ADDENDUM – ANNUAL PAYMENTS TO WESTADIUM

Perth Stadium Contract Payments to WESTADIUM

The total contract value for the Perth Stadium Design-Build-Finance-Maintain (DBFM) contract with WESTADIUM over its 28 year life is $1.212 billion (Net Present Cost (NPC) at August 2014).

This information is contained in the Perth Stadium Project Summary document, which was publicly released on the Department of Treasury website on 21 February 2015.

In the interests of public transparency, the parties have agreed to the release the following additional information by the Treasurer:

(i) The annual value of payments to Project Co for each Financial Year on a NPC basis; and
(ii) The breakdown of the total contract value of $1.212 billion split between capital costs and operating costs.

Annual value of payments to WESTADIUM

The contract with WESTADIUM provides for State Capital Contribution payments during the construction phase and annual Availability Payments during the 25 year Operating Phase. The Operating Phase is scheduled to commence on 1 January 2018.

WESTADIUM must maintain and refurbish the Stadium and Sports Precinct during the 25 year Operating Phase as necessary to ensure it continues to meet the fit for purpose warranty, including at hand-back to the State after 25 years, in such a condition that no major maintenance or refurbishment work will be required for a further period of five years after hand-back.

Components of the annual Availability Payments include:

- debt and equity repayments;
- payments for Estate Services, comprising:
  - Scheduled and unscheduled maintenance of all elements of the Stadium and precinct;
  - Lifecycle Services – the periodic refurbishment and/or component replacement of:
    - the Stadium, Sports Precinct, Off-Site Infrastructure, Security Systems, Information Communications Technology (ICT) Systems, Audio Visual (AV) Systems; and
    - Building Management ICT Hardware and Software, including the Asset Management System;
- payments for Facilities Management (FM) Services comprising:
  - the Playing Surface Services;
  - the Grounds and Gardens Services;
  - the Event Support Services;
  - the Pest Control Services;
  - the Asset Security Services;
  - the Utilities Management Services; and
  - FM Help Desk Services.

The basis of the annual Availability Payments is set out in the DBFM contract, based on an agreed debt repayment approach, an agreed quantum of Stadium Events, an agreed maintenance program and an agreed life cycle refurbishment schedule.

The annual Availability Payments can be reduced by abatements, if the service standards are not met. The service standards are extensive, covering every aspect of the facility and ensuring that the Stadium's performance standards are met over 25 years.

Table 1: Payments for each financial year of the Term

Financial Year	NPC $ millions
2015/16	$201.5
2016/17	$209.6
2017/18	$54.4
2018/19	$47.3
2019/20	$44.1
2020/21	$41.6
2021/22	$39.6
2022/23	$38.3
2023/24	$37.1
2024/25	$36.3
2025/26	$38.0
2026/27	$38.0
2027/28	$35.7
2028/29	$33.7
2029/30	$28.2
2030/31	$28.5
2031/32	$27.0
2032/33	$25.4
2033/34	$25.0
2034/35	$26.7
2035/36	$24.5
2036/37	$23.1
2037/38	$22.2
2038/39	$20.7
2039/40	$17.9
2040/41	$15.7
2041/42	$17.9
2042/43	$14.3
Total	**$1,212.4**

Value for Money – assessed against the Public Sector Comparator

The Perth Stadium Project Summary provides a comparison of the NPC of the DBFM contract of $1.212 billion against the Public Sector Comparator of $1.536 billion (both amounts August 2014).

The Public Sector Comparator is the hypothetical, estimated NPC of delivering the project using conventional publicly funded procurement, including the estimated cost of risk transferred to the private sector under the contract.

The value for money comparison shows that over the full life of the contract, the Perth Stadium DBFM is estimated to deliver savings of $324 million (in August 2014 dollars) – or in percentage terms a saving of 21% – compared to conventional, publicly funded project delivery.

Relative to traditional public procurement, a far greater responsibility for risks of cost-overrun or delay during construction and/or operations rests with WESTADIUM. This risk allocation insulates the State and the taxpayer from the adverse impacts of related events.

Breakdown between capital costs and operating costs

The total contract value of $1.212 billion can also be categorised into capital and operating costs. Table 2 below shows a comparison between the capital costs and operating costs.

Table 2: Contract value split between capital and operating costs

Cost Category	NPC $ millions
Capital costs	$894.5
Operating costs	$317.9
Total	**$1,212.4**

Due to incentivisation in the DBFM model driving operational efficiency, including the involvement of a facilities maintenance subcontractor in the early stages of the project, the contract with WESTADIUM will deliver significant savings during the operating phase of the project.

In addition, to these savings, there are other significant benefits provided by WESTADIUM's proposal, which exceed the specifications allowed for within the State's Request for Proposals documents. These benefits are:

- Significantly larger (14%) floor area in Stadium footprint;
- Higher than briefed number of AV screens;
- Electronic entry to accessible toilets;
- Cup holders for every seat;
- Larger 'Kids Zone';
- Additional first aid facilities;
- Additional parenting rooms;
- Community Arbour;
- Intensive revegetation adjacent to the river;

- Nature playground and larger children's playgrounds;
- Aboriginal heritage artwork package;
- Amphitheatre and boardwalk;
- Increased parking capacity; and
- Dedicated taxi drop-off.

The DBFM payments (as shown in Table 1) do not consider any Stadium generated revenues. However, it is noted that the financial model for Perth Stadium operations is based on the recovery of the maintenance and lifecycle costs of the Stadium through revenues.