PUBLIC

THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 22 OCTOBER 2025

MACQUARIE POINT STADIUM COSTINGS AND GOVERNANCE

The Committee met at 1:30 pm.

CHAIR (Ms Forrest) - Thank you, John, for appearing before the Public Accounts Committee. We've been doing, as you would be aware, a number of matters of inquiry into the stadium process. The purpose of this hearing is to give you an opportunity to speak more fully to the opinion piece you had published in the *Mercury* recently and anything else you want to raise in relation to that.

The House of Assembly has provided a reference to the Public Accounts Committee, which we will be considering more fully should the stadium proceed. That's an ongoing oversight role for the delivery of the stadium along the lines of what we're doing with TT-Line's delivery of Berth 3 in Devonport.

I'm sure I don't need to remind you of all of this, but I will for the interests of transparency. This is a public hearing. Everything that you say will be covered by parliamentary privilege. If there were matters of a confidential nature you wish to share with the Committee, you could make that request. Otherwise, it is all public. It is being broadcast and obviously being transcribed by Hansard and those will be published on our website when available.

Do you have any questions before we start?

Mr PERRY - No, that's fine.

<u>**Mr JOHN PERRY**</u>, CO-ORDINATOR-GENERAL, DEPARTMENT OF STATE GROWTH, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - I invite you - if you wish, make some opening comments in relation to the hearing and the matter before the Committee and then we'll move to questions.

Mr PERRY - The first thing that I'd say to perhaps make it easier in relation to time is that I refer to the article that was published in the *Mercury* and all of the things - I'd apply what I've just sworn, the statutory declaration, to what I've put in that, in particular the points that I made, because I know there have been a number of assertions and questions around motivations and all sorts of other things. I wanted to reiterate what I said in the *Mercury*. I'm happy to answer any more questions in relation to that as well.

The first thing that I would say is - and I think this is the fundamental point as well, which is: why did I write this opinion piece and what has prompted it? The first thing to say about that is that throughout - as everyone's aware, in the lead-up to the last election, the question of cost became such a big issue in relation to Government as well as debt and spending. What has been conflated in relation to that is the question of future government debt versus operational funding and deficits and investments in assets which generate activity going forward. I think that's been mixed up in between a whole lot of things and they've been conflated. Not only from things that I've read and heard and watched, but also in lots of discussions with people, those who are questioning the stadium and whether the stadium investment should occur are doing so on the question of affordability - not all of them, obviously, some people don't want it because of the structure of it, they don't like AFL[1] or they don't like the impact on parking. There are all sorts of different reasons why people might not want it but a lot of the discussion that I've had is all about affordability and it's conflating the question of the large price tag - which is a billion dollars plus - with operational spending and assuming that that equates to a reduction in budget spending of a billion dollars every year, which clearly it isn't.

Recently, I watched with interest an outgoing Reserve Bank board member talk about this from the Australian Government perspective, where he was making the point that the Australian Government is borrowing to spend certain things which, although they might be admirable - the NDIS[2] or whatever - once they're spent, they're gone, and they don't generate further activity, whereas the stadium is quite different.

For me, the first question that a BCA (cost-benefit analysis) simply doesn't address is the question of affordability. That was the fundamental point that I wanted to make.

The second one was that a lot of people were wondering and talking about what sort of economic benefit there would be. A BCA does a number of things and I accept that it's the general practice for assessing assets, but what it doesn't do is that it doesn't give you that question of affordability, but it also doesn't really show - it's not a measure of the increase in economic activity that will result, obviously.

My analysis, which I'm happy to walk through, looks at the combination of things that need to occur in relation to the AFL team. In my view - and this is my view - one of the biggest impacts of the AFL team - and I know there are a lot of other benefits - is you get a very large business - in fact, it would be in the top 1 per cent of private sector payers - of 175 to 200 people moving into Hobart and operating as a business. No risk of automation going forward, no risk of being crowded out by a competitor because it's a cartel, effectively, the AFL.

You've got all of the things that we would be considering when we're looking at bringing a business into the State - they don't apply. I'm sort of saying no real focus has been given on what is this going to do as a driver of economic activity and so this analysis looks on the one hand: what's the affordability question? How much is it going to cost the Government to borrow for not only the stadium, but also the high-performance centre and also the additional money it's going to put in to the club over and above what it already offers in relation to Hawthorn and North Melbourne? They're your costs on the one hand and then compare that to the economic activity.

I agree, I haven't tried to do a BCR (benefit-cost ratio). I haven't done that; you've got four of them floating around. They've all got different numbers. I didn't think that was valid. What I wanted to do was to address primarily the question of affordability and really put into perspective that the cost to the Government - we can talk about interest rates and whatever - broadly is about $50 million a year. If that's the question of affordability, then compare that to the overall budget of the State Government, which by 2028 will probably be

[1] Australian Football League
[2] National Disability Insurance Scheme

$10 billion, which makes it easy for doing the numbers. That's what we're comparing it against and then giving some examples of what the economic activity that will be driving it.

I've never said in my article it's a cost-benefit analysis. I've never tried to do that. I've just used a different way. I would argue as well for those who are saying I should only follow the cost-benefit analysis, apart from the fact that I would say there are four of them already there, why would I add to that?

The other part of it is that when you're making an assessment, certainly in my experience doing assessments for various different investments, so when I was working at American Airlines, but also all of the work that we do around considering projects, whether the Government would want to support them in the past 10 years, and we're putting those things to the TD (Tasmanian Development) Board. All of those things, we'll look at a number of different tools and a number of different ways of assessing them. There may be a preferred starting point, but you'll want to look at it for different purposes. If a particular one, whether it's gold standard or not, but if a particular one doesn't address the question that a lot of people are asking, I would say then look at it a different way. That's what we normally do in relation to assessments when we're doing financial analysis. I don't see any reason for not doing that here.

CHAIR - Thanks, John. In terms of your decision to do this at this time when the cost-benefit analyses have been done and you've mentioned a number that have been in the public arena for some time now, why do it right at this late hour rather than respond to them then if it was such an important matter you believe needed to be put on the public record?

