

4.0

**Stadiums
Queensland
Business Model**

4.0 Stadiums Queensland Business Model

The SQ business model is the way SQ coordinates and strategically manages its asset portfolio responsibilities. The SQ business model takes into consideration items such as SQ's approach to market testing and outsourcing of services, as well as to the shared support services for the organisation and portfolio and to SQ's role in stadium planning. At a venue level, the SQ business model incorporates SQ's consideration and determination of the preferred management approach for each of its venues, taking into account specifics of the asset, the use of the venue and historic operations.

SQ's intent of applying its business model is to implement management arrangements that maximise the likelihood of individual venues and the portfolio as a whole, operating as efficiently as possible. SQ achieves this by employing a variety of venue management, venue operations and venue hiring models, in addition to portfolio-wide arrangements.

Market Testing and Outsourcing

As a matter of business policy, SQ consistently tests the market to establish whether services are more cost effective if delivered on an outsourced basis. SQ is incentivised to do so because of customer requirements (hirers and patrons) to contain costs so that attending venues for patrons remains affordable. The Taskforce understands that a majority of SQ business is historically outsourced, including stadium services such as ticketing, catering, security, cleaning and waste management and corporate business functions such as audit, incident management, insurance and risk management. The final small percentage of services are directly delivered by SQ if it is more cost effective to do so, or if the risk to the Queensland Government is more effectively managed.

Finding 4.1

A majority of Stadiums Queensland business is outsourced, including stadium services, ticketing, catering, security, cleaning, waste management and corporate business functions including consultancies associated with audit, incident management and insurance.

Shared Support Services

SQ has created a central shared services hub to service all of the venues it manages (including co-source managed venues). Activities delivered through this hub include asset management, corporate services (IT, human resources, finance, etc.) and negotiation of commercial agreements. This approach reduces the need to duplicate these tasks and resources at each venue.

Stadium Planning

SQ leads the planning for the maintenance and minor capital works to the existing venue portfolio, but has a limited role in regards to the planning for major capital works and redevelopments. The development of new facilities at SQ venues or the construction of new stadiums throughout Queensland is a function of Government. SQ contributes to scoping of the project so as to ensure a proposed new venue is fit for purpose and will meet the specifications of the sport or event for which it is intended.

Standard Fees and Charges

The SQ Board approves standard fees and charges each financial year for:

- » access to sporting and entertainment facilities (and related services) at the Sleeman Sports Complex and Queensland Sport and Athletics Centre, and
- » hire of function rooms on non-event days at the Gabba, Cbus Super Stadium, 1300SMILES Stadium, Sleeman Sports Complex and Queensland Sport and Athletics Centre.

Under the standard fees and charges, discounted pricing is available to non-profit, community and sporting groups in order to help these groups access the facilities at the Sleeman Sports Complex and Queensland Sport and Athletics Centre. Board approval is required for waiving fees for hire of an SQ venue for the conduct of a charitable event, however this is rarely utilised.

Customised contracts have been negotiated with the Queensland Academy of Sport and the Australian Institute of Sport and for long-term access to elite training facilities by non-profit sporting associations, for example, Gymnastics Queensland's access to the Gymnastics hall at the Sleeman Sports Complex.

Customised agreements are negotiated with hirers to set the terms for major events.

Function Room Utilisation

The SQ assets have numerous quality spaces that operate as function and meeting room spaces on non-event days that are available for hire under SQ's standard fees and charges. Non-event day functions provide additional sources of revenue for SQ.

The function and meeting sector is competitive, particularly in Brisbane and the Gold Coast where there are multiple commercial, local government, State Government and Tertiary Sector facilities available that directly compete with SQ spaces.

For the SQ venues, there are some obvious benefits that competing facilities are unlikely to have which includes being located at iconic Queensland venues. The spaces typically overlook the fields of play at SQ venue. On event days they are premium corporate facilities which are serviced by appointed venue caterers.

The development of new facilities at SQ venues or the construction of new stadiums throughout Queensland is a function of Government.

SQ has recently started to increase the flexibility to negotiate and meet hirer's needs, with the venue or caterer responsible for function room business at an individual venue now delegated to negotiate bookings. This is a positive step for SQ and does not necessarily impact the SQ bottom line significantly. Hire fees often were retained by the caterer, with SQ's share of the function room business usually being a percentage of the catering revenue generated.

If SQ is to improve the performance of its function and meeting room business, the focus needs to be on enhancing the promotion and advertising of this opportunity as it is likely there is little public knowledge that there are rooms available for rent at the majority of the SQ venues.

Finding 4.2

Stadiums Queensland has recently changed operating practices to make it easier to hire Stadiums Queensland function facilities. In south east Queensland there is a significant supply of venues with commercial function spaces and any additional new capacity of the commercial function market within south east Queensland may financially impact Stadiums Queensland.

Break-Even Threshold Modelling for SQ Venues

There is no single break-even threshold for hirers of SQ venues used for major events, because the costs of hiring a venue are mainly variable rather than fixed. Under the typical SQ venue hire agreement model, hire fee costs vary with crowd size. Event costs, such as labour costs for cleaning, security and police, also vary according to how long the event runs for, whether it is conducted at the weekend, during the week, on a public holiday and also the time of day. The choice of venue to host an event also influences event costs with variances observed in items such as security potentially differing between venues for similar events.

Finding 4.3

There is no single break-even threshold for hirers of Stadiums Queensland venues used for major events, because the costs of hiring a venue are mainly variable rather than fixed and are influenced by the crowd size, event type, duration, timing and location.



Celine Dion Concert 2018, Brisbane Entertainment Centre
© Justin Ma Photography



Suncorp Stadium
© Tourism and Events Queensland

4.1 Venue Management Models

Venue management relates to the day-to-day operational responsibility of individual venues. Typically, a venue manager will have responsibilities including, but not limited to:

- » event management and planning,
- » negotiation of commercial arrangements,
- » security and emergency management,
- » risk management,
- » technology and event presentation,
- » asset management,
- » turf management,
- » management of service providers e.g. catering, cleaning,
- » corporate facilities,
- » media facilities and technology,
- » commercialisation of the venue,
- » broader event experience, and
- » operator input into venue design (where required).

Venue management options for individual venues and the portfolio at large aim to obtain the best operating environment for the venue, to enhance venue usage and maximise operating result. The approach to venue management also considers historic arrangements of the venue and other influencing factors.

4.1.1 Stadiums Queensland - Venue Management Model

There are four primary models of venue management in major sporting venues in Australia:

- » direct (in-house) management by the venue owner,
- » co-sourced management where a commercial venue manager is appointed to act as an agent for the venue owner,
- » management agreement between the owner and an organisation to be the venue manager for a venue, and
- » long-term lease for venue management rights for the venue with a peak sporting body.

SQ applies a venue-by-venue approach to venue management across its nine venues, applying an appropriate model to each venue. This is due to the legacy left by previous asset owners and the specific operational and risk profile of each venue, including the age, capacity, usage and profitability of each unique venue.

The following is a summary of the range of management models SQ employs for its venues:

In-house Management (Stadiums Queensland)	Co-sourced Management	Management Agreement	Lease
			

Table 4.1: SQ Approach to Venue Management of its Venue Portfolio

Source: KPMG Analysis

Co-sourced and in-house management approaches are where SQ has direct control over venue management. SQ does this only where:

- » an independent operator (not aligned with any of the hirers) is required to manage the venue because there are multiple users, each of whom would be disadvantaged in terms of access, the application of capital, and cost of use if any one of the other users has the venue management rights, or
- » there is a cost saving to Government, hirers and patrons.

In-house Management

SQ aims to generate sufficient revenue to meet the ongoing venue costs at in-house managed venues including the Gabba, Cbus Super Stadium, 1300SMILES Stadium, Queensland Sport and Athletics Centre and Sleeman Sports Complex.

Co-sourced Management - Suncorp Stadium

Operations at Suncorp Stadium are managed by AEG Ogden under a co-source management agreement. AEG Ogden, a private sector venue management company, was appointed the inaugural venue manager following the redevelopment in 2003.

Under this arrangement AEG Ogden acts as an agent of SQ with all costs and revenues passed through to SQ. AEG Ogden has primary responsibility for negotiating hiring agreements and other commercial arrangements.

SQ undertakes some functions for the venue centrally, including management of information and communications technology systems, asset management, financial management and financial reporting. These functions have been excluded from the management agreement to avoid duplication of effort as SQ already undertakes these functions centrally for all other venues. SQ also retains turf / grounds management responsibility at Suncorp Stadium given the high risk associated with this function and the expertise available within SQ.

Leroy Loggins Statue, Brisbane Entertainment Centre
© Brisbane Entertainment Centre



Brisbane International, Queensland Tennis Centre
© Stadiums Queensland



Management Agreement - Brisbane Entertainment Centre

Operations at the Brisbane Entertainment Centre are managed by AEG Ogden under a management agreement which provides for the risk of recovering venue operating costs being transferred to AEG Ogden. AEG Ogden has primary responsibility for negotiating hiring agreements and other commercial arrangements with limited formal approvals by SQ.

This model was inherited by SQ when the venue was transferred from Brisbane City Council in 2002. SQ have renegotiated terms with AEG Ogden on numerous occasions since taking on the venue.

Lease - Metricon Stadium

Metricon Stadium is managed by the AFL under a long-term lease arrangement for the venue. The long-term lease commenced in 2011 and transfers all operating, maintenance and asset renewal responsibilities of the venue to the AFL.

