

Auditor General's Report

Reports of the Performance Audit of the
Redevelopment of Bruce Stadium

Report 4 Decision to Redevelop the Stadium

PA98/11

September 2000

The Speaker
ACT Legislative Assembly
South Building
London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with section 17 of the *Auditor-General Act 1996*, I transmit to the Speaker my Report titled *Bruce Stadium Redevelopment: Report 4 Decision to Redevelop the Stadium* for presentation to the Legislative Assembly by the Speaker. This Report is one of twelve reports arising from my performance audit of the Bruce Stadium redevelopment.

Yours sincerely,

John A Parkinson

GUIDE TO THE REPORTS OF THE AUDIT

The redevelopment of Bruce Stadium project involved a wide range of activities, including construction, financing, marketing, operating the Stadium and bidding for and hosting Olympic soccer. Each of these activities was important to the project and therefore was included in the performance audit.

For convenience of compilation and publication, the results of the Audit are provided in a series of reports. It should be noted that the reports are not intended to stand alone. For a complete understanding of the Audit's outcome, readers need to refer to all reports. The Audit has been reported in a series of 12 reports as outlined below. The reports are shown diagrammatically in the accompanying chart.

Report 1 Summary Report This Report summarises all aspects of the Audit. It lists the Audit's objectives and opinions and contains chapters on the outcomes and components of the redevelopment, factors that contributed to the outcome and the Audit's methodology. The Report contains synopses of each of the other reports of the Audit.

Report 2 Value for Money The question of whether the cost incurred in redeveloping the Stadium represents value for money is most important in the overall assessment of the redevelopment project. This Report provides an opinion on whether the costs incurred in redeveloping the Stadium represent value for money for the Territory.

Report 3 Costs and Benefits This Report provides an opinion on whether the economic benefits from redeveloping and operating the Stadium and hosting Olympic soccer are, or will be, greater than the costs incurred in redeveloping and operating the Stadium and hosting Olympic soccer.

Report 4 Decision to Redevelop the Stadium In July 1996, SOCOG invited the Territory to submit a bid to host Olympic soccer. In September 1996 the Cabinet agreed to submit a bid and to upgrade the Stadium should the bid be successful. This Report provides an opinion on whether the decision to redevelop the Stadium was made with the aid of relevant, accurate and complete information. The Report discusses redevelopment proposals in 1993 and 1994, the bids in 1995 and September 1996 and related capital works proposals.

Report 5 Selection of the Project Manager This Report provides an opinion on whether the selection of the project manager was based on sound management practices. The Report summarises the Government's purchasing policy and includes a comparison of the selection process used with the policy. It discusses the tendering process, the probity review and the project management agreement.

Report 6 Financing Arrangements The total cost of the redevelopment project was originally estimated at \$27m. This was to be financed by a \$12m appropriation with the balance to be provided by sales of Stadium products (e.g a passholder program, naming rights and corporate suites) and borrowings. Considerable work was undertaken and costs incurred in efforts to have a financing structure developed. This Report provides an opinion on whether the management of the financing arrangements to meet the costs of redeveloping the Stadium was effective. The Report outlines the financial structures contemplated and comments on the utility of the final structure developed.

Report 7 Stadium Financial Model The Stadium financial model was a key document referred to in the decision to redevelop the Stadium and was used as an indicator of the commercial viability of the redeveloped Stadium and as a justification for several major decisions. This Report provides an opinion on whether it was reasonable to use the model as a reliable primary document for decision making.

Report 8 Actual Costs and Cost Estimates This Report provides an opinion on whether the actual costs of the redevelopment were contained within the cost estimates on which Cabinet decisions were based. It also includes reference to costs which were met from funds appropriated for other purposes and identifies the major items that contributed to cost increases. It explains some of the major factors that contributed to the actual costs being significantly in excess of original estimates.

Report 9 Market Research and Marketing In mid-1998, a consortium was appointed to market and sell the Stadium's products. Only a fraction of the forecast revenue was raised. This Report provides an opinion on whether the management of market research and marketing has contributed to the commercial viability of the Stadium's operations. Comments are provided on marketing research and the selection and monitoring of the marketing consortium.

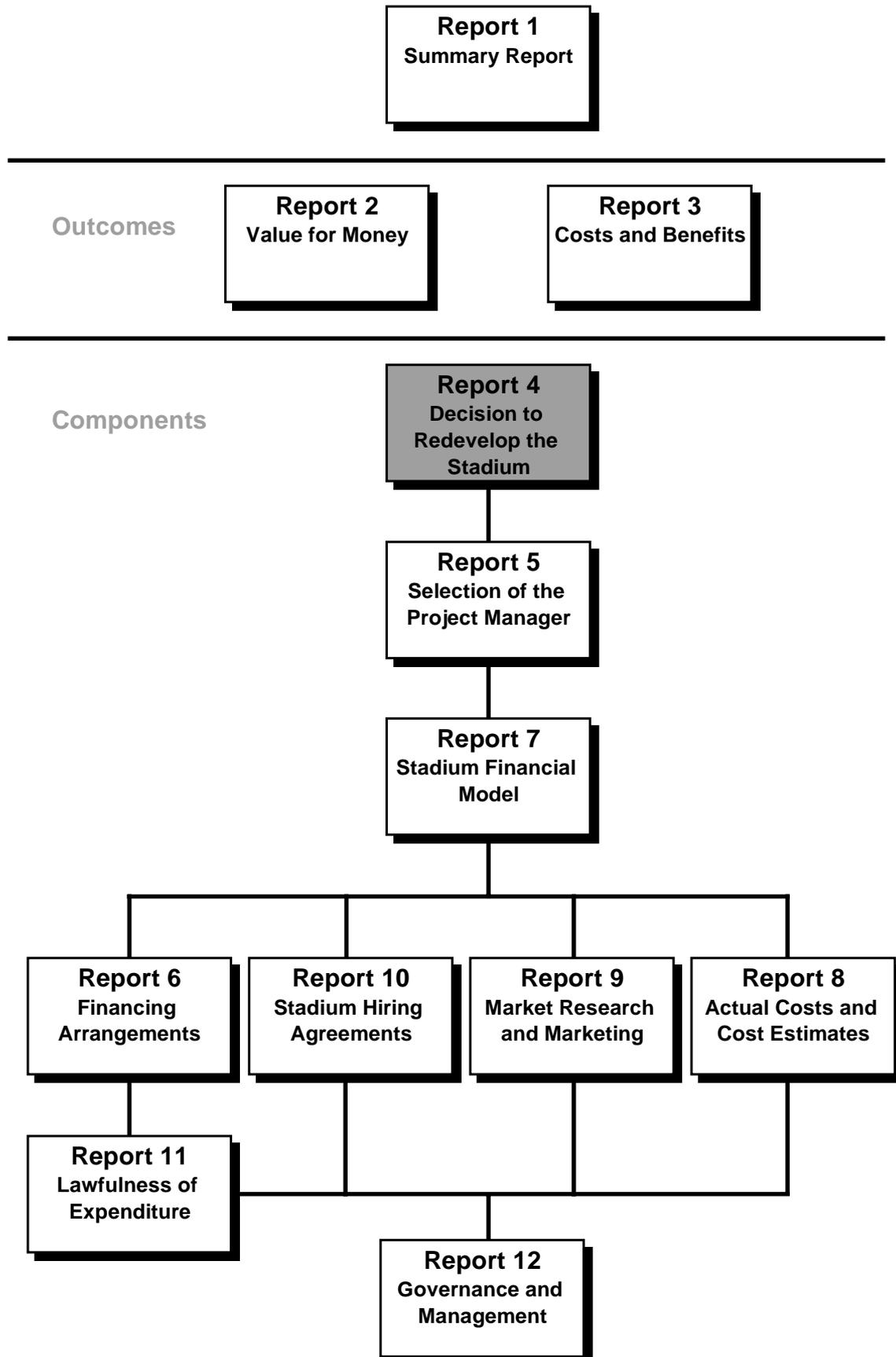
Report 10 Stadium Hiring Agreements The redevelopment plan included negotiation of new hiring agreements with the major hirers of

the Stadium. Negotiations with the hirers commenced in July 1997 and continued throughout 1998. The agreements included large revenue assurance guarantees, particularly for one hirer. This Report provides an opinion on whether the negotiation of the Stadium hiring agreements has contributed, or will contribute, to the commercial viability of the Stadium's operations. The Report discusses the Heads of Agreements settled with the teams, negotiation principles agreed by the Cabinet and the revenue assurance guarantees.

Report 11 Lawfulness of Expenditure After funds appropriated for the redevelopment project were exhausted, funds were provided from the Central Financing Unit of the Chief Minister's Department. This Report provides an opinion on whether the payments made for the project in excess of the amounts appropriated were lawful and whether the overnight borrowing on 30 June 1998 was lawful.

Report 12 Governance and Management This Report comments on the governance framework in the Territory and those arrangements specifically set up to oversight and manage all aspects of the redevelopment project. The Report provides an opinion on whether governance and management arrangements for the redevelopment project were effective. It comments on submissions to the Cabinet, operational management and human resourcing arrangements.

REPORTS OF THE AUDIT



REPORT 4

DECISION TO REDEVELOP THE STADIUM

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1. DECISION TO REDEVELOP THE STADIUM OVERVIEW

INTRODUCTION

1.1 The Audit objective addressed in this Report was to provide an independent opinion to the Legislative Assembly on whether the decision to proceed with the redevelopment was made with the aid of relevant, accurate and complete information.

1.2 The Audit dealt with the following matters:

- two redevelopment proposals in 1993 and 1994 and a first bid to host Olympic soccer lodged in December 1995;
- development of the Olympic soccer bid from December 1995 to September 1996, including the proposal for the redevelopment prepared by consultants in September 1996;
- the content of the Cabinet submission *Canberra — An Olympic City* of 20 September 1996, and the second and final bid document of 30 September 1996, the cornerstone of which was a \$27m Stadium redevelopment; and
- the preparation and consideration of the capital works proposal in late 1996 and early 1997.

1.3 The decision to redevelop Bruce Stadium was linked to the decision to host Olympic soccer matches in Canberra in 2000. The Stadium redevelopment, completed in early 1999, was first presented to the Cabinet in a submission dated 20 September 1996 titled *Canberra – An Olympic City*. The Cabinet decision, which was informed by the submission, and in which the Cabinet agreed to bid for Olympic soccer, clearly indicates that the Stadium redevelopment would be undertaken subject to the bid to host Olympic soccer being successful. As a result of the link between the redevelopment and hosting Olympic soccer the Audit included issues related to hosting the soccer.

1.4 This Chapter of the Report presents an overview of the Audit as outlined in the previous paragraphs and states the Audit's overall conclusion on the Audit objective. More details are provided in the following chapters of the Report. Readers should be aware that some

comments in this overview Chapter are repeated in the following chapters.

BACKGROUND

The First Olympic Bid, 1995

1.5 Redeveloping Bruce Stadium and hosting Olympic soccer were under active consideration by ACT Governments from late 1992 until December 1995 when a first bid to SOCOG¹ was lodged.

1.6 A proposal in early 1993 for a redevelopment, estimated to cost \$11.7m, had many similarities to the final redevelopment agreed to in 1996. The 1993 proposal, however, received little support and was not submitted to the Capital Works Group. The Capital Works Group was an inter-agency panel of senior public servants which reviewed capital works proposals prior to the proposals becoming part of the Government's draft capital works program. Other than a general assertion of the 'economic advantages' of hosting Olympic soccer, no analysis was provided in the 1993 proposal of the financial or economic effects of redeveloping the Stadium or of hosting Olympic soccer.

1.7 When Sydney was announced in September 1993 as the host for the 2000 Olympic Games, the Government immediately established the ACT 2000 Committee to co-ordinate the ACT's involvement in the Sydney Games. In October 1994 the Committee issued a report which made numerous recommendations including 'that the ACT Government bid, in conjunction with ACT soccer associations and the Australian Sports Commission to host part of the 2000 Olympic soccer competition'.

1.8 On the basis of the ACT 2000 Report, the Labor Government agreed in October 1994 to a proposal to host Olympic soccer at the Bruce Stadium, using semi-permanent seating, at an estimated cost of \$3.25m. This proposal was supported by the Liberal Government upon taking office in March 1995.

1.9 Throughout 1995, an interest was maintained in bidding for the

¹ Sydney Organising Committee for the Olympic Games.

Olympic soccer to be played at Bruce Stadium based on this minimalist approach of spending \$3.25m to provide a seated capacity of 25,000. Officials attended a number of meetings with SOCOG representatives and were active in promoting ACT involvement in hosting both soccer and futsal. A draft bid to host Olympic soccer matches had already been developed by July 1994 and further drafts of the bid were prepared until at least August 1995.

1.10 Official estimates of the cost of hosting Olympic soccer were prepared in 1994 (\$332,362) and 1995 (\$500,000).

1.11 On 7 December 1995, the Chief Minister presented SOCOG with ‘Canberra’s bid to host part of the 2000 Olympic Football competition at our premier venue, Bruce Stadium’. The exact nature of the bid in December 1995 is unknown to the Audit as a copy of the bid could not be located by either government officials or SOCOG.

Audit Comment

1.12 The pursuit of Olympic soccer had significant financial implications. Nevertheless, no systematic and rigorous assessment of the costs and benefits of redeveloping the Stadium or hosting Olympic soccer had been undertaken to this point. At this time the claimed benefits were vague and the extent of the required redevelopment was unclear.

1.13 The cost of redeveloping the Stadium has been \$45m and there are ongoing costs of operating the Stadium (see *Report 3 – Costs and Benefits*). The present estimate of the net cost (i.e. after taking to account ticket and other revenue) to the Government of preparing for and hosting Olympic soccer is \$14m.

Development of the Second Bid, 1996

1.14 In the first half of 1996, promoting and preparing for Olympic soccer continued, however, no systematic analysis was conducted of the costs and benefits. A government Report titled *Sydney 2000 Olympics Economic Benefits for the ACT Preliminary Estimates*, presented by the Economic Analysis Group in February 1996, did not systematically analyse the economic effects of the Sydney Olympics on the ACT. In particular, the Group did not undertake any analysis of the economic

effects on the ACT of hosting Olympic soccer in Canberra.

1.15 The arrival in July 1996 of a letter from SOCOG requiring firm details of the ACT's bid led to an increase in activity. A detailed Technical Questionnaire on the Stadium and training sites was attached to the letter, for completion by 30 September 1996. A consultant (CRI Limited) was hired to manage the submission to SOCOG and produce a plan for the redevelopment of the Stadium. The Office of Financial Management (OFM) was directed to produce an assessment of the benefits of hosting Olympic soccer.

1.16 Following Cabinet agreement the Olympic soccer bid was submitted to SOCOG on 30 September 1996. While the bid document was considerably expanded and reworked, and the nature of the redevelopment was dramatically changed, the format and text of the final bid document was recognisably similar to the July 1994 draft bid document.

1.17 A meeting was held in Canberra on 19 July 1996 between Government executives² and CRI at which, according to CRI, 'the Government's representatives briefed CRI as to their views on upgrading the Stadium to assist in their bid to win Olympic soccer events'.³ Mr Walker has since advised⁴ that his recollection is that he did not express any such views at the meeting. There is no record of the meeting in Departmental files.

Audit Comment

1.18 CRI's proposal for a redevelopment costing up to \$27m was provided to officials on 11 September 1996. This was a large project for the ACT Government and significantly larger than the redevelopment envisaged at the time of the first bid in December 1995. No evidence has been found of any comprehensive financial or economic evaluation of the CRI proposal.

1.19 On 18 September 1996, CRI confirmed the redevelopment cost of

² John Walker and Mark Owens.

³ This written advice was provided by CRI to Mr Walker on 19 July 2000, who in turn provided a copy of the advice to the Audit on 21 July 2000.

⁴ John Walker, 18 August 2000.

\$27m and provided a funding structure for the redevelopment of \$12m from government equity, \$8m from sales of Stadium products to be received during the construction period, and \$7m from borrowing to be serviced and repaid over 7 years from future operating profits. The proposal was accepted immediately and formed the basis for the Cabinet submission of 20 September 1996 recommending that the ACT bid for Olympic soccer and, if the bid proved successful, redevelop the Stadium.

1.20 As with the physical redevelopment proposed on 11 September 1996, there is no evidence available to the Audit to suggest that the funding structure or the associated financial model were subjected to examination. This was even though they were key parts of a Cabinet submission recommending a major construction project. Further, the funding structure and the financial model would be fundamental to the project thereafter.

1.21 The Audit notes that even a cursory review of the financial model and the funding structure would have been expected to raise concerns about their achievability.

1.22 An OFM assessment of the benefits of hosting Olympic soccer, dated 31 July 1996, contained a number of errors. It was written over a short period, did not consider costs, and was based largely on assumption and low grade evidence. The document provided an unreliable assessment of the potential benefits of Olympic soccer to the ACT. Although it was unreliable, the figure of \$20m presented in the OFM assessment enjoyed wide currency. It was referred to in the Chief Minister's Cabinet submission of 20 September 1996, which received Cabinet agreement to proceed with the bid. The figure of \$20m was in use three months later when the Chief Minister publicly announced the success of the bid.

1.23 The ACT Government had a substantial presence at the Atlanta Olympics in July and August 1996, and a large report (*Let the Fun and Games Begin*) was prepared in August 1996 presenting some of the information gathered during the visit. Information on Atlanta's experience was also available from a private newsletter which was being received by officials. The evidence available suggested significant costs and unrealised expectations of benefits for cities involved in the Atlanta Games. The information available was not mentioned in the Cabinet submission *Canberra – An Olympic City*.

1.24 The Audit's opinion is that the activities undertaken between December 1995 and September 1996 did not include systematically gathering and analysing information which could be useful to decision making about the redevelopment and hosting Olympic soccer.

Cabinet Agreement and the Final Olympic Bid Document, September 1996

1.25 The Cabinet submission titled *Canberra – An Olympic City* was signed by the Chief Minister. The purpose of the submission was to seek Government support for Canberra's bid to host Olympic soccer in 2000 and begin redevelopment work on Bruce Stadium. The resultant Cabinet decision of 23 September 1996 was to proceed with the bid and to guarantee that, if the bid were successful, Bruce Stadium would be upgraded to the full specifications outlined in the bid.

Audit Comment

1.26 The Audit view is that the content of the submission provided an assessment of limited quality and usefulness of the costs and benefits of the redevelopment and of Olympic soccer. Observations which support the Audit view are:

- no documentation has been found by the Audit to show that the redevelopment proposal or the financial model and financial plan which supported it had been subjected to any scrutiny before the submission was prepared;
- no reliable analysis of the costs and benefits to the ACT of the redevelopment had been prepared;
- no realistic assessment of the financial cost of hosting Olympic soccer had been prepared and no estimates of costs were included in the submission;
- the estimate in the submission of the economic benefit to the ACT from hosting Olympic soccer of \$20m was taken from OFM's 'Assessment of the Benefits of Olympic Soccer', which was unreliable;
- the true financial implications of the CRI plan were not made clear in the submission; and
- risks associated with the bid and the redevelopment were not clearly identified.