Mr PERRY - The first thing is, as I pointed out in the *Mercury* article, the AFL stadium and team, notwithstanding how important I think from an economic perspective the team will be for Hobart, but it's not a project that our office has been focused on. We haven't been involved in any of the negotiations. We haven't been involved in the stadium assessment; it's not on our list of projects. It's not something, from day to day that I've been involved with.

It stands to reason, we've been pretty busy, we've got plenty of other things on - the Government provided its representations to the TPC[3] and to other things. We didn't get involved, I didn't see any need to. We've got plenty of other things to do, frankly. The question around the idea or the suggestion that it's at the final hour - well, there's still some more time relating to consideration of this.

The idea, as I've pointed out at the beginning, was this question of affordability. Hearing lots of people on radio and in print and then talking to others saying, 'We can't do it now because we can't afford it.' That really percolated and became such a key issue in the lead-up to and then around the election. I didn't have any insight into the TPC's assessment, et cetera, but then when that became such an issue and then people who were talking out against the stadium were not only talking about the billion-dollar price tag as a question of affordability, not the $45 million or $50 million or whatever it is that it will cost per year. Conflating those two issues, and then over and above that, talking about a low BCR when a BCR doesn't measure affordability.

It's only been in the recent time that this has become an issue, as far as I've seen. I started doing some work on it. I spoke to some people within the AFL. I made the point, I've never

[3] Tasmanian Planning Commission

spoken to - before I actually presented the decision, I didn't speak to any ministers internally. This is something that I've done on my own volition - talk to the Tasmania Devils to understand some of the intricacies that have gone into this assumption and then put it together. That's taken some time.

I've had some other things, which I don't really want to go into, that have also impacted the available time for me. It was published when it was ready and that happened to be two or three weeks ago or whatever it is. I'd argue that there's still plenty of time to discuss it, but I don't think timing is such a - it's not like I've been sitting on this for two years waiting for the time to pounce. Nothing could be further from the truth.

CHAIR - For those, particularly members of Government in this case, who are using your analysis here - your financial analysis as opposed to a cost-benefit analysis, I accept the difference there - if they're using it to promote the stadium as a comparator for the - 'Look at this rather than that and this is the benefit we should be considering' - is that a disingenuous use of the information you've provided.

Mr PERRY - I don't know what people have been saying, but I think I was really careful in the description in the *Mercury* to describe total economic activity on the one hand and affordability or cost on the other. I'm not sure what the discussion has been beyond that. I also want to say too that I'm not suggesting that you wouldn't use a BCA. I completely agree. If you think about it from Infrastructure Australia's perspective, they're trying to assess big projects right across the country. It stands to reason that they would put a standard approach so that they can look at it. If they had to address Tasmanian projects or projects from small places or cities or whatever and they're all using different bases, you could never make a comparison. That's why they would say, sensitivity analysis, we want 4 per cent, 7 per cent and 10 per cent and we will standardise it. We want to use a BCA because then we can compare things and then you can get into the fact that, as a BCA is, a lot of those economic assessments are based on judgment. They're not facts.

That was another point that I wanted to make as well. It's not like a thermometer measuring the temperature or a speedometer measuring the speed. This is a set of assumptions and subjective assumptions that are trying to drive it at economic outcomes you put into an agreed model, I certainly agree that, and you come out with a number and that's why there are four different numbers from the four different cost-benefit analyses that I'm aware of that are doing.

Back to your question, Chair, I can't comment on how other people are using it. I hope that the article is clear enough in distinguishing - it's not masquerading as a BCA. It's really saying, if you're concerned about affordability, it's going to be about $45 million a year, and we can talk a little bit more about that. I note that you've made some comments about depreciation and I'm very happy to talk about that as well. That's on the up on one hand and then on the other, what's the economic uplift in terms of total activity, not in terms of measuring and net wealth increase, which a BCA does.

CHAIR - This is one of the biggest projects for Tasmania, upwards of over a billion dollars investment, most likely, when we look at the project itself. You suggested that Infrastructure Australia uses a standardised process; this would be considered a big project to Infrastructure Australia, surely?

Mr PERRY - Yeah, and -

CHAIR - Why did you make the comment then that we should do a different analysis here when the BCA is the gold standard that Infrastructure Australia relies on?

Mr PERRY - I didn't say that at all. What I said was, 'It stands to reason that Infrastructure Australia would have a standardised process and everybody agrees to that.' It's not just Infrastructure Australia, by the way, there are lots of Treasury departments and other organisations that use BCA as a basis, but that doesn't mean it's the only way that you should look at it. Of course, you would do that to - and its main use is actually to compare between multiple projects. In this case, the point is deciding, 'Do we want to do this or not?' So, it's different. I'm not saying don't do it and I'm also not saying that what has been done is not valid and I'm not saying that it's not useful. It's a bit like - I will give a different example - in the work that we do when we're doing financial analysis in a previous job, discounted cash flow was usually the main way in which you would evaluate a process, a project. That's all based around discounting back and applying a risk to it and putting all of the different elements in that are cash elements and coming out with a number. That might be the core focus, but it won't be the only one because you might be interested if you're thinking about an investment decision, you'd want to know what the competitors are doing. You might want to know how affordable it is - which is one of my points here. You do a number of other analyses as well. It's like if you're a superannuation chief investment officer and you're deciding where you're going to invest, you will have analysts that are doing fundamental analysis, you will have analysts that are doing technical analysis, you will have people who are suggesting that you put in an exchange traded fund. All of those analyses - I'm not saying they're not valid, you will consider all of those things. All I'm saying is that what I did was an attempt to provide an assessment of how affordable this is compared with the overall budget and what is the total economic activity that it will be driving - i.e., this will be a really vibrant, driving activity in Hobart. Different measure? Agreed, I'm not trying to conflate the two. I don't understand why you wouldn't want to look at multiple different ways of seeing it. Certainly, the practice in private sector.

CHAIR - Can I take you to the point you made about how affordable it is and looking at the cost of servicing the debt, which you say is about $50 million per year?

Mr PERRY - Yep.