The lease arrangements are the result of the AFL seeking to introduce an expansion team on the Gold Coast. The AFL made a contribution (\$13.3 million) to the capital cost of the development of Metricon Stadium and signed a Memorandum of Understanding with the Queensland Government, with its terms transferred to the long-term lease agreement.

Lease - Queensland Tennis Centre

Operations at the Queensland Tennis Centre are managed by Tennis Queensland under a long-term lease arrangement for the venue which commenced in 2008. Under the agreement, Tennis Queensland is responsible for the majority of day-to-day repairs and maintenance and maintenance / replacement of the court surfaces. SQ is responsible for planned / routine maintenance and capital replacement.

Tennis Queensland has primary responsibility for negotiating hiring agreements and other commercial arrangements.

4.1.2 Interstate - Venue Management Models

There are various venue management approaches interstate. Tables below present a comparative analysis of each asset category within the venue categorisation and tier matrix.

State	Tier 1 Venue	Owner	Management model
QLD	Suncorp Stadium	Stadiums Queensland	Co-sourced management (AEG Ogden)
QLD	The Gabba	Stadiums Queensland	In-house Management
NSW	ANZ Stadium	Venues NSW	Third party management (VenuesLive)
NSW	Sydney Cricket Ground	Sydney Cricket & Sports Ground Trust	In-house
NSW	Allianz Stadium	Sydney Cricket & Sports Ground Trust	In-house
VIC	Melbourne Cricket Ground	Melbourne Cricket Ground Trust	Lease / third party management (Melbourne Cricket Club)
VIC	Marvel Stadium	AFL	In-house
SA	Adelaide Oval	South Australia Government	Lease (Adelaide Oval Stadium Management Authority)
WA	Optus Stadium	VenuesWest	Third party management (VenuesLive)

Table 4.2: Interstate Venue Management Models – Tier 1 Stadium

Source: KPMG Analysis

Third party management by a private sector venue management company has often been employed when commissioning a new venue. However, it appears that over time the value provided by a third party operator may decline as the operations and event calendar of the facility matures.

Finding 4.4

Management models at Queensland's Tier 1 stadiums, Suncorp Stadium and the Gabba, are consistent with practices in other Australian jurisdictions.

State	Tier 2 Venue	Owner	Management model
QLD	Cbus Super Stadium	Stadiums Queensland	In-house
QLD	Metricon Stadium	Stadiums Queensland	Lease (AFL / Suns)
QLD	1300SMILES Stadium	Stadiums Queensland	In-house
NSW	New Western Sydney Stadium (under construction)	Venues NSW	Third party management (VenuesLive)
NSW	McDonald Jones Stadium	Venues NSW	In-house
NSW	WIN Stadium	Venues NSW	In-house
NSW	Sydney Showgrounds	Royal National Agricultural Society of NSW (long-term lease)	In-house
NSW	Kogarah Park	Kogarah Council	In-house
NSW	Endeavour Field (Shark Park)	Cronulla Sutherland Sharks	In-house
NSW	Brookvale Oval	Northern Beaches Council (formerly Manly Council)	In-house
NSW	Campbelltown Sports Stadium	Campbelltown City Council	In-house
NSW	Leichhardt Oval	Inner West Council (formerly) Leichhardt Municipal Council)	In-house
NSW	Penrith Stadium	Penrith City Council	Third party management (Penrith Panthers)
NSW	Central Coast Stadium	Central Coast Council	In-house
VIC	AAMI Stadium	Melbourne & Olympic Parks Trust	In-house
VIC	GMHBA Stadium	Kardinia Park Trust	Lease / third party management (Geelong Football Club)
SA	Hindmarsh Stadium	Adelaide Venue Management Corporation	In-house
WA	Perth Rectangular Stadium	VenuesWest	In-house
WA	Western Australian Cricket Association (WACA) Ground	WACA	In-house
ACT	GIO Stadium	Territory Venues & Events	In-house
ACT	Manuka Oval	Territory Venues & Events	In-house
TAS	Blundstone Arena	Clarence City Council	Third party management (Tasmanian Cricket Association)

Table 4.3: Interstate Venue Management Models – Tier 2 Stadium

Source: KPMG Analysis

Only five of the 22 identified Tier 2 stadiums in Australia are not managed on an in-house basis by the venue owner.

There are a number of cases where management is undertaken by a sporting code / team or a third party. This is typically the result of legacy arrangements at a single-tenant facility or where facilities are owned / leased on a long-term basis by the relevant entity.

There is only one Tier 2 venue that is to be operated by a private sector venue operator, namely the new Western Sydney Stadium which will be operated by VenuesLive once development has been completed. The lack of private sector venue management for this level of facility is largely due to a more limited opportunity to ‘commercialise’ venues of this nature to the extent when a management fee can be justified.

Finding 4.5

Management models at Queensland’s Tier 2 stadiums, Cbus Super Stadium, Metricon Stadium and 1300SMILES Stadium, are consistent with practices in other Australian jurisdictions.

State	Venue	Owner	Management model
QLD	Brisbane Entertainment Centre	Stadiums Queensland	Third party management (AEG Ogden)
NSW	Qudos Bank Arena	TEG (long-term lease)	Third party management (AEG Ogden)
VIC	Melbourne Arena	Melbourne & Olympic Parks Trust	In-house
VIC	Rod Laver Arena	Melbourne & Olympic Parks Trust	In-house
SA	Adelaide Entertainment Centre	Adelaide Venue Management Corporation	In-house
WA	RAC Arena	VenuesWest	Third party management (AEG Ogden)

Table 4.4: Interstate Venue Management Models – Tier 1 Entertainment centres (10,000+)

Source: KPMG Analysis

There are six dedicated major entertainment arenas in Australia with a capacity of at least 10,000. All of these arenas, with the exception of Qudos Bank Arena, which is owned by TEG under a long-term lease, are owned by State Government entities.

Three of the six arenas are managed on an in-house basis, namely the venues in Victoria and South Australia, with the remaining three venues in Queensland, New South Wales and Western Australia managed by AEG Ogden.

Finding 4.6

The management model at the Brisbane Entertainment Centre is consistent with practices in other Australian jurisdictions.

State	Venue	Owner	Management model
QLD	Queensland Sport and Athletics Centre	Stadiums Queensland	In-house
QLD	Sleeman Sports Complex	Stadiums Queensland	In-house
NSW	Sydney Olympic Park Athletics Centre	Sydney Olympic Park Authority	In-house
NSW	Sydney Olympic Park Aquatic Centre	Sydney Olympic Park Authority	In-house
VIC	State Athletics Stadium	State Sports Centres Trust	In-house
VIC	Melbourne Sports and Aquatic Centre	State Sports Centres Trust	In-house
SA	SA Aquatic & Leisure Centre	Office for Recreation & Sport	Third party management (YMCA)
SA	SA Athletics Stadium	Office for Recreation & Sport	In-house
WA	Perth Superdrome (Aquatic Centre)	VenuesWest	In-house
WA	WA Athletics Stadium	VenuesWest	In-house
ACT	Australian Institute of Sport (AIS)	Australian Sports Commission / AIS	In-house

Table 4.5: Interstate Venue Management Models – Elite and Community Participation

Source: KPMG Analysis

Of the major combined elite and community participation facilities (eg. aquatics and athletics) across Australia, only one is managed by a third party, namely the SA Aquatic & Leisure Centre in South Australia.

Finding 4.7

The management model at Queensland Sport and Athletics Centre and Sleeman Sports Complex is consistent with practices in other Australian jurisdictions.

4.2 Venue Management Models

Typically venues in Australia do not generate enough revenue to achieve a return on investment, which is the reason non-government operators of stadiums are usually reluctant to take on the total cost of venue maintenance, capital replacement and operating risk at such venues. The rationale for public ownership and acceptance of venue risk is that it is not commercially feasible for the market to provide such facilities. There is a public benefit in terms of attracting major events that has multiplier effects for the State economy, along with other social benefits. There are community expectations that the venues exist.

Venue management arrangements are a trade-off between risk and reward that are shared between SQ and leaseholders or agreement holders. The higher the risk (operations, capital and maintenance) accepted by the leaseholder/agreement holder the greater the opportunity for profits where usage is high. However, there is also a greater opportunity for loss where usage is low. All parties are interested in maximising their returns and minimising their risk. SQ's role is to balance the risk to the State (subsidies to SQ) versus the returns to leaseholders/agreement holders.

4.2.1 Stadiums Queensland - Venue Management Arrangements

Table 4.6 below shows the different risk responsibilities for operations, capital and maintenance based on the venue management model employed at SQ venues. Each venue management model carries different levels of risk for SQ and for the leaseholder/agreement holder. For example:

- » Metricon Stadium lease – the majority of risk is held by the leaseholder
- » Management agreement and Queensland Tennis Centre lease – both agreement holder and state accept some risk
- » Co-sourced and SQ managed – SQ accepts all risk.