1.27 The draft submission received limited consultation and no circulation other than to the OFM. The Under Treasurer had a matter of hours to comment on it. The Under Treasurer's response raised issues about the projected capital cost, expenses and revenues. The advice was largely not addressed or was dealt with in a limited way in the final submission. In particular, the submission did not include any information on actual attendances and those projected in the Stadium financial model or any reasoned argument for the projected levels of attendance and revenue contained in the Stadium financed model.

1.28 The Cabinet decision of 23 September 1996 was to proceed with the bid and to guarantee that, if the bid were successful, the Stadium would be upgraded to the full specifications in the bid. The Audit opinion is that, if the only information available to the Cabinet was the content of the submission, the Cabinet decision was not made with the aid of relevant, reliable and complete information.

1.29 After nearly four years of consideration, no rigorous analysis had been undertaken of the Bruce Stadium redevelopment or the Olympic soccer bid. The redevelopment proposal agreed to by the Cabinet had been presented for the first time to executives by CRI on 11 September 1996 which was only 12 days before the Cabinet decision was made. The funding structure and supporting financial model had been presented on 18 September 1996, only 2 days before the Cabinet submission was signed and only 5 days before the Cabinet decision was made.

Capital Works Proposal, 1996 to 1997

1.30 All capital works proposals are required to be examined prior to the Cabinet determining whether they should be included in the Government's capital works program. The Audit reviewed the examination process of the redevelopment's capital works proposal for inclusion in the 1997-98 program.

1.31 The 1997-98 Draft Capital Works Program was presented to the Cabinet twice. The first version of the Program was presented on 16 December 1996. It noted that the proposal to redevelop Bruce Stadium was 'based on optimistic revenue streams and attendance projections'. The Capital Works Group 'agreed that on the basis of the information provided, and without the strategic economic benefits of

Olympic soccer games, the project does not meet the criteria' for approval. The project was included in the Program 'subject to a favourable decision by SOCOG'.

1.32 At its meeting on 16 December 1996, the Cabinet agreed to defer consideration of the Program until 3 February 1997 in order to allow the inclusion of a number of new projects. SOCOG announced that Canberra would be a host city for Olympic soccer on 19 December 1996. The Capital Works Group met again on 21 January 1997 and supported the Stadium redevelopment proposal. A revised program was signed by the Treasurer on 31 January 1997. In the new Program the Stadium redevelopment was described as a 'special project' which had been included following the SOCOG decision. The Chief Minister expected that 'full documentation on this project, including a cost-benefit analysis' would be provided to the Standing Committee on Planning and Environment, and the Bureau of Sport, Recreation and Racing would 'be in a position to respond to the Committee's questions on this project'.

Audit Comment

1.33 An assessment by the Audit of the Bruce Stadium capital works proposal against the requirements of the OFM guidelines for capital works proposals issued in August 1996 shows that the proposal did not address any of the requirements adequately. Many of the statements in the proposal are unsupported by any analysis or evidence. Many of the requirements are not addressed at all. A supporting cost benefit analysis was not prepared.

1.34 The level of analysis in the proposal's documentation was in no way commensurate with the project's significance. The stated capital contribution of \$12m made the redevelopment the single biggest proposal under consideration in the 1997-98 Draft Capital Works Program. The total cost estimate of \$27m made the project bigger still. Moreover, as the cost estimate was preliminary, and as the capital contribution depended entirely on realising the projected revenues in the Stadium financial model, the risk of increases in the cost and the capital contribution was very real.

1.35 Given the size and risk of the project, the low quality of the capital works proposal and supporting documentation is significant.

1.36 The 1997-98 Draft Capital Works Program was delivered to the Legislative Assembly's Standing Committee on Planning and Environment on 7 February 1997. The Bruce Stadium redevelopment proposal was accompanied by a slightly changed version of OFM's 'Assessment of the Benefits of Olympic Soccer', first prepared in July 1996. This assessment was unreliable. The Committee was not provided with a copy of the Stadium financial model. As the model underpinned the redevelopment proposal, this decision meant that the Committee did not have all relevant information available for making an informed decision about the proposal.

CONCLUSION

1.37 The Audit opinion is that the decision to redevelop the Stadium was not made with the aid of relevant, accurate and complete information. This was particularly in relation to the design, size, scope and funding of the redevelopment.

1.38 In summary the Audit opinion is based on the following findings:

- the proposal for a redevelopment estimated to cost \$27m was accepted without careful analysis. The proposed funding structure and supporting financial model were also accepted immediately and without careful examination. The Cabinet submission of 20 September 1996 included an assessment of the costs and benefits of hosting Olympic soccer and redeveloping the Stadium which was neither accurate nor complete;
- no systematic and rigorous assessment of the financial and economic implications of redeveloping the Stadium or hosting Olympic soccer was undertaken. Assessments which were prepared were of limited quality. Available evidence relevant to the proposal was not used in the Cabinet submission of 20 September 1996;
- the capital works proposal for the Bruce Stadium redevelopment did not meet the requirements laid down in OFM guidelines; and
- the presentation of the proposal to the Legislative Assembly's Standing Committee on Planning and Environment did not provide sufficient information for the Committee to make an informed assessment of the proposal.

1.39 The Audit acknowledges that the Stadium was in need of improvements. The Audit opinion, however, is that the decision to redevelop the Stadium, particularly in relation to the design, size, scope and funding of the redevelopment, was taken without the aid of relevant accurate and complete information.

DEPARTMENTAL RESPONSE

1.40 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this Report was provided to the Chief Executive of the Chief Minister's Department for his consideration and comments. The Chief Executive's response is set out following.

1. *“As with several of the other Audit reports on aspects of the redevelopment of Bruce Stadium, the key finding of this report is too sweeping and generalised in nature. Reality is seldom so black and white. In addition, this report repeats the flawed approach in Report No. 3 (Costs and Benefits) in its contention that the redevelopment was primarily undertaken to support and sustain Canberra's bid to host Olympic football.*

2. *The decision to redevelop Bruce Stadium was made for a number of reasons, as I indicated in my comments on Report 3. The Cabinet's decision on 23 September 1996 to bid to host Olympic Football included an agreement that, if the bid was successful, Bruce Stadium would be upgraded to full specification. The bid acted as a catalyst and impacted on the **timing** of the decision to redevelop the stadium, but was by no means the only consideration.*

3. *The relevant Cabinet Submission recognised that there already was a need to redevelop the stadium (then some 20 years old) to meet the realistic expectations of 1990's generation spectators and to offset the attraction of newer venues in larger population centres as future bases for the Raiders and the Brumbies. Canberra needed a venue which met the*

standards required by the competitions in which these teams compete. Bruce Stadium, pre-redevelopment, did not meet the explicit standards set down by the National Rugby League.

4. *The general circumstances in Canberra in 1996 and 1997 also need to be understood. Stimulating economic growth, improving the condition of the Territory's infrastructure and enhancing the Territory's image and the quality of life for its inhabitants and the morale of the local community were all factors which the Government took into account. Cabinet did not require a detailed cost – benefit analysis to address such issues.*

5. *The same applies to the decision to bid to host Olympic football. In addition, real world timing constraints limited the scope for the conduct of the detailed assessments which Audit would have preferred. I accept that the analysis of the economic benefits of hosting Olympic football was deficient. However, some tasks have to be undertaken relatively quickly and decisions taken on the best available information at the time. That is the essence of risk management.*

6. *In such circumstances the measure of success or failure is most appropriately determined in relation to the outcomes of the decision, rather than the comprehensiveness of the process. The test here is whether sufficient information was available to make a reasonable decision. In decisions such as bidding to host Olympic football or redeveloping Bruce Stadium, Governments have to take into consideration a range of public interests and benefits. Some of these benefits are intangible and difficult to quantify. In the case of the Olympic bid and the related timing of decision to redevelop Bruce Stadium the Government also did not have the luxury of adopting a wait and see approach. Both action and inaction carry risks.*

7. *There are important additional factors which raise questions of the reasonableness of Audit's conclusions on the lack or appropriate levels of analysis, particularly in relation of the decision to bid to host Olympic football.*

8. *Detailed analysis could not be undertaken in the early stages of the bidding process as only limited information was available on the financial and economic benefits of other countries from hosting Olympic Games that had direct relevance to the ACT. Other than standard technical requirements for particular events, each Olympic Games is run differently in accordance with the peculiarities and advantages of the host*

country. SOCOG had first to analyse the approach used for Atlanta and then determine its own approach for the 2000 Games. The private newsletter referred to in the report was not endorsed by SOCOG or any other Olympic organisation. The validity of the information contained in the newsletter therefore cannot simply be assumed.

9. Despite this lack of information, potential host cities were required to indicate their interest in participating in the event in December 1995. The cost of hosting the Olympic football identified in paragraph 1.10 therefore was estimated by officials based on information available at the time. These estimates were adjusted as more information became available. It is with hindsight that Audit states these early estimates were clearly understated.

10. The Government agreed to lodge a its 1995 'bid' stating that options were being considered to meet International Olympic Committee requirements. The 'bid' took the form of a letter with attachments - a series of brochures including Bruce Stadium and Project 2000 that showcase the venue and Canberra. Contrary to the suggestion in the report, I understand that Audit was provided with a copy of the letter and advised that only the brochure attachments showcasing the existing venue and Canberra generally were missing.

11. Chapter 2 of the report reviews, as some length, the history of the development of Canberra's bid to participate in the 2000 Olympics. Much of this material has no relevance to the redevelopment of Bruce Stadium, and in my opinion is outside the scope of this audit.

12. However, as Audit has raised the general issue of the Olympic football bid, the following points are provided to summarise the rationale and assessed benefits of the bid:

- (a) In 1993 Sydney was announced as the venue for the 2000 Olympic Games. Given its prominence as the national capital and the importance of sport in the life of the city, it was logical that Canberra should be part of the Games. Football was identified as the only event to be staged outside Sydney.
- (b) In line with its determination to enhance the claims of the capital region as a business and tourist destination the Government adopted a strategy of putting Canberra on the international map as an Olympic city.
- (c) The first bid in 1994-95 was not a formal bid, nor was it intended to be so because the full requirements of SOCOG were not known.

- (d) *The activity of ACT officials in early 1996 focused on attracting teams for pre-Olympics training. This was a realistic goal given the existence of facilities such as the Australian Institute of Sport in Canberra and Canberra's close proximity to Sydney.*
- (e) *An invitation from SOCOG to bid for the right to host Olympic football was received by the ACT in mid-1996. This invitation was offered in the context of competition from larger capital cities (Adelaide and Melbourne) and regional centres closer to Sydney (Wollongong and Newcastle) that had indicated an intention to upgrade their existing stadia to improve their chances of hosting part of the Olympic competition. The correspondence of the needs of the rugby league and the rugby union football codes (especially in relation to the Raiders' place in the NRL) with the requirements of SOCOG/FIFA in relation to Olympic soccer provided the platform for an Olympic bid based at Bruce Stadium.*
- (f) *It was only at this stage that financial arrangements and FIFA/SOCOG requirements began to be detailed in any comprehensive way. In the absence of in-house technical expertise to meet the task of preparing the bid in the timeframe set by SOCOG, it was appropriate to engage the services of others with more appropriate expertise to assist. CRI had considerable expertise in the construction industry, especially in the field of Stadium development. The ACT's bid was put forward in September 1996 and accepted later that year.*
- (g) *Following the submission of formal bids from interested host cities, SOCOG assessed the responses and inspected each city. Each of the pre-selected cities then entered into detailed negotiations with SOCOG from February 1997 in order to finalise tournament responsibilities and the obligations of each party. These negotiations covered issues such as tournament standards and costs, risk sharing, marketing plans, organisational arrangements and competition programs. Importantly, the pre-selected host cities conducted these negotiations collectively in order to strengthen their negotiating position. These negotiations formed the basis of the MOU signed between the ACT and SOCOG in September 1997.*

- (h) *The advice provided to the Cabinet in the Submission Canberra – An Olympic City was complete in that the estimated costs were based on information available at the time. A number of advantages in addition to economic impacts were identified in the submission. These included marketing impacts for Canberra as an Olympic city, media opportunities and employment during the preparation period and hosting the event. The Cabinet was advised of the expected capital works implications and the funding and in kind support expected to be required from ACT Government agencies.*
- (i) *With the rights to host Olympic football, Canberra became an Olympic city, a status that has lead and will continue to lead to significant economic benefits:*
- (i) *International media, and sporting and business delegations visiting Australia will be more likely to include Canberra in their schedules. CTEC's visiting journalist program reports significant increases in high value visiting media and consequential profiling of Canberra internationally in 1998-99 and 1999-00. The assessed publicity value increased from \$4m a year up to 1997-98, to \$13m in 1998-99 and \$27m in 1999-00.*
 - (ii) *International and interstate visitor numbers are expected to increase during the Olympic period, but this is only a small part of the overall effect. In addition, there have been IOC and FIFA visits, as well as frequent visit from national Olympic committees interested in viewing Olympic and training facilities.*
 - (iii) *Canberra will be profiled world-wide through Olympic TV, print and radio coverage. Football is one of the most followed sports world-wide, with strong followings in both Japan and China. Teams from both countries will be competing in Canberra.*
 - (iv) *Canberra's profile as an Olympic city and place of sporting excellence has assisted in attracting teams to train in Canberra. These contracts alone are valued at \$1m.*
 - (v) *The focus on Canberra's Olympic involvement has assisted in ensuring that Canberra-based businesses have taken advantages of the opportunities to provide services to Sydney. Over \$50m has been achieved in construction contracts alone.*

13. *One aspect of the report that I do support relates to the poor quality of the initial documentation of the capital works aspects of the redevelopment. This material, prepared by the Bureau of Sport and Recreation and Racing failed to meet the Office of Financial Management guidelines for the documentation of capital works proposals. Greater compliance with those guidelines would have provided a much sounder basis for the subsequent redevelopment project.”*

CONCLUDING COMMENTS

1.41 The Chief Executive’s response to the Report identifies various issues. It should be noted, however, that several of the issues are not directly relevant to the Audit objective. The Audit’s view on various issues raised is discussed following.

1.42 In *paragraph 1* the Chief Executive states that the Audit’s contention is ‘that the redevelopment was primarily undertaken to support and sustain Canberra’s bid to host Olympic football’. This statement is incorrect. The Audit is in agreement with the Chief Executive’s *paragraph 2*, which states that ‘The decision to redevelop Bruce Stadium was made for a number of reasons’. In the same paragraph the Chief Executive also states ‘The [SOCOG] bid acted as a catalyst and impacted on the **timing** of the decision to redevelop the stadium, but was by no means the only consideration.’

1.43 In this Report, and in other Reports, the Audit has addressed a range of reasons put forward to support the redevelopment going ahead. For example, the Audit has discussed the requirements of the major hirers (i.e. the Brumbies, Raiders and Cosmos), the amenity to spectators, and the effect on the ACT economy of the redevelopment. The Audit has also considered the financial objective of creating a commercially viable Stadium. These and other matters are discussed in considerable detail in *Reports 2 and 3*. This Report also presents the considerations which were taken into account by executives and the Cabinet in deciding to redevelop the Stadium. The Audit, as evidenced by the content of the Reports prepared, clearly understands that other reasons for redeveloping the Stadium existed in addition to hosting Olympic soccer. It must be accepted, however, that hosting Olympic soccer was a major reason for redeveloping the Stadium.

1.44 This Report notes that the decision to redevelop the Stadium was taken in the context of the decision to bid for Olympic soccer. The wording of the relevant Cabinet decision *Canberra – An Olympic City* of 23 September 1996 makes it clear that the redevelopment was conditional upon winning the right to host Olympic soccer. As this Report shows, all official proposals for the redevelopment of the Stadium from late 1992 onwards were presented and considered in the context of a bid to host Olympic soccer. The bid to host Olympic soccer was a key factor in the decision to redevelop the Stadium. It did not simply affect the timing of the decision but heavily influenced the decision itself.

1.45 The Chief Executive states in *paragraph 3* that the Cabinet submission, *Canberra – An Olympic City*, of 20 September 1996, recognised that there already was a need to redevelop the Stadium to meet the expectations of spectators and the requirements of the Raiders and Brumbies. The submission mentioned the particular matter of the risk of losing the teams to ‘newer venues in larger population centres’. This matter is discussed at length in this Report and in other reports of the Audit. The Audit found little evidence of close attention being given to the expectations of spectators or the requirements of the major hirers. The Audit located no evidence that any effort was made to ascertain whether a real risk existed that the hirers might relocate to other centres (see *paragraph 4.19*; and *Report 3, paragraphs 6.44 to 6.50*).

1.46 The Chief Executive in *paragraph 4* of his response raises other economic considerations in 1996 and 1997 such as stimulating economic growth and improving the condition of the Territory’s infrastructure. These have all been assessed in *Report 3*. The Audit’s conclusion is that the benefits from the objectives mentioned by the Chief Executive are small compared with the large net financial cost incurred by the Territory. The Audit has found that no serious analysis of any of these possible benefits occurred in 1996 and 1997 or has occurred since.

1.47 The Chief Executive also states in *paragraph 4* that ‘Cabinet did not require a detailed cost-benefit analysis to address such issues’. The Audit objective being addressed in this Report is whether the decision to redevelop the Stadium was made with the aid of relevant, accurate and complete information. The Audit’s view is that the absence of any rigorous and reliable analysis is evidence that the Cabinet did not have relevant, accurate and complete information available when it made its decision to redevelop the Stadium. The lack of rigorous analysis is discussed throughout this Report (see, for example, *paragraphs 3.30-42*;

3.51-3.52; 3.59-60).

1.48 The Chief Executive states in *paragraph 5* that ‘timing constraints limited the scope for the conduct of the detailed assessments which Audit would have preferred’. The Audit notes that redeveloping the Stadium and bidding for Olympic soccer were first considered in late 1992. For the next three and a half years no serious financial or economic analysis was conducted of the proposal. This is although a considerable body of reputable academic research was available to show how such an analysis could be conducted. The Audit is of the view that adequate time was available to conduct analyses.

1.49 The Chief Executive states, also in *paragraph 5*, ‘some tasks have to be undertaken relatively quickly and decisions taken on the best available information at the time. That is the essence of risk management’. The Audit notes that the essence of risk management is the systematic identification and management of risk. One of the features of the decision making process described in this Audit is the almost complete absence of systematic risk management. Even though significant risks in regard to all aspects of the redevelopment proposal were evident, these risks were ignored or unidentified (*paragraphs 4.35-49; 5.95-103*). Taking quick decisions in such circumstances is not risk management but ‘risky’ management.

1.50 The Chief Executive states in *paragraph 6* that ‘the measure of success or failure is most appropriately determined in relation to the outcomes of the decision, rather than the comprehensiveness of the process’. The Audit addressed the redevelopment project’s outcomes in *Reports 2 and 3*. The Audit’s opinions as presented in those Reports are that the costs incurred in redeveloping the Stadium do not represent value for money and the economic benefits from the project are less than the costs. The Audit conducted its review of the comprehensiveness of the process only because poor outcomes were achieved. If the outcomes achieved had been as intended much of the work done in this Audit would not have been performed.

1.51 The Chief Executive further states in *paragraph 6* that the test: ‘is whether sufficient information was available to make a reasonable decision. In decisions such as bidding to host Olympic Football or redeveloping Bruce Stadium, Governments

have to take into consideration a range of public interests and benefits’.