CHAIR - Your analysis seems to omit a critical context regarding Tasmania's rising debt servicing costs relative to revenue. This has all been well canvassed and reported, particularly in the in the Pre-Election Financial Outlook (PFO) and other concerns that were raised with the Tasmanian Planning Commission around this. Can you comment on why it's reasonable to look at the stadium project in a vacuum and just focus on that - not the cost of building it, just the cost of furnishing the debt?

Mr PERRY - Yeah. I think the first thing that I would say is that the stadium itself - and this comes up in the question of depreciation - has a long life and the Tasmanian Government has a long life. Provided that you - and this, I guess, goes to the heart of the difference between spending money on continuous operational deficits versus an investment in a revenue-generating economic activity asset. There's no particular reason why the State has to repay the stadium debt if it drives this economic activity. Companies maintain a debt ratio of somewhere - depends on the industry and sector - but they will keep debt, they will operate for 100 years and they will have debt of 30 per cent, 40 per cent, whatever it might be. It's not a problem if it's driving economic activity. The issue for the State, as far as I understand it - and I don't want to weigh into any of those debates too much - is a question of a budget deficit and then borrowing to fund that budget deficit, which is spending more than the revenue that comes in.

CHAIR - This debt adds on top of it. That's the point. If you take it out and look at it in a vacuum, you're not looking at the whole picture. That's what I want you to focus on - why you shouldn't look at this in the context of the whole State. It's a State Government project; it's not a private project.

Mr PERRY - Yes, so what I tried to do there was to put it into perspective. I'm not arguing. If the Government chooses to progress with this and all of the things that are related; you don't have the AFL team without the high-performance centre, we know from the AFL you don't have a team if you don't have the stadium, we know that there's no reason for a stadium if you don't have the team. Put them all together, that's what I've done, and then you work out what the cost is for that. I've used 4.5 per cent as the cost of funds. Some may say it should be five or a little more than that - that's fine, you can plug that in, you can change that. It adds $5 million if you increase the percentage by half a per cent. The beauty of the Tasmanian budget is that it's around $10 billion, so it's all round numbers. So, if it goes up by half a per cent then the difference to the total budget, the proportion of the budget that has to be set aside if you're going to use responsible governance, but the proportion of it goes up by 0.5 of 1 per cent with that change. That's why I've put that in context.

It is undoubtedly the case that if the Government commits to do that and has these holding costs, puts the additional money into running the club and also has the debt in relation to the high-performance centre, all of those things together - then $45 million, $50 million, whatever it is, will have to come out of the budget and something else will have to give. That's absolute, that's why I gave it as a proportion. One of the interesting things about this - and this is the wonderful thing about inflation - is that the highest proportion of the Tasmanian budget that this will ever be is when you finished it. So, 2028, on my numbers, it will be about one half of 1 per cent. If you want to apply a sort of depreciation figure to it, I will go through that, that will add anything from $500,000 to $28 million, whichever assumption that you make on that. Put those two together, it could be anything from $45 million to $70 million. That will be 0.7 of 1 per cent of the Tasmanian budget in 2028 and every year thereafter, assuming that inflation impacts or hopefully that the economy grows as well, it will become a smaller proportion of the budget for every year ongoing.

So, it will become less, but absolutely your point is absolutely well made. The Government will need to trim its costs in relation to spending something else in order to do that because every year that will be an additional cost as part of the budget.

CHAIR - Just to clarify, I don't want to misrepresent you, John, I'm just trying to be clear about what you just said. You're saying that the Government will need to cut costs to enable the affordability of this to stack up?

Mr PERRY - No, what I said was that the cost of maintaining the stadium, the high-performance centre and the team amounts to something like $45 million to maybe $70 million. So, if they're looking at their total budget, which by then will be $10 billion, then that is an amount that will have to be paid for out of that budget every year. There will be a trade-off in relation to that or potentially they might choose to borrow more in relation to that. My suggestion, and just because of the debate that's been occurring, I would assume that they will have to find savings somewhere else. That's why I put it in those terms so that if you're a member of the public, then this will need to be allocated out of the budget. How the Government chooses to do that, I wouldn't dare to suggest that it's a policy decision.

CHAIR - That's a matter for Government. I absolutely get that.

Mr PERRY - Exactly.

CHAIR - John, you talked about the economic benefit and particularly Hobart. More than half the population, including the constituents who I represent, live outside of Hobart and some of them see very little economic benefit for them and return on investment for them. You talk about the additional money coming into the system, that roughly 200 people - in the nearly 600,000 people, 200 is not a lot. They will be highly paid, some of them more so than others. How does that actually benefit people north of Bridgewater?

Mr PERRY - I should say we've used economy.ID[4] as where we don't have the direct amount of investment. Economy.ID is an input-output model that you know hundreds of different organisations around Australia use as a high-level estimate of sort of economic impact. It measures both in the local economy, the flow that would occur in surrounding areas and then to the whole of Australia. I think, undoubtedly, the biggest impact of this, in my view, is the AFL team. I live in Launceston and our job is around the whole of the State, so I wouldn't suggest not progressing with, for example, some of the big projects that we're doing and trying to progress in northern Tasmania because people in Hobart don't benefit or not doing something on that north-west coast -

CHAIR - Or if it's just on that then John, one of the big projects on the north-west is Marinus Link. If we believe what we're told about that, wholesale energy prices will drop significantly. That will benefit every Tasmanian. The jobs there at the on the north-west coast to build it will benefit people in that area or maybe disbenefit them depending on how you look at this because of the displacement that some might suffer.

That's a big project that if we believe what we're told, we'll see benefit right around the State. This is one of the things that it's very focused on Hobart in terms of the economic benefit.

Mr PERRY - One of the reasons why we've represented the total value on economic activity is the whole flow into Tasmania, but we've used it through the economy.ID view through Hobart as the location for the analysis. Now, undoubtedly a lot of that economic activity will flow into Greater Hobart.

But there are a number of things that are broader than that.

The first thing is that most people would say - certainly [Dr] Lisa Denny[5] would say - that there's a demographic issue in Tasmania which is sort of a faster ageing population. One of the things about the AFL, both team and the flow-on effect, is that it's going to provide more younger people and highly paid younger people into the State than the trend has been.