Management Model	Operations Costs/Risk	Capital Costs/Risk	Maintenance Costs/Risk
Lease (Metricon Stadium & Queensland Tennis Centre)	Leaseholder	Queensland Government (SQ) & Leaseholder	Metricon Stadium = Leaseholder
			Queensland Tennis Centre - Queensland Government (SQ)
Management Agreement (Brisbane Entertainment Centre)	Agreement holder	Queensland Government (SQ)	Queensland Government (SQ)
Co-sourced Management (Suncorp Stadium)	Queensland Government (SQ)	Queensland Government (SQ)	Queensland Government (SQ)
In-house Management (Cbus Super Stadium, the Gabba, 1300SMILES Stadium, Queensland Sport and Athletics Centre, Sleeman Sports Complex)	Queensland Government (SQ)	Queensland Government (SQ)	Queensland Government (SQ)

Table 4.6: Stadiums Queensland Portfolio Venue Management Model and Associated Risk

Source: Stadiums Queensland data

SQ directly manages two significant community use and elite athlete training venues (Queensland Sport and Athletics Centre and Sleeman Sports Complex) that are ageing and are likely to require costly maintenance with significant costs/risk profiles. These venues have unpredictable revenues due to the nature of the market these venues supply, which comprises a limited number of hirers that experience widely fluctuating levels of support. It is not surprising there is little interest from third party venue managers in these assets.

Finding 4.8

Stadiums Queensland typically accepts the majority of venue operating, maintenance and capital costs and associated risks.

Stadium Maintenance

Table 4.6 above shows the responsibility for maintenance and asset replacement costs are determined by contractual obligations that are established under each of the venue management models used by SQ – lease, management agreement, co-sourced management and SQ in-house management.

Under all SQ in-house managed venues, SQ is responsible for the full maintenance and asset replacement costs for the venue. This includes Suncorp Stadium, where the co-sourced management arrangement means SQ accepts the full maintenance and asset replacement costs responsibilities for the venue.

Under the management agreement for the Brisbane Entertainment Centre, AEG Ogden accepts the full risk of generating sufficient revenue to meet venue operating costs/risks which includes day to day and planned maintenance. AEG Ogden shares any operating profit surplus with SQ as a means for SQ to contribute towards the asset replacement costs of the venue, which is SQ's financial responsibility.

As part of the negotiated lease arrangements, Tennis Queensland agreed to take on the full cost of maintenance and capital replacement for the hard court surfaces at the Queensland Tennis Centre. SQ is responsible for maintenance and asset replacement costs. Tennis Queensland shares any operating profit surplus with SQ and SQ uses this to contribute towards the maintenance and asset replacement of the venue.

As part of its Memorandum of Understanding (MOU) with the Queensland Government to secure the State's capital contribution to the development of Metricon Stadium, the AFL agreed to take on the full costs of asset maintenance, asset enhancement and asset replacement for the venue. These terms were then transferred to the head lease for the asset between the AFL and SQ. The Taskforce understands the AFL have passed on the responsibility for paying these costs to the Gold Coast Suns through the terms of their management agreement to operate the venue.

Under all SQ in-house managed venues, SQ is responsible for the full maintenance and asset replacement costs for the venue.

4.2.2 Interstate - Venue Management Arrangements

Co-sourced Venue Management Agreements

Co-sourced venue management agreements can vary widely, however, the commercial arrangement typically includes one of the following:

- » fixed management fee,
- » incentive based management fee (e.g. % gross operating profits or performance based), or
- » fixed fee plus an incentive based fee (including consideration of financial and non-financial metrics / targets).

The following presents a summary of the venue management agreement at Suncorp Stadium relative to three comparable venues.

Venue	Suncorp Stadium	Comparator 1	Comparator 2	Comparator 3
Term	5 years	5 years (+5 year extension option at the discretion of the venue owner)	5 years (+5 year extension option at the discretion of the venue owner)	5 years (+5 year extension option at the discretion of the venue owner)
Fixed fee	Yes	Yes	Yes	Yes
Variable / incentive fee	Nil	Yes, dependent upon meeting financial and non-financial targets	Yes, operator to retain and increasing proportion of Gross Operating Profit in excess of the fixed fee	Yes, dependent upon meeting financial and non-financial targets
Other	NA	NA	Some risk to fixed fee for underperformance	NA
Repairs and maintenance	Delivered by operator at the cost of SQ	Delivered by operator, included as operating cost	Delivered by operator, included as operating cost when calculating Gross Operating Profit	Delivered by operator, included as operating cost
Lifecycle costs (replacement)	Co-sourced delivery depending upon the scale of the project, all works delivered at the cost of SQ	Co-sourced delivery depending upon the scale of the project, all works delivered at the cost of venue owner	Responsibility of venue owner	Co-sourced delivery depending upon the scale of the project, all works delivered at the cost of venue owner
Capital enhancement	Responsibility of SQ as venue owner	Responsibility of venue owner	Responsibility of venue owner	Responsibility of venue owner

Table 4.7: Interstate Venue Management Arrangements – Co-sourced Management

Source: KPMG Analysis

Table 4.7 above shows that the term of a management agreement tends to be in the order of five years, with some agreements including an extension option of five years at the discretion of the venue owner.

All agreements have a fixed fee component, however, only the Suncorp Stadium agreement does not have a variable / incentive fee component. The AEG Ogden management agreement originally did have a variable fee component, however, this has been reduced and removed over time due to Suncorp Stadium being an established and mature operation, where the venue operator has limited control over key operating variables such as event content.

Repairs and maintenance are largely the responsibility of the venue manager and included as a venue operating expense. Lifecycle (i.e. replacement) activities are often delivered by the venue manager, however are typically funded by the venue owner. Major capital enhancement works are typically delivered by the venue owner.

Finding 4.9

The venue management agreement in place at Suncorp Stadium appears reasonable based on comparator agreements, noting that the agreement does not include a variable / incentive fee component which was removed due to the maturation of the event calendar.

Lease Agreements

Lease agreements differ in nature, partly due to legacy arrangements. Table 4.7 below presents a summary of the venue lease agreement at Metricon Stadium and the Queensland Tennis Centre relative to three comparator venues.

Venue	Metricon Stadium	Queensland Tennis Centre	Comparator 1	Comparator 2	Comparator 3
Term	Long-term lease	Long-term lease	NA	>50 years	Between 20 years and 50 years
Lease fee	Peppercorn	Peppercorn	Yes	Yes	Yes
Other	SQ retains a share of profit from events procured by SQ	SQ retains a share of operating profit	NA	NA	NA
Repairs and maintenance	Responsibility of lessee (amount defined in agreement)	Day-to-day maintenance and court replacement the responsibility of lessee, planned maintenance the responsibility of SQ	Co-responsibility of lessee and venue owner	Responsibility of lessee	Responsibility of lessee
Lifecycle costs (replacement)	Responsibility of lessee (amount defined in agreement)	Responsibility of SQ	Responsibility of venue owner	Responsibility of lessee	Co-responsibility of owner & lessee (project by project)
Capital enhancement	Responsibility of lessee (amount defined in agreement)	Responsibility of SQ	Responsibility of venue owner	Co-responsibility of owner & lessee (project by project)	Co-responsibility of owner & lessee (project by project)

Table 4.8: Interstate Venue Management Arrangements – Lease

Source: KPMG Analysis

Table 4.8 above shows that SQ leased venues are only required to pay a peppercorn lease fee, whereas other lessees are required to pay significant lease fees. The allocation of reward (eg. peppercorn rent) needs to be informed by an understanding of the allocation of risk (eg. asset maintenance responsibility). In the case of Metricon Stadium and the Queensland Tennis Centre, the Taskforce understands the peppercorn rent was part of terms agreed between the Queensland Government and the lessee of conditions of State funding for the venues at the time of construction, which included contributions by the lessees of capital funds towards the development of the venues.

Repairs and maintenance are typically the responsibility of the lessee, however, responsibility for lifecycle costs across interstate venues can be the responsibility of either the lessee or venue owner.

Responsibility for capital enhancement typically rests with the venue owner, except for Metricon Stadium where it solely rests with the leaseholder. The lease agreement terms for Metricon Stadium reflect arrangements agreed to in a MOU between the AFL and the Queensland Government as a condition of the stadium development, with the Metricon Stadium lease terms reflecting the MOU.

The lease agreement terms for the Queensland Tennis Centre is reflective of the limited event calendar at the venue (i.e. no fixed lease fee and limited exposure to maintenance expenses).

Finding 4.10

Lease arrangements for major sport venues in Australia usually include a substantial lease fee. However, both leased venues in Queensland (Metricon Stadium and Queensland Tennis Centre) only charge peppercorn rent as the lease reflects the terms agreed between the State and the lessees as part of conditions of State funding for the venue at the time of construction which included lease holder contributions of capital funds towards the venue developments.

Finding 4.11

The lease agreement structure at Metricon Stadium is somewhat unique due to the lessee being responsible for capital enhancement. This reflects the arrangements agreed between the State and the AFL as a condition of the stadium development.

Finding 4.12

The lease agreement structure at the Queensland Tennis Centre means that Tennis Queensland has limited exposure to maintenance expenses. This reflects the arrangements agreed between the State and Tennis Queensland and is reflective of the limited event calendar and resulting limits on income that can be generated from events.



5.0

**Stadiums
Queensland
Operating
Model**

5.0 Stadiums Queensland Operating Model

The construction and redevelopment of venues owned by SQ have typically been funded, wholly or mostly, by the Queensland Government. SQ exists to own and manage these venues on behalf of the State under the MSF Act. At each venue, SQ seeks to generate sufficient revenue to meet venue operating and asset maintenance costs. SQ applies its operating model to two levels:

- » venue services delivered at SQ venues, and
- » venue hire agreements for commercial use of SQ venues.

The operating model for SQ venue services is largely determined at the venue manager level, with SQ often seeking to apply its preferred services operating model across its asset portfolio. Hire agreements for commercial use of SQ venues are prepared for major events at SQ venues, either as one-off events or for seasonal and longer-term usage.

