?

Ms GUEST - They are currently a week ahead of schedule. They hit the commencement of the stage 1 works really hard, because they were worried about it coming in so close to Christmas. They are very confident they are going to finish on time, or early.

Ms RATTRAY - Well done, VOS Construction.

CHAIR - On the second dot point on page 8, you are talking about provision of two fire tanks for use in the event of a fire. What size tanks are we talking about here?

Mr FLOYD - They are considerable. They are in the scale of tens of thousands of litres. That is a usual occurrence on these larger buildings, which require sprinkler systems to be added post, say, well into their life, because sometimes the water mains don't have the flow rates required to run the sprinkler system. So, the tanks respond to that peak demand for water.

CHAIR - Is that going to be fed, to actually use stormwater for that, or is it just -

Mr FLOYD - No, basically the tanks need to sit there full all the time, and at ready.

CHAIR - I appreciate that, but I was just wondering whether there was some alternative way of being able to fill them up.

Mrs PETRUSMA - So it's not roof runoff - water captured on the roof? They don't go into the tanks at all?

PUBLIC

Mr FLOYD - It would be nice to be like that, but they have to be full before you occupy the building. Then they have to stay full and at ready. You don't drain them regularly. They always just sit there.

CHAIR - Always got to be on standby.

Mr FLOYD - That's it.

CHAIR - Further questions on page 8.

Mrs PETRUSMA – With respect to DDA accessibility. Thank you for the submission. I used to work with Michael Small on the Premier's Disability Advisory Council, and also because I was the previous minister for Disability Services. I want to commend you for the fact he has been involved in putting all this together. It is one of the best submissions I think we have seen in regards to this. It is wonderful to see.

It is quite extensive, so are you able to give a summary of how you have made this facility DDA-compliant?

Mr FLOYD - We might start at the beginning of the experience, when you arrive at site. What we have tried to do is reform some DDA car spots and align them with a new entrance ramp. There is now a continuously accessible path of travel all the way up to the front door. We have been able to achieve that from that main entrance, where we parked today, but also around on the corporate side of the building.

Once we come inside, we now have the correct provision of DDA toilet. We have provided a new lift. Now DDA patrons can access all of the food and beverage outlets on both levels, and they can move down into that lower part of the stadium and sit in that preferred area of seating on the newer seats.

We have made space for their family members next to the allocations for them, which Michael Small was quite passionate about. It generally is a good result for them.

CHAIR - Was wheelchair accessibility to the next level up considered, so they could get a better overview of the site, or was there a bit of compromise on that?

Mr FLOYD - Michael recommended trying to put them into an area - a preferred viewing area - as opposed to out of the way, towards the back of your mind sort of thing.

CHAIR - I know what you are saying.

Mr FLOYD - That was a very conscious decision. The other pragmatic driver for that is that concrete structure of the building is quite hard to modify. Taking a lift up three parts of the stadium would literally put it in front of existing seating which is in tiers in the back of that building so it was not practical on a couple of different levels.

Mrs PETRUSMA - For a basketball/NBL game, people who need wheelchair accessibility are better placed in an area at the courts so that they are closer to the court action and the experience when they are seated. Is that what you are saying?

PUBLIC

Mr FLOYD - Yes, a lot more.

CHAIR - Maybe we could actually turn to that, seeing you have raised that - we could turn to the Equality Building report. With regard to the DDA, it might be a good opportunity to turn to that report which is at the back of the submission.

Ms RATTRAY - In regard to car parking, it talks about -

TBC

... while minimum requirements will be met, they have recommended for more than minimum if possible ...

Has that been achieved?

Mr FLOYD - It has been taken on notice by the LK Group.

CHAIR - At the bottom end where it says -

TBC

...operator monitoring of usage TBC will guide future provision.

They are going to see how that pans out by the looks of that. My question on the very point you are making: is there any guarantee funds will exist and this will become a reality if they find there is a need for further provision? Is that something the Government would be funding or is it something THE LK Group would need to fund?

Mr EVANS - I think the answer to that is we would probably be liable for that funding but we are still in discussion with the LK Group about the detail of DDA compliance more broadly because if we are investing these funds on behalf of the taxpayer -

CHAIR - They need to be accessible by the taxpayer.

Mr EVANS - DDA compliance is a non-negotiable from our perspective.