1.52 This is the very point made by the Audit in this Report. The information available was of such a poor standard that it provided little or no assistance to the making of informed decisions about the public interest. The Chief Executive’s statement that the Government could not adopt ‘a wait and see approach’ misses the point. The Audit is saying that the proposal should have been analysed and understood at the time. Instead, no reasonable level of analysis was conducted. The approach adopted was to take the decision to redevelop the Stadium and then ‘wait and see’ what the results would be.

1.53 The Chief Executive in *paragraph 7* and *paragraph 8* questions whether detailed analysis could have been conducted, especially before the decision to bid was taken. In particular, he says that limited information was available on the ‘financial and economic benefits’ in other countries hosting the Olympics. It is common knowledge that involvement in the Olympics is financially costly. Such knowledge should have alerted executives of the need to draw together evidence on the financial costs. From early in the consideration of the proposal, it would have been possible to prepare a report identifying a method to analyse the financial and economic effects of redeveloping the Stadium and hosting Olympic soccer. Such a report could have identified parts of the analysis for which good evidence was not available. Such an approach would have identified the significant areas of risk and contributed to development of strategies to manage the risks.

1.54 Further, in relation to the Chief Executive questioning whether analysis was possible at the time the decision was made, the Chief Executive has rightly stated the redevelopment was not just for the Olympics. The regular use of the Stadium for rugby union and rugby league is, and will be, the single most important factor in the financial and economic outcomes of the redevelopment. Information on this was readily available and analysis of this information was in no way subject to the timetable of SOCOG. The Audit has found no evidence of systematic analysis of this aspect of the redevelopment prior to the decision to redevelop the Stadium.

1.55 The private newsletter referred to by the Chief Executive in *paragraph 8* was mentioned in the Report only as an example of sources of information which were available for use in analyses.

1.56 The Chief Executive states in *paragraph 9* that the estimates of the costs of hosting Olympic soccer were based on information available at the time. The Chief Executive also states ‘It is with hindsight that Audit states that these early estimates were *clearly understated*.’ The Audit notes that the estimates of the costs do not appear to be based on any research as to Olympic requirements or the experience of other cities which have hosted Olympic events (*paragraph 2.38*). The Audit has examined the working papers from which the estimates were drawn and has concluded that they were not reasonable estimates even at the time. For example, the 1994 estimate has an accommodation cost for visiting players of less than \$27 a night per player.

1.57 The Chief Executive, in *paragraph 10*, refers to a bid for Olympic soccer from the Chief Minister to SOCOG which was in the form of a letter with attachments. The Audit has sighted this letter. The letter was a single page covering letter from the Chief Minister and was not itself a bid. The letter says ‘I am pleased to present to you Canberra’s bid to host part of the 2000 Olympic Football competition’ (*paragraph 2.29*). Several requests for a copy of the accompanying documents to the letter finally resulted in confirmation that they are not held on ACT Government or SOCOG files (*paragraphs 2.30-31*). Although this is not an issue which was taken to account in forming the Audit’s opinion, the Audit remains of the view that copies of the actual 1995 bid document have been lost.

1.58 The Chief Executive states in *paragraph 11* that much of *Chapter 2* is outside the scope of the Audit as it deals with the history of the development of the bid. Hosting Olympic soccer and the associated redevelopment of the Stadium had been under consideration since late 1992. The Audit believes that the history commencing in 1992 leading to the decision to redevelop the Stadium provides a context for understanding the later events.

1.59 The rest of the Chief Executive’s response (*paragraph 12* and following sub-points) largely summarises issues which are dealt with in detail in the Audit Report. The Audit makes the following points on some of the issues.

1.60 With regard to *paragraph 12(h)* the Audit does not agree that the Cabinet submission *Canberra – An Olympic City* was ‘complete’ or was

adequate as a basis for decision making. This is discussed at length in *paragraphs 4.3-49* of this Report.

1.61 In *paragraph 12(i)* the Chief Executive lists a number of benefits from hosting Olympic soccer. *Report 3* discusses the first three claims at length and concludes that the benefits from publicity and increased visitor numbers to the Territory are not significant compared with the costs (*Report 3, paragraphs 6.51-75*). With regard to *paragraph 12(i)(i)*, the method of assessing the publicity value of the visiting journalist program used by CTEC is of no value in assessing the benefits which flow to the people of the ACT from such publicity.

1.62 With regard to *paragraph 12(i)(iv)*, the Audit would note that hosting Olympic soccer has only a marginal connection with attracting teams to train in Canberra before the Olympics.

1.63 With regard to *paragraph 12(i)(v)*, hosting Olympic soccer would seem unrelated to Canberra businesses winning construction and other contracts with SOCOG or other organisations in Sydney.

1.64 In regard to the Chief Executive's final comment in *paragraph 13* the Audit notes that the poor quality of the Capital Works Proposal in December 1996 and January 1997 was a reflection of the poor quality of analysis and advice in the previous four years and, in particular, in the previous six months.

1.65 Most of the matters raised by the Chief Executive were identified during the Audit and carefully considered. On receipt of the Chief Executive's response the previously identified matters were reconsidered. New matters raised were also carefully considered. The Audit's conclusion is that the content of the Chief Executive's response does not change the Audit's opinion.

2 THE FIRST OLYMPIC BID, 1995

INTRODUCTION

2.1 Consideration of redeveloping Bruce Stadium in connection with hosting Olympic soccer dates back to late 1992. Proposals to redevelop the Stadium in order to host Olympic soccer were developed and rejected in 1993 and 1994. Preparation of a bid to SOCOG began in July 1994 and continued until at least August 1995. In December 1995 a first bid to SOCOG was lodged by the ACT Government.

2.2 This Chapter outlines the 1993 and 1994 redevelopment proposals and deals with the preparation of the first bid to SOCOG.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Redeveloping Bruce Stadium and hosting Olympic soccer were under active consideration by ACT governments from late 1992 until December 1995 when the first bid to SOCOG was lodged.*
- *During the period to December 1995 no reliable information which could be useful for decision making had been gathered or produced on the costs and benefits of redeveloping the Stadium and hosting Olympic soccer.*

AN EARLY PROPOSAL (1993)

2.3 Planning for a bid to host Olympic soccer predates the announcement of Sydney as the host city for the 2000 Olympics.

2.4 In November 1992, Sydney Olympics 2000 Bid Ltd wrote to Bruce Stadium management, advising that Canberra could be a venue for Olympic soccer if Sydney's bid was successful. In December 1992, as a result of this approach, details on Bruce Stadium were provided to Sydney Olympics 2000 Bid Ltd. In January 1993, a firm of architects was engaged to provide preliminary plans, costings, and diagrams for upgrading the Stadium. The firm had originally designed Bruce Stadium and was also the principal architect for the athletics and aquatic centres at Homebush Bay in Sydney.

2.5 The estimated total cost of the plan provided by the architect was \$11.74m and the work, which was to be completed in five stages, comprised:

- new terraced seating for the east stand, including demolition of the old seating, new kitchen, corporate boxes and toilets (\$2.5m);
- a roof over the east stand to match the roof over the west stand (\$1.6m);
- new terraced seating, toilets, concession outlets and entries for the northern end (\$2.1m) and a new electronic scoreboard (9m by 5m) with video replay equipment (\$1.5m);
- new terraced seating, toilets, concession outlets and entries for the southern end (\$2.1m); and
- a new function room in the western stand, a new eastern entry, upgraded PA and security systems, upgraded lighting and a new, separate administration building (\$1.94m).

2.6 The 1993 proposal re-used existing seating and retained an oval playing area. Lighting was to be upgraded to 1500 lux in order to allow televised night cricket matches to be played at the Stadium. It was envisaged that the five stages would be completed over five years.

2.7 The 1993 proposal was more extensive than was necessary to meet IOC and FIFA requirements. The proposal's objectives included meeting the projected requirements of the only major long term hirer at the time, the Raiders, and the desire for a general redevelopment of the Stadium which would accommodate a wide range of other hirers such as rugby union, soccer, Australian football and cricket. Other than a general assertion of the 'economic advantages' of hosting Olympic soccer, no analysis was included in the proposal of the financial or economic effects of the redevelopment in general or of hosting Olympic soccer.

2.8 This proposal was presented to the then Minister for Sport in April 1993 but did not receive support. By late July 1993 it had been decided that no further action be taken in regard to the proposal.

Audit Comment

2.9 A general comparison between the 1993 proposal and the actual redevelopment carried out from 1997 to 1999 cannot deal with detailed

qualitative differences. The 1993 proposal, however, was for a 25,000-seat stadium, the same capacity as the final redevelopment. It covered all of the major parts of the final development and included additional features such as a new eastern entry and a separate administrative block. It was envisaged that the 1993 proposal would be entirely funded by the Government and that an oval playing area would be retained.

DEVELOPMENT OF THE FIRST BID (1994-95)

2.10 Sydney was announced as the host city for the 2000 Olympics in September 1993. Immediately following the announcement, the ACT 2000 Committee was established to co-ordinate the Territory's involvement in the Sydney Games. A particular task of the Committee was to review and report on opportunities for the Territory from involvement in the Games. The Committee included members drawn from a number of local interest groups and was serviced by a secretariat provided by the Bureau of Sport, Recreation and Racing.

2.11 In early 1994, the Sports Sub-Committee of the ACT 2000 Committee issued a report called *Host Preliminary Competition Rounds for Volleyball and Soccer*. The Report was unenthusiastic about hosting Olympic volleyball. Soccer on the other hand was considered a distinct possibility, requiring no upgrading of facilities. Canberra was also felt to be a serious contender against Melbourne, Brisbane and Adelaide to host soccer. Those preparing the Report appear to have been unaware of the 1993 proposal referred to earlier in this Chapter.

2.12 In May 1994 information prepared by Bruce Stadium management on requirements for hosting Olympic soccer was provided to the ACT 2000 Committee. World Cup guidelines, which 'would be a good guide to use to prepare a bid document', were attached to the minute which also made reference to the 1993 study on the requirements.

2.13 A draft bid to host Olympic soccer matches had been developed by July 1994 and was commented upon and redrafted in August 1994. The document stated that only 'minor development of Bruce Stadium [would be needed] to bring seating requirements and some technical facilities to the FIFA international standards'. It included a proposal to increase seating capacity to 20,000.

2.14 In September 1994, further information was provided that the

Stadium was ‘capable of meeting all FIFA requirements to host preliminary rounds of the Olympic soccer program’. The requirement for an all-seated stadium was the only major consideration. A proposed budget to host Olympic soccer was prepared. The total cost, based on a pool of six teams playing a round robin of 15 games, was estimated at \$332,362.

2.15 The ACT 2000 Committee issued a report titled *The 2000 Games – A Reason for Action* in October 1994. The Report ‘provided a broad strategic plan for Canberra to achieve significant benefits for the ACT’. Among its specific recommendations was to ‘bid, in conjunction with ACT soccer associations and the Australian Sports Commission to host part of the 2000 Olympic soccer competition’. The Report’s numerous recommendations were unsupported by an analysis of the financial implications or likely economic results. It acknowledged that ‘considerable financial resources will need to be invested to maximise... opportunities for Canberra and the region’. This cost was justified by the comment that ‘Evidence from other states shows that a dollar invested in events returns between \$7 and \$20 to the local economy’. No evidence was cited for this comment.

2.16 The Government accepted the Report and particularly noted ‘golden opportunities’ such as hosting Olympic soccer. In October 1994 the ACT 2000 Committee was superseded by Project 2000, which was given the task of developing and implementing the Committee’s Report. As with the ACT 2000 Committee, the steering committee of Project 2000 had a membership drawn from various interest groups including business, unions, sporting and tourist bodies, and government agencies. The Bureau of Sport continued to provide secretariat services. The steering committee subsequently became a Taskforce.

2.17 On the basis of the ACT 2000 Report, the Government agreed in October 1994 to bid to host Olympic soccer games subject to the compilation of detailed costings on upgrading Bruce Stadium to required standards. A proposal was subsequently presented as part of the 1995-96 Capital Works Program for semi-permanent terraced seating, which would provide a fully seated stadium for 25,000 spectators at a cost of \$3.25m. The proposal was justified on four grounds: overcrowding at some Raiders’ games, the requirements for hosting Olympic soccer, the ACT hosting the 1997 Masters Games, and the entry of the Cosmos into the National Soccer League. An alternative of permanent seating for \$7.4m was noted in the proposal but not recommended.

2.18 On 30 January 1995 SOCOG wrote to the then Chief Minister seeking confirmation of the ACT Government's desire to host Olympic soccer. SOCOG pointed out that as the Olympics were now to include an eight team women's tournament, there were expanded opportunities for matches to be played outside Sydney.

2.19 The letter made clear that the host city would have to provide a venue meeting the minimum requirements set out in an attachment to the letter. The most important of these was a minimum 15,000 capacity in individually numbered, shaped seats with backs; no terraces or spectator standing areas would be allowed. Temporary stands were allowed.

2.20 The letter also made clear that the host city would provide, at no cost to SOCOG, necessary facilities and services such as training sites, accommodation, security, local transport and medical services.

2.21 A change in the ACT Government occurred in March 1995. The then Chief Executive of the Department of Environment, Land and Planning wrote to SOCOG in March 1995 on behalf of the previous Labor Chief Minister confirming that a formal bid to host Olympic soccer would be sent shortly. Later that month, the new Liberal Minister for Sport sent much the same letter to SOCOG, confirming the new Government's continued interest in bidding.

2.22 The Capital Works Group had not supported the proposal for semi-permanent seating in its December 1994 Assessment Report of capital works to be included in the 1995-96 capital works program. The Capital Works Group, composed of senior public servants from various departments, was responsible for examining projects nominated for inclusion in the draft capital works program. The Group concluded that it could not support the proposal as the extent of works was unclear and the costs could not be verified. No cost-benefit analysis was provided. The proposal failed to meet the required standards of presentation for projects costing over \$1m.

2.23 While the proposal was not supported by the Capital Works Group, it was not dispensed with. Throughout 1995, the Bureau of Sport maintained an interest in bidding for the Olympics based on a minimalist approach of spending \$3.25m to provide a stadium with a seated capacity of 25,000. A number of meetings were held with SOCOG representatives and Territory involvement in hosting both soccer and

futsal continued to be promoted. The Project 2000 Steering Committee was given regular updates on progress in regard to both matters. Considerable attention was given to making arrangements for an ACT contingent of officials to attend the Atlanta Olympics in 1996.

2.24 Development of the bid document also continued throughout 1995. The April 1995 version of the document included a Memorandum of Understanding between the Australian Sports Commission (ASC), Australian Institute of Sport (AIS) and the ACT Government. A consultant was hired to assist in developing the bid document, a revised version of which was produced in August 1995. Minutes from the Bureau of Sport to the Chief Minister in May, October and December 1995 discuss the \$3.25m seating plan agreed to by the previous Government. It was considered that this plan would bring Bruce Stadium up to the IOC's requirements, with 'further on costs' for the event estimated at \$0.5m. The estimated total cost of redeveloping the Stadium and hosting Olympic soccer at that time was therefore less than \$4m.

2.25 Preparation of a soccer bid continued, although, as a Bureau of Sport minute noted in October 1995:

'There has always been some reticence about submitting a formal bid. It will commit the ACT Government to spend several million dollars on the basis that Canberra might be chosen to host only four games of women's soccer. This notwithstanding there is a public expectation that Canberra will bid and secure part of the Olympic soccer competition.'

2.26 It appears that this reticence about lodging a bid continued. The Capital Works Group did not receive a Bruce Stadium redevelopment proposal for the 1996-97 Capital Works Program. The minutes for the October 1995 meeting of Project 2000 noted that the 'Chief Minister has advised that she would not be bound by the previous government's decision to spend \$3m on Bruce Stadium to host an Olympic Soccer Competition'.

2.27 In November 1995 the Minister for Sport and Recreation informed the Legislative Assembly:

'that Bruce Stadium will be one of the venues inspected to assess its suitability against IOC technical requirements. Any investment in the stadium that may be required to meet IOC specification would have to be weighed up against the benefits

which would accrue from hosting preliminary rounds... of the Olympic soccer competition.’

2.28 Minutes for the Project 2000 meeting of 6 December 1995 record that SOCOG’s public relations manager addressed the meeting. He ‘confirmed that the ACT had done all that was possible to submit a bid for rounds of the Olympic Football competition’.

2.29 On 7 December 1995, the Chief Minister presented SOCOG with ‘Canberra’s bid to host part of the 2000 Olympic Football competition at our premier venue, Bruce Stadium’. In her covering letter, the Chief Minister assured SOCOG of community enthusiasm, and that ‘Sharing the Olympic spirit’ was ‘a key objective for Canberra over the next five years’. The letter to SOCOG and the accompanying bid documents were acknowledged by SOCOG on 13 December 1995.

Audit Comment

2.30 The December 1995 bid documents were not found on government files by the Audit, and advice was provided during the Audit that a search had not located the documents. Given the work done on the bid by several officials over at least 18 months, and the significant financial implications of hosting Olympic soccer, the inability to locate copies of these documents is noteworthy.

2.31 A copy of the bid documentation was requested from SOCOG. The Audit was advised that ‘After an exhaustive search of all document repositories SOCOG was unable to locate the [bid] letter or its attachments’.

2.32 In the absence of a copy of the bid, its contents can only be inferred from secondary sources. The Audit reviewed the August 1995 draft of the bid proposal and also relevant Departmental correspondence.

2.33 According to a minute to the Chief Minister, Canberra’s bid did not make any financial commitments to upgrade Bruce Stadium and only advised SOCOG that seating options were being considered to meet IOC requirements. Definite decisions would be made ‘pending further investigation and discussion’.

2.34 While the documentation reviewed by the Audit did not include a

redevelopment proposal as such, there were statements about the scope of the redevelopment. The redevelopment proposal was to provide a fully seated stadium for 20,000 to 25,000 spectators, perhaps using semi-permanent seating for about half of the seats. The other requirements of FIFA were to be met with minor changes to existing facilities and the oval playing field would be retained. The envisaged scale of redevelopment was still in line with the estimated \$3.25m redevelopment proposal agreed to in 1994.

2.35 Even though the scale of redevelopment envisaged in December 1995 was modest, the proposal to host Olympic soccer and redevelop Bruce Stadium still had significant financial implications. Although it was known these implications existed, the proposal was not subjected to systematic assessment of the costs and benefits. The Capital Works Group had not supported the \$3.25m proposal in December 1994 partly because it failed to provide a cost-benefit analysis as required under standard guidelines.

2.36 There had been no systematic assessment of why the Territory should bid for Olympic soccer although there were vague generalisations about ‘profiling Canberra as the sporting capital’. Equally, no attention had been given to the preparation of a detailed justification as to why (or why not) Bruce Stadium should be redeveloped.

2.37 The \$3.25m redevelopment proposal was justified on three grounds in addition to the Olympics. The only ground with self-evident relevance was the desire to increase the Stadium’s capacity for the Raiders. The other justifications were hosting the 1997 Masters Games and the entry of the Cosmos into the National Soccer League. Neither of these required any increase in seating. Both seem therefore to have little relevance to the proposal.

2.38 Similarly, there had been no considered assessment of the financial implications for the Territory. The Capital Works Group had noted when declining to support the \$3.25m proposal that the extent of the works was unclear and the estimated costs were not verified. The estimates for hosting Olympic soccer, done in September 1994 (\$330,000) and May 1995 (\$500,000), do not appear to be based on any research as to Olympic requirements or the experience of other cities which have hosted Olympic events.