5.1 Operating Model - Venue Services

The operating model for venue services refers to the method that services are provided, typically in-house or outsourced. This section compares the venue operating model employed by SQ venues to that of comparable venues across a number of event services, including:

- » catering,
- » ticketing,
- » cleaning,
- » event day security and crowd control, and
- » turf / grounds maintenance.

Venue	Catering	Ticketing	Cleaning	Security/ Crowd Control	Turf/ Grounds
Suncorp Stadium	Outsourced	Outsourced	Outsourced*	Outsourced	In-house
The Gabba	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Cbus Super Stadium	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Metricon Stadium	Outsourced	Outsourced	Outsourced	Outsourced	In-house
1300SMILES Stadium	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Brisbane Entertainment Centre	In-house**	Outsourced	In-house**	Outsourced	Outsourced***
Queensland Tennis Centre	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Queensland Sport and Athletics Centre	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Sleeman Sports Complex	Outsourced	Outsourced	Outsourced	Outsourced	In-house

*Delivered on arms-length terms by a company owned by AEG Ogden, the venue operator.

**Undertaken on an in-house basis by the lessee or venue operator.

***A grounds management / maintenance contract.

Table 5.1: Venue Services Operating Model at Stadiums Queensland Venues

Source: KPMG Analysis

Table 5.1 highlights SQ and its venue managers procure third party providers for most of the key event services across the venue portfolio, which is usually done through open tender processes to obtain value for money. Of the identified activities, only turf / grounds maintenance is typically delivered under an in-house model. Other services consistently outsourced across SQ venues include:

- » waste management,
- » AV and technical production,
- » hygiene services,
- » traffic management, and
- » non-event day functions and events (typically through the venue catering contract).

The Taskforce also compared the typical SQ approach to its venue services operating model against de-identified interstate comparator venues. It was identified that the model employed at SQ venues is largely in-line with the operating model at comparator stadiums across Australia.

Venue	Catering	Ticketing	Cleaning	Security/ Crowd Control	Turf/ Grounds
SQ typical approach	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Comparator venue 1	In-house	Outsourced	Outsourced	Outsourced	In-house
Comparator venue 2	Outsourced	Outsourced	Outsourced	Outsourced	In-house
Comparator venue 3	In-house	Outsourced	Outsourced	Outsourced	In-house
Comparator venue 4	Outsourced	Outsourced	Outsourced	Hybrid	In-house
Comparator venue 5	In-house	Outsourced	Outsourced	Outsourced	In-house

Table 5.2: Venue Services Operating Model Interstate Comparison

Source: KPMG Analysis

Finding 5.1

The operating model for venue services at Stadiums Queensland venues is consistent with practices in other Australian jurisdictions.

5.2 Operating Model - Hiring Agreements

Use of SQ stadium assets for major sporting events is enabled through hiring agreements between SQ (or the co-sourced venue manager) and the event organiser. Hiring agreements need to be structured to cover the fixed and variable costs of owning, operating and maintaining a major sporting venue whilst also being on terms that allow for the financial sustainability of the hirers.

Like operating models, venue hire arrangements are a trade-off between risk and reward. The higher the risk accepted by the hirer, the greater the opportunity for profits where patronage is high. However, there is also a greater opportunity for loss where patronage is low. All parties are interested in maximising their returns and minimising their risk. SQ's role is to balance the risk to the State (subsidies to SQ) versus the financial viability of the hirers, while seeking to ensure events are as successful for both parties as possible. This will maximise the likelihood of event organisers returning to SQ venues for future events.

SQ is only able to apply any preferred approach to venue hiring agreements for those venues it manages in-house or through co-sourced venue management. The remaining venues have hiring agreements determined by the parties managing the venues through lease or management agreements, and outside SQ control (i.e. Metricon Stadium and Queensland Tennis Centre).

5.2.1 Stadiums Queensland - Hiring Agreements

There are typically three hire agreement models that venue owners / operators implement at their major sporting venues; clean venue, fixed price and purchased content. The three different hire agreement models carry different costs and levels of risk.

Under the Clean Venue model, the hirer accepts the majority of risk based on patronage numbers and therefore makes a potential profit where attendance is higher and a potential loss where attendance is lower. The hirer retains the bulk of venue revenue streams. The venue owner accepts little attendance risk because they receive a percentage of ticket sales that covers the marginal cost of additional patrons (cleaning security, transport etc.). This model may be attractive to hirers because potential profits increase based on patronage.

The Fixed Price model transfers all the risk based on patronage numbers to the venue owner that results in a potential profit where attendance is higher and a potential loss where attendance is lower. The content supplier accepts no risk because of the fixed venue hire price, which is set regardless of attendance. The venue owner and hirer may negotiate or share venue revenue streams.

Through the Content Purchase model, the venue owner accepts all the risk based on patronage numbers and therefore makes a potential profit where attendance is higher and a potential loss where attendance is lower. The content supplier accepts no risk because of the fixed appearance fee, which is set regardless of attendance, therefore the content supplier pays nothing more in the case of a loss and does not receive any profits. The venue owner retains all revenue streams.

Table 5.3 below demonstrates the major differences between the hiring agreement models typically used in stadiums in Australia.

Venue Hire Agreement Model	Venue Hire (1)	Ticketing Rights (2)	Signage Rights (3)	Pourage/Food Rights (4)	Outside Costs (5)	Ticket Sale Risk (3)
Clean Venue	% of ticket sales	Venue Owner / Operator (negotiable)	Hirer	Hirer	Hirer	Hirer
Fixed Price	Fixed Price (negotiable)	Venue Owner / Operator (negotiable)	Venue Owner / Operator (negotiable)	Venue Owner / Operator (negotiable)	Venue Owner / Operator	Venue Owner / Operator
Content Purchased	Venue Owner / Operator pays for content	Venue Owner / Operator	Venue Owner / Operator	Venue Owner / Operator	Venue Owner / Operator	Venue Owner / Operator

Notes

(1) Venue Hire – whether or how the venue user pays for use of the venue.

(2) Ticketing Rights – how ticketing provider is appointed, may be dependent on hirer or event.

(3) Signage Rights – for signage inside the venue that can be sold for advertising revenue.

(4) Food and pourage rights - includes four products at the choice of the hirer. Typically beer, wine, soft drink and a food product are selected by the hirer because they have high margin and are commercially attractive to sponsors.

(5) Outside Costs – includes security, traffic management and public transport costs

(6) Ticket Sale Risk – who accepts the risk of low ticket sales and resulting low revenue that may not meet costs

Table 5.3: Venue Operating Model for Hire Agreements

Source: KPMG Analysis

The Taskforce understands that SQ prefers to apply the Clean Venue model to its hiring agreement at its venues as it:

- » treats all hirers equally by not providing a hire agreement subsidy to commercial franchises for the conduct of an event,
- » ensures all hirers have access to a venue on equal terms, with no cross-subsidy between hirers, and
- » prefers to provide each hirer with opportunities to maximise revenues from their events by having access to a “clean venue” SQ stadium.

The Clean Venue model approach gives hirers control of stadium revenue streams and it incentivises hirers to promote their events to larger audiences to attract the highest possible crowd. Therefore, the clean venue model has the potential to encourage the best commercial outcome for both the venue operator and the hirer. The Clean Venue model may be most suited to those events that are well established and are therefore better able to attract crowds. The use of incentive payment or event attraction payment for new events may assist the development of new content or venues, particularly at venues that are located away from major population centres. This is discussed further at Section 8.3 and 8.4.

5.2.2 Interstate - Hire Agreements

There is no standard venue hiring agreement at Australian venues. There are, however, a range of potential revenue sources that both the venue operator and hirers can derive from event day operations. Each hire agreement is the outcome of negotiations, where the deal may be made in a number of different ways to provide returns and share risks and incentives across both parties. There is no standard or average hire agreement, with each agreement having a unique risk and reward profile.

Ticketing revenue and signage revenue is typically retained by the venue, however in Queensland, SQ ticketing revenue is held by SQ on behalf of the hirer to ensure SQ's event costs are settled and surplus ticket proceeds are paid to the hirer. Similarly, in Queensland, SQ typically retains naming rights revenue with the majority of all other signage revenue retained by the hirer. Pourage rights in Queensland are typically retained by the hirer, whereas in other states pourage rights are typically retained by the venue with no revenue share to the hirer. In the majority of cases, catering commissions / royalties are retained by the venue for the hiring arrangements considered above.

Hire agreement structures vary widely, making it very challenging to compare on a like for like basis. Some consistent themes exist across most major sporting venues in Australia, including:

- » hirers are typically responsible for 100% of event day costs,
- » hirers typically retain signage and merchandising rights, and
- » the venue typically retains ticketing and pourage rights, with at least one venue offering a rebate through an event rights fee to acknowledge the contribution of the hirer to the value of these rights.

Other factors impacting hiring agreements in other states can include:

- » level of government support for a hirer – a government may decide to support a hirer through a concessional arrangement, and
- » venue memberships – some venues have entered into 'non-commercial' hiring arrangements in order to secure content to support their membership programs e.g. ANZ Stadium.

Finding 5.2

Stadiums Queensland's overall approach to hire agreements is consistent with other comparable venues in Australia.



6.0

**Event Day
Costs**

6.0 Event Day Costs

To host an event at a stadium, costs are incurred inside the stadium in support of operations. There are also costs incurred outside the stadium precinct with these largely related to accessibility to the stadium precinct and the safety of people and local communities impacted by the event. These outside costs include police, security, public transport and traffic management costs.