CHAIR - That is fair enough. It also says -

TBC

access between building on the allotment not applicable at this point in time.
However, further development on the allotment will require assessment.

Are the contingencies that have been set aside designed to cover this, rather than the car parking, with regard to access between buildings on the allotment? Is the contingency going to take care of those sorts of costs if it is found to be needed?

Ms TURNER - I think that would be again subject to a separate assessment as and when, for example, the indoor four court facility is built. What does the connection between the DEC and that facility look like? As the broader precinct is developed as well, what does the connectivity between all the different parts of the development look like? The contingencies within the budget are more specific to the actual redevelopment of the DEC as opposed to that sort of future piece of development.

CHAIR - On page 3 of this, entrances, ticket information counters, turnstiles and general circulation, they are all talking about later design. I guess the question is -

Ms RATTRAY - How much later?

CHAIR - How much later and are there going to be funds to do it?

Ms TURNER - I think those comments probably reflect that - and Thomas can correct me if I am wrong - but the design process for the redevelopment is continuing as we speak today. Notwithstanding that we have gone to tender for the stage 2 works, for example, that was based on design documentation that was maybe 60 to 70 per cent complete. Some design work is still to be done over the coming couple of months before the actual construction works commence. Is that fair to say, Thomas?

Mr FLOYD - Yes, that is fair.

Ms RATTRAY - You are not out to tender yet?

Mr FLOYD - No, we are out to tender. What we have done is tender on 60 per cent contract documentation on the instruction of the LK Group.

Ms TURNER - The outcome of that tender, the construction works on stage 2, can't commence under the development agreement between the Crown and the LK Group until a range of conditions are met, one of which is approval from the committee. We have a hold point in that tender process.

Ms RATTRAY - So the remaining 40 per cent is to be let in February 2021? I just asked the question this morning about the tender: is that correct - the remaining 40 per cent?

Mr EVANS - There are two stages; there is the early works which -

Ms RATTRAY - Which have been done.

Mr EVANS - Then there is stage 2 -

Ms RATTRAY - Which is this.

Mr EVANS - Which is this. The full documentation, as I understand, Thomas, is 60 per cent complete, which enables the LK Group to go to tender. They have just put this into the marketplace to commence the tender process but we won't agree to the final result in that tender until we are further advanced with some of the detail in this documentation. It is a progressive thing that will happen over the next couple of months in the lead-up to February.

Ms GUEST - Also, the building gets approved by the building certifier so he would look at the entrance desk and things like that. He will be going through Michael's reports and ticking those things off.

Ms RATTRAY - Just for your information, this is a different process than I have used. Normally the tenders aren't let until the committee has made a decision about whether the

PUBLIC

project proceeds or not. That is why I am a little bit - it's just a different process than - and I have only been here a short time.

Mr EVANS - In part this is about timing. We have a short window of opportunity to procure an NBL team and the redevelopment of the DEC. We had COVID-19 hit; we have resumed and we need to be fairly flexible about how we deal with this now. At the first opportunity we have brought this to this committee. We are doing so without prejudice; stage 1 work would need to have been done irrespective of this development or not.

CHAIR - What you are saying is that we are not a rubber stamp?

Mr EVANS - You're not a rubber stamp, no.

CHAIR - That is the important thing when reading through this. That is why we ask for the clarification to start with. Exactly what we are approving? It is the \$41 million basically today, and you have filled in all the spaces around that.

Mr EVANS - There are spaces around it. What we really need is your approval for the \$41 million.

Ms RATTRAY - It is a different process from the way the committee normally handles this type of matter or deals with references.

CHAIR - I think there have been tenders -

Ms RATTRAY - Not in my time so that is where I have found it difficult.

CHAIR - There have in the past, but the project doesn't proceed unless it gets approval. The cost of going out to tender and the company putting effort into actually putting in a tender is why we don't often see it happen.

Mrs PETRUSMA - Chair, with regards to that, when we did the statewide radio network, Telstra had already been named. We have been members of this committee where other agencies have just had to wait for the approval of the committee.

CHAIR - That's right. Anything further in this attachment - the Michael Small attachment, I will call it; very thorough. Terrific.