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[4] Economics Informed Decisions
[5] Tasmanian demographer, Adjunct Associate Professor University of Tasmania

CHAIR - Into Hobart.

Mr PERRY - But the other thing - well it drives further economic activity, and the thing is there'll be multiple games that'll be played in the north and I think one game in the north-west. The other thing is, we had already done an analysis in relation to what additional hotel rooms are going to be needed going out to 2030. Back in 2017, we did that analysis for every region around the State. We've only done it in relation to Hobart so far because what was predicted that was needed back in 2016 was a huge 43 per cent increase - unheard of. That has actually been delivered and Tourism Tasmania is planning the 2030 analysis.

So, we did a piece of work just looking at Hobart. We haven't done it elsewhere and I didn't include it in the analysis because it would be inaccurate. But there'll be other flow-on benefits from the tourism, and the tourism impact is very significant. But the one thing that is not included in here, and it's not included in any of the BCAs that I've seen, and I think this is actually probably one of the most significant pieces, is Tasmania has - and other parts of the State have it even in greater degree than Hobart does - a seasonality challenge in relation to attracting visitation and accommodation. One of the beauties of this particular investment is it smooths out that seasonality. If I just take Hobart, for example, for the three lowest months the occupancy rate is somewhere between 60 per cent and 65 per cent. It's the same with airlines as it is with hotels: if you're operating, you've got a baseline of expenses and if you add some more people, so more rooms are used over and above the 60 per cent, that goes straight to profitability. It's the same nature in relation to bars and restaurants. So, if you're bringing in people during those three months where you're actually struggling financially, it'll have a bigger impact, a disproportionate impact on the on the financial viability of those businesses.

We didn't measure it. Tasmania is a touring location. A lot of the people who come down for a game or an event will then tour around the State. That benefit will flow to other places. But increased economic activity also impacts other locations as well.

I completely take your point. The bigger impact will be in Hobart. There's no doubt about that, but I wouldn't suggest that's a reason for not doing it. There will be benefits everywhere and I think they'll be significant. And we haven't even tried to model those. If you look at the statewide occupancy of hotels and this flows on to bars and everything else, seasonality is a bigger issue in places outside of Hobart than it is in Hobart. So, it's going to help them disproportionately to the extent that people stay longer and travel elsewhere.

CHAIR - When you estimated the tourism uplift attributed to the stadium, did you adjust for leakages such as profits repatriated to mainland hotel chains or merchandise suppliers - that sort of thing?

Mr PERRY - No, we looked at total economic activity. That's what I've explained throughout because it's too difficult to do that without hundreds of thousands of dollars to pay for different assumptions. So, we've used what is a well regarded - there are hundreds of people who pay tens of thousands of dollars to subscribe to economy.ID. So, we've used that, we've used existing data that shows that split in different stadiums - so Adelaide Oval - we've compared it with a few different other places to sense-test it and ground-truth it. We've used data that shows what the interstate visitation is in relation to the games in Tasmania to give a little bit more granularity and then applied that to economy.ID to see what the flow-on benefits are.

But it's not a net impact. It's a total economic activity assessment.

CHAIR - You referred to economic activity in the article and again when you are speaking to us here. Can you confirm that this measure includes both existing and displaced spending? For example, locals switching from other entertainment options and what proportion of your total benefit figures represent new interstate and international spending versus spending redirected within Tasmania.

Mr PERRY - The table that I shared with the panel shows really the breakdown of how this has been made up. We, for example, and I know the BCA has done this differently, but we haven't included intrastate spend because we've highlighted how much the total will be based on these assumptions, but we haven't included it because we don't know how much that is going to be - you know - people from Launceston going to Hobart to a game instead of flying to Melbourne or Adelaide or wherever else it might be, or going to Hobart for a concert instead of going to the entertainment centre in Sydney or whatever. We've just given the total estimate and said this will be an estimate of total economic activity. What share of wallet? I don't know. I can't tell you that, but I think it's consistent with the idea of saying this is sort of a measure of total economic activity. We're not equipped to be able to divide those pieces below that.

Ms THOMAS - Going back to the actual costs, in your introductory statement you talked about conflating the question of the large price tag with operational spending and the concern of Tasmanians about the impact on operational spending and other Government services, and you've clearly articulated that the Government will need to cut something to maintain the new asset. Through the discussions and the briefings we've had with Stadiums Tasmania and others, it appeared difficult to quantify the ongoing lifecycle costs. Stadiums Tasmania talks about their likely outcome of an operating profit with an EBITDAR (earnings before interest, taxes, depreciation, amortisation and restructuring/rent) of $1.2 million per annum, but that doesn't take into account the depreciation and maintenance costs. I think you've touched on this a little bit, but I'm just wondering if you can explore further what your analysis expects these costs to be. You talk about $45 million to $70 million per annum being what the Government will need to find. Are you talking about that figure to cover the repayment of debt associated with the construction as well as the maintenance depreciation and operating costs?

Mr PERRY - The point that I made about the $45 million to sort of $70 million is that I didn't include depreciation in this assessment, and the reason we didn't is because a BCA is really modelled on discounted cash flow. It's with some variations and it's for public infrastructure rather than private investment, but depreciation isn't included in a discounted cash flow analysis, and the reason why is because it's a journal entry - it's an assumption around roughly what the deterioration is in the asset. It's included in a discount cash flow only insofar as it has a tax impact. You can claim it as a deduction and so you pay less tax, so you include that in your discounted cash flow. Government doesn't pay tax, so that's not relevant in this. In a BCA interestingly you don't include the interest costs, which to me that's the big question around affordability. But if you were to apply a depreciation figure to represent this deteriorating asset, and this is one of the reasons why - I'm not a stadium constructor so I didn't include it because, A, it's a journal entry, B, there's no tax impact and, C, it's a little bit speculative, but if you did, you'd have to work out what's the life of the asset. So, if you take a few examples, at the very extreme and you might say this is silly, but at the very extreme, look at the Colosseum. That's been around for nearly 2000 years. So, if you applied a depreciation rate on that, now a lot of money wasn't put into it for hundreds of years. But if you applied a depreciation rate on that, for those years it would work out to be about $500,000. That would be the cost for that.