The Taskforce's Interim Report has already considered aspects of outside stadium costs including public transport and traffic management at SQ venues. In summary, the Interim Report found:

- » Outside venue costs are greater for those stadiums in regional areas, particularly for the Gold Coast venues, when compared to Brisbane venues. This is largely a result of the venue locations being away from major population areas where there is limited multi-modal transport and due to the high reliance on bus transport.
- » Queensland has a policy of integrated ticketing for major sport events in south east Queensland, with costs for integrated ticketing being passed to hirers.
- » Bus transport is significantly more expensive than train transport to major sports venues across the portfolio. With the exception of Suncorp Stadium, SQ venues are not serviced well by existing rail infrastructure.
- » Significant transport related improvements will be achieved for the Gabba as a result of the Cross River Rail project.

The Interim Report also made recommendations to reduce outside venue costs, including, establishing an event transport cap of \$3.10 (excluding GST) per attendee, investigate options to source new bus charter arrangements through the Department of Transport and Main Roads and upgrade existing traffic management plans to improve their efficiency and cost effectiveness for all SQ venues.

There are many factors that influence and affect the success of major sporting venues in hosting events. For patrons, success may be measured in the event day experience, which is largely dictated by the built infrastructure and the event day overlay provided by the event hirers. For owners and venue managers, it may be measured through such factors as patron safety, operational efficiency, ease of access, standards of service provision and number and size of overall events held at the venue.

For hirers of major sport facilities, success is often measured through the financial viability of hosting matches at the venue, as strong financial performance can provide good revenue for the club, whereas bad financial performance of events may impact on the overall position of the club.

Event day costs refers to the direct cost of hosting an event at a stadium, the SQ approach is to on-charge these costs directly to hirers. The rationale for doing so is to charge hirers the actual costs incurred through hosting a major sporting event at an SQ venue, which includes a small contribution towards the maintenance costs of the venue.

Collectively, these costs are referred to as event day costs for hosting major sporting events at SQ venues and it is important to understand the costs involved in hosting events at each venue in order to investigate if there are further efficiencies available to support the financial viability of venue hirers.

Usual event day costs incurred in using major sporting venues, prior to additional costs the hirer may incur in providing event presentation overlay, comprise the following:

- » staff,
- » cleaning,
- » waste,
- » police,
- » security,
- » traffic management,
- » public transport,
- » ambulance / first-aid,
- » radio hire,
- » event presentation (including video screens),
- » venue hire catering expense, and
- » other expenses.

6.1 Event Day Costs for Stadiums Queensland Venues

A breakdown of event day costs for major SQ stadiums was included in the Taskforce's Interim Report.

Figure 6.1 below shows the event day costs as passed on to hirers for events at SQ's major stadium venues in south east Queensland that host major sporting events. To ensure consistency of data and comparisons, the graph uses information for the Gabba, Suncorp Stadium and Cbus Super Stadium which SQ directly controls.

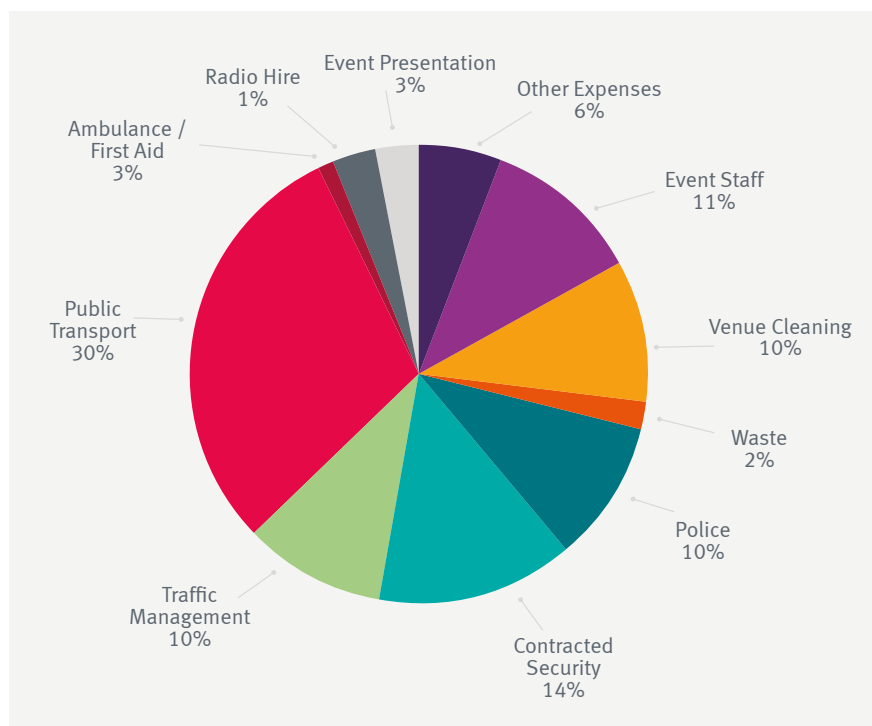


Figure 6.1: Average Event Day Costs (FY17) at South East Queensland Stadiums

Source: Stadiums Queensland Data

Across south east Queensland's venues, the major event day costs include public transport (30%), contracted security (14%), traffic management (10%) and police (10%). The Taskforce has identified that event day costs that relate to the provision of Queensland Government services in support of the event (police, public transport and traffic management) represent significant costs for venue hirers.

Finding 6.1

Across the three south east Queensland stadiums managed by Stadiums Queensland, public transport (30%), traffic management (10%) and police (10%) accounted for approximately 50% of total event day costs in FY17. These figures are generally consistent with other major venues not managed by Stadiums Queensland including Metricon Stadium.

The majority of SQ stadium event day costs are typically recovered from hirers. SQ recovered 86% of event day costs incurred in FY17, across the four major stadiums which were assessed (excludes Metricon Stadium). This translates to a subsidy of 14%, totalling approximately \$2,652,000 in FY17.

Finding 6.2

Stadiums managed by Stadiums Queensland do not fully recover event day costs. Stadiums Queensland provided an annual subsidy for event costs for major sporting events to the amount of \$2,652,000 or 14% in FY17.

6.2 Event Day Costs Comparison to other states

This section presents a comparison of event day costs incurred at venues within the SQ portfolio when compared to similar venues interstate. For the purpose of this analysis, total costs incurred have been compared, not costs on-charged to hirers (i.e. recoveries). This is to provide a like for like comparison before the application of any particular hiring deal or subsidies (e.g. the application of event day cost caps).





Queensland costs do tend to be higher per patron than comparator stadiums, with the exception of 1300SMILES Stadium. In general, the majority of expense drivers (e.g. cleaning, event presentation, ambulance) are in line with those experienced interstate. The Taskforce's analysis of available data indicates that policing costs tend to be higher in Queensland compared to other comparator stadiums, by between \$0.33 to \$1.01 per person. Whilst it was not possible to undertake a direct comparison of all State Government costs, anecdotal evidence suggest public transport and traffic management costs are typically higher at Queensland stadiums when compared to interstate comparators. This is particularly the case in the Australian States where integrated ticketing is not provided.

Finding 6.3

Stadiums Queensland stadiums, with the exception of 1300SMILES Stadium, appear to incur higher event day costs when compared to similar interstate venues. While the source of this discrepancy is not easily identifiable from the information available from interstate venues, it would appear that government services are a key contributor to the variance. This is supported by anecdotal evidence from stakeholders.

6.3 Security and Policing

In total, approximately 25% of all event day costs are related to security and policing of stadiums. Police costs make up around 10% of event day costs across the five major Tier 1 and Tier 2 stadium venues, in a range from 6% to 13%. Costs related to event security (minus police) makes up around 16% of event day costs. These costs are largely passed on to venue hirers as a cost of using the venue.

The cost of security is a direct product of the number of security staff engaged for individual events. SQ regularly undertakes competitive tender processes to engage security services. The sophistication of the security firm and the level of training of security staff affects the requirements for police services and the cost of police at stadium events. The more sophisticated the security firm, the more likely an efficient security overlay will be applied, which helps minimise the requirement for police.

SQ hirers have advised the Taskforce that police numbers and costs are greater for major events at SQ venues than interstate stadiums. In giving this consideration, the Taskforce understood that the Queensland Police Service had recently undertaken work to assess a range of models for the safe operation of stadiums including activities in Victoria, New South Wales and the United Kingdom, with this work believed to have been driven by Queensland hosting the 2018 Commonwealth Games. The work confirmed the United Kingdom model is very different from the models used in Australia as security staff are able to exercise additional powers that are typically reserved for the police.

The Taskforce found variation in both pricing and staffing requirements for police across inter-state jurisdictions. A direct cost comparison with other jurisdictions is difficult because there are a range of variables and different models. Further, the venue infrastructure is a significant influencer of police service requirements as is the type of event being held. The design of a stadium can greatly reduce the threat of security incidence and the related requirement for police services.

The Taskforce submission from Cricket Australia suggests that police costs in Queensland are 95% above the national average for Test matches and 251% above the national average for Big Bash League matches.

The cost for police services at the Brisbane International Tennis tournament at the Queensland Tennis Centre has increased significantly from \$18,802 in 2016 to \$108,901 in 2019 (budgeted).

Finding 6.4

According to Cricket Australia, Queensland Police Service costs are 95% above national average for test matches and 251% above the national average for Big Bash League matches at the Gabba.

Finding 6.5

The cost for police services at the Brisbane International Tennis tournament has increased significantly from \$18,802 in 2016 to \$108,901 in 2019 (budgeted).