Turning to page 4 of this - and you may not be able to answer this - it talks about things such as left- and right-hand transfer toilet doors and the like. All that is linked up to the types of disability people have and necessity for them to be able to negotiate doors, et cetera. It is terrific you have gone into it this deeply. This report has really pulled all of that apart and put forward some very good suggestions.

There is only one thing I am wondering has been covered and that is with the light. There are lights on the steps. I have noticed when you go to those events sometimes those lights can blind you. Has there been any consideration of that?

Mr FLOYD - We have been working through different options to respond to that and also deal with the fact a light can fail and might not come on when you need it to. There is

PUBLIC

new technology on the market since the DEC was built and now they have phosphorous inserts you can put nose in in aluminium stairs. This gives a luminous contrast between the riser and the tread but also has that soft glow all the time. That sort of absorbs energies from the artificial light.

CHAIR - And it is not so blinding?

Mr FLOYD - No.

CHAIR - Very good. Unless there is anything else on that appendix, we will go back to page 8, and ask for any further questions.

It talks about the DEC being an old building and the sustainability there - many old surfaces. Knowing what the condition of some of those surfaces that are under concrete and aggregate, I suppose is always an issue. How do you know there hasn't been movement with the concrete over time? I noticed today as we were walking across there were quite significant gaps. Might have been because it was a cold day.

Mr FLOYD - The gaps you saw today, were expansion gaps.

CHAIR - They are expansion joints.

Mr FLOYD - We can't tell what is under concrete and can't say how good a pipe is under six feet of earth either.

CHAIR - You have to go from current operation of the facilities and the like.

Mr FLOYD - We have J and G, our services engineer, working through all the surfaces.

CHAIR - Electrical cabling and all those sorts of things would be completely replaced, or is it only those areas going to be redeveloped?

Mr FLOYD - Generally, it's a large scale replacement. A lot of those things. Not pipes like we have spoken about, but cables. Data cables in particular. Technology has moved on.

CHAIR - Of course it has. Might be less of them in fact.

Mr FLOYD - Yes, and we don't have phone lines anymore for communications, so it is getting replaced.

CHAIR - Good wireless.

Mr FLOYD - Wireless is important too.

CHAIR - Moving across to point 10.

Mrs PETRUSMA - Chair, there is rainwater harvesting for use in staff toilets, so there is some option of the water there.

Ms RATTRAY - And landscape irrigation.

PUBLIC

Ms TURNER - They're the sorts of things we are, as the building owner contemplating. They are not necessarily all built into the design at this point in time. Certainly, from a sustainability point of view and into considering the long-term ownership and operation of the venue, they are things we are exploring. How could they be incorporated into the design, at what cost and those sorts of things. They are some of those things forming part of that ongoing discussion about the progressive design work as it gets closer to that sort of 100 per cent mark from where it is, as we speak today.

CHAIR - The last dot point, on page 10 - replacing eye level single glazing in the foyer with double glazing to reduce heating and cooling requirements for events. I would have thought, given the location we have there where often it is very windy and cool coming straight off the river, there might be some opportunity for heat spill.

If it is overwhelmingly hot, I understand why you are talking about double glazing, but it might also be an opportunity to harvest heat. I am thinking of the glass roofing in the Henry Jones Art Hotel and the way they have those big socks going up to the ceiling and suck the heat down and pump it so it helps to heat the units. I am wondering, because this has so much solar access, whether those sorts of things have been considered to heat the internal parts of the building.

Ms TURNER - We'd defer this to Thomas.

Mr FLOYD - Are you wondering how much solar heat gain we are expecting on that concourse?

CHAIR - Yes, and whether it is being successfully captured and utilised.

Mr FLOYD - There is limited opportunity for windows as the new façade we are replacing around the base of the building is about 90 per cent of the façade. The windows up the top might make up only 10 per cent. The new façade we are wrapping around, solar gain is limited into that space because it is quite highly surfaced. If we measure the building we have toilets, food and beverage outlets, offices and first aid rooms, so not too much will come in.

J and G did an energy audit and some heat gain calculations when they designed the mechanical systems. They haven't reported they have any concerns about that space overheating. Some projects we have established solar chimneys and established parts of the façade at the highest point of the building to be able to open up and let the heat out. That has not come up as being required on this job. The comment about those high level windows is mainly around retaining heat, because they are at the top of the building. If we were to change them to double glazing we could potentially trap some more heat in the area.