CONCLUSION

2.39 Redeveloping Bruce Stadium and hosting Olympic soccer were under active consideration by ACT governments from late 1992 until December 1995 when the first bid to SOCOG was lodged.

2.40 A proposal in early 1993 for a redevelopment estimated to cost \$11.74m had many similarities to the final redevelopment agreed to in 1996. The 1993 proposal received little support and was not submitted to the Capital Works Group. No proper analysis was provided of the financial or economic effects of hosting Olympic soccer or of the redevelopment in general.

2.41 When Sydney was announced in September 1993 as the host for the 2000 Olympic Games, the ACT Government immediately established the ACT 2000 Committee to co-ordinate the ACT's involvement in the Sydney Games. In October 1994 the Committee's Report recommended that the Government bid to host part of the 2000 Olympic soccer competition. This recommendation was unsupported by an analysis of the financial and economic implications.

2.42 On the basis of the ACT 2000 Committee's Report, the Labor Government agreed in October 1994 to a proposal to host Olympic soccer, using semi-permanent seating, at an estimated cost of \$3.25m. This proposal was supported by the Liberal Government upon taking office in March 1995.

2.43 Throughout 1995, an interest was maintained in bidding for the Olympics based on the approach of spending \$3.25m to provide a stadium with a seated capacity of 25,000. On 7 December 1995, the Chief Minister presented SOCOG with 'Canberra's bid to host part of the 2000 Olympic Football competition at our premier venue, Bruce Stadium'.

2.44 Even though the scale of redevelopment envisaged in December 1995 was modest, the pursuit of Olympic soccer still had significant financial implications. Although this was the case, no systematic and rigorous assessment of the costs and benefits of redeveloping the Stadium had been undertaken. The claimed benefits were vague and unsubstantiated. The extent of the redevelopment was unclear and the estimated redevelopment costs were not verified.

Official estimates of the cost of hosting Olympic soccer prepared in 1994 (\$332,362) and 1995 (\$500,000) were clearly understated.

2.45 The Audit's opinion is that at the time the Government lodged its first bid in December 1995, no reliable information which could be used for decision making had been gathered or produced on the costs and benefits of redeveloping the Stadium and hosting Olympic soccer.

3 DEVELOPMENT OF THE SECOND BID, 1996

INTRODUCTION

3.1 During the first half of 1996, officials were engaged in promoting and preparing to bid for Olympic soccer. The level of activity increased considerably in July 1996 when SOCOG presented a detailed questionnaire on the Stadium and training sites to the Government for completion by 30 September 1996.

3.2 This Chapter reports on activities in relation to the redevelopment of the Stadium and the Olympic soccer bid from the lodging of the first bid in December 1995, to the presentation in September 1996 of a new and large conception of the Stadium redevelopment.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *In the seven months from the lodging of the first SOCOG bid in December 1995 to the receipt of the SOCOG questionnaire in July 1996, no analyses were conducted of the financial and economic effects on the ACT of redeveloping the Stadium and hosting Olympic soccer.*
- *In early July, a consultant was appointed ‘to manage the tender process’ for the SOCOG bid and to ‘formulate a draft business plan’ for the Stadium redevelopment.*
- *The consultant’s method statement shows that a much larger redevelopment of the Stadium was now envisaged than had previously been considered.*
- *An OFM analysis prepared in July 1996, stating that the economic benefits from hosting Olympic soccer could be as much as \$20m, was unreliable.*
- *Evidence available in August 1996, which suggested significant costs and unrealised expectations of benefits for cities involved in the Atlanta Olympic Games, was not mentioned in a significant Cabinet submission in September 1996.*
- *While the consultant’s proposal for a \$27m redevelopment, presented in September 1996, went far beyond anything previously considered, the proposal was accepted without any careful analysis.*

- *The funding structure proposed by the consultant was accepted immediately without any careful analysis.*

ECONOMIC ANALYSIS OF OLYMPIC BENEFITS (FEBRUARY 1996)

3.3 In a response received during the Audit,⁵ advice was provided that contact was maintained with SOCOG to ensure that Canberra was given the opportunity to proceed to the next phase of the bidding for Olympic soccer. One executive advised during the Audit⁶ that a preliminary ‘bid template’ was received from SOCOG in April 1996.

3.4 Preparations continued for sending officials to Atlanta and neighbouring cities for the 1996 Olympics. The objectives of the visits included promoting the ACT as a venue for pre-Olympic training and Olympic competition, and gathering information on hosting teams and events. The Project 2000 Taskforce was kept informed of these preparations.

3.5 The Chief Minister, in January 1996, ‘convened a high level working group... to undertake a detailed analysis of the economic benefits to the ACT, emanating from the Sydney 2000 Olympics’. The Group was to report to the Cabinet by mid-February 1996.

3.6 The 2000 Games Economic Analysis Group had its first meeting on 22 January 1996. It was chaired by the General Manager of the Bureau of Sport, Recreation and Racing (BSRR). Attendees comprised the Chief Executive Officer of Canberra Tourism; the Director of the Industry Policy and Analysis Section of the Business and Regional Development Bureau within the Department of Business, the Arts, Sport and Tourism (BASAT); a Treasury representative; the Executive Director of the Canberra Convention Bureau; a policy analyst at Canberra Tourism; and members of Project 2000, who also provided the secretariat support. The Group’s objectives were:

- ‘to consider and develop an outline of the economic impact of the 2000 Olympic and Paralympic Games on Canberra’;

⁵ Robyn Calder, former program manager for Project 2000, 16 March 2000.

⁶ Mark Owens, 29 February 2000.

- ‘to determine likely scenarios for’, among other things, ‘sporting exchanges, training and competition’; and
- ‘to determine the likely impact from complementary programs which could be undertaken to maximise these opportunities’.

3.7 The Group’s specific tasks were:

- ‘to prepare a report for consideration of the ACT Government which outlines anticipated benefits from the Games in both tangible and non tangible terms’;
- ‘to make recommendations to the Government regarding opportunities for Canberra and activities which should be undertaken’; and
- ‘to develop a regular process of review of the compiled data to ensure information is current and relevant’.

3.8 The Group’s first task was to produce the ‘detailed analysis’ requested by the Chief Minister. A Report titled *Sydney 2000 Olympics Economic Benefits for the ACT Preliminary Estimates* was tabled in the Legislative Assembly on 28 February 1996. It was prepared for the Group by the Industry Policy and Analysis Section in BASAT.

Audit Comment

3.9 The Audit reviewed the 2000 Games Economic Analysis Group’s Report. In the Audit’s view the Report does not provide an assessment of the economic benefits for the ACT from the Sydney 2000 Olympics. Rather, it presents a case for increasing ACT Government funding for international tourist marketing. This is based on a supposed but unsubstantiated benefit to the ACT economy of \$230m for the nine year period from 1995 to 2003 which would result from an aggressive marketing campaign.

3.10 As this was the only Report presented by the Group, the ‘detailed analysis’ of the economic effects of the Olympics on the ACT requested by the Chief Minister was not undertaken. The Group did not undertake any analysis of the proposal to bid for Olympic soccer.

NEXT STAGE IN THE BID PROGRESS

3.11 The Territory's bid to host Olympic soccer and the attendant redevelopment of Bruce Stadium took a further step in July 1996. A letter from SOCOG outlining the next stage of the bid process was received by the Chief Minister on 11 July 1996. It advised on the range of costs to be carried by the host city and the timetable for assessing bids.

3.12 In regard to men's soccer, four cities, one of which would be Sydney, would be required to host first round matches, quarter finals and possibly a semi final. The essential requirement was, as previously advised to the Government, that the Stadium fully complied with FIFA and SOCOG requirements. Host cities would also need to meet requirements for training sites and accommodation, and be prepared to commit the necessary resources and finances for staging Olympic soccer.

3.13 A detailed Technical Questionnaire on the Stadium and training sites was attached to the letter. It was to be completed by the Government and returned to SOCOG by 30 September 1996. SOCOG would then assess the responses and inspect each city. Each of the preferred cities would then enter into detailed negotiations with SOCOG on financial, marketing and organisational arrangements.

3.14 Financial arrangements were outlined in the letter. SOCOG would pay for a limited range of services such as drug testing and competition equipment. The city would pay for 'Base Services' including the venue, venue operations, training sites, transport, security, support to Local Organising Committees, and volunteer recruitment.

3.15 The city would also pay a 'Cost Recovery Fee' to SOCOG to cover a range of services which SOCOG would co-ordinate and provide. These included air travel by teams, referees and officials; the 'Olympic fitout/retrofit' of the venue; temporary seating; hotel accommodation for athletes, officials and members of the media; medical services; communications; and catering.

3.16 FIFA/SOCOG requirements for Olympic soccer were also attached. The basic requirement was for a Stadium with a minimum capacity of 15,000 with all spectators having numbered, individual seats.

THE APPOINTMENT OF CRI (JULY 1996)

3.17 The arrival of the letter from SOCOG requiring firm details of the Territory's bid led to an increase in activity. A consultant (CRI Limited) was hired to manage the submission to SOCOG and produce a plan for the redevelopment of the Stadium. Additionally the Office of Financial Management (OFM) was directed to provide an economic justification for hosting Olympic soccer (discussed later in this Chapter).

3.18 The then Chief Executive⁷ of the Chief Minister's Department (CMD) suggested that CRI could be approached about assisting with the preparation of the Olympic soccer bid. In a response received during the Audit⁸ the Chief Executive advised that he knew the Chairman of CRI and was aware that CRI had been part of an unsuccessful consortium for the construction of the Sydney Olympic Stadium.

3.19 A meeting was held in Canberra on 19 July 1996 between Government executives⁹ and CRI at which, according to CRI, 'the Government's representatives briefed CRI as to their views on upgrading the Stadium to assist in their bid to win Olympic soccer events'.¹⁰ Mr Walker has since advised¹¹ that his recollection is that he did not express any such views at the meeting. There is no record of the meeting in Departmental files.

3.20 Following the meeting, CRI wrote a letter to the Chief Executive of CMD on 24 July 1996 describing the proposed work to be undertaken by CRI.

3.21 According to the letter, CRI's tasks would be twofold. First, it was 'to manage the tender process on behalf of the Bureau of Sport, Recreation and Racing's submission to SOCOG to stage Olympic Games football events at the Bruce Stadium' and second,

'Of equal importance, and as part of the above process, CRI will formulate a draft business plan justifying the capital expenditure

⁷ John Walker.

⁸ John Walker, 15 March 2000.

⁹ John Walker and Mark Owens.

¹⁰ This written advice was provided by CRI to Mr Walker on 19 July 2000, who in turn provided a copy of the advice to the Audit on 21 July 2000.

¹¹ John Walker, 18 August 2000.

supporting the upgrade and incorporating potential revenue sources, contributions to capital and negotiating outcomes with the Stadium users, i.e. the football codes’.

3.22 In a response provided during the Audit¹² CRI advised that it ‘assisted the ACT Government with preparation of the submission to SOCOG for staging Olympic soccer at Bruce’.

3.23 CRI’s letter of 24 July 1996 included a ‘method statement’ detailing the tasks to be performed by CRI. These included:

- review the Stadium’s configuration;
- review existing arrangements with hirers;
- ‘identify and estimate the value of all potential revenue sources’;
- prepare ‘a series of judgement based assumptions regarding future utilisation of the upgraded Stadium and use these to: prepare a range of forecast events and attendances; prepare demand forecasts for enclosed corporate suites, open corporate boxes and areas of premium seating; prepare forecasts of market demand for food and beverage and merchandise expenditure; prepare estimates of naming rights, advertising, signage and other categories of revenue’;
- ‘on the basis of these projections, make a broad assessment of the appropriate mix of facilities necessary to meet the needs, both operational and financial of the landlord and the sporting tenants’;
- ‘prepare estimates of operating costs’;
- ‘prepare schematic drawings and estimates of construction costs’; and
- prepare ‘estimates of capital funding needs and forecast rates of return’.

3.24 Upon receipt of the letter on 24 July 1996, the Chief Minister’s Department immediately sent a copy to the General Manager of BSRR, asking if the proposal was acceptable, and advising that he should provide any comments by the next day. The General Manager had

¹² CRI, 5 May 1999.

already written a minute to the Minister for Sport and Recreation on 19 July 1996 recommending ‘the appointment of CRI Limited to undertake a consultancy for the development of Bruce Stadium as part of a bid document required by SOCOG’. This recommendation was approved by the Minister.

3.25 A standard ACT Government contract was not used for the engagement and a formal contract between CRI and the Government was not prepared. The contract is therefore contained in the letter of offer sent by CRI on 24 July 1996 and a letter of acceptance from the Government to CRI dated 29 July 1996.

3.26 Little documentation exists on government files of the work done by CRI or of the management of the contract. No information has been found on file to show that the contracted work described in the letter of 24 July had been performed to an acceptable standard.

3.27 The Audit requested documentation on this matter or, in the absence of any documentation, a statement of the outputs produced under the contract against the tasks listed in the letter of 24 July 1996. The following reply¹³ was received:

‘The thirteen tasks were performed satisfactorily by CRI... SOCOG’s approval of the Canberra bid is evidence that, at this particular time in Olympics planning, the information CRI contributed had satisfactorily met their needs.’

Audit Comment

3.28 The method statement prepared by CRI, and accepted by executives, appears to suggest that a decision had already been made to proceed with the redevelopment and the bid. CRI’s two tasks were to manage the bid and to provide a business plan ‘justifying’ the capital expenditure on the Stadium redevelopment which was to underpin the bid. CRI was not asked to assess whether or not to proceed with a redevelopment. CRI was not engaged to, and did not, provide a financial analysis of hosting Olympic soccer or an economic analysis of hosting Olympic soccer and redeveloping the Stadium.

¹³ Mark Owens, 8 December 1999.

3.29 The engagement of CRI was a significant step in the planning for the redevelopment of the Stadium. The method statement shows that CRI was given a very wide brief in producing plans for the physical redevelopment and for the financing of the project.

OFM ASSESSMENT OF THE BENEFITS OF OLYMPIC SOCCER (JULY 1996)

3.30 Although much of the task for the bid and the redevelopment proposal had been assigned to CRI, the Office of Financial Management (OFM) was engaged in some assessment of possible economic benefits from Olympic soccer at this time.

3.31 An internal minute prepared in OFM dated 31 July 1996 reads in full:

‘Attached is a brief, outlining the possible economic benefits of staging a group playoff in the 2000 Olympic Games soccer tournament. As requested, no assessment has been made of the costs of staging the event. I consulted with staff from the Bureau of Tourism Research and the Industry Policy and Analysis Section of the Business and Regional Development Bureau.

In summary, if four female and four male teams are involved then the expected gate takings would be in the vicinity of \$7m, the 50000 international visitors will spend on average \$340 (\$17m), and 600 jobs will be created for upgrading facilities and providing support services and accommodation for 400 competitors, officials and media staff.

As a broad guide, therefore, the potential economic benefits could be as much as \$20m.’

3.32 The brief referred to in the minute is a one and a half-page document which contains some information on international tourism arrivals to Australia and the ACT, and average expenditure by international visitors. The information is based on information found in *Sydney 2000 Olympics Economic Benefits for the ACT Preliminary Estimates* discussed previously in this Chapter. The brief reaches the following conclusions:

- 50,000 international visitors will come to Canberra to watch the soccer and each will spend \$340. This equals \$17m;

- there will be capacity crowds at all matches. The basis for this is a report on the radio. ‘According to radio station 2CN the average attendance to the Atlanta Women’s Football Tournament was 66,000, it is therefore logical to assume that the estimate for capacity crowds is more than reasonable’;
- ticket revenue will be \$7m, ‘however, this would probably be retained by the Olympic organisation’. The calculation for ticket revenue assumes that 25,000 people would attend each of the 14 games, at an average price of \$20 per ticket; and
- ‘there will also be approximately 600 jobs (estimate provided by BARD [Business and Regional Development Bureau]) created leading up to and including the year 2000 to meet requirements of FIFA/SOCOG for competition stadium, training sites, accommodation and support services’.

3.33 It is noted that the author of the brief was specifically not required to address the costs of hosting Olympic soccer.

Audit Comment

3.34 In the Audit’s opinion the OFM assessment was not based on sound reasoning and used low quality evidence. Taking each point from the brief in turn, some of the more obvious problems are as follows.

3.35 No evidence is provided for international tourist arrivals, which are simply assumed.

3.36 Attendance at women’s soccer at the Atlanta Olympics did not average 66,000. All women’s preliminary games were played as double headers with men’s games. The only women’s-only games were two double headers for the semi-finals and finals. These two sessions averaged 70,000. Attendance at all soccer sessions averaged 44,260 and ranged from 4,615 to 86,117. Moreover, there is no logical reason to assume that the US experience on attendance applies in Canberra. For example, six preliminary sessions were played in Orlando, Florida. Three of these sessions were double headers. Average attendance was 21,220. This was in a city of 1.5 million people, or five times the population of Canberra, located in a state with a population of 13m. Other preliminary sessions were played in Washington (3.6m), Miami (3.2m) and Birmingham, Alabama (850,000).

3.37 The figure of 14 games appears to assume men's and women's games will be played separately and that Canberra will also host 2 quarter or semi-finals. (A round robin of 4 teams involves 6 games.) The reason for assuming this number of separate games is not given. It has turned out that Canberra will host 11 games (one of which is a women's semi-final) in 6 sessions. Holding the men's and women's games separately would have made it less likely that capacity crowds would be achieved. The minute does not recognise that in Atlanta most of the preliminary rounds were double headers. The Audit also notes that in the discussion in the brief about ticket revenue, it was accepted that the Government would probably not receive any of the expected \$7m. Nevertheless this figure was included in the minute as one of the benefits of hosting Olympic soccer.

3.38 There is no discussion of the reliability of the figure of 600 jobs provided by the Business and Regional Development Bureau. The figure is questionable as the jobs created are in providing the 'stadium, training sites, accommodation and support services'. Most of this expenditure simply involves a redirection of private and public expenditure to a particular type of public expenditure. The jobs created in construction are at the expense of jobs lost in other areas of the ACT economy. This point is recognised later in the attachment in regard to 'accommodation etc' which will be provided for 400 competitors, officials and media staff. It properly concludes that the contribution of these people to the economy will be negligible. The same conclusion should have been drawn in regard to Government expenditure on the Stadium, training sites and support services.

3.39 The direction to the author of the brief not to consider the costs of hosting Olympic soccer is worthy of comment. The letter from SOCOG had detailed a large range of costs to be met by the host city. It would seem an obvious task for OFM to have estimated the costs. In the Audit's view a considered assessment of the financial costs would have been essential to enable a clear view to be formed about the effect of Olympic soccer on the Government's budget and to place possible economic benefits in context.

3.40 The assessment was written quickly, following an express direction not to consider costs, and was based largely on assumption and low grade evidence. The OFM document did not provide a useful assessment of the economic impacts on the Territory of hosting Olympic soccer. But once produced, the figure of \$20m in potential economic

benefits was given wide currency. It was referred to in the Chief Minister's Cabinet submission *Canberra – An Olympic City* of 20 September 1996, which received Cabinet agreement to proceed with the bid. The figure of \$20m was still in use three months later when the Chief Minister publicly announced the success of the bid.