People might say you don't make things like they did in Rome, so come closer to home and look at the SCG. The members' stadium, the women's stadium - ladies' stadium - were built in the 1800s. They're still around 134 years later. If you apply a depreciation rate, if you say that's the whole of life now - they're still standing, I don't know how long they're going to be standing for - but if you applied that rate and you said this is going to be around for as long as that, then that would be $8 million that you'd use as a straight line depreciation value. Add that to your $45 million and there's your figure.

If you say that's unreasonable and the only reason they're still there is because they've got heritage value and clearly they don't make stadiums like the members' stadium or the ladies' stadium at the SCG and actually more stadiums have got a shorter life, then I would argue if you look at other places around Australia, the reason why stadiums are pulled down and replaced is because it's competitive advantage. They're often built like the example that I think the chair gave in one of her articles was in relation to the football stadium in Sydney. That was replaced not because it was about to fall down or it was a challenge and they needed to tape it up or whatever. It was pulled down because they changed both the size of the seats - they wanted a much more effective disability access, they increased toilets - but the fundamental thing that they did was they increased the amount of revenue-generating activity that the stadium could have, so corporate entertainment, hospitality, food and beverage. Their assessment was that it was worth spending that different amount of money. The stadium was in perfectly good order and it was 30 years, I'd say it'll last for 80. If you use 80 as the figure, then the impact on your total cost - assuming this $1.13 billion total - is $14 million a year. You can add that $14 million to the $45 million and you'd make it about $60 million as the cost.

If you want to be more conservative, and I think this would be the limit because if you look at the Great Southern Stand, for example, at the MCG[6] that's been there for nearly 40 years, it'll be replaced because they'll fit more people in and it'll drive more economic activity. There'll be corporate hospitality and that sort of thing. Use the Australian Tax Office's number, they say for most buildings apply a rate of 40 years. That's because depreciation is a tax impact, so there's a policy question around that. But if you use that figure, then your depreciation rate would be 2.5 per cent. If you apply that to the stadium, then that's $28 million and that's what I was mentioning before in relation to taking you out to the $70 million. It depends what you use as your estimate. I didn't want to weigh into the conversation and pick a particular number, but it's that sort of scale - at the extreme maybe $600,000 using ATO's estimate, $28 million, somewhere in between, is probably reasonable and that's really what I think you need to be thinking of in terms of that affordability question - if you applied that to it.

You might instead, and this is what a BCA does, is it assumes a terminal value - so what is it worth at the end of the period that you're investigating. Each of the BCAs that have been done to date use a different time. Most of them have used 30 years; one of them used 20 years. Then they look at what's the useful life beyond that. Then you have to estimate what is the value of the stadium in 30 years, 40 years, 50 years.

[6] Melbourne Cricket Ground

I'm not able to make that estimation. Things could change so that there's a big market in stadiums and so the terminal value could be worth a lot in the future. I don't know. So, I haven't really weighed into that because that's a financial transaction piece.

CHAIR - One of the other costs that you don't seem to have touched on at all is the event attraction, which is going to be critical for getting the number of events proposed, like you get seven or whatever number footy games in the season in that venue, maybe more, maybe less, but that's roughly the figure. If there is going to be a financial model that works, they're going to have to a lot more events, which has been proposed as being quite a large number, some small, some large. But we know that big events like concerts, et cetera require attraction fees. Every Government will tell you they've got to pay millions of dollars to attract events.

So, does that then add to your perhaps $70 million on top of that?

Mr PERRY - We haven't looked at Stadiums Tas, as a separate entity, which would be dealing with that, and we've just assumed that for our purposes that it basically washes its face. I haven't done an analysis around their projections. If you're telling me that they're going to project to operate at a loss, then you would need to include that. But that's a separate thing from the infrastructure itself - and in which case then you would need to add it in. I haven't got any visibility onto that. So, if you, if that's the case that it will run at a loss and it's going to be funded out of the Government rather than some other way -

CHAIR - No, I wasn't suggesting that. I was saying that Stadiums Tasmania is part of the Government, same as Macquarie Point Development Corporation. They're in the whole State sector. We've got to look at the whole State sector.

Ms THOMAS - Same as Events Tasmania, which would probably -

CHAIR - Yeah, Events Tasmania's budget may need to be increased to enable event attraction, but the question was: did you consider that in the cost to operate and return the economic benefit that it will provide? Did you count those costs?

Mr PERRY - No, because, as I said, the assumption is that the Stadiums Tas would operate within its budget. If there is an additional cost, then you would need to add that on top of. I was dealing with the asset and the holding costs for it.

Ms THOMAS - Can I just round out just really concisely on the question that I asked about the $45 million to $70 million? You talked a lot about depreciation and I thought you said you didn't include depreciation, but then you did talk about 2.5 per cent and that's where you got the $28 million, which was added on to the $45 million to contribute to that $45 million to $70 million. Just to be very clear, that $45 million to $70 million that you have projected - or suggested would be the cost to Government each year - does that include the repayment of the capital construction cost, operating costs, maintenance and depreciation?

Mr PERRY - Exactly. There's no repayment of capital in there, and for the reason that I said at the beginning, there's no reason why the Government needs to repay the capital. It's like a business. It'll go beyond 20 years, 30 years, 40 years, so there's been no assumption that it would repay it because it's going to keep driving economic value. Now, if you want to add it in there, then you could, but I would argue - and you don't do that in relation to discounted cash flows. But there has been no calculation for depreciation. And the assumption that we made was that Stadiums Tas within its operations will look after the stadium. What I said was, if you want to put a nominal figure around depreciation, then you could use any one of those numbers depending on how long you think the asset life was and that will be -

CHAIR - We won't go over that again. Thanks, John. I'll go to Dean.

Mr WINTER - Mr Perry, your analysis relies on economy.ID's input-output modelling. Are you aware that Infrastructure Australia explicitly warns that IO models should not be used as substitutes for cost-benefit analysis as you've done?