CHAIR - So it doesn't exist when it shouldn't?

Mr FLOYD - That's right.

CHAIR - You were talking this morning on our site visit with regard to the Dampout and how it has a mesh, so the force of wind and all the rest is actually significantly dissipated and you won't get such heat transfers either in or out.

Mr FLOYD - The Dampout over the top of that entrance canopy, which is a standalone structure, is an interesting product. It does cut down a bit of glare, mitigates the effects of wind and rain, but it does take a little bit of heat and light too which comes into that space. One of the things we are trying to do is lighten the entrance and make it brighter so that will help with that.

CHAIR - With regard to sustainability question over the life of that product and the yellowing of that product over time, which could make it look very ordinary, can you give us some understanding as to what that life might be?

Mr FLOYD - The manufacturer, Dampout reporting a 15-year warranty and a serviceability period of double that say 30 years.

CHAIR - That would be commensurate with any other type of roofing?

Mr FLOYD - Yes, similar roofing. I am not sure what it is for a metal roofing. Metal roofing wouldn't necessarily suit our design goals in that area of letting light in and creating a nice bright space.

Ms RATTRAY - You talked about it being two sheets with a honeycomb sort of mesh middle.

Mr FLOYD - Yes, it's not two sheets. It is more a maybe composite or a multi-cellular product. It probably has to be seen to be fully understood.

CHAIR - Brooke Street Pier is a similar product?

Mr FLOYD - Yes, that is a similar product.

Ms RATTRAY - A question on the Tasmania Government Arts Site Scheme, there was some reference this morning about the design of the building would incorporate perhaps part or some of that art site scheme. Can we have some indication of where your thinking is in that?

Mr FLOYD - We've had some discussion on that. Nothing is locked in right now. At the front of that entrance canopy there's a material that we're speculating is a perforated mesh that mitigates the effect of wind. That could be patterned with that public artwork.

Ms RATTRAY - You might turn around and have a look at what they have done with the woodwork in this room.

Mr FLOYD - Yes, it's great. Ideas like that, that can connect it to context, would be pretty good.

Ms RATTRAY - That depicts some scenes from around the place, I believe.

Mr FLOYD - Yes.

CHAIR - That is Mount Wellington.

PUBLIC

Ms RATTRAY - It's Mount Wellington, is it?

CHAIR - Yes.

Ms RATTRAY - And there's a different one in the next room.

Ms GUEST - The Arts Tasmania process has been established and we have a meeting quite soon to set up the brief for this project. We've set up some indicative outcomes that we want to achieve with the arts budget. We really want it to be an arts-built-in project, not a piece of art that sits on the wall but it's actually built into the building. That's one of our main things. It buffers some of the weather and it engages with the entrance sequence. They're probably our three main briefs.

CHAIR - And in some way links with what is happening on the GASP strip, or not?

Ms GUEST - We haven't worked with that. There is some existing public art on site. We have established that is owned by the Glenorchy City Council. We've come to an agreement that that will be gifted back to the Glenorchy City Council. We will place that wherever they wish it to be, which might be on the Montrose foreshore or another Glenorchy Park.

CHAIR - Sorry, you're talking about the various installations that are around. Yes, I know what you're talking about.

Ms RATTRAY - Given that it might be incorporated into the structure of the building, that will need to be done sooner rather than later, won't it? That will make a difference to what is out to tender.

Mr FLOYD - We have the perforated mesh in the job for tender but the actual patterning of the perforations, it could be argued, is not on the critical path to go to tender, even in the first couple of months of construction.

Ms RATTRAY - I do like to see useful art installations, I might add.

CHAIR - Yes, but inspiring.

Ms RATTRAY - Inspiring by all means, but useful.

CHAIR - Yes. Given we have MONA just across the way, it would be good to be able to somehow see it.

Mr FLOYD - They can certainly talk to each other.

CHAIR - Yes.

Ms RATTRAY - If you are going to try to outdo MONA, look out.

CHAIR - Okay. Page 11.

PUBLIC

Mrs PETRUSMA - You mention Tasmanian Government policies relating to Buy Local. Do you have an estimate of how much will be local Tasmanian companies? How are you trying to encourage this development to be as much Buy Local as possible?