3.41 The minute and attached brief were reproduced exactly by the OFM (with a minor change from \$7m to \$5m in ticket revenue and an additional paragraph on the effect of television coverage on visitors) in a minute dated 28 January 1997. This new minute was considered by the Legislative Assembly's Standing Committee on Planning and the Environment in its Report on the *Government's 1997-98 Draft Capital Works Program*. This is discussed in *Chapter 5* of this Report.

3.42 The minute of July 1996 was the only analysis of the economic effects of hosting Olympic soccer on the Territory prepared before the Territory lodged its bid to SOCOG on 30 September 1996. OFM's involvement was limited and it did not produce reliable information. OFM's estimate of \$20m in economic benefits, which was an unreliable estimate in the Audit's view, received wide use and apparent acceptance.

OFFICIALS' VISIT TO ATLANTA (JULY TO AUGUST 1996)

3.43 The Government had a substantial presence at the Atlanta Olympics in July and August 1996. Four officials from Project 2000 and Canberra Tourism spent an average of three weeks each in Atlanta and surrounding cities and towns. Their attendance had been planned since 1995. A large report (*Let the Fun and Games Begin*) was prepared in August 1996 presenting some of the information gathered during the visit. Information on Atlanta's experience was also available from a private newsletter which was being received by officials.

3.44 The evidence available suggested significant costs and unrealised expectations of benefits for cities involved in the Atlanta Games.

Audit Comment

3.45 The evidence gathered by officials in Atlanta was important and available information which it is reasonable to expect would have been taken into account in the decision to bid for Olympic soccer and redevelop the Stadium. This evidence was not mentioned in the Cabinet

submission *Canberra – An Olympic City* discussed in the next Chapter.

THE REDEVELOPMENT PROPOSAL (11 SEPTEMBER 1996)

3.46 CRI's redevelopment proposal appears to have been presented to executives on 11 September 1996. A description of the proposal was relayed in a minute to the Chief Minister on 16 September 1996.¹⁴ The minute stated that CRI had been engaged to assist with the preparation of the bid 'and in doing so they have been developing options for future improvements to Bruce Stadium'. The minute said that the CRI presentation:

'raised critical questions about the scope of the development and the ACT Government's capacity to fund these developments to the level CRI is recommending'.

3.47 According to the minute, CRI now was presenting the required improvements as being:

'a \$15-20m project, far beyond what we had previously envisaged. They consider that a possible funding package could consist of \$5m government funding, \$10m equity funding (from stadium hirers and their supporters) and \$10m in government guaranteed borrowings (serviced by stadium long term hirers).'

3.48 The CRI proposal would square the ground, increase seating capacity from 11,000 to 28,000 and drop the level of the playing surface by 3.6 metres. Less costly options were also mentioned. These involved fewer seats and staged increases to roofing and corporate facilities. The minute stated:

'CRI needs to be advised now the extent to which the ACT Government can financially support the development. They need this advice before they continue their work on the financial model which projects a likely means of financing the more costly development options necessitating a \$5m contribution from the ACT Government'.

3.49 The three sources of funding (government contribution, equity from hirers and borrowing) identified in the minute add up to \$25m. A

¹⁴ Prepared by Mark Owens.

costing of the redevelopment prepared for CRI on 10 September 1996 by WT Partnership has a base construction cost of \$20m plus optional works for \$7m, giving a total figure of \$27m. This was the figure that was included in the Cabinet submission *Canberra – An Olympic City* of 20 September 1996 and in the final bid to SOCOG of 30 September 1996.

Audit Comment

3.50 The new Bruce Stadium was apparently conceived in six weeks in August and September 1996. The redevelopment proposal was on a scale far beyond anything previously envisaged.

3.51 The escalation of the redevelopment project to a far larger and more expensive project than previously envisaged was not subjected to any examination. Copies of the new proposal and the less costly alternatives put forward were not distributed for comment or appraisal. No copies of the proposals or of other information provided by CRI on 11 September 1996 have been found on government files. The Office of Financial Management was not directed to examine the proposal. No examination was made of the likelihood of getting \$10m in equity from the hirers and their supporters or of getting the hirers to service \$10m in government guaranteed borrowings. No review was made of the \$27m cost estimation.

3.52 The Government's potential financial commitment for the redevelopment had risen from an estimated \$3.25m in late 1995 to \$25m or \$27m on the advice of a consultant. There is no documentary evidence to suggest that any systematic and rigorous examination of the proposal or its implications was undertaken.

THE FUNDING PROPOSAL (18 SEPTEMBER 1996)

3.53 In the week following the CRI presentation, the funding structure proposed by CRI changed. This particular task was the responsibility of a member of the CRI team (Graf Consulting International). A facsimile from CRI to the General Manager of the Bureau of Sport¹⁵ on 18 September 1996 outlined the new funding structure for the redevelopment.

¹⁵ Mark Owens.

3.54 The facsimile provided a two page handwritten calculation of the funding structure based on a redevelopment cost of \$26.7m for a 25,000 seat stadium including options, as prepared by WT Partnership (cost planners engaged by CRI). A copy of the facsimile is included at the end of this Chapter. The funding structure was supported by or derived from *Version 2* of the financial model¹⁶ dated 18 September 1996. Four pages from the model were attached to the facsimile, which promised that a complete package, including a full copy of the financial model of 66 pages, would be sent overnight.

3.55 The funding structure was now based on \$7.9m in upfront capital revenue¹⁷, \$7m in debt over 7 years, and \$12m in government equity to be provided in two yearly installments of \$6m. The figure for capital revenue was derived directly from an attached page of the financial model. The figure for debt was derived from net annual operating revenue of \$4.5m (presented in an attached page of the model) minus a ‘tenancy negotiating reserve’ of \$2.5m. This, according to the facsimile, gave a ‘conservative’ net operating figure which would be sufficient to service and repay a debt of \$7m over 7 years. These two sources of funding left a residual amount of \$12m to be met by government equity.

3.56 The capital revenue figure of \$7.9m was the Stadium’s share of gross revenue of \$10.7m to be received in a 20-month period from naming rights (\$2.25m), corporate suites (\$1.46m), video replay board rights (\$0.75m), passholders (\$5.05m) and other sources (\$1.2m).

3.57 The annual net operating revenue figure of \$4.5m was the Stadium’s share of gross operating revenue of \$29.7m derived from 55 events and annual attendance of 834,088.

Audit Comment

3.58 The funding structure proposed on 18 September 1996 confirmed the proposed redevelopment cost of \$27m, including options, and

¹⁶ For information on the Stadium Financial Model prepared by Graf Consulting, see *Report 7*.

¹⁷ This was revenue to be received during the construction phase and in the first months of operation from the sale of naming rights, corporate suites, video board rights, passholder memberships, and supplier and concession rights. This revenue was to be periodically renewed and was in addition to annual operating revenue from the same sources.

increased the required government appropriation from \$5m to \$12m. The funding structure of \$12m in government equity, \$8m in upfront revenue and \$7m in debt was included immediately in the Cabinet submission which was signed by the Chief Minister on 20 September 1996 and which is discussed in the next Chapter.

3.59 As with the funding structure proposed on 11 September 1996, there is no evidence available to the Audit to suggest that the funding structure or the associated financial model were subjected to examination. This was even though they were key parts of a Cabinet submission recommending a major construction project. Further, the funding structure and the financial model were to become fundamental to the project thereafter, informing such matters as the appointment of the project manager, financing arrangements and marketing arrangements.

3.60 Considering how the information was used it was important that the funding structure and the financial model be subjected to close, critical analysis. Instead, the financial plan for a \$27m project was received on a Wednesday and immediately included in a Cabinet submission signed by the Chief Minister on Friday. Given the shortness of time, it is perhaps understandable that little if any analysis was conducted. On the other hand, the Audit notes that even a cursory examination of the financial model and the funding structure would be expected to raise concerns about their achievability. These issues are discussed in the next Chapter and in *Chapter 3 of Report 7 – Stadium Financial Model*.

CONCLUSION

3.61 In the first half of 1996, promoting and preparing for Olympic soccer continued, however, no systematic analysis was conducted of the costs and benefits.

3.62 A report titled *Sydney 2000 Olympics Economic Benefits for the ACT Preliminary Estimates*, presented by the Economic Analysis Group in February 1996, did not systematically analyse the economic effects of the Sydney Olympics on the ACT. In particular, the Group did not undertake any analysis of the economic effects on the ACT of hosting Olympic soccer in Canberra

3.63 The arrival in July 1996 of a letter from SOCOG requiring firm

details of the ACT's bid led to an increase in activity. A consultant (CRI) was hired in July 1996 to manage the submission to SOCOG and produce a plan for the redevelopment of the Stadium. OFM was directed to produce an assessment of the benefits of hosting Olympic soccer.

3.64 The OFM assessment of the benefits of hosting Olympic soccer, dated 31 July 1996, contained a number of errors. It was written quickly, following an express direction not to consider costs, and was based largely on assumption and low grade evidence. The document provided an unreliable assessment of the potential benefits of Olympic soccer to the ACT. Although it was unreliable, the figure of \$20m enjoyed wide currency. It was referred to in the Chief Minister's Cabinet submission of 20 September 1996, which received Cabinet agreement to proceed with the bid. The figure of \$20m was still in use three months later when the Chief Minister publicly announced the success of the bid.

3.65 CRI's proposal for a redevelopment costing up to \$27m was provided on 11 September 1996. This was a large project for the ACT Government and significantly larger than the redevelopment envisaged at the time of the first bid in December 1995. No evidence has been found of any comprehensive financial or economic evaluation of the CRI proposal.

3.66 On 18 September 1996, CRI confirmed the redevelopment cost of \$27m and provided a new funding structure for the redevelopment of \$12m from government equity, \$8m from upfront capital revenue and \$7m from borrowing to be serviced and repaid over 7 years from net operating revenue. The proposal appears to have been accepted immediately and formed the basis for a Cabinet submission on 20 September 1996 recommending that the ACT bid for Olympic soccer and, if the bid proved successful, redevelop the Stadium.

3.67 As with the physical redevelopment proposed on 11 September 1996, there is no evidence available to the Audit to suggest that the funding structure or the associated financial model were subjected to proper analysis. This was despite the fact that they were key parts of a Cabinet submission recommending a major construction project. Further, the funding structure and the financial plan would be fundamental to the project thereafter.

3.68 The Audit would note that even a cursory examination of the

financial model and the funding structure would have raised serious concerns about their achievability.

3.69 On the basis of the foregoing the Audit's opinion is that the activities undertaken between December 1995 and September 1996 did not include systematically gathering and analysing information which could be useful to decision making about the redevelopment and hosting Olympic soccer.

4 CABINET AGREEMENT AND THE FINAL OLYMPIC BID DOCUMENT, SEPTEMBER 1996

INTRODUCTION

4.1 CRI presented a redevelopment proposal on 11 September 1996, and a proposed funding structure on 18 September 1996. These were incorporated into the Government's bid for Olympic soccer. A Cabinet submission recommending proceeding with the bid and redeveloping the Stadium if the bid were successful was prepared by 20 September 1996 and agreed to by the Cabinet on 23 September 1996. The submission outlined the CRI proposal. The bid to SOCOG was lodged on 30 September 1996.

4.2 This Chapter deals with the preparation and consideration of the Cabinet submission, the Cabinet decision and the final bid document.

SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *The Cabinet submission of 20 September 1996 presented an assessment of the costs and benefits of redeveloping the Stadium and hosting Olympic soccer which was based on unsound and incomplete information.*
- *The Under Treasurer had a matter of hours to comment on the submission on 20 September 1996, and his comments were not fully addressed in the finalised submission.*

CANBERRA – AN OLYMPIC CITY: THE CABINET SUBMISSION (20 SEPTEMBER 1996)

Preparation of the Submission

4.3 A Cabinet submission titled *Canberra – An Olympic City* was signed by the Chief Minister on 20 September 1996. A Cabinet decision was made based on this submission on 23 September 1996. One author of the submission was Mark Owens. Other officials were also involved in its preparation. Mr Owens has informed the Audit that alterations were made to the submission after it was submitted by him to the Chief

Minister's Department for clearance. The Audit has been unable to identify the other officials involved and there is uncertainty over who cleared the submission. (This matter is discussed further in *Report 12 – Governance and Management*.)

The Submission's Proposals

4.4 The submission sought the agreement of the Cabinet to bid to host Olympic soccer and to guarantee in the bid that the Stadium would be upgraded to the full specifications of SOCOG if the bid were successful. It sought agreement to capital works of about \$3m in 1996-97 to begin the staged redevelopment of the Stadium, to be followed by a further \$9m of expenditure if the bid proved successful. The submission contained references to certain documents in support of its content.

4.5 The Audit reviewed the submission and the documents referred to in the submission. In summary, the proposal included the following:

- increasing permanent seating from 11,500 (one third covered) to 25,000 (all covered);
- placing the new seats closer to the field of play by lowering the level of the playing surface;
- installing 15,000 temporary seats for Olympic soccer matches;
- securing Olympic soccer by providing 'abundant quality seating to maximise Games revenues';
- retaining the major hirers by maximising revenues to the hirers; and
- ensuring the commercial viability of the Stadium.

The Submission's Content

4.6 The Audit carefully reviewed the submission. The following comments are made in regard to various aspects covered by the submission. The Audit would note that some of the specific information in the submission was inconsistent with other documentation prepared at the time. For example, the submission's statement that the redeveloped Stadium would provide 25,000 covered seats is inconsistent with other documents which showed that only the east and west stands would be covered. The intentions for the redevelopment are discussed further in *Report 2 – Value for Money*.

Benefits from Hosting Olympic Soccer

4.7 The submission presented the following benefits from hosting Olympic soccer:

- economic benefits to the city could be as much as \$20m (estimated by the Office of Financial Management). Over the six days of competition up to 25,000 spectators per game could be expected of which a significant proportion would be visitors to Canberra;
- Canberra would gain ‘media and tourism exposure’ and be put ‘on the international map as an Olympic city – a critical element of the marketing strategy for this city over the next four years’;
- 300-400 jobs would be created for up to two years during the upgrading of Bruce Stadium; and
- many more jobs would be generated during the staging of the event.

Audit Comment

4.8 The estimate of the ‘economic benefit’ to the ACT from hosting Olympic soccer of \$20m was taken from OFM’s ‘Assessment of the Benefits of Olympic Soccer’. The limitations of this assessment have been discussed in the previous Chapter. The other benefits identified in the submission were vague (for a discussion of these benefits, see *Report 3 – Costs and Benefits*).

SOCOG’s Requirements

4.9 The submission stated that the Government would have ‘to provide the competition venue, training sites, support infrastructure as well as players and officials’ accommodation at no cost’ to SOCOG. The submission further stated that ‘a commitment was also required for the necessary resources to be made available to assist SOCOG to stage this event’. This would require ‘significant whole of Government support and in-kind resources’ from numerous ACT Government agencies. A two-page attachment to the submission listed thirty-nine services to be provided by six ACT Government agencies.

Audit Comment

4.10 While the submission states that ‘significant whole of Government support and in-kind resources’ from numerous ACT Government agencies would be required, no estimate of these costs was provided and none of the affected agencies had been consulted about the proposal. There appears to have been an unrealistic sense of costs. As pointed out in the previous Chapter, an estimate prepared in 1995 had put the cost of hosting Olympic soccer at only \$0.5m. This figure had been regarded as robust enough to be included in a Cabinet submission in that year.

4.11 There was an equally unrealistic view held of the revenue to be had from hosting Olympic soccer.

4.12 The submission refers to the OFM’s view that crowds of up to 25,000 could attend Olympic soccer matches in Canberra. However, the submission foreshadows having 15,000 additional seats installed for the Olympics, bringing total capacity to 40,000. This proposal was subsequently included in the ACT’s Olympic bid document and continued to be a basis for planning until it was abandoned in 1999. Increasing capacity from 25,000 to 40,000 for Olympic soccer suggests that there was an expectation at the time that crowds of up to 40,000 were possible.

4.13 The then Chief Executive of CMD¹⁸ wrote to SOCOG on 6 November 1996 that he was confident that capacity crowds would be achieved.

4.14 With capacity crowds of 40,000, or even 25,000, and costs of less than \$1m, the Government would have made money from hosting Olympic soccer. Such optimistic expectations suggest that there was little sense in 1996 of the financial implications of hosting Olympic soccer.

¹⁸ John Walker.

4.15 There was sufficient evidence available in 1996 to show that the cost of hosting Olympic soccer would be in the millions of dollars and that an assumption of attendance per match of up to 40,000 was highly questionable.

Seating Capacity

4.16 In regard to the cost of the redevelopment, the submission says that CRI has ‘proposed a financial model to support a development plan which will ensure the Stadium is upgraded to meet the requirements set out by FIFA and existing teams’. As well as securing Olympic soccer, the proposal aimed to ‘ensure the viability of the Stadium by enhancing the profitability of its long term hirers’. Increasing permanent seating ‘to 25,000 all covered’ was ‘considered to be the optimum to maximise revenues for the long term hirers’.

Audit Comment

4.17 The submission stated that Bruce Stadium did not meet FIFA’s seating requirements for Olympic soccer. It then goes on to propose an increase in total seating from 11,500 to 25,000 with a further 15,000 temporary seats. The submission does not include that FIFA’s minimum seating requirement was only 15,000. To meet this minimum requirement, the number of seats needed to be increased by only 3,500. The proposed increase in seating was 28,500.

Benefits of Retaining the Long Term Hirers

4.18 According to the submission the CRI plan was based on:

‘the principle that the Stadium is now due for a major upgrade to meet the realistic expectations of the 1990’s generation spectators. With a \$70m square Stadium planned as part of Melbourne’s Commonwealth Games bid, Canberra’s two major codes, Rugby League and Rugby Union, will come under pressure to move to larger population centres. The recent publication of a Price Waterhouse Study on the economic impact the Canberra Raiders have on the ACT economy in one season indicates that there could be a loss of up to \$20m if the Raiders move to another city. The Canberra [*sic*] Brumbies are building a similar following to the Raiders and since both teams are closely

linked to the News Corporation, future decisions about their location, and hence earning power, are more likely to be motivated by profit than by home town loyalty.’

Audit Comment

4.19 As with Olympic soccer, the assessment of the costs and benefits of the redevelopment was insufficient and of low quality. No evidence has been found by the Audit to suggest that rigorous analysis was undertaken of the economic effects on the ACT of the Raiders and Brumbies or the risk of either team relocating to another city. (These two matters are discussed further in *Report 3 – Costs and Benefits.*)

4.20 The study on the economic impact of the Raiders on the ACT mentioned in the submission had been prepared for the Raiders. It was of a better standard than any work prepared for the Government on the Stadium or Olympic soccer at the time. It is not, however, a study of the benefits of the redevelopment. In particular, it does not establish that the proposed redevelopment was necessary to retain the hirers in Canberra. Both the Raiders and the Brumbies advised in writing during the Audit that at no point had either club suggested that it was necessary that the Stadium be redeveloped in order to retain the clubs in Canberra although the clubs did believe the Stadium needed upgrading.

Ground Configuration

4.21 The plan focussed on the two rugby codes and soccer and this was reflected in the physical plan for the redevelopment. The submission recognised that:

‘A consequence of the ground reconfiguration will be that AFL Football will not be playable at Bruce Stadium. The consultant’s advice on this issue is that, even if four AFL games could be secured annually for Bruce Stadium, the revenue would be insignificant compared to the opportunity cost to square ground game revenues.’