The Taskforce is aware that the Queensland Police Service has established an internal working group to focus on a number of improvements to the service provided for stadiums in Queensland. These improvements include some that were commenced prior to the Stadium Taskforce being commissioned, as a result of consultation with the Taskforce and in response to the Taskforce's Interim Report.

The findings and recommendations contained in this report should be considered in the context that the Queensland Police Service is already seeking to address a number of the identified issues through the existing internal Queensland Police Service working group.

Finding 6.6

The Queensland Police Service has established a working group to move the police management of stadiums away from a strict crowd number threshold approach to a threat, risk and validation-based approach for the delivery of police services in Queensland.

6.3.1 Services Provided by the Queensland Police Service

The safety and security of the general public, including event attendees, is of prime importance to the Queensland Police Service. Of special interest for police in regard to events at stadiums is the security of large crowds from a public safety and anti-terrorism perspective. In addition to police for crowd management, the Queensland Police Service provides a range of services for stadiums in Queensland including:

- » safety and public security,
- » liquor licencing enforcement,
- » in-venue security,
- » railway police,
- » traffic management, and
- » other venue requests (ie security at taxi ranks).

In order to minimise the cost of police services that are paid by venue hirers, it is necessary to understand the different services that are provided by the Queensland Police Service.

Finding 6.7

Services that are provided by police at Queensland stadiums can be broken down into six categories; safety and public security, liquor licencing enforcement, in venue security, railway police, traffic management and other venue requests (ie security at taxi ranks).

6.3.2 Safety and public security

The number of police that are rostered to events at SQ is based on the benchmarks established under Chapter 10 of the Queensland Police Service, Management Support Manual.

It is understood by the Taskforce that the Queensland Police Service are reviewing chapter 10 of the Management Support Manual.

In consultation with representatives of the Queensland Police Service, it has become clear that learnings from the 2018 Commonwealth Games means that the Queensland Police Service have developed best practice learnings that are now being applied to stadium events in Queensland. Through the application of this best practice approach, it will be possible to minimise the requirement for police services at stadium events. This will materially reduce costs for event hirers.

Number of Police Required

At present, the Queensland Police Service determine the number of police required to attend the event, partly based on a ratio of police to patrons and other service requirements including internal venue crowd control and traffic management requirements. The costs associated with these services are predominantly met by event hirers, via invoice through SQ.

Recommendation 6.1

The Queensland Police Service to implement best practice learnings from the 2018 Gold Coast Commonwealth Games to the delivery of public safety services at stadiums in Queensland.

There appears to be variations in the number of police that are rostered for similar events between venues in Queensland. Whilst local knowledge and venue variations are a factor in determining the number of police required at an event, there appears to be significant regional and event to event differences between the number of police attending events in Queensland.

The Ed Sheeran concerts that occurred throughout Australia in March 2018, provides a reasonable comparison of the number of police rostered to provide services across different jurisdictions for a similar event. The concerts had 80 police in attendance in Sydney, 70 police in Brisbane but only 18 police in Melbourne. It is noted that while there are variations in crowd numbers and venue attributes, the Victorian event was a significant variation to Queensland.

This variation particularly between Melbourne events and Brisbane events can again be seen when comparing major sporting events that attract venue capacity crowds. The third game of the State of Origin series in 2017 attracted a crowd of 52,540 people to Suncorp Stadium, with 110 police officers attending. In comparison, the AFL Grand Final in 2017 was held at the Melbourne Cricket Ground and attracted 100,201 people. This event had a crowd approximately double the State of Origin game at Suncorp Stadium however had less police, with 90 police in attendance. Again it is noted that there are many variables that relate to the number of police required to provide services for events at stadiums.

A general comparison between the number of police rostered to similar events in other states shows that police numbers in Queensland are similar to New South Wales but much higher than similar events in Victoria. It is understood that the Queensland Police Service is examining the Victorian policing model as it appears to be approaching best practice for staffing stadium events.

As described in section 6.3.2 the aim is to move the management of stadiums away from a strict crowd number threshold approach to a venue and event specific threat, risk and validation-based approach for the delivery of police services. This approach will deliver more consistency and transparency to hirers in regards to costs they will incur for police services at major events.

Finding 6.8

The number of police currently attending events at stadiums in Queensland differs based on local circumstances and the event particulars.

Finding 6.9

The number of police attending events in Queensland and New South Wales are similar, however in Victoria significantly less police attend major events.





Celine Dion Concert 2018, Brisbane Entertainment Centre
© Justin Ma Photography

Cost of Police Services

Depending on the type of event, some states do not pass all police costs on to hirers. In some instances the discounting of police service costs can be seen as an event attraction strategy to reduce the overall cost of venue hire.

In Queensland, the Queensland Police Service charge a flat commercial rate for stadium hirers at a level equivalent to a mid-rate Senior Constable of \$128 per hour for each police officer regardless of rank. Victoria Police charge between \$90 and \$157 per hour, with the charge depending the rank of the officer working on the day.

For services that are passed on to venue hirers, Queensland Police Service officers are rostered onto Special Duty Police Services. These services are not categorised as business as usual because these events are variable and commercial in nature. The actual wage cost for Queensland Police Service officers could range from \$70 to \$120 per hour depending on rank. Police are paid double time rates for Special Duty Police Services and up to quadruple time on some public holidays. Any funds received by the Queensland Police Service for Special Duty Police Services that are not expensed through wages are retained by the Queensland Police Service to cover administration and operating costs including vehicles, motorbikes and other specialised equipment.

Some services are outside of scope for cost recovery as they are considered business as usual by the Queensland Police Service. Not all services deployed to support events at stadiums are passed on to the venue hirer. Some of the service costs not passed on to venue hirers include the Public Safety Response Team, Special Emergency Response Team, intelligence services, tactical response, behavioural management, investigation and senior command.

Finding 6.10

Not all jurisdictions pass police costs onto venue hirers. In Queensland, business as usual police service costs are not passed onto venue hirers, however costs directly associated with the commercial activities undertaken at stadiums in Queensland are passed onto venue hirers.

Finding 6.11

Any income the Queensland Police Service receives from stadium hirers that is not paid in officer wages is retained by the Queensland Police Service for administrative and operational expenses.

6.3.3 Other Services

Liquor Licensing

Based on the ratios applied by the Queensland Police Service under the existing Management Support Manual it appears that the presence of alcohol is a significant determining factor in establishing the level of police services required at an event.

It is understood by the Taskforce that beverage suppliers at SQ venues are responsible for compliance with the requirement of the responsible service of alcohol (RSA) and that hirers meet the cost of security personnel to satisfy these requirements. The majority of alcohol service areas are staffed by dedicated security personnel to ensure RSA standards are achieved at the point of sale at stadiums. The single source nature of alcohol service in stadiums (ie single beverage supplier contact) may increase the compliance with RSA provisions because any issues are traceable to the sole supplier in a stadium.

Recommendation 6.2

The Queensland Police Service consult with the Office of Liquor and Gaming Revenue to clarify their role in enforcing liquor licensing requirements at Stadiums Queensland venues.

In Venue Security

The provision of security within stadiums is the responsibility of the venue manager. Typically this is achieved through the engagement of contracted security staff. In some circumstances, particularly with regard to violence or refusal to accept direction from contracted security staff, it may be required to enlist the support of police inside the venue.

Some venue hirers request the presence of larger numbers of police inside the venue as part of an effort to curb additional unwanted behaviour, such as to reduce illegal gambling on sport matches. These services are in addition to any general requirement of police to manage the safety and security of stadium patrons and the general public. Requests of this nature are considered by the Taskforce to be related to the delivered specific types of content in a venue and as such should be fully recoverable from venue hirers.

Railway Police

When major events at south east Queensland SQ venues have expected crowds above 10,000 patrons, the Queensland Police Service stipulate that additional railway squad officers are required at train stations and/or on-board trains heading to and leaving the venue. The costs related to the railway squad are on-charged to SQ, which is then passed through to hirers. The presence of rail squad officers on trains and at stations is to ensure the safety of patrons travelling to and from the venue during the peak busy periods.

Traffic Management

The Taskforce Interim Report made a number of recommendations that were designed to improve traffic management around stadium venues and to reduce costs associated with stadium traffic management.

Traffic Management Plans are developed by local committees and although this takes into consideration local issues, it does not provide for consistency across venues for event days. It is apparent that changing the requirements of the Traffic Management Plans will have an impact on the number of police that are required to attend events. The planned upgrade of all Traffic Management Plans for stadiums in Queensland may lead to a reduction in the overall police costs for hirers.

Other Services

In addition to the core services that are delivered by the Queensland Police Service, venue hirers and venue managers have previously requested additional services such as the supply of police at taxi ranks. This type of service is regularly provided by contracted security staff at other locations such as entertainment precincts. The use of police to provide these services is more expensive than using contract security staff. It is important that venue hirers and venue managers recognise the cost implications of using police services that could reasonably be undertaken by contracted security services. SQ and the Queensland Police Service have a role to educate and manage the expectations of venue hirers and venue managers.

Finding 6.12

In some instances, venue hirers and venue managers request additional police services in excess of the services prescribed by the Queensland Police Service for example, police at taxi ranks. These additional services increase the overall cost of providing police services.

The development of analytical tools and technologies are seen by the Taskforce as an emerging significant technological advancement that can further reduce security and policing overlays and associated costs. The Taskforce recommends that the Queensland Police Service explore analytical tools and techniques for their application to further improve security at stadiums in Queensland.