Mr PERRY - No, I haven't. I am aware of that statement, but what I've said at the outset is I'm not trying to replace the cost-benefit analysis. This isn't an effort to substitute one for the other. What we've tried to do is to answer two different questions that aren't answered by a BCA. So, now interestingly, a little while ago Infrastructure Australia did a take on input-output models. There are a range of different reasons why they've changed that. There are a number of criticisms, just as there are of BCAs, but I haven't tried to substitute anything. I'm just saying, look at the BCA for sure, but if you want to answer a question around affordability or if you want to look at what the total economic activity is, then here's a way of looking at it.

Mr WINTER - The dot point in your editorial says:

> *Therefore, for every $1 the Government pays to finance the club and stadium per year (holding cost), there will be least $4.97 in new economic activity in the State.*

Is that not explicitly what Infrastructure Australia says you shouldn't do - a substitute for a cost-benefit analysis?

Mr PERRY - It's not a substitute.

Mr WINTER - How is not a substitute? You are -

Mr PERRY - You're measuring two different things.

Mr WINTER - Well, you're surmising that there'll be a benefit of almost $5 for every $1 of financing costs. How is it not a substitute for a cost-benefit analysis.

Mr PERRY - No, you're assuming that you'll have about $5 in economic activity, but I should say it's actually going to be more than that. If you look at the table, we haven't included interstate visitation because we couldn't divide those numbers out. We haven't included what the new large events will be for business events because of the conference facilities. There's some other ongoing economic activity from the additional hotels that the team will drive the economic model for investment for because of that point which is they'll fill the hotels in winter. Now we've taken all of those out. There's also an increase in economic activity that relates to local spending on game days. We've not included that either, but we've listed it in the table that you've got. It's not a substitute for a BCA at all. It's just saying, look on the one hand, this is what the holding costs are going to be and this is the total economic activity - it's a high-level figure and I pointed that out - what economy.ID is - it's high-level figure, it's not exact, but neither is a BCA. That's not exact either.

Mr WINTER - If you didn't compute a net present value or a BCR, on what basis can you claim that the project delivers almost $5 for every $1 spent?

Mr PERRY - Because that's the measure of increase in net economic activity. That's what it's done. I don't quite understand what the question is.

Mr WINTER - I'll move on. Can you identify any peer reviewed economic literature supporting input-output multipliers as a valid welfare measure?

Mr PERRY - A valid welfare measure?

Mr WINTER - The implication from your op-ed is that you'd effectively done a benefit-cost ratio or some kind of work but instead it appears -

Mr PERRY - No, I don't accept that at all. I think that's completely wrong.

Mr WINTER - Can you give another example where there is any peer reviewed economic literature supporting using input-output multipliers the way you've done in your op-ed.

Mr PERRY - No, not peer reviewed. No, I'm not pointing to any. I've given you a way of looking at something.

Mr WINTER - I've just never seen a way like this before. I've never seen this used as a way to try to quantify a project.

Your analysis also counts interstate visitor spending and economic activity from new hotel construction. Where did you net out the overlap from those flows to avoid double counting?

Mr PERRY - I think the issue is, and this is probably the challenge around some of the points that have been made in articles around this, is that they're trying to pigeonhole what I've done to call it a cost-benefit analysis and then criticise it because it doesn't follow the cost-benefit analysis basis. It's like saying, 'I'm writing a poem for a competition' and you want to assess it as though it's a screenplay and then argue, 'No, no, no, we're going to assess it as a screenplay.'

Mr WINTER - But just to the specifics of the question: your analysis counts interstate visitor spending and the economic activity from new hotel construction, can you point out where you've netted out the overlap between those two flows to avoid double counting in your analysis?

Mr PERRY - In the article we've said that the total interstate visitation will utilise all of the hotels in Hobart as well as family and friends and other things. If you put that as a percentage, I think the total that relates to the stadium numbers is about $3 million. That may well be double counted, but as we've said in the article -

Mr WINTER - It is double counted, I have to tell you. I mean, the same thing -

Mr PERRY - Well, no, but you can't be specific around that, putting an estimate on that. There's lots of which we've shown that weren't included so it more than nets out.

Mr WINTER - Do you accept that using both visitor spend and induced hotel investment without netting out any overlap double counts the same stimulus twice?

Mr PERRY - The thing is, I said if you estimated what that would be, don't have the actual number, it'd be about $3 million. The point that I've made is that there could be $3 million double counted in there, but there's also $23 million for conference activity that we didn't include at all. We didn't include any of the intrastate visitation because we couldn't be sure what the difference was. We didn't include any of the spend relating to stadium days because we don't know what share of wallet that is, so sure, $3 million -

Mr WINTER - You haven't included -

Mr PERRY - $3 million could be included -

Mr WINTER - You're sort of walking us through all of the shortcomings in your own analysis here and the things you didn't include and I pointed out something you've double counted. I know you said earlier in your evidence that you didn't speak to any ministers about providing this intervention into the debate, did you speak to anyone in the Government media office or anyone else within Government about writing and submitting your editorial?

Mr PERRY - Yes, of course, because I had to get approval in order to do it.

Mr WINTER - Can you outline how that all occurred

Mr PERRY - Yes -

Mr WINTER - Was this your idea or was this someone else's idea?

Mr PERRY - It's absolutely my idea and that was what I outlined at the outset. The first people within Government that I spoke to about this was - I presented it to ministers, because, obviously, as a public servant you're not allowed to put out comments in relation to these things, so I needed to get approval for it.

CHAIR - Which ministers, John?

Mr PERRY - After I'd done the analysis - so this is fairly recently - then I spoke to both Minister Abetz and the Premier.

Mr WINTER - You spoke to them about -

Mr PERRY - About my analysis and the fact that I was intending to write an opinion piece, as I would have to do or else I'd get the sack.

CHAIR - When was that?

Mr WINTER - Didn't you say, earlier in this hearing I wrote down a quote saying, 'didn't speak to any ministers.' So, you did speak to ministers?

Mr PERRY - No, I said that I didn't speak to anyone about doing the analysis until it was done. I said that in the article as well. I only spoke to them because I needed to seek their permission. If I'd have gone and published something like that without doing so, I would be liable to being fired. Of course I would have to do that.