Audit Comment

4.22 The decision to exclude Australian football from the redeveloped Stadium was unsupported by analysis. Two AFL matches at Bruce in March and May 1995 attracted a total of 22,928 spectators. The entire

soccer season of 18 matches in 1995-96 had a total attendance of 36,540. On this basis, three AFL matches a year would attract the same crowd as 18 soccer matches. Moreover, with an average crowd in excess of 11,000, an AFL game could be profitable for the Stadium. Soccer matches were not generating enough revenue to cover the Stadium's costs. A proposed budget for the Stadium for 1996-97 shows no revenue was expected from the Cosmos, compared with \$317,000 from Rugby Union and \$920,500 from the Raiders.

4.23 The evidence at the time showed that AFL, like rugby union and rugby league, attracted large crowds and could make a significant contribution to the Stadium's finances. At the time there was a reasonable prospect of a gradual increase in the number of AFL games played at Bruce.

4.24 The impact of a rectangular field at Bruce was not restricted to the loss of revenue from AFL games. A Cabinet submission in December 1996 (*Manuka Oval Precinct Redevelopment*) recognised that the redevelopment of Manuka Oval 'would become an imperative' as a consequence of the reconfiguration of Bruce Stadium (see *Chapter 2* in *Report 3 — Costs and Benefits*). No consideration of this financial cost was presented in the submission of 20 September 1996. The estimated cost of the Manuka Oval redevelopment to the Government is presently about \$8m.

4.25 It is noted that a proposal from outside the Government in March 1995 to make the Stadium into a rectangular playing field was strenuously opposed. The main arguments against the proposal were the cost of the redevelopment, which might require lowering of the playing surface by about 5 metres; the restriction on the use of the Stadium, in particular, the exclusion of AFL and cricket; and the resulting expense of redeveloping Manuka to an AFL standard venue. It was pointed out that the Stadium had previously been 'redeveloped to a fully grassed surface to make the facility multi-purpose' at a cost of \$3.7 million and that it was 'arguable whether Canberra could support two major Stadiums both with similar facilities'. It was 'recommended that the Stadium not be reconfigured into a rectangular shape'. This advice informed the position of the Minister for Sport in 1995.

Progress of the Works

4.26 The submission also stated that ‘the progress of works will be affected by the rate of upfront revenue inflow’. The implication was that the Government contribution would be limited to \$12m because construction would not proceed unless the expected upfront revenues were actually generated. This was reinforced in the covering sheet for the submission which stated that the ‘Budget impact this fiscal year and for Forward Estimates’ was \$12m for construction.

Audit Comment

4.27 The submission’s statement that the progress of the redevelopment would be affected by the rate of receipt of upfront revenue was an unrealistic statement of the likely position. If the ACT bid was successful and the ACT entered into a contractual agreement with SOCOG, then the ACT would have had to agree to a timetable of redevelopment regardless of the revenue flow.

Funding the Redevelopment Construction

4.28 The submission contained the following on how the cost of the redevelopment construction could be funded:

‘The total cost of the Master Plan for Bruce Stadium Redevelopment including increased seating, 24 more corporate boxes, video scoreboard, roofing and upgrade of concessions and spectator facilities is estimated at \$27 million. That total is comprised of \$12 million in equity investment, \$8 million in upfront revenue and debt financing of \$7 million over 7 years.

The \$7 million debt will be serviced through operational revenues. To achieve increased revenues, new arrangements will need to be put in place so that naming rights, sponsor boxes, signage and video replay board rights can be retained by the venue. Proper marketing of the project will generate the upfront revenue (\$8 million) from the private sector, by way of naming rights, corporate suites, key monies, passholder joining fees etc.’

4.29 The submission also stated that the consultant had ‘proposed a financial model to support a development plan which will ensure the Stadium is upgraded to meet the requirements set out by FIFA and existing tenants’.

Audit Comment

4.30 The comments on the financing of the redevelopment state that funding would come from appropriation, borrowing serviced by operational revenue, and upfront revenue. As discussed in the previous Chapter, the basis for the funding structure was a facsimile sent by CRI on 18 September 1996. This facsimile contained a two page handwritten note and four pages from *Version 2* of the financial model. The funding structure and the financial model do not appear to have been subject to systematic analysis despite their apparent importance to the decision to redevelop the Stadium particularly in relation to its proposed design, size, scope and funding.

4.31 Further, while the submission's treatment of the funding structure does state that \$15m in funding was to come from debt and capital revenue, the comments in the submission were interpreted throughout the progress of the redevelopment as meaning that the Government would contribute \$12m only to the redevelopment and the 'private sector' would pay for the rest. This was repeated in slightly different ways in several later submissions.

4.32 The interpretation described in the previous paragraph ignores that the \$7m debt eventually had to be repaid. The plan was that repayment of the \$7m would be made from future revenues. These revenues, of course, if generated, would be owned by the Government, i.e. the Government's own revenues would meet the repayments and not the 'private sector'.

4.33 The \$8m 'upfront revenue' referred to in the submission was intended to be raised from sales to corporate and private patrons of products such as corporate suites, Stadium memberships and naming rights. As these products would be products of the redeveloped Stadium and the Stadium was, and is, operated by the Government it is obvious that the Government, through the sales of its own products, would have been contributing the \$8m 'upfront revenues'. The Government would be meeting the \$8m cost and not the 'private sector'.

4.34 In reality, from the beginning, the funding proposition was for the Government to meet the full redevelopment costs from its own resources. Effectively the proposal was that \$12m would be met from a Government capital appropriation, \$7m would be met from Government owned future revenues, and \$8m would be met from sales during the construction

period of Stadium products also owned by the Government. No part of the redevelopment costs was to be paid for by the private sector other than through normal interactions between patrons and the Stadium. The contributions which corporate or private patrons were to make to the redevelopment's construction and operating costs were through the purchase of Stadium products such as entry tickets, food and beverages, corporate suites and boxes, and naming rights.

4.35 The redeveloped Stadium was to generate large revenues from its operations including 'upfront' sales of certain products. It was these revenues which would meet the \$15m difference between the \$27m redevelopment and the Government's \$12m appropriation. Under a realistic interpretation of the substance of what was planned to occur the Government's contribution was never to be restricted to \$12m. Clearly if profits proved to be insufficient to repay the debt, or the upfront revenue did not eventuate, the Government would have to meet the shortfalls from other sources (i.e. its general Budget).

4.36 The financial model being relied upon to support that the funding arrangements were achievable was the Stadium financial model, which is discussed in *Report 7 – Stadium Financial Model*. This document was accepted as presenting sound financial projections for the redevelopment without any proper analysis. Graf Consulting, who prepared the model, has advised the Audit that the then current version of the model was not presented as a reliable source of information for making capital investment decisions.

4.37 The misconceptions about the source of funds to meet the cost of the redevelopment and the faith placed in the revenue projections of the Stadium financial model meant that the true financial implications of the CRI plan were not made clear.

4.38 Additionally the total cost of the 'Master Plan for Bruce Stadium Redevelopment' was estimated at \$27m. This was a very preliminary estimate. As no design had been prepared the indicative cost of \$27m was based on notional sketches only. Officials did not analyse this estimate (see *Report 8 – Actual Costs and Cost Estimates*). The risk that, if the costs exceeded \$27m, the excess would have to be met by the Government, was not mentioned in the submission.

4.39 As it has turned out, upfront revenues have been nothing like

\$8m, operating costs have exceeded operating revenues, and construction costs have been higher than \$27m. The Government's contribution is now about \$45m.

THE OFM ASSESSMENT OF THE CABINET SUBMISSION (20 SEPTEMBER 1996)

4.40 It appears that the Under Treasurer received a draft of the Cabinet submission on the afternoon of 20 September 1996, and that his reply to the then Chief Executive of the Chief Minister's Department, was sent that evening. The Under Treasurer's reply was brief (about one page of text) and indirect in its expression but it nevertheless alluded to some important concerns about the credibility of the financial content in the submission. The Under Treasurer's response included:

- 'OFM... notes that the estimated economic benefits from the Olympic soccer competition of some \$20m outlined in BASAT's BP4 [Budget Paper 4 (1): p. 197] Chapter, is based on the Tournament attracting 50,000 *visiting* spectators to Canberra';
- 'The \$27m redevelopment will rely significantly on debt financing which in turn will be serviced through ongoing revenues, with no provision for a direct return to Government on its investment. The Submission should therefore justify the revenue assumptions (14 major league games attracting on average 21,000 spectators; 7 minor league games attracting 6,000; 11 each of both union and soccer attracting 21,000 and 10,000 respectively etc) comparing them to recent outcomes and reasons for them to significantly increase';
- 'OFM notes that the operational revenues are also vital to fund the upgraded Stadium's proposed operational budget of some \$3m'; and
- 'The Submission also needs to provide evidence of costings of the redevelopment works'.

Audit Comment

4.41 The Under Treasurer's response to the draft submission raised the three major financial issues about the project – revenue, expenses and capital cost. Although the final Cabinet submission included some of the Under Treasurer's points, they were not covered fully.

4.42 The Under Treasurer's first point appears to be that 50,000 visiting spectators is a very large number to expect and, therefore, that the figure of \$20m is open to doubt.

4.43 The Under Treasurer's second point about justifying the revenue assumptions is important. The annual revenue projections were many millions of dollars higher than existing revenue levels. If they were not realised then the Government would be exposed to a serious financial problem. OFM clearly had doubts about the projections and about the lack of evidence and reasoning in the submission. Given these doubts and the size of the risk, it would have been expected that the Cabinet would have been fully and clearly advised on the implications. An OFM file note sighted by the Audit compares actual and projected attendance figures. Although these figures were available to the Under Treasurer they were not included in his response to the draft submission.

4.44 The \$3m expenses figure referred to in the Under Treasurer's third point presumably came from the Stadium financial model, which showed operating expenses of \$3.2m in 1999-2000. The implications of the point being made could have been stated more clearly. If operating revenues are used to service debt they obviously cannot also be used to meet operating expenses. In addition, the level of expenses in the model was well above the existing level, raising further doubts about the financial implications of the proposal.

4.45 In regard to the Under Treasurer's fourth point, it is not clear whether the Under Treasurer had concerns about the projected costs. If there were doubts about the projected construction cost of \$27m, this should have been stated. If OFM had received little information about the construction cost, it should have made clear its concerns about the lack of supporting documentation and added this to its other concerns about the project.

4.46 Apparently as a result of the Under Treasurer's comments, the figure of 50,000 visiting spectators in the draft submission was changed in the final submission to 25,000 spectators per game, 'of which a significant proportion would be visitors'. While appearing to acknowledge that the original estimate of visitors was too high, the final submission retained the estimate of the benefits from Olympic soccer of \$20m. This figure was largely based on revenue from visiting spectators.

4.47 The Under Treasurer's concerns about projected increases in revenue were dealt with briefly in the final submission. The submission contained the following:

'The revenue increases projected by the consultant are based on assumptions which are dependent on the masterplan proceeding in its entirety. It is acknowledged that they are an increase in recent outcomes but this reflects the increased earning power of a modern stadium compared to an outdated 1970's vintage stadium.'

4.48 The submission did not include a comparison of projected and actual attendance figures. A disclosure that the increase projected in attendance was from 197,000 to 834,000 annually in just three years would have alerted members of the Cabinet to the fact that the projected attendances in the Stadium financial model deserved questioning. The answers to the questions might have drawn attention to the other doubtful elements in the 'masterplan'.

4.49 The submission did not relay to the Cabinet a clear sense of the OFM's concerns. The Audit further notes, however, that senior officials were and are divided as to the Under Treasurer's meaning and intentions. The Cabinet Brief from the Executive Director of Cabinet Policy and Coordination¹⁹, to the Chief Minister, stated that 'OFM does not support the proposal'. On the other hand, the then Chief Executive of CMD, advised during the Audit²⁰ that Mr Lilley's letter was 'a sensible analysis of the steps that might, or ought to, be taken in considering any proposal. It is not an expression of concern or objection to the proposal to bid for Olympic soccer or to redevelop Bruce Stadium'. The Under Treasurer himself has advised the Audit²¹ that he was both questioning the projections and making suggestions for improvements.

THE CABINET DECISION (30 SEPTEMBER 1996)

4.50 The Cabinet agreed to the Submission on 23 September 1996. The six points in the decision were, with some minor changes and additions, the same as the six recommendations in the submission. The

¹⁹ Annabelle Pegrum.

²⁰ John Walker, 27 April 2000.

²¹ Mick Lilley, 18 April 2000.

Cabinet agreed:

- ‘To support Canberra’s bid to host Olympic Football in the Year 2000’;
- ‘That as part of that bid the Government will guarantee that, if the bid is successful, the Bruce Stadium will be upgraded to full specifications’;
- ‘That if the bid is successful, capital works expenditure in the vicinity of \$3m will be required in 1996-97 (to commence work on the Bruce Stadium upgrade) with options for sourcing this expenditure being reprioritising the 1996-97 Capital Works Program, supplementation from the Treasurer’s Advance and utilisation of external equity partners (e.g. News Limited)’;
- ‘That the Minister for Sport and Recreation and the Chief Minister will determine the final details of Canberra’s bid’ to SOCOG;
- ‘That the Chief Minister will submit to the Cabinet details of the final Bruce Stadium Redevelopment Master Plan for a decision on future year financial commitments, once SOCOG has decided on preferred cities to host the 2000 Olympic Football competition’; and
- ‘That the Bureau of Sport, Recreation and Racing continue negotiations for external equity provision with News Limited after the Federal Court appeal decision in the matter of Superleague and the Australian Rugby League’.

Audit Comment

4.51 As discussed previously, the content of the Cabinet submission of 20 September 1996 omitted important details, and the analyses on which its content was based were unreliable. If the submission was the only information available to the Cabinet it follows the Cabinet decision to bid for Olympic soccer and to redevelop the Stadium was not made with the aid of relevant, reliable and complete information.

4.52 Although the Cabinet decision was taken quickly with the intention of winning the soccer bid, Cabinet had agreed that the ‘final Bruce Stadium Redevelopment Master Plan’ should be submitted for a decision on future year financial commitments. This did not occur.

THE FINAL BID DOCUMENT (30 SEPTEMBER 1996)

4.53 Following Cabinet agreement, the Olympic soccer bid was submitted to SOCOG on 30 September 1996. The bid was based on a redevelopment plan for Bruce Stadium which would ‘provide a ground capacity of 40,000 with 25,000 covered backed seats and a capability for a further 15,000 temporary seats to be added specifically for Football matches in 2000’.

4.54 The financing arrangements outlined in the Cabinet submission were included in the bid. The Government would contribute \$12m in equity. This would be supplemented by Government guaranteed loans of \$7m to be serviced by operating revenue from the ‘three long term anchor tenancies’: the Cosmos, Raiders and Brumbies. The balance of \$8m would be financed ‘by the private sector from items such as corporate suites, a gold passholder program and food and beverage rights’.

4.55 Appendices to the bid included:

- a response to a FIFA/SOCOG questionnaire on the facilities at Bruce Stadium compiled by Graf Consulting;
- plans of the redevelopment prepared by Cox Architects;
- actual attendance at Bruce Stadium by football code from 1991 to 1996; and
- projected attendance from 1996 to 2003 based on the Stadium financial model.

4.56 The bid document states that ‘The opportunity of hosting Olympic Football has brought forward the ACT Government’s major redevelopment plans for Bruce Stadium.’ The Chief Minister’s letter emphasised this point: ‘Of course, it was the possibility of hosting Olympic Football which led to the acceleration of the redevelopment plans at Bruce Stadium’.

4.57 The bid document states that ‘The ACT has now embarked upon a major redevelopment and upgrade program for Bruce Stadium – the first such program since the Stadium was built in 1977’. Further, ‘The ACT Government has engaged a professional planning and development team to undertake the redevelopment’ with a view to ‘commencement on site before the end of 1996’. This team comprised CRI, Graf Consulting,

Cox Architects and WT Partnership.

Audit Comment

4.58 While the bid document was considerably expanded and reworked, and the nature of the bid was changed, the final bid was recognisably similar to the July 1994 draft bid, which had been redone at least twice in August 1994 and April 1995. The major difference was the much increased scope and cost of the Stadium redevelopment.

CONCLUSION

4.59 The Cabinet submission titled *Canberra – An Olympic City* was signed by the Chief Minister on 20 September 1996.

4.60 The Audit view is that the content of the submission included an assessment of limited quality and usefulness of the costs and benefits of the redevelopment and of hosting Olympic soccer. Observations which support the Audit view are:

- no documentation has been found by the Audit to show that the redevelopment proposal or the financial model and financial plan which supported it had been subjected to any scrutiny before the submission was prepared;
- no proper analysis of the costs and benefits to the ACT of the redevelopment had been prepared;
- no realistic assessment of the financial cost of hosting Olympic soccer had been prepared and no estimates of costs were included in the submission;
- the estimate in the submission of the economic benefit to the ACT from hosting Olympic soccer of \$20m was taken from OFM's 'Assessment of the Benefits of Olympic Soccer', which was unreliable;
- the true financial implications of the CRI plan were not made clear in the submission; and
- risks associated with the bid and the redevelopment were not clearly identified.

4.61 The draft submission received limited consultation and no

circulation other than to OFM. The Under Treasurer had a matter of hours to comment on it. The Under Treasurer's response raised issues about the projected capital cost, expenses and revenues. The advice was largely not addressed or was dealt with in a limited way in the final submission. In particular, the submission did not include any information on actual attendances and those projected in the Stadium financial model or any reasoned argument for the projected levels of attendance and revenue contained in the Stadium financed model.

4.62 The Cabinet decision of 23 September 1996 was to proceed with the bid and to guarantee that if the bid were successful, the Stadium would be upgraded to the full specifications in the bid. For the reasons explained in this Chapter the Audit opinion is that, if the only information available to the Cabinet was the content of the submission, the Cabinet decision was not made with the aid of relevant, reliable and complete information.

4.63 After nearly four years of consideration, no rigorous analysis had been undertaken of the Bruce Stadium redevelopment or the Olympic soccer bid. The redevelopment proposal agreed to by the Cabinet had been presented for the first time to executives by CRI on 11 September 1996 which was only 12 days before the Cabinet decision was made. The funding structure and supporting financial model had been presented on 18 September 1996, only 2 days before the Cabinet submission was signed and only 5 days before the Cabinet decision was made.

5 CAPITAL WORKS PROPOSAL, 1996 TO 1997

INTRODUCTION

5.1 On 23 September 1996, the Cabinet decided to lodge a bid for Olympic soccer and to redevelop the Stadium if the bid proved successful. As the redevelopment would be a major capital works project, a formal capital works proposal in accordance with the Government's requirements had to be prepared.

5.2 This Chapter assesses the quality of the proposal for the redevelopment of the Stadium against the guidelines for capital works proposals issued by the Office of Financial Management in August 1996. It also discusses the presentation of the proposal to the Legislative Assembly's Standing Committee on Planning and Environment and the consideration by the Committee of the proposal.