Mr FLOYD - The methodology has been to embrace the wood encouragement policy, so use a lot of the timber suppliers and manufacturers where we can and leverage off the knowledge that local joiners have - wall linings and their technical knowledge of working with timber. With other materials and finishes, that means dealing with local suppliers for products that come from interstate. A lot of our building products, such as carpet and tiles, are sourced from outside of Tasmania. Kitchen equipment and lighting come from overseas. We've already contacted local suppliers and incorporated a brief for those elements in the tender documentation already.

Ms TURNER - To step it up a level, in a consultant and contractor sense, the discussions that we as a department are having with the LK Group are to encourage if there is a local consultant or contractor that can fill a brief or provide services, then our preference is to look at local content where possible. In the list of companies that have been engaged to date, the vast majority are already local.

Ms GUEST - The Buy Local policy is within the tender. That's the formal 25 per cent weighted criteria, and also the mandatory 20 per cent of apprentices for training policy. That's a local policy.

Mrs PETRUSMA - That's good.

CHAIR - With the delivery model, where the redevelopment and project works are being managed for the Tasmanian Government by the LK Group, through LK Development, given the LK Group is basically a beneficiary, can you explain to me why it is wise to have them as the managing entity? I'm not suggesting that they will, but it could be seen that they might want to cut corners to reduce costs for themselves. Can you just tell me, give me some comfort there?

Mr EVANS - We have safeguards in place to ensure they don't cut corners. It is a feature of how this project has evolved, to be honest. They were, up until late last year, to be the purchaser and developer of this site from Glenorchy City Council, and had done a lot of work. It was only late that the Government stepped in to say that if they were going to contribute funding, then they wanted it in public ownership. It didn't make sense to be that far down the path with the work that the LK Group had done to stop and try a fresh approach. We would have lost the benefit of why we had decided to invest in the first instance.

Given that situation, where we turn our attention to is in the contractual documents. How do we ensure we safeguard the public interest? We think we have done that pretty well.

Ms TURNER - There are a number of requirements and conditions, precedents, set out in the legal documentation. Certain points during the design work and part of the development require Crown approval before things can proceed further. A good example of that is in the development agreement, prior to the commencement of the stage 2 works, which is the bulk of the works to complete the redevelopment, the Crown is required to sign off on the project design documentation. In the drawings included in the submission, there is much more detail sitting behind those. We have our own technical expert advisers to advise the Crown on those

PUBLIC

drawings. We have to be satisfied and essentially sign off the design, before that work can commence.

CHAIR - That's Johnstaff Projects, is it?

Ms TURNER - Yes, that's right. That's one example of where we are taking our own advice about the project in order to satisfy ourselves that what we are purchasing for the funds being invested meets the Crown's requirements.

CHAIR - It seems you found it necessary to use external legal advisers, King and Wood Mallesons. Do we not have the internal skills to do the work they are doing?

Mr EVANS - That was a decision made by the Crown Solicitor. Some of these developments are quite complex.

CHAIR - I can understand that.

Mr EVANS - From time to time we will outsource complex work. It is an outsourcing arrangement by the Crown Solicitor not by the department.

Ms TURNER - That's enabled us to negotiate five agreements within the space of five months, which has been no small task.

Mr EVANS - The agreements are about that thick.

CHAIR - I can imagine the agreements are quite significant, but in a sense it gives an element of comfort that other eyes are on it, and are providing that level of scrutiny.

Ms TURNER - That's right. Both the legal advisors and the Crown's technical adviser in Johnstaff are highly experienced in similar projects, both public and private. Both in Tasmania and in other Australian jurisdictions. Again, bringing that experience to this project we felt has been highly valuable in protecting the Crown's interests.

CHAIR - Is that part of the \$41 million, their costs?

Ms TURNER - The department has a project delivery sort of budget.

CHAIR - And that's part of that?

Ms TURNER - Yes.

Mr EVANS - In our budget this year there was an allocation to project manage this.

CHAIR - Can you give us an understanding of what that might be?

Mr EVANS - Our own project management resources, for example, Johnstaff -

CHAIR - The legals?

Mr EVANS - And any legals that would need to help the Crown Solicitor with.

CHAIR - Do you have a number on that?

Ms TURNER - One million.

CHAIR - Not insignificant, but no doubt worth it, I suppose, one would hope. Anything further on page 12? Then to page 13, over to the figures, I think they add up this time.