CHAIR - When was that? When did you email them, write to them, whatever you did to communicate to them your desire to write an opinion piece related to the analysis you'd done.

Mr PERRY - I don't know; it'd be a week or two weeks before the thing was published.

CHAIR - Can you provide that date?

Mr PERRY - Yeah, I can do that. I don't think I can do it straight away.

CHAIR - That's alright. We can write to you about the date.

Mr PERRY - Yes.

Mr WINTER - You State that the club and stadium will generate at least $220.9 million per year in new economic activity but it appears that you also lead people to believe that this was entirely new spending. Surely you need to make some adjustments for displacement? Tasmanians spending on football instead of restaurants, cinemas and other leisure. Did you do that as part of the analysis?

Mr PERRY - No, I think this is the same question that you've asked before, which is the measure that I've demonstrated is a total economic activity measure, and that's using both the direct amount - for example, in relation to the club, what we did was we looked at the five lowest performing in terms of financial performance of the clubs in the AFL, which incidentally happened to be five Victorian clubs. We took the average of those because you can assume that - if you look at all of the interstate clubs that have joined the league, they all perform at a higher revenue figure than the bottom five, so that's conservative. We've looked at what that total figure is and then we've adjusted for the fact that this was 2024 figures. If you take the average and then apply it out to 2028 when the team will start. That's the turnover you'd expect. I expect that it could be much higher than that, but that's the figure that you've used. Then we've allowed for a bunch of spending that the clubs make that won't be in the local economy. Salaries, of course, will be direct, but there'll be some money spent on merchandising that'll go overseas for magnets and scarves and that sort of thing, but there'll be other spend around hospitality, all sorts of other things. Then we've plugged that direct figure into economy.ID to see what the flow-on impact is. That's using economy.ID that has assessed that sector, i.e. sport and recreation, and what the flow-on impact is of existing businesses in that sector as is currently measured. I would argue that the Tasmanian team will have a bigger impact because the salaries are higher and the spend is greater throughout, both on entertainment and all sorts of other things, philanthropy, all of the other bits of the mix. It's probably understated, but we've used input-output modelling for the flow-on effect and we've used direct analysis for the actual spend that is direct.

CHAIR - Can I just ask who - after you sent the details of your analysis and the request to publish an opinion piece to Premier Rockliff and Treasurer Abetz, who reviewed the work and the analysis?

Mr PERRY - Do you mean - the opinion piece that I wrote, nobody reviewed it in terms of - what do you mean, sort of in terms of marking it or approving it. I had shared internally just before it was released and I provided it the day that it was provided to others - I provided it directly to the minister and the Treasurer so that they had a heads-up. I wrote the piece, I sought some input from people outside of Government, not inside of Government. I presented the analysis, not the opinion piece, but the analysis to the minister and the Premier beforehand, but not the opinion piece.

CHAIR - Did the Treasurer and Premier review your analysis or did someone else do that in the department or whatever? If they're going to allow a senior public servant to put out an opinion piece based on their analysis, you'd think they'd probably want to be sure - for you sake as much as anybody's - that it was going to fly.

Mr PERRY - I shared it with some other people within Government, but it was very much on the basis that this is our analysis, our work, and it would be my opinion piece.

Mr JAENSCH - I must say it's surprising to hear Mr Winter so negative and cynical about the potential benefits of the stadium project -

CHAIR - We don't allow politics in this Committee.

Mr JAENSCH - I know, but I think we've seen a bit of that already.

Members interjecting.

CHAIR - Order.

Mr WINTER - Chair, if I may, to respond to that, we've been asked today to interrogate a piece of work, an editorial by a senior public servant, that isn't peer-reviewed, is not a cost-benefit analysis, it has double counted spending. My job, and your job, is not to sit here and party politics and interrogate witnesses.

CHAIR - Order. We'll go to the question.

Mr JAENSCH - Thank you, and I think Mr Perry's answered your questions on those matters, so it would be wrong for you to misconstrue it as well.

CHAIR - Go to a question.

Mr JAENSCH - There's reference to Events Tasmania, and the Chair asked about the cost of attracting events. As I understand it from what you've written and what I've seen elsewhere, if with its existing budget Events Tasmania was is in the market and bidding for - if we had bigger venues they could use their existing budget to bid for bigger events that would bring a bigger return to Tasmania. Is that true? Are we constrained by our capacity to host larger events?

Mr PERRY - I'm not sure, you'd have to talk to Events Tasmania about where the constraints are, but they could certainly move their resources to target different types of events. For example, if you talk to Business Events Tas, they will say that they struggle to get any events that are over sort of 900 to 1,000 people and quite a few of the events that are over

500 people, companies will come back to them and say, 'We haven't gone with you because of the infrastructure and the facilities, there's not a big enough event space and stuff.' You're absolutely right, they could focus on different projects that they bid for, yes.

Mr JAENSCH - With the existing budget, we could potentially get bigger events here. The other question I have is where you've talked about the overall economic activity uplift, including the construction of new hotels, the salaries of the club players, the new events, et cetera, that can come through, have you looked at any way of determining what the direct Government revenues may be associated with that economic activity through things like payroll taxes or stamp duties or other forms of direct Government revenue? Is there a way of estimating that from the economic activity that you've estimated?

Mr PERRY - There is, but all that we've done in relation to that is looked at stamp duty for the employees of the AFL club. We haven't included anything else in that assessment. The reason why we've done the stamp duty for the employees of the AFL club comes back to that point around the significance of the club itself. How we analyse that is we looked at the census data from 2021 that says 74 per cent of people in Hobart either own their home outright or they have a mortgage - removing the proportion that are on social housing - 74 per cent of the total will either have a mortgage or own their house. We've applied that also to the 175 - some people that argue it would be more - applied that to that and we've also used the average tenure of home ownership, which is people on average own their house for five years. We've used the average inner suburban value for the house price.