SIGNIFICANT FINDINGS

- *The capital works proposal for the Bruce Stadium redevelopment did not meet the requirements laid down in OFM guidelines.*
- *The presentation of the proposal to the Legislative Assembly's Standing Committee on Planning and Environment did not provide sufficient information for the Committee to make an informed judgement of the proposal.*

INTRODUCTION

5.3 Canberra's bid was presented to SOCOG on 30 September 1996. On 19 December 1996 the President of SOCOG wrote to the Chief Minister announcing Canberra as a host venue for Olympic soccer subject to further contractual negotiations. These negotiations occurred over the next nine months, until the signing of a Memorandum of Understanding on 26 September 1997.

5.4 During the period from 30 September to 19 December 1996, officials were actively involved in promoting the bid and preparing for hosting Olympic soccer. A formal presentation was made to SOCOG on 30 October 1996, and the then Chief Executive of CMD and the Chief

Minister wrote to SOCOG and FIFA respectively in support of the bid. Some initial work was also done on hosting Olympic soccer, including preparation of selection documentation for a project manager for the redevelopment.

PROCESS FOR THE ASSESSMENT OF THE CAPITAL WORKS PROPOSAL

5.5 The activity outlined in the previous paragraphs overlapped preparation and initial consideration of a capital works proposal for the redevelopment of the Stadium.

5.6 At the time, the normal process for consideration of capital works proposals included the following steps. A proposal prepared by the responsible Department would first be considered by the Capital Works Group, an inter-agency panel of senior public servants. If the proposal met the Group's guidelines and was judged suitable, it would be included in the draft Capital Works Program submitted by the Treasurer (in this case, also the Chief Minister) to the Cabinet. If the proposal was accepted by the Cabinet it would then become part of the Government's program submitted to the Legislative Assembly's Standing Committee on Planning and Environment.

5.7 Guidelines for the formulation of the 1997-98 capital works program were issued by the Office of Financial Management in August 1996. These guidelines make clear the requirements to be met in presenting a capital works proposal. All proposals were to be considered by the Capital Works Group against these requirements.

5.8 The 1997-98 Draft Capital Works Program was presented to the Cabinet twice. The first version of the Program was presented on 16 December 1996. It noted that the proposal to redevelop Bruce Stadium was 'based on optimistic revenue streams and attendance projections' and also ignored the 'proposed development of international standard soccer facilities at Belconnen'. It further noted that the 'Capital Works Group agreed that on the basis of the information provided, and without the strategic economic benefits of Olympic soccer games, the project does not meet the criteria' for approval. The project was therefore included in the Program 'subject to a favourable decision by SOCOG'. At its meeting on 16 December 1996, the Cabinet agreed to defer consideration of the Program until 3 February 1997 in order to

allow the inclusion of a number of new projects.

5.9 The Capital Works Group met again on 21 January 1997 and supported the Stadium redevelopment proposal. A revised program was signed by the Treasurer on 31 January 1997. In the new Program the Stadium redevelopment was described as a ‘special project’ which had been included following the SOCOG decision to allocate Olympic soccer games to Canberra. The Chief Minister expected that ‘full documentation on this project, including a cost-benefit analysis’ would be provided to the Standing Committee on Planning and Environment, and the Bureau of Sport, Recreation and Racing would ‘be in a position to respond to the Committee’s questions on this project’.

AUDIT REVIEW OF THE CAPITAL WORKS PROPOSAL

5.10 The Audit assessed the Bruce Stadium capital works proposal against the requirements of the August 1996 OFM guidelines for the 1997-98 capital works program. These guidelines were consistent with OFM’s general guidelines for capital works proposals, which had been developed in the early 1990s.

5.11 The August 1996 guidelines required that information on the following comprehensive list of matters be provided in supporting documentation for all capital works proposals over \$0.1m:

- description of the project;
- location and site availability;
- user requirements brief;
- timing requirements;
- other feasibility studies;
- delivery method and timing;
- environment and heritage;
- consultation;
- whole of life asset management and monitoring;
- business case executive summary;
- strategic planning/justification;
- analysis of all options;

- justification of preferred option;
- capital investment and funding;
- impact on financial statements on the life of the asset; and
- risk assessment.

5.12 The results of the Audit's comparison of the redevelopment's capital works proposal and supporting documentation with the requirements of the guidelines follow. The guidelines also required that all proposals 'with an estimated cost of \$1m or more must be supported by a cost/benefit or cost/effectiveness report to demonstrate that the proposal represents an efficient and effective use of resources'. No such report supported the redevelopment proposal.

5.13 The Audit would note that the Cabinet had decided on 23 September 1996 to redevelop the Stadium to full specifications should the Olympic bid prove successful. The following comments on the Capital Works proposal should be read with regard to this context. It may be that the proposal was given little attention for conformity with the OFM guidelines as this decision of the Cabinet had already been made. On the other hand, there was a requirement for all capital works proposals to be submitted in conformity with the guidelines and assessed against the guidelines. The Revised 1997-98 Draft Capital Works Program states that the Capital Works Group 'considered all proposals, including the additional proposals, stringently under the guidelines and criteria for business cases'.

Description of Project

5.14 The OFM guidelines require the proposal to:

- indicate functional requirements and physical dimensions; and
- describe the relationship between this project and any other project (e.g. joint use, further stages, future projects etc).

5.15 The proposal states that the success of the Olympic bid required the redevelopment of the Stadium. It points out that the Stadium met most of SOCOG's requirements but did not meet FIFA's seating requirements. The proposal also refers to the redevelopment meeting the requirements of the existing long term hirers. A brief description of the four stages of the redevelopment is provided.

Audit Comment

5.16 The proposal does not address the requirement adequately.

5.17 The proposal provides little indication of the functional requirements for the redevelopment. In particular, there is no formal statement of the key requirements of SOCOG/FIFA or of the major hirers and their governing bodies such as the Australian Rugby Union. The Audit notes that the minimum seating requirement for Olympic soccer was 15,000 and that the two major hirers had indicated to officials a preference for a capacity of 15,000 to 20,000. This was important information in a capital works proposal for a 25,000 seat stadium with provision for a further 15,000 seats during the Olympics. No information is provided in the proposal on other requirements such as the playing surface, facilities for players and officials, corporate facilities and covered seating.

5.18 Without key information on the functional requirements for the redevelopment, a reader could not develop an informed opinion about whether the proposed redevelopment was sufficient or necessary to meet requirements, or superior to alternative proposals.

5.19 The proposal provides no information on related projects. In particular, the proposal does not point out the Stadium redevelopment was likely to necessitate the redevelopment of Manuka Oval. This additional work would be required because the Stadium redevelopment would change the playing area from an oval to a rectangle and therefore prevent Australian football from being played at the Stadium. The connection was clearly recognised by the Bureau of Sport, Recreation and Racing; the Department of Business, the Arts, Sport and Tourism; and the Minister for Sport and Recreation. Both the Bruce Stadium and Manuka Oval proposals were developed by the Bureau and the Department. Documents prepared during the capital works process clearly state that the redevelopment of Manuka Oval ‘would become an imperative with a successful ACT Government bid to SOCOG for playing Olympic soccer at Bruce Stadium in the Year 2000’.

5.20 The estimated cost of the Manuka Oval redevelopment to the ACT Government presently stands at nearly \$8m.

Location and Site Availability

5.21 The OFM guidelines require the proposal to identify ‘Requirements for other infrastructure services such as roads, sewerage etc’.

5.22 The proposal states that ‘a capacity of 40,000... will only be for the Olympic competition, and for all other events the Stadium capacity of 25,000 will be maintained. Therefore, with no change to the Stadium capacity, the carparking and traffic issues should not be a matter for the ACT Government’.

Audit Comment

5.23 The proposal does not address this requirement adequately.

5.24 The proposal does not deal with other infrastructure requirements. Crowds of 40,000 for the Olympics would have placed considerable stress on roads and public transport and required the installation of semi-permanent seating subsequently estimated to cost \$4.4m. These considerations were ignored in the proposal. While the normal capacity did not increase, the Stadium financial model accepted by officials projected a fourfold increase in attendance at the stadium with 26 events a year each attracting crowds between 17,752 and 25,612. Such large and regular crowds would have required significant precinct works for roads, traffic lights and parking. The redevelopment has to date included around \$1m in traffic works.

User Requirements Brief

5.25 The OFM guidelines require a proposal to include a functional brief, although they also state that a well-advanced draft brief may be acceptable.

5.26 The proposal attached plans which had been prepared by Cox Architects and noted that a design brief was being prepared by Cox.

Audit Comment

5.27 The proposal does not address this requirement adequately.

5.28 The preliminary plans, in conjunction with the description of the project contained in the bid document to SOCOG may be considered to constitute a draft functional brief. On the other hand, the material available did not provide clear and detailed information in regard to the requirements of SOCOG/FIFA and, in particular, the major hirers. There was insufficient information to allow for more than preliminary costing of the project or to provide sufficient guidance for proceeding to selection of a project manager. This was even though expression of interest documentation for a project manager had already been distributed to a select group of firms. This is discussed further in *Report 5 – Selection of the Project Manager*.

Timing Requirements

5.29 The OFM guidelines require that a range of timing matters be addressed in the proposal.

5.30 The proposal presents a completion date of December 1998 and indicates the capital works funding requirements as \$6.3m in 1997-98 and \$6m in 1998-99. It notes that the full amount of this funding could be required in 1997-98 depending on how much upfront revenue was received. The other \$15m of the project cost would be funded by a \$7m loan and \$8m in upfront revenues such as naming rights and corporate suites.

Audit Comment

5.31 The proposal does not address this requirement adequately.

5.32 The proposed timing of the project was unclear and confused. A later section of the proposal acknowledged that construction of the Stadium beyond the works covered by the Government's capital contribution of \$12m would be dependent on the availability of funds. If upfront revenues were not forthcoming, the completion date would therefore be later than December 1998. On the other hand, the \$27m project was a requirement for hosting Olympic soccer matches to be staged in 2000. If other sources of funding were not forthcoming, the Government would have to increase its contribution if the project were to be finished in time for the Olympics. If upfront revenue was lower than projected in the financial model the completion date would be later or the Government's contribution would be higher. This highlights one of the

areas of risk in the proposal, discussed below.

Other Feasibility Studies

5.33 The OFM guidelines identify a number of other types of studies which might be included in a proposal, including user analyses and market surveys.

5.34 The proposal states that no other feasibility studies have been undertaken in regard to the proposal as it ‘relates to bringing an existing facility up to an acceptable standard’. The proposal relied on two studies: the Stadium financial model and the OFM Benefit Study.

Audit Comment

5.35 The proposal does not address this requirement adequately.

5.36 The guidelines do not say that other studies are unnecessary for redevelopments of existing facilities. The Audit notes that the proposed \$12m capital contribution was the largest single proposal considered in the 1997-98 capital works program.

5.37 The proposal relied on two studies which were unreliable. The Stadium financial model had been developed without detailed market research of the Canberra market and it projected figures which were inconsistent with past experience at Bruce Stadium. The OFM benefits study was not a conventional cost benefit analysis, as required by the guidelines for any project over \$1m, and was clearly unreliable.

Delivery Method and Timing

5.38 The OFM guidelines require that the proposal should:

- identify the most appropriate delivery method, e.g. lump sum contract, project management;
- identify project delivery costs; and
- identify key dates relating to the delivery of the project.

5.39 The proposal advises that ‘In recognition of the highly specialised and complex nature of this work, it is proposed to engage a Developer to co-ordinate the financing and construction’. The selection process is

briefly described and Totalcare’s involvement in the process is identified for a ‘project delivery fee’ of \$300,000. Dates for the start and completion of the four stages are provided.

Audit Comment

5.40 The proposal does not address this requirement adequately.

5.41 The proposal does not identify the most appropriate delivery method. The role of the ‘developer’ was ill-defined. In the end the successful firm was engaged as a project manager and not as a developer. Given the uncertainty in regard to the project delivery method, the project delivery costs were also uncertain, and unlikely to be limited to Totalcare’s fee.

Environment and Heritage

5.42 The OFM guidelines require the identification of environmental and heritage issues. The outcome of any necessary environmental assessment or Environmental Impact Study should be provided.

5.43 The proposal provides two pieces of advice: ‘There are no apparent environmental or heritage issues pertaining to this project. Impact on energy consumption and water usage will be taken into consideration during the design stages’.

Audit Comment

5.44 The proposal does not address this requirement adequately.

5.45 As pointed out above, the Stadium financial model and plans for Olympic soccer envisaged huge increases in total and average attendance. These increases in attendance raise obvious local environmental issues in regard to traffic congestion and noise. Bruce Stadium is located near Fern Hill Technology Park and residential areas in the suburbs of Bruce and O’Connor. To deal with the projected increases in traffic flow, consideration was given early in the project to reopening the Old Weetangera Road to traffic between the Stadium and the suburb of O’Connor. The projected attendance figures, if realised, would have had considerable implications for nearby commercial and residential premises.

5.46 The Audit notes that no Environmental Impact Study was conducted and that the Audit has not seen any evidence to suggest that energy consumption and water usage were taken into consideration during the design stages of the project.

5.47 As pointed out above, the Stadium redevelopment necessitated the redevelopment of Manuka Oval, raising obvious heritage issues.

Consultation

5.48 The OFM Guidelines require the proposal to list all ACT Government agencies, non-Government agencies and community groups consulted about the proposal and provide the results of the consultation including major concerns raised.

5.49 The proposal notes consultation was undertaken with SOCOG, FIFA, Raiders, Brumbies, Cosmos, AFL, ASC, ACT Government Solicitor's Office, ACT Planning and Land Management, and the National Capital Authority.

Audit Comment

5.50 The proposal does not address this requirement adequately.

5.51 The proposal does not present the results of the consultation with any of the organisations mentioned. It therefore ignores, for example, the concerns of the ACT Australian Football League in regard to Australian football, and the concerns of the Raiders and Brumbies about the Stadium's capacity and facilities and about funding arrangements.

Whole-of Life Asset Management and Monitoring

5.52 The OFM Guidelines require the proposal to include an asset management plan and to indicate the intended method of measuring the performance of the facility, such as 'utilisation, condition, cost/income and value'.

5.53 In regard to this requirement, the proposal says simply 'See attached financial model'.

Audit Comment

5.54 The proposal does not address this requirement adequately.

5.55 The Stadium financial model was not, and was not intended to be, an asset management plan or a set of performance indicators.

Business Case Executive Summary

5.56 The remaining requirements in the OFM Guidelines deal with the presentation of a business case for the proposal. The first requirement is an executive summary of the business case that refers to the issues addressed in the following requirements and to the impact on financial statements.

5.57 The proposal refers to OFM’s estimate of the economic benefits of hosting Olympic soccer and the Price Waterhouse estimate of the economic benefits of the Raiders.

Audit Comment

5.58 The proposal does not address this requirement adequately.

5.59 The Executive Summary does not refer to the major issues addressed in the rest of the business case and makes no mention of the financial impact of the project on the ACT Government.

5.60 The OFM estimate was unreliable. The Price Waterhouse estimate was of far better quality, however, it was not prepared to establish the economic benefit of the Stadium redevelopment (*see Report 3 – Costs and Benefits*).

Strategic Planning/Justification

5.61 The OFM Guidelines list eight items which should be included under this requirement. These are:

- ‘Identify which Government outcome(s) and output(s) this project will assist the agency to meet;
- relevance to agency’s service provision strategy;
- links to strategic asset plan and capital investment plan;

- describe the level and quality of outputs/service to be provided;
- identify the shortfalls between what exists and what is needed in order to meet the Government’s objectives. Provide evidence of need/actual usage figures and the sources of this information;
- need for the proposed asset (referring to possible non asset solutions and/or better use of existing assets);
- indicate the performance indicators that will be used to assess whether the project meets the Government’s objectives; and
- information on any previous Government endorsement of the project and its place in the agency’s capital strategy’.

5.62 The proposal states that the ‘redevelopment will achieve the Government’s stated outcome of achieving economic revitalisation and opportunities for ACT involvement in activities related to the 2000 Olympics’ and that the ‘Government has endorsed the redevelopment of Bruce Stadium on the basis of the ACT winning the opportunity to host part of the 2000 Olympic Football Competition’.

Audit Comment

5.63 The proposal does not address this requirement adequately.

5.64 The stated outcome ignores the main long term justification for the project advanced by officials elsewhere: the retention of the major hirers. The next six items in the guidelines’ requirements are not addressed in the proposal.

5.65 The Audit draws attention to the following points.

- There is no link made to the agency’s service provision strategy, strategic asset plan or capital investment plan.
- There is no description of outputs or services to be provided. Such a description should have identified the major saleable ‘products’ and non-financial benefits of the redevelopment over and above those already provided by the Stadium.
- There is no discussion of the difference between the existing Stadium and what is needed to meet the Government’s objectives. Such analysis would have required a clear statement of the level of amenity at the existing Stadium, the objectives of the

Government and the level of amenity at the redeveloped Stadium. None of this information was provided in sufficient detail for informed decision making. There is no considered recognition of the extent to which the existing Stadium already met many of SOCOG's and the hirers' requirements. The capital works proposal provided no evidence of actual usage at the Stadium or of future demand or need. Such information would have exposed the lack of knowledge about future demand or need and the questionable assumptions behind the Stadium financial model and the related physical redevelopment of the Stadium.

- There is no discussion of the need for the proposed asset. In particular, there is no discussion of more modest and less expensive redevelopments to achieve the main objectives of securing the Olympics and retaining the hirers. Analysis of alternatives is discussed later in this Chapter.
- No performance indicators were presented for use in assessing the project upon its completion. No such assessment has ever been done. The Audit has examined the project against a range of claims made for the project by the Government and officials. These include the general objectives of commercial viability and economic benefits to the ACT, and specific objectives such as achieving attendance and revenue projections, construction on time and within budget, functionality, cost per seat and so on. The Audit has concluded that the Stadium has not achieved any significant performance indicator for the project.

5.66 To summarise, the entire strategic planning and justification for the project is contained in two statements: the Government wants to be involved in the Sydney Olympics and the Government has endorsed the redevelopment of Bruce Stadium in order to host Olympic soccer.

Analysis of All Options

5.67 An important requirement of the OFM Guidelines is that the proposal:

‘List the alternatives considered (e.g. non asset solutions and/or better utilisation of existing assets) and reasons for rejection. For projects costing more than \$1m, these alternatives should be evaluated using cost benefit, cost effectiveness and/or other financial appraisal techniques. Generally, at least three options

should be considered, one of which should be ‘do nothing’. Copies of these reports should be submitted together with the other project documentation’.

5.68 The Guidelines also note that joint ventures and alternative funding arrangements should be considered.

5.69 The proposal states in full that:

- ‘The Bureau has assessed other options including the Government fully funding the redevelopment, however, it believes that outside revenues (\$15m) can be raised through the private sector. This assumption is based on securing a loan (\$7m – over 7 years) and \$8m of upfront revenue which the Bruce Stadium Management can realistically service;
- the possibility of the ACT Government entering into a Joint venture with a financial partner is being explored through the Expressions of Interest;
- if the Bruce Stadium were not redeveloped the real possibility of losing major long term hirers to other cities could come to fruition, e.g. the Raiders to Melbourne; and
- the redevelopment of Bruce Stadium will ensure that national and international hirers consider Canberra and the Stadium as a venue for their events. This in turn will lead to increased tourism and an economic benefit to the National Capital’.