Recommendation 6.3

Stadiums Queensland and the Queensland Police Service work with venue managers and venue hirers to reduce costs while maintaining security at Queensland venues.

Recommendation 6.4

The Queensland Police Service explore analytical tools and technologies to further improve security at stadiums owned by Stadiums Queensland.

7.0

Ticket Price Comparison

7.0 Ticket Price Comparison

Ticket prices for major events at SQ venues are not determined by SQ. They are set by the event hirer in accordance with the hirer's own pricing policies. The Taskforce understands that the governing body of the sport (eg. NRL, AFL etc.) may have a key role in the setting of price ranges that hirers are required to follow.

Finding 7.1

Ticket prices for major events at Stadiums Queensland venues are not determined by Stadiums Queensland, they are set by the event hirer, in accordance with the hirer's own pricing policy.

The Taskforce undertook an analysis to determine the pricing of general admission tickets at various regular-season sporting events at venues in Queensland against the rest of Australia. The costs considered take into account the general admission (GA) ticket price of an event, as well as an estimate of any associated public transport costs of getting to the venue.

Given the availability of ticketing data, information was collected for Super Rugby, AFL and NRL, as tickets were currently for sale for those fixtures. Other codes (Big Bash League, A-League) were excluded from this analysis as there was no current ticket pricing information available. The type of ticket that was selected was the cheapest single adult ticket (usually referred to as GA in ticketing websites). At multi-tenant venues (such as ANZ Stadium, or Optus Stadium), ticket prices were analysed to identify whether there were any variances between tenants.

In some states in Australia, 'integrated ticketing' is offered to patrons upon presentation of a match day ticket, whereby the holder is entitled to free public transport to and from the event. In states where this is not offered, the cost of public transport represents an additional cost to the patron and should be incorporated in any comparative analysis.



Australian Test Match, The Gabba
© Stadiums Queensland

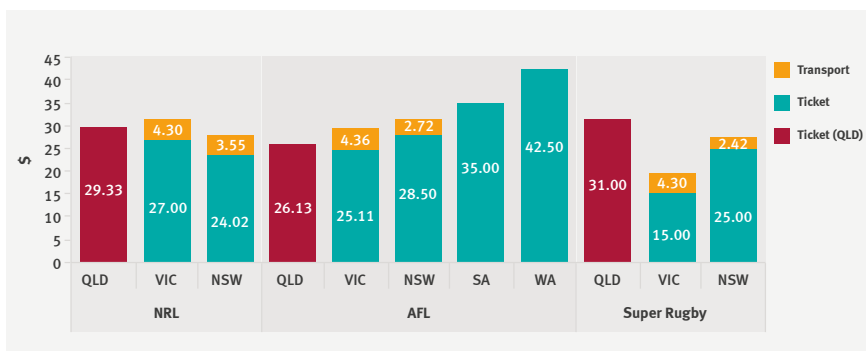


Figure 7.1: Code by Code Comparison of Ticket Prices (2018)

Source: KPMG Analysis

The chart above shows a comparison of each code by state. For the NRL, Queensland is more expensive than match-days in New South Wales, but cheaper than Victoria. For AFL, Queensland match-days are cheaper than all other States. For Super Rugby however, Queensland tickets are marginally more expensive than other states.

Finding 7.2

General admission ticket pricing for NRL matches in Queensland are on average marginally more expensive than matches in New South Wales but cheaper than Victoria. Tickets in Queensland for AFL matches are on average cheaper than all other states. Tickets for Super Rugby are typically more expensive in Queensland than in other states.

8.0

Stadium Subsidies and Event Attraction

8.0 Stadium Subsidies and Event Attraction

The cost of hosting major events at stadiums in Queensland and throughout Australia would be cost prohibitive without government financial support to build and operate the stadiums.

Government support to attract events to stadiums comes in a number of forms, including subsidies to reduce the cost of stadium hire fees, in-kind support through subsidised or free government services and through direct event/tourism attraction payments.

Some states in Australia provide upfront funding contributions to make their state more attractive for events and to attract stadium content. There are a number of examples where event/tourism attraction payments have been used to secure events for states that would not otherwise host events including the NRL selling a State of Origin game to South Australia in 2020 for a reported \$8 million (Courier Mail, 15 February 2018). Queensland does not appear to follow this practice to the extent of other states.

To a large extent, the location of major sporting events is a commercial decision for sporting codes. A significant barrier to attracting more content to Queensland is the cost of hosting the event, which includes stadium costs, outside costs and any event/tourism attraction payments. If Queensland is to attract more major sporting events, the total cost to host events would need to be more cost competitive in comparison with other competing venues.

SQ receives government support by way of operating grants which is consistent with other states and other stadium assets not managed by SQ. In FY2017, SQ received \$15.5 million as an operating grant, excluding the operating grant for Metricon Stadium debt repayments. This operating grant is provided to SQ to manage nine venues including stadiums, entertainment venues and general public participation venues. The result from this operating grant is to reduce the hire cost of stadiums in Queensland.

There are other third party subsidies provided to stadium hirers in Queensland. Reduced cost public transport and police services and the significant investment required by the State to build stadiums are all subsidies that flow through to stadium hirers in Queensland.

All scheduled public transport services are provided free for SQ major event ticket holders at south east Queensland SQ stadium events and extra event specific trains are charged to venue hirers at only 20% of the actual cost to the Department of Transport and Main Roads (DTMR). The provision of capital funds can be seen as a third party subsidy to stadium users in Queensland because the cost of building stadiums are paid for by government and generally not recovered from stadium hirers. The Queensland Police Service recovers some costs from venue hirers, however a range of police services are provided free of charge to support major events. Local councils that forego rates would also constitute a third party subsidy provided by some local councils.

Finding 8.1

A range of government subsidies are provided to support major events that are held at stadiums in Queensland including event incentives, venue operating grants and subsidised government services.

For venue hirers, the source of government support or subsidies are largely interchangeable. The combination of all government subsidies determines the total out-of-pocket cost to run their event. While all of the subsidies and financial support comes from government, venue hirers may not know the true extent of the subsidy, depending on the source of the subsidy. For the venue hirer, there is likely to be little difference between a free venue (venue support subsidy from government) with no event incentive compared to paying full venue costs with an event incentive (subsidy from government) equal to the venue costs.

8.1 Event Attraction Subsidy

The physical venue characteristics and model of venue management operations are important factors for choosing a venue for a major event. In many cases they are prerequisites, for example, venue size. From the perspective of event attraction, financial incentives can be very persuasive and can change the viability of events at different venues or be used to overcome limitations of a venue. For example, smaller venues create less income due to lower ticket sales, but this can be offset by event attraction incentives.

Event attraction can be viewed at local, regional and national levels:

- » At a local level, financial incentives can influence the number of events that are attracted to a particular stadium, potentially by making marginal events financially viable.
- » At the regional level these same attraction variables can be used to attract potential content from other stadiums in the same region, normally a capital city market. This type of regional event attraction strategy occurs particularly where there are two or more venue owners or operators with similar facilities in a single market. The regional competition to attract events can lead to a competition on price and venue offerings. This competition is attractive to event organisers and venue hirers, however, the most likely outcome is that this leads to an increase in government subsidy with little overall benefit to the State. Some markets are trying to minimise this type of competition through policy.
- » National event attraction establishes competition for events of national significance between stadiums and between states. There appears to be a historic reluctance to incentivise national event attraction to Queensland when compared to other states, the exception being Tourism and Events Queensland which can provide incentives where a direct economic benefit can be demonstrated.

In other states the regional competition between stadiums operated by different entities sets a continuing cycle of competition for differentiation either through better physical venues or the expectation of greater incentives to attract content.

Through the Taskforce consultation with sports codes, it is clear that the financial bottom line of events is becoming an increasing determining factor for where major sporting fixtures are played. This can be seen with the movement of a State of Origin to Melbourne, Perth and Adelaide and the lack of Football Federation Australia international matches in Brisbane since the 2015 AFC Asian Cup.



*Brisbane Lions, The Gabba
© Tourism and Events Queensland*



*State of Origin, 2008 Game 2,
Suncorp Stadium © Stadiums Queensland*

8.2 Event Attraction in Queensland

Tourism and Events Queensland (TEQ), has been established as a Statutory Authority that is managed through the Department of Innovation, Tourism Industry Development and the Commonwealth Games, with a remit to making Queensland an attractive destination for tourism, investment and events.

TEQ is responsible for identifying, attracting, developing and marketing major events for Queensland and supports major events as specified in the *Tourism and Events Queensland Act 2012* that:

- » contribute to the Queensland Economy,
- » attract visitors to Queensland,
- » enhance the profile of Queensland, and
- » foster community pride in Queensland

While TEQ invests in events held at Stadium Queensland's venues, its key focus is on investing in events that drive the economy and visitation, regardless of the venue for the event. TEQ does not support events that are a normal part of an entity's business plan and would happen regardless of TEQ investment.

The broader remit of the Department of Innovation, Tourism Industry Development and the Commonwealth Games is to work with industry partners to increase tourism growth and major events.

Finding 8.2

Tourism and Events Queensland is the primary event attraction entity in Queensland as opposed to Stadiums Queensland which does not provide direct event attraction subsidies. The Department of Innovation, Tourism Industry Development and the Commonwealth Games has a role in attracting major and multijurisdictional events to Queensland.

8.3 Regional Stadiums Event Attraction

Regional stadiums are important public and community assets that form part of the social fabric and desirability of an area. In regional cities, major events play a significant role in attracting visitors, contribute to the local economy, enhance the reputations of the cities and build community pride.