Ms RATTRAY - The Chair managed to find a discrepancy in the last reference.

Mr EVANS - That wasn't one of our projects.

CHAIR - I don't know, but it was a transposition error, we worked that out.

Mr ELLIS - What was the rule again, Chair, divide by nine or something.

CHAIR - If you add them up and get a different total to the one that's on the paper and you subtract the difference and if it is directly divisible by 9 it's a transposition error most likely. It's a trick you need to know. Anything on page 13? Inclusions, at the bottom of page 13 -

Inclusions that will appear in the project design documentation with the project stage 2 which do not appear in the cost plan summaries, but to be undertaken as part of the category 1 project works.

Lease, furniture, equipment, curtains and blinds, plus a few others over the page. Then we have the exclusions listed. Project time lines. I don't think I'd like to be project managing this; I reckon it's a bit fraught. You've got your bases covered there, staff moving and leaving? Not looking at anyone in particular.

Ms TURNER - We think so. All parties acknowledge that it is a challenging program. Part of that is, we think, mitigated by the delivery model that we've got in place with the LK Group. They are a highly-experienced commercial property developer. This is by no means their first project to manage. They are absolutely committed to delivering on the project time line.

CHAIR - Again, the question is the milestones that you've got and targets that you have in the project plan allow you basically to control things at the end of the day if things aren't being delivered. You've got in your agreements and in your time lines, those critical points where you could say, 'No, this doesn't proceed until X is achieved?'

Ms TURNER - Yes, the agreements essentially provide the Crown with that right. If we are not comfortable or not satisfied that comments have been addressed or the elements of design aren't to the satisfaction of the Crown then we could withhold approval. We would need to have a discussion at that point in time about what that would mean for the overall delivery program.

CHAIR - With the project risks, I read what is being said there, what latitude does the steering committee have regarding delivery of stage 2 itself? How much latitude do they have

PUBLIC

before they have to refer to other parties, or don't they? Do they have full carriage of delivering stage 2?

Ms TURNER - There is a project coordination group that is established under the development agreement and then internally we also have a project steering committee which is chaired by Kim.

Mr EVANS - It also includes Communities Tas with an adjacent multisport facility.

Ms TURNER - One of the members on our internal steering committee is our representative on the project coordination group, so we think we have the appropriate internal governance in place to cover those, making sure that we are satisfied and that we are also providing appropriate advice through to the Tasmanian Government as well.

CHAIR - What due diligence was undertaken to ensure the project was investment-ready for the Government? You have gone through all the agreements that sit around it but prior to developing those agreements, there must have been some due diligence that you did on the LK Group and you had a process in relation to that. Can you give us a bit of an overview as to what went down there?

Ms TURNER - Through the second half of 2019, we had probably six months' worth of negotiations, as Kim has previously said. Where the discussion started with the council and with the LK Group, initially the Government's role was more in relation to sponsorship and support for the establishment of the team. Then we provided some advice to the Government which they supported to co-invest in the design work that Thomas and the team originally did about the upgrade options. Through those discussions and as they evolved we were doing our own investigations and satisfying ourselves about entering into this transaction.

Mr EVANS - They were quite intensive negotiations involving the Crown Solicitor, who sat in on quite a few of those, particularly at the end point. Alison was doing this almost on a full-time basis and I was spending a lot of my own time involved in those negotiations as well.

CHAIR - Any other questions on this page that members have?

Ms RATTRAY - In regard to the activity, and the Chair has already touched on it in regard to the what we might call ambitious time frame, the contract awarding and then the commencement of work, do you have a week between them? You are talking early February, is that practical in a sense?

Ms GUEST - It is quite practical in that we will have a preferred tenderer in mid-January so that will give them two weeks to start and consider about mobilisation and then also we can do any last minute negotiations we need to, to sign a contract. Signing the contract is probably the most lengthy part in that there is a lot of government processes so that will give them time to mobilise and put that into the schedule for the year.

CHAIR - Other questions, page 15, 16.

Mrs PETRUSMA - In regard to asbestos, has there been much identified so far in the building?

