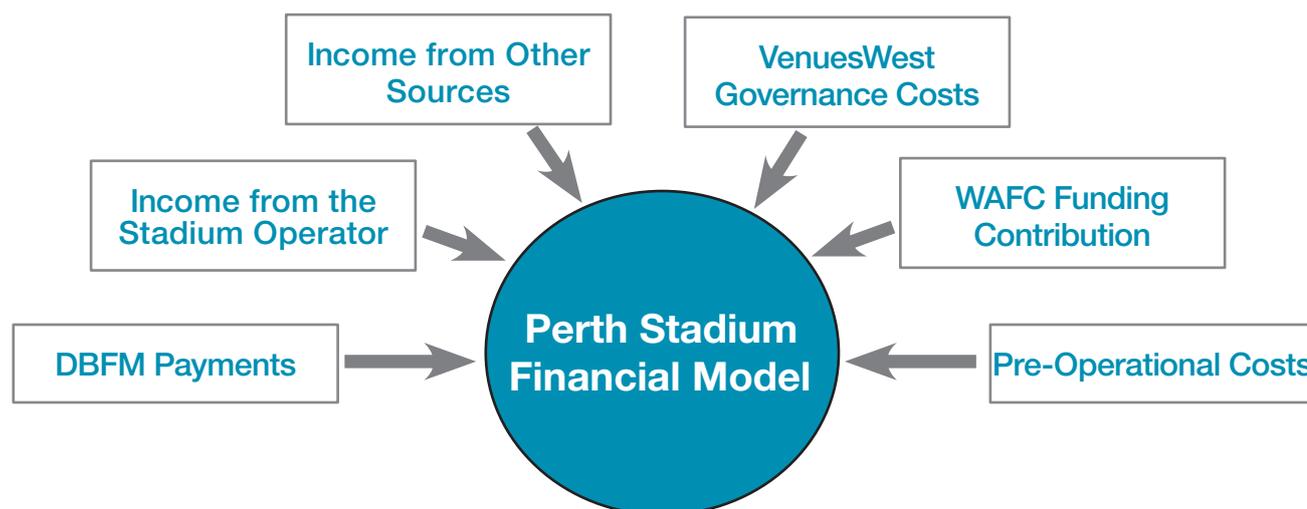


The forecast financial performance of Perth Stadium in its transition and operational phases is underpinned by a detailed financial model. Fundamentally, the Perth Stadium financial model enables the State to determine whether Stadium income is expected to be sufficient to meet operational costs.

This model, developed by the Perth Stadium Project Team and supported by its commercial advisor KPMG, accounts for all foreseeable incomes and expenses related to the facility. Its outputs directly inform the Stadium transition and operational phase financial impacts now recognised in the VenuesWest budget papers.



DBFM Payments

The design, build, finance and maintain (DBFM) agreement sets out a monthly payment regime by which VenuesWest pays the DBFM contractor (Westadium) for facilities management services and financing costs related to Westadium's 40% financing contribution to the design and construction of Perth Stadium. These payments will be made over the 25 year operational phase of the DBFM agreement and are reflected on an annual basis in the financial model. As the contract payment values are subject to indexation over the term, Treasury forecast CPI rates have been applied in the financial model.

Income from the Stadium Operator

The agreement with the Stadium Operator, VenuesLive Management Services (WA) (VenuesLive), contains a regime whereby, during each year of the operational phase the Stadium Operator pays VenuesWest a fixed amount from incomes it derives from Perth Stadium. Income generated is then used to:

- fund the Stadium Operator's costs in delivering services at Perth Stadium;
- fund minor equipment purchases; and
- pay the Stadium Operator a base management fee.

The remaining net income is shared between VenuesWest and the Stadium Operator at agreed proportions, linked to Perth Stadium's financial performance. This arrangement will exist during the first 10 years of the operational phase, aligning with the term of the Stadium Operator agreement.

During the operational phase, the Operator will derive income from many sources, including (in particular) from managing events, functions and selling sponsorship. Two of the key income generating sources for the Stadium Operator are the user agreements with Cricket and Football. Each of these arrangements will expire or be considered for renegotiation at the end of the first 10 years of the operational phase, coinciding with the term of the Stadium Operator agreement.

The figures used in the financial model are the end result of the competitive procurement process to engage the Stadium Operator, where four high quality bids were assessed against an internal VenuesWest forecast. This was followed by four months of intensive negotiations between the State Government and VenuesLive. Ultimately, it reflects:

- A detailed event schedule, forecasting an average of 40 events per annum. This was developed by VenuesLive in collaboration with the State Government. This event schedule formed part of the VenuesLive tender bid for the Stadium Operator and was further refined over a series of workshops. It combines VenuesLive and the State Government's' collective expertise and understanding of the local, national and international event marketplace.

¹ Tourism WA, VenuesWest and the Department of Sport and Recreation

■ Outcomes to date of the user negotiations with Cricket and Football. The State Government has been in discussions with Cricket and Football since 2014, the former resulting in an agreed position whereby Cricket will play 10 years' of matches at Perth Stadium under a set of commercial provisions. Throughout both negotiations, a highly detailed set of revenue and expense assumptions were developed and heavily negotiated. This included a range of benchmarking studies of other stadia in Australia to forecast yields (rates and prices for tickets, catering, sponsorships etc), attendances and event based costs.

■ VenuesLive expertise in the field of stadia management and commercialisation. As part of its bid, VenuesLive provided a high level of detail supporting its revenue and expense assumptions, as well as demonstrating a high level of innovation in revenue generation. The sum of these provides a high degree of confidence in the financial model projections.

Income from Other Sources

The financial modelling also includes additional income from non-Stadium Operator sources within Perth Stadium's surrounding sports precinct, including from leases managed directly by VenueWest.

VenuesWest Governance Costs

In undertaking its role managing Perth Stadium, including the management of the DBFM and Stadium Operator agreements, VenuesWest will incur administrative costs. These are reflected in the financial model.

WAFC Funding Contribution

An allowance has been included in the financial model for an ongoing funding contribution to the Western Australian Football Commission. This allowance is based on earlier negotiations with the Joint Football Working Group, including an independently audited review of the Western Australian Football Commission's historical financial performance.

Pre-Operational Costs

To ensure Perth Stadium has a smooth transition to operations, a range of pre-operational activities need to be undertaken by VenuesLive. These include marketing the facility, finalising user and hirer arrangements, preparing for the opening and communicating with the public. The related costs are reflected in the financial model.

Forecasting Period

DBFM contract payments have a relatively high level of certainty over the 25 year operational term of the agreement. However, the income derived from the Stadium Operator is based on a range of highly variable outcomes, including the event schedule, the general state of the economy and even the performance of the teams that will host events at the Stadium. As indicated above, the expertise of a range of key stakeholders has been applied in developing the projections for the term of the Stadium Operator agreement (the initial 10 years of the operational phase). Beyond the term of the Stadium Operator agreement (and the corresponding key user agreement milestones), certainty reduces.

Accordingly, the analysis is focused on the initial 10 years of operation due to the increasing uncertainty of financial projections beyond the terms of the Stadium Operator and user agreements.

As further estimates become realised, including actual financial outcomes, the Perth Stadium financial model will continue to be developed and refined.