Audit Comment

5.70 The proposal does not address this requirement adequately.

5.71 The proposal does not list the alternatives considered or the reasons for rejecting them. The only ‘alternative’ presented is that the Government might fully fund the redevelopment. The conclusion that this is unnecessary is based on the officials’ faith in the revenue projections in the Stadium financial model. As discussed in *Report 7 – Stadium Financial Model*, the model’s projections were not subject to rigorous assessment by officials, including during the capital works process.

5.72 There is no discussion of reasonable design alternatives such as:

- a more modest redevelopment such as the one proposed in 1993 which was less costly (about \$12m) and retained an oval playing surface;
- the minimalist option (about \$3m) proposed in 1994 for semi-permanent seating and some minor improvements in order to bring the Stadium up to FIFA/SOCOG standards; and
- a proposal for a genuine rugby and soccer stadium, in which the east stand would have been built closer to the west stand, rather than installing the inner bowl and leaving all of the existing seats as far from the playing field as before.

5.73 The option of doing nothing is dismissed by saying it was a real possibility that the major hirers could relocate to other cities. No evidence is given for this claim (see *Report 3 – Costs and Benefits*). In achieving this specific objective, no consideration appears to have been given to the obvious approaches of constructing a more modest redevelopment or giving the major hirers cash grants. More generally, the Audit can find no indication that serious consideration was given to the option of not proceeding with the bid or the redevelopment from July 1996 onwards.

5.74 The Audit also notes that an alternative and inexpensive capital works proposal for the Stadium was prepared and then superseded in 1996. This proposal was for a \$249,000 upgrade to a medical room for players, first aid room, drainage and paving, disabled access and the sound system. According to this draft capital works proposal this project would build upon a ‘recent upgrading of catering and toilet facilities financed by P&O and the Raiders to meet upcoming demands for the national rugby league competition’. This very modest scale of works appears to have been regarded as sufficient to meet immediate requirements of one of the two major hirers.

5.75 The upgrade by the Raiders and P&O had been completed in March 1996 and was part of a four stage redevelopment plan by the Raiders which was made redundant once the Government’s redevelopment plan was announced. An option which appears not to have been considered was that the Government pay a few hundred thousand dollars for a range of minor improvements and leave the larger cost of redevelopment to the Raiders and perhaps to the other major hirer, the Brumbies. The Raiders had already demonstrated a commitment to just such an approach.

5.76 The stated Government contribution of \$12m made the redevelopment the single biggest proposal under consideration in the 1997-98 draft capital works program. The projected total cost of \$27m made the project bigger still. Moreover, as the cost estimate was preliminary, and as the Government contribution depended entirely on realising the projected revenues in the financial model, the risk of an increase in the Government's contribution was very real. Officials themselves recognised the significance of the project. In early December 1996, the Chief Executive of BASAT, Annabelle Pegrum, described the Bruce Stadium redevelopment as 'the single biggest construction project to be undertaken by the ACT Government'.

5.77 Given all of this, it is of concern that alternatives were not acknowledged in the proposal let alone given careful treatment. The Audit has found no evidence on file that alternatives to the chosen redevelopment plan were ever seriously considered outside of the capital works process. No cost benefit or financial analyses of alternatives were attached to the proposal. Only a copy of the Stadium financial model was attached, without analysis or even a summary.

Justification for Preferred Option

5.78 The OFM Guidelines require that the proposal explain the rationale for choosing the preferred option. The proposal should also examine the effect of the preferred option on output levels and performance indicators, and the possible benefits to the ACT e.g. in encouraging capital investment, improving the tax base or job opportunities, or attracting consumers or visitors.

5.79 The proposal states that:

'The redevelopment of Bruce stadium through joint funding and external equity arrangements between the Government and Private Sector will ensure the Stadium is managed, in future, on a more commercial basis.

Partners in the venture such as the Raiders, Brumbies and Cosmos, bound to Canberra as part of a long term financing package, would also ensure the viability of the Stadium by enhancing the profitability of its long term hirers.'

5.80 The proposal added that the proposed debt funding was based on a significant increase in funding which 'reflects the increased earning

power of a modern stadium compared to an outdated 1970's vintage Stadium'.

Audit Comment

5.81 The proposal does not address this requirement adequately.

5.82 The proposal's treatment of this section does not provide a clear rationale for choosing the preferred option. The proposal does not point out that there were no arrangements in place or in train for joint funding or private equity, or for any form of partnership, as conventionally understood, between the Government and the hirers.

Capital Investment and Funding

5.83 The OFM Guidelines require that the proposal identify 'all investment required' including among other things, fitout and commissioning costs. The proposal should also identify proposed sources of funding.

5.84 The proposal states that funding would be a \$12m capital injection from the Government, a \$7m loan through an 'independent financial authority' and \$8m in upfront revenues 'through the sale of advertising, corporate suites, food and beverage rights, naming rights, etc'.

Audit Comment

5.85 The proposal does not address this requirement adequately.

5.86 The presentation of the funding arrangements is confused. In this section of the proposal the \$15m over and above the Government's contribution is to be paid for by a loan, presumably repaid out of earnings, and upfront revenue from the sale of naming rights etc. The previous section on the 'Justification for Preferred Option', on the other hand, talks of 'joint funding and external equity arrangements', which does not mean borrowing or making money from sales.

5.87 The proposal does not identify all investment required. In particular, the cost of \$27m did not include furniture, fittings and equipment.

Impact on Financial Statements over the Life of the Asset

5.88 The OFM Guidelines require that the proposal:

‘Highlight operational savings/expenditure, additional revenue through increased outputs and any associated disposal of assets, Identify the full impact of the project on the financial statements on a whole-of-life basis, including any budget impacts, e.g. price paid for outputs, employee expenses, depreciation expenses.’

5.89 The proposal states, in full:

- ‘The ACT will save the \$150,000 subsidy currently given each year to operate the Bruce Stadium.
- The increased usage of the Bruce Stadium and the Olympic Football Tournament will greatly benefit the ACT through employment, tourism and the economy.
- See Attached Business Plan for greater detail.’

Audit Comment

5.90 The proposal does not address this requirement adequately.

5.91 Other than claiming that the proposal will save \$150,000 a year, the proposal does not address this requirement at all. Referring the reader to the business plan (i.e. the Stadium financial model) is unhelpful. This spreadsheet of over fifty pages should have been summarised and explained. If this had been done, attention would have been drawn to the questionable projections in the model.

5.92 The second dot point is not directly concerned with the financial impact on the Government and should not have been included in this section of the proposal.

5.93 The Audit also notes that a key ‘operational cost’ of the redevelopment was the cost of hosting Olympic soccer. As the Stadium was being redeveloped in order to host Olympic soccer, these further costs should have been identified in the proposal. In January 1997, this was estimated by officials to be about \$12m.

5.94 A Cabinet submission dated 2 December 1996 makes it clear that

‘the redevelopment of Manuka Oval would become an imperative with a successful ACT Government bid to SOCOG for playing Olympic soccer at Bruce Stadium in the Year 2000’. This should have been recognised in the proposal as a direct impact on the financial statements of the Government arising from the Stadium redevelopment.

Risk Assessment

5.95 The OFM Guidelines require that the proposal ‘Highlight all possible risks associated with the project over the life of the asset’, including ‘financial risk associated with the proposed financing arrangements’ and ‘risk in project delivery e.g. possible delays, cost overruns’. The proposal should also describe ‘plans for risk minimisation and management’.

5.96 The proposal states that:

‘If the ACT Government decides not to go ahead with the Redevelopment of Bruce Stadium, Canberra will not become an Olympic City.

Financial risk will be with the Developer for the remaining \$15 million...

The project will be managed by an experienced Developer and the construction will be dependent on the availability of funds.’

Audit Comment

5.97 The proposal does not address this requirement adequately.

5.98 This was a project with significant risk at every level. The proposal did not address a number of important risks.

5.99 The cost of the redevelopment was subject to the high risk of a budget overrun. A comprehensive estimate of the costs had not been prepared. An ‘Order of Cost Estimate’ had been prepared by WT Partnership on 10 September 1996. That estimate did not include the costs of finance or of furnishing, fittings and equipment. This risk has been shown by the final capital cost being \$45m.

5.100 The funding of the redevelopment was subject to high risk. This was partly because the end cost could be more than estimated and partly

because no arrangements were in place for funding the redevelopment at the time the proposal was being considered. The claim that the financial risk was ‘with the Developer for the remaining \$15 million’ was without any foundation. As it turned out, no risk was assumed by any outside person or organisation. The Government was, and has been, responsible for the entire cost of the redevelopment. The alternative view presented in the proposal that the \$15m was to be financed by borrowing, to be repaid from earnings, and upfront capital revenue, was equally risky. It was very likely that these revenues would not be achieved, either in the amount or the time projected. As it turned out, actual revenues have been only a fraction of projections.

5.101 The risk that no external funding would be forthcoming was already being revealed as a problem. The proposal had earlier noted that the \$15m in financing arrangements would not be known until submissions were received in February 1997. The General Manager of the Bureau of Sport had prepared a minute on 24 January 1997 on progress made with the six tenderers. He noted that ‘there have been mixed reactions to the \$15 million debt/equity fund raising’. The ‘hirers have given tenderers a different impression to that provided to the business planning consultant last year. In short they appear to have stepped back from commitments to provide a share of their revenues for debt financing’. Further, ‘hirers no doubt see the Government locked into funding above the \$12 million committed because of our imperative to comply with the successful 2000 soccer bid’. He continued, ‘if a guarantee regarding the total development (\$27m) is not provided by Government there may be some reluctance by tender[er]s to commit to the substantial costs in the design phase’.

5.102 The objective of removing the annual subsidy of \$150,000 was also subject to risk. This objective relied on the projections in the Stadium financial model being achieved. If these projections were not realised, the redevelopment could result in an increased subsidy, overcapitalisation and increased operating losses. The cash subsidy for operations in 1998-99 was about \$2m and is estimated to be a similar figure in 1999-2000. The operating loss in 1998-99 was \$18.9m. This included a write down of non-current assets of \$14.4m.

5.103 No realistic plans were developed to minimise, manage or allocate risk.

STANDING COMMITTEE FOR PLANNING AND THE ENVIRONMENT

5.104 The 1997-98 Draft Capital Works Program was delivered to the Legislative Assembly's Standing Committee on Planning and Environment on 7 February 1997. Each agency was responsible for providing documentation on its own projects within the Program. In regard to the Bruce Stadium redevelopment, the Committee was provided with a copy of the proposal and a revised version of OFM's 'Assessment of the Benefits of Olympic Soccer' of 31 July 1996. This version, dated 28 January 1997, was specially prepared for the Committee but was little changed from the July 1996 version.

5.105 The Committee did not receive a copy of *Version 2* of the Stadium financial model, which had accompanied the proposal when it was presented to the Capital Works Group. A decision was taken that the model was commercial-in-confidence material and should not go to the Committee.

5.106 The Committee considered the redevelopment in its Report *The Government's 1997-98 Draft Capital Works Program* (Report No. 26, February 1997). It raised concerns about several matters including the claimed economic benefits of Olympic soccer. The Committee noted the OFM minute of 28 January 1997 and concluded that 'the government should be wary about making decisions based on the alleged benefits of activities associated with the Olympic Games'.

5.107 The Committee was also concerned about the level of investment envisaged by the Government when the Stadium was only under a twelve year lease. The view of officials was that 'the proposed new investment will put the Government in a good negotiating position to extend the lease'.

5.108 The Committee recommended that 'the Government ensure that all details of the justification of projects linked to the Olympic Games be made public'.

5.109 The Government response to the Report of the Standing Committee was presented on 9 April 1997. It agreed to the single recommendation of the Committee in regard to Bruce Stadium and noted that a 'cost benefit analysis of this proposal is being finalised' by OFM.

Audit Comment

5.110 The poor quality of the capital works proposal on Bruce Stadium has been dealt with at length previously. The low quality of OFM's 'Assessment of the Benefits of Olympic Soccer' was dealt with in *Chapter 4* of this Report. That the same assessment, only slightly modified from the original version, was submitted with the proposal supplied to the Committee shows that little work had been done on this issue in the intervening six months. It also illustrates the lack of rigorous analysis of this significant project.

5.111 The view of officials that the redevelopment would put the Government in a good negotiating position for extending the lease is questionable. The alternative and more obvious view is that the Government's position would be considerably weaker as it would stand to lose the benefits of a large investment if it did not reach agreement on a new lease with the Commonwealth.

5.112 The cost benefit analysis referred to in the Government's response was released shortly afterwards. Despite being called a cost benefit analysis, it was actually an analysis of the impact of the redevelopment on the Government's finances. In this regard, the analysis produces unreliable results because of its uncritical reliance on the financial projections contained in the Stadium financial model. This analysis is discussed further in *Report 12 – Governance and Management*.

CONCLUSION

5.113 The Audit's assessment of the Bruce Stadium capital works proposal against the requirements of the OFM guidelines for capital works proposals issued in August 1996 shows that the proposal does not address any of the requirements adequately. Many of the statements in the proposal are unsupported by any analysis or evidence. Many of the requirements in the guidelines are simply not addressed. A supporting cost benefit analysis was not prepared.

5.114 The level of analysis in the proposal's documentation was in no way commensurate with the project's significance. The stated capital contribution of \$12m made the redevelopment the single biggest proposal under consideration in the 1997-98 Draft Capital Works

Program. The total cost estimate of \$27m made the project bigger still. Moreover, as the cost estimate was preliminary, and as the capital contribution depended entirely on realising the projected revenues in the Stadium financial model, the risk of increases in the cost and the capital contribution was very real.

5.115 Given the size and risk of the project, the low quality of the capital works proposal and supporting documentation is significant.

5.116 The 1997-98 Draft Capital Works Program was delivered to the Legislative Assembly's Standing Committee on Planning and Environment on 7 February 1997. The Bruce Stadium redevelopment proposal was accompanied by a slightly changed version of OFM's 'Assessment of the Benefits of Olympic Soccer', first prepared in July 1996. This assessment was unreliable. The Committee was not provided with a copy of the Stadium financial model. As the model underpinned the redevelopment proposal, this decision meant that the Committee did not have all relevant information available for making an informed decision about the proposal.

Annexure

Reports Published in 1993

- 1 Management of Capital Works Projects**
- 2 Asbestos Removal Program**
- 3 Various Performance Audits Conducted to 30 June 1993**
 - Debt Recovery Operations by the ACT Revenue Office
 - Publicity Unaccountable Government Activities
 - Motor Vehicle Driver Testing Procedures
- 4 Various Performance Audits**
 - Government Home Loans Program
 - Capital Equipment Purchases
 - Human Resources Management System (HRMS)
 - Selection of the ACT Government Banker
- 5 Visiting Medical Officers**
- 6 Government Schooling Program**
- 7 Annual Management Report for the Year Ended 30 June 1993**
- 8 Redundancies**
- 9 Overtime and Allowances**
- 10 Family Services Sub-Program**
- 11 Financial Audits with Years Endings to 30 June 1993**

Reports Published in 1994

- 1 Overtime and Allowances - Part 2**
- 2 Department of Health** - Health Grants
 - Management of Information Technology
- 3 Public Housing Maintenance**
- 4 ACT Treasury** - Gaming Machine Administration
 - Banking Arrangements
- 5 Annual Management Report for Year Ended 30 June 1994**
- 6 Various Agencies** - Inter-Agency Charging
 - Management of Private Trust Monies

Annexure (continued)

- 7 Various Agencies - Overseas Travel - Executives and Others
- Implementation of Major IT Projects
- 8 Financial Audits with Years Ending to 30 June 1994
- 9 Performance Indicators Reporting

Reports Published in 1995

- 1 Government Passenger Cars
- 2 Whistleblower Investigations Completed to 30 June 1995
- 3 Canberra Institute of Technology - Comparative Teaching Costs and Effectiveness
- 4 Government Secondary Colleges
- 5 Annual Management Report for Year Ended 30 June 1995
- 6 Contract for Collection of Domestic Garbage/Non-Salary Entitlements for Senior Government Officers
- 7 ACTEW Benchmarked
- 8 Financial Audits With Years Ending to 30 June 1995

Reports Published in 1996

- 1 Legislative Assembly Members - Superannuation Payments/Members' Staff - Allowances and Severance Payments
- 2 1995 Taxi Plates Auction
- 3 VMO Contracts
- 4 Land Joint Ventures
- 5 Management of Former Sheep Dip Sites
- 6 Collection of Court Fines
- 7 Annual Management Report For Year Ended 30 June 1996
- 8 Australian International Hotel School
- 9 ACT Cultural Development Funding Program

Annexure (continued)

- 10 **Implementation of 1994 Housing Review**
- 11 **Financial Audits with Years Ending to 30 June 1996**

Reports Published in 1997

- 1 **Contracting Pool and Leisure Centres**
- 2 **Road and Streetlight Maintenance**
- 3 **1995-96 Territory Operating Loss**
- 4 **ACT Public Hospitals - Same Day Admissions**
Non Government Organisation - Audit of Potential Conflict of Interest
- 5 **Management of Leave Liabilities**
- 6 **The Canberra Hospital Management's Salaried Specialists Private Practice**
- 7 **ACT Community Care - Disability Program and Community Nursing**
- 8 **Salaried Specialists' Use of Private Practice Privileges**
- 9 **Fleet Leasing Arrangements**
- 10 **Public Interest Disclosures - Lease Variation Charges**
- Corrective Services
- 11 **Annual Management Report for Year Ended 30 June 1997**
- 12 **Financial Audits with Years Ending to 30 June 1997**
- 13 **Management of Nursing Services**

Reports Published in 1998

- 1 **Management of Preschool Education**
- 2 **Lease Variation Charges - Follow-up Review**
- 3 **Major IT Projects - Follow-up Review**
- 4 **Annual Management Report for Year Ended 30 June 1998**
- 5 **Management of Housing Assistance**
- 6 **Assembly Members' Superannuation and Severance Payments to Former Members' Staffers**

Annexure (continued)

- 7 **Magistrates Court Bail Processes**
- 8 **Territory Operating Losses and Financial Position**
- 9 **Financial Audits with Years Ending To 30 June 1998**
- 10 **Management of Schools Repairs and Maintenance**
- 11 **Overtime Payment To A Former Legislative Assembly Member's Staffer**

Reports Published in 1999

- 1 **Stamp Duty on Motor Vehicle Registrations**
- 2 **The Management of Year 2000 Risks**
- 3 **Annual Management Report for the Year Ended 30 June 1999**
- 4 **Financial Audits with Years Ending To 30 June 1999**

Reports Published in 2000

1. **Bruce Stadium Redevelopment — Summary Report**
2. **Bruce Stadium Redevelopment — Value for Money**
3. **Bruce Stadium Redevelopment — Costs and Benefits**
4. **Bruce Stadium Redevelopment — Decision to Redevelop the Stadium**
5. **Bruce Stadium Redevelopment — Selection of the Project Manager**
6. **Bruce Stadium Redevelopment — Financing Arrangements**
7. **Bruce Stadium Redevelopment — Stadium Financial Model**
8. **Bruce Stadium Redevelopment — Actual Costs and Cost Estimates**
9. **Bruce Stadium Redevelopment — Market Research and Marketing**
10. **Bruce Stadium Redevelopment — Stadium Hiring Agreements**
11. **Bruce Stadium Redevelopment — Lawfulness of Expenditure**
12. **Bruce Stadium Redevelopment — Governance and Management**

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