PUBLIC

Ms TURNER - No, thankfully. One of the benefits in doing these enabling works over the last month or so has meant that we could have someone go in and actually do some more investigative work within the building. The council had previously done a report or had some investigations done back in 2016, I think, which did not turn up anything hugely significant. But again, as building owner and with the responsibility for latent conditions under the development agreement, we felt it was important to do some further investigations in this space. We did engage IPM Safety to go in - I think they went in last month - to do some further testing, and it has come back with sort of next to nothing, which has been quite a relief.

Ms GUEST - That 'destructiveness' that they are creating on site, which you saw today, gave them the opportunity to do samples and tests in a different situation. Previously, they said they could not get access to two areas.

CHAIR - After reading Michael Small's addendum on access, how do you intend to keep that in the top of your minds as you are working through? Are you going to have someone like Michael sitting on the steering committee, or somebody charged with keeping those issues that he talks about front of mind?

Ms TURNER - Kim may want to talk to it as Chair of our steering committee, but it is certainly something that has been discussed by our steering committee in recent meetings, and continues to be front of mind.

We have a representative, as Kim said, from the Department of Communities, which is useful from not only a sport and recreation perspective, but also from a disability access perspective as well. Those are discussions that are ongoing at the Crown's end. Similarly, Michael will continue to be engaged by the LK Group for the purpose of progressing the design work as well. Thomas and the team of consultants have a weekly design meeting, where a whole range of different issues are discussed every week. As these issues are evolving and being resolved, it is very much on the agenda of all parties that are involved in the project.

Mrs PETRUSMA - To get the final approval, it has to be DDA compliant as well, and reach NCC standards, et cetera. There are basic requirements that it has to meet to get final approval?

Ms TURNER - Yes, absolutely.

CHAIR - It is under the Building Code. I have asked this, but explain what the process may be, should a major hitch in development be encountered, holding up or slowing project progress. There are concurrent things happening. Is there a considered adverse event response plan in place? I call it an adverse event response plan, but should something drastical happen - it could be a fire in the middle of construction - is there a plan for handling that sort of event, when you have concurrent things that rely on each other? How are you handling that circumstance?

Ms TURNER - The tender does require, as would any tender, each of the contractors to contemplate a construction methodology. That tender process is still live.

CHAIR - You don't know what they are going to come back with.

PUBLIC

Ms TURNER - Equally, one of the requirements of the development agreement between the Crown and the LK Group is that a construction methodology is submitted and approved. Similarly, there will be a requirement of putting appropriate insurance in place for their contract works as well, so that there is an appropriate construction methodology.

CHAIR - It could be said that the NBL time line that you are trying to meet is very tight. With regard to the level of risk that presents to the whole project, bearing in mind that its broader life is much bigger than that over time, what level of risk is that? Is it a very significant risk that you are not going to meet that time line, and if you do not meet that time line, what is the impact?

Mr EVANS - The impact from an NBL perspective will sit with the LK Group of how they manage the commencement of the season and they would be thinking about that. They are solely focused on ensuring they can get this redevelopment done in time for the commencement of the season. In a lot of respects their motivations to get this done in time and in terms of quality are stronger than ours.

Mr VALENTINE - Because there are risks.

Mr EVANS - Their reputational risks in terms of the NBL itself are very significant.

Ms TURNER - Similarly, as the future venue manager and operator in terms of quality and finish and not just for NBL games, if the standard of the works is not up to scratch then it will be patrons of all types who will let them know. Again, that goes to reputational risk beyond just that - how it plays out for NBL games.

Mr VALENTINE - Is it fair to say our risks as a state government - the \$41 million is definitely value and dollar based whereas theirs is more reputational? They are risking \$6 million.

Mrs PETRUSMA - Plus the whole building comes to over \$50 million now, doesn't it? They have more than the \$6 million; \$40 million is the base for the building and then there are the other millions on top?

Ms TURNER - Yes. The latest cost estimate has been done - independently prepared by a quantity surveyor as is in the submission - has put it at in the order of \$50 million. So, it has gone up and been a product of the evolving design process and the fact those original cost estimates were based on a concept. Jacquie rightly points out because the Crown's contribution to the redevelopment is capped at \$41 million, anything over and above that is their cost and, in that sense, they're incentivised both financially and reputationally.

CHAIR - And reputationally.

Ms TURNER - Yes. The other important comment to make on the delivery program will be when the tenders come back in; what we see from contractors their response to the program. With it still being live, we will see what that looks like when those responses come in in a couple weeks' time.