Again, we've tried to do this with everything, the figure is probably understated because typically people will buy, it'll have some proportion to their salaries, and so averages won't necessarily represent this because the average salary would be higher, but that's the only one that we've included and we've estimated that to be $1.61 million and we've used that as a contra to the total holding costs for the Government. There's the holding cost for the stadium, holding cost for the high-performance centre, additional cost that the Tasmanian Government will put into the Tasmanian team over and above - just the addition - what it currently provides to Hawthorn and North Melbourne. The contra is $1.6 million a year, which that works out to be in relation to stamp duty, but no other flow-on taxes, nothing about GST or anything like that. It's too complicated.

Mr JAENSCH - There would be, within the overall uplift of economic activity, other streams of direct Government revenue, State and Federal, I'm guessing, that would arise from that but you haven't specified them?

Mr PERRY - That's right.

CHAIR - Can I follow up on that from a slightly different angle? John, do you agree then that many of the economic benefits, acknowledging what you've just said to Roger's question, some of them you cite as tourism, hotel investment, events will not accrue directly to Government coffers and therefore can't be used to service debt?

Mr PERRY - Yes, absolutely. In exchange for the holding costs, it drives an economic uplift for the region and the State, but that money doesn't flow straight back to the State. The same thing applies, that's true for the Bridgewater Bridge or a roundabout or all sorts of things, that's not different from anything else.

CHAIR - You mentioned your team working on this, did your team examine an alternative base case, such as a smaller multi-use events venue or stage precinct first model, and were they comparative results?

Mr PERRY - No, we didn't because we were just looking at the question, which is: can it be afforded? I would also add to that, that if you had multiple different options, then a BCA in particular is useful because you're applying the same principles across all three of them to make a comparison between those. In this particular instance, it's a question, can we afford it, yes or no, and if you can't or if you're not going to do it, then you don't have the AFL team or the high-performance centre either. No, we didn't do that because we were just looking at one thing.

CHAIR - Can you provide the modelling that you did do?

Mr PERRY - I have done that.

Mr WINTER - That's in one of the attachments earlier today.

CHAIR - It's caused the computer to crash when something landed in the inbox, and I haven't had time to go and read it yet. I will have a look at that. Thank you.

Ms THOMAS - My question is following up from that point that was made about the flow-on effect of the economic activity. It's all well and good to say $5 is returned almost to the economy for every dollar invested, but that doesn't directly pay for the stadium construction, or the ongoing operating costs, the lifecycle costs, and that is what is of significant concern to Tasmanians. My question was going to be: can you explain - if there's a really intelligent Year 6 student out there doing a project on this, talking about the economic benefits to the State is fantastic, but how does that translate to the actual asset and the Government's capacity to pay, and ensuring that the Government's not sent broke whilst creating economic benefits for business across Tasmania?

Mr PERRY - I think the fundamental proposition is that somewhere in the vicinity of between $45 million and $70 million - depending on which assumptions you make - is the holding cost for the Government in order to have the stadium, the high-performance centre, the AFL team and the contributions to it. That's how much you need to set aside each and every year until - and I would argue you don't need to - you pay it off, I'd say you don't need to. That's the cost that you need to assess in terms of the overall budget. If you put that in terms of the overall budget, I think the projection for the total revenue for the State is about $9.5 billion by 2028, it'll probably be $10 billion. That's the proportion of your total budget that you need to be prepared to set aside.

What do you get in return for that? There's a whole lot of other benefits both intangible and not, and I haven't really adjusted for that, but the return is to the economy as a whole. There will be some impacts for the State, there will be returns of GST, some payroll tax and other things, we haven't calculated that -

CHAIR - GST is not a State tax, John. That gets put into the pool.

Mr PERRY - And then redistributed. It's way too complicated to then -

CHAIR - We won't go there, but it's not a direct contribution to the State, though. I think Bec's question was around direct contribution to the State.

Ms THOMAS - That's right.

Mr PERRY - It will then get distributed back. It's too complicated to make the assessment, but this will generate some additional GST. Where that goes, and whatever, is a bit of a difficult question.

Ms THOMAS - GST redistribution, payroll tax, but no-one's tried to quantify what those returns might be, as far as you're aware?

Mr PERRY - I haven't. I don't know if others have, I'm not sure.

CHAIR - Can I just pick up on your intangible benefits.

Mr JAENSCH - Or that you don't have them without economic activity.

Mr PERRY - Precisely.

CHAIR - You mentioned the intangible benefits, and I know the Government has talked about this too, particularly in their response to the TPC report. You've mentioned things like youth aspiration, brand value, crime reduction - which I found was an interesting one. On what empirical evidence do you base these claims? Did you attempt to monetise them, or simply list them as unquantified positives?

Mr PERRY - No, I haven't attempted to quantify them. We focus more on financial analysis. It would be really difficult for us to try to put some sort of assessment of economic benefit on that.

CHAIR - What empirical evidence did you rely on to make the claims in the first place?

Mr PERRY - It's not empirical evidence. I haven't gone and looked at published academic papers, I've listened to the discussions from representatives from the police force who've said that, 'Find a location where there's activity and participation in sport and you'll see lower crime rates.' I've based it on - there'll be some brand value for Tasmania in having its own team, there's no doubt. I haven't quantified it, but clearly, many, many different governments an others have agreed with that and that's why they pay for putting the Tasmanian brand on the front of the Hawthorn jersey. I haven't tried to put empirical evidence, but I haven't needed to because I haven't quantified a benefit. I've just said that there will be a benefit.

CHAIR - Thank you, John, for your appearance today and we appreciate you making yourself available. Did you want to make a closing comment or are you happy to finish there?

Mr PERRY - I'm happy to finish there. Thank you.

CHAIR - We will write to you about the dates of that communication to ministers as well.

Mr PERRY - Sorry that you haven't had a chance to look at the other analysis, if there's anything else that you would like to question, then just shoot that through to me.

Ms THOMAS - Would you be happy for that to be published? We can ask that in the letter as well, perhaps, Chair.

CHAIR - Yes. John, if you want more time to think about that we can put it in the letter but would you be happy for us to publish that information you provided to the Committee on our Committee website?

Mr PERRY - Yes, sure.

Ms THOMAS - Thank you.

CHAIR - Thank you very much for your time today.

Mr PERRY - Thank you, no problem at all.

The witness withdrew.

The Committee adjourned at 2:42 pm.