PUBLIC

CHAIR - When I first read this - at this point it's a bit of a 'trust us, we're from the Government' but after listening to you today and the levels of agreement in place and sort of thing, it certainly improves it from my perspective.

I don't know whether any other members have any questions.

Ms RATTRAY - I'll leave my comments to our meeting, thanks, Chair.

CHAIR - Do you wish to make any closing comments?

Mr EVANS - Only to thank you for your time and questioning. It has been a very intensive examination of the project.

CHAIR - We tend to do that.

Mr EVANS - To go back to where we started with a broad picture of a suite of transactions to deliver an NBL team, redevelopment of the DEC, Wilkinsons Point redevelopment or broader development, the redevelopment of the DEC - which is the issue before you today - is an essential part to realising all of those broader developments and without the redevelopment of the DEC, the rest doesn't happen.

CHAIR - To finish, we have a standard set of questions. They are standard, but they are very important questions. It is basically for us to make sure that, under the act, we are able to judge or assess the works.

I'm asking you the question: do the proposed works meet an identified need or needs, or solve a recognised problem?

Mr EVANS - I think the need is broad. It's about development of Wilkinsons Point and the creation of jobs in Glenorchy. It's about the redevelopment of the DEC as a facility for the NBL, but also other purposes. It's not fit for purpose at the moment.

Ms RATTRAY - Certainly not now.

Mr EVANS - Even prior to the work that's been done in the last few weeks, the state of the Derwent Entertainment Centre is such that it's not fit for purpose in terms of a whole range of aspects, including safety.

CHAIR - Your answer is yes, it does meet an identified need?

Mr EVANS - It is an enabler to secure an NBL team, which many in the community would see as a fantastic thing in bringing a national sporting team to Tasmania.

CHAIR - Okay, so I'm getting a yes.

Mr EVANS - Yes.

CHAIR - A strong yes.

PUBLIC

Are the proposed works the best solution to meet identified needs, or solve a recognised problem within the allocated budget?

Mr EVANS - Again, I would answer that as yes. When I started, I talked about the examination of three options. We could have gone for a cheaper option, which would not have seen the DEC redeveloped for purposes other than basketball. We chose to adopt option 2, which is the \$46 million option, which will see it fit for purpose for basketball, but for a whole range of other uses as well, including concerts and the like, entertainment. Clearly, the third option, which was \$100 million, was well beyond what we consider was necessary or could afford.

CHAIR - The question: are the proposed works the best solution to meet identified needs or solve a recognised problem within the allocated budget?

Mr EVANS - Absolutely.

CHAIR - Are the proposed works fit for purpose?

Mr EVANS - They will be.

CHAIR - Do the proposed works provide value for money?

Ms RATTRAY - That's the big question.

Mr EVANS - It is. I would go back to my first answer and say they provide value for money, not only in terms of the DEC redevelopment and making it available for a whole range of uses, including NBL, but it's also key to unlocking the further development of Wilkinsons Point and creation of jobs, economic development and the establishment of a team.

In terms of value for money, I think you've got to look at it far more broadly than just the DEC redevelopment.

CHAIR - Am I getting a yes there?

Mr EVANS - Yes.

CHAIR - Are the proposed works a good use of public funds?

Mr EVANS - Yes, I believe they are. It's important that we do invest in public facilities. I think the decision to retain this facility in public ownership is a good decision, rather than putting it into a private development. It means we can ensure that this facility is available for public use into the future.

CHAIR - Thank you. I remind you, again, that statements that you may make outside of this room are not covered by parliamentary privilege. It is important to understand that. As I said before, the media may be watching, and they may ask questions of you. It is important you understand that.

PUBLIC

Thank you for coming and presenting today. We can't do assessments without having presentations like this, and we certainly can't do it without having submissions and I know the work that goes into submissions is not always easy and it is appreciated by the committee.

Ms RATTRAY - Site visits are equally as important.

CHAIR - The site visits are important for us to get a feel for what is happening, even though you have diagrams.

Ms RATTRAY - That was useful, thanks, Thomas.

CHAIR - Thank you.

Mr EVANS - I thank Alison and Teena and Thomas.

Ms RATTRAY - All the best, Alison. We look forward to hearing your wonderful news.

CHAIR - We will retire to consider the submission.

THE WITNESSES WITHDREW.