The regional Tier 2 venues in Townsville (1300SMILES Stadium) and the Gold Coast (Cbus Super Stadium and Metricon Stadium) have excess capacity, as each stadium only has a single sport as an anchor tenant playing home games. Given the limited likelihood of attracting additional anchor sport tenants to these venues, the primary opportunity to increase commercial usage would be via non-sporting content such as exhibitions, music concerts or one-off sporting fixtures.



Foo Fighters Concert 2011, Metricon Stadium
© Stadiums Queensland

Given that regional stadiums provide a benefit to local council areas and that each council has an event attraction economic focus, it is logical to incentivise councils to drive the attraction of further content to a regional stadium located in their area. It would be anticipated that these collaborations would combine local knowledge and resources, including financial, to develop strategies and incentives to attract events and content to the three regional stadiums. Local government could be represented by organisations such as Destination Gold Coast (www.destinationgoldcoast.com) and the City Events Unit within City of Gold Coast. In the north, Townsville Enterprise Limited (www.townsvilleenterprise.com.au) and the Tourism and Major Events unit of City of Townsville may be appropriate partners.

To support the Townsville and Gold Coast Councils to increase the usage of their stadiums, the Taskforce considers it appropriate for the State to provide limited additional incentives to councils to attract additional events (provided the events are not content that would typically be held at any SQ venue).

Finding 8.3

The regional Tier 2 stadiums in Townsville (1300SMILES Stadium) and the Gold Coast (Cbus Super Stadium and Metricon Stadium), are underutilised and would benefit from additional events and venue content.

Finding 8.4

Regional Councils within the cities that have a Tier 2 Stadiums Queensland stadium, the Gold Coast and Townsville, operate major events units, however, these units are not necessarily focused on incentivising and attracting events to these stadiums.

Recommendation 8.1

The Queensland Government allocate sufficient funding to contribute a third of any event attraction funding commitment given by the Gold Coast City Council and Townsville City Council for one-off events to be held at their respective Stadiums Queensland stadiums.

8.4 Event Attraction for Non-Stadiums Queensland stadiums

Many councils in Queensland have invested in smaller Tier 3 stadiums that are of an appropriate size for their council areas but are not large enough to warrant a Tier 2 stadium that are typically managed by SQ. The cost of building, operating and attracting content to these stadiums is considerable for regional councils. It is acknowledged that the State provides subsidies through the operations of SQ to build, operate and attract content to SQ's Tier 1 and Tier 2 stadiums. It is reasonable to expect that the State would provide some level of support to the operators of Tier 3 stadiums where they deliver a similar level of content to that regularly delivered by SQ. Sporting events that are of national significance, for example national competition events, should be considered for support by the Queensland Government into regional Tier 3 stadiums. This approach to support the attraction of an annual sporting fixture or event of national significance to larger council areas, with appropriate facilities, would offer a level of equality with other communities and provide economic support for these communities.

Finding 8.5

Regional Councils have made significant investments in Tier 3 regional stadiums and continue to invest in the ongoing operation and maintenance of these venues.

Finding 8.6

The Queensland Government provides financial support for national competition sporting events to be held at Stadiums Queensland Tier 1 and Tier 2 venues, however provides less support for similar content held at smaller venues not managed by Stadiums Queensland.

Recommendation 8.2

A regional event attraction fund, to be known as the 'Queenslander Fund', be established with the aim of attracting major sporting and entertainment events to all major Queensland populations not currently serviced by a SQ stadium including Cairns, Mackay, Rockhampton, Gladstone, Bundaberg, Fraser Coast, Sunshine Coast and Toowoomba. The focus of this fund is to attract content that would otherwise not have been held in Queensland and is not intended to cannibalise existing Stadiums Queensland content.



9.0

**Stadiums
Queensland
Financial
Performance**

9.0 Stadiums Queensland Financial Performance

A significant part of the Stadium Taskforce work was to look at the financial and operating models of SQ. The Taskforce engaged Queensland Treasury Corporation (QTC) to undertake the baseline financial performance analysis of SQ, which was undertaken utilising provided FY17 data.

9.1 Financial Analysis

The financial analysis of SQ identified an organisation with a unique and complex operating model employed to own and operate the portfolio of SQ assets.

At an individual level, the venues all have differing financial performance, which is largely determined by the location, amount and type of events, capacity, type of venue and other venue-specific variables:

- » Suncorp Stadium and the Gabba (Tier 1) generate small positive returns to SQ primarily because they are multi-tenant capital city venues that are able to spread fixed costs across more users.
- » All regional stadiums (Tier 2) are consistently generating operating losses primarily due to having single anchor tenants with limited ability to recover all fixed costs from the one hirer.
- » All participation venues are consistently generating operating losses with future forecasts showing deteriorating financial performance. These venues are used for elite training and community participation with less ability to recover sufficient revenues to cover operating costs. Increasing usage will increase the unrecovered operating costs of running these venues.
- » The Brisbane Entertainment Centre returned an operating surplus in FY14 to FY16, but returned an operating loss in FY17, which is typical for a venue largely reliant upon the cyclical international concert schedule.
- » The two SQ venues with long-term leases to sports (Mettricon Stadium and the Queensland Tennis Centre) do not have the bulk of their operating position visible to SQ and therefore, for the purposes of this document, record small operating deficits only as the result of SQ's small ongoing responsibilities for these venues operationally.

A key factor that determines the financial performance of individual venues, is the number of non-anchor tenant events that are held at the venue. The ability to fully utilise capacity of the facility drives financial performance.



Taylor Swift Concert 2018, The Gabba
© Stadiums Queensland

Finding 9.1

Concerts and one-off events are a positive source of revenue and income for Stadiums Queensland, however, there are not enough new events available to enable Stadiums Queensland to fund its operating and capital budgets in their entirety.

Figure 9.1 below provides the components of SQ's FY17 net result. It demonstrates that the operating result of the individual venues is slightly negative overall for FY17. When corporate costs are accounted for (which include costs applied to the SQ portfolio but are not individually identified) the net result deteriorates, but the annual operating grant (\$15.5 million in FY17) provided by the State return SQ to a positive result operationally. SQ generated a positive result of \$2.3 million in FY17 for the administration and management of its portfolio and an average of \$7.7 million over the past three years (excluding the operating grant for Mettricon Stadium loan repayments).

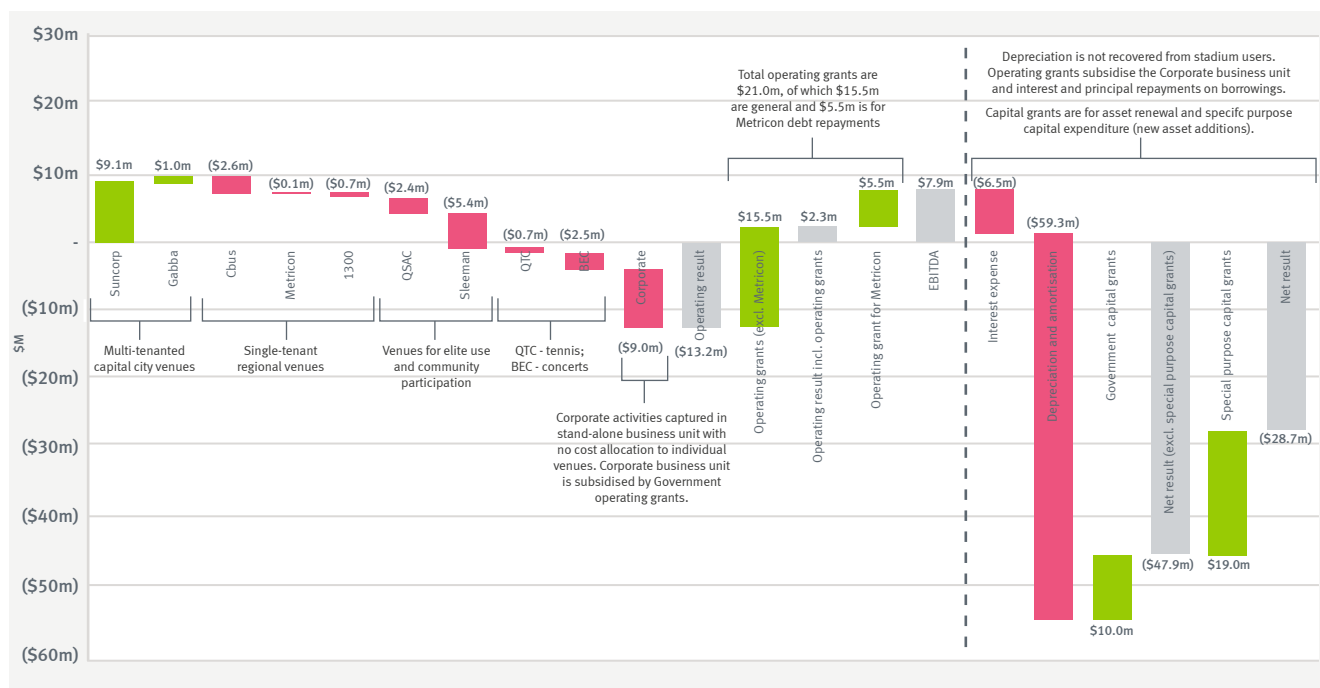


Figure 9.1: Stadiums Queensland 2017 Net Result Components

Source: QTC analysis

When the operating grant for the Mettricon Stadium loan repayments (\$5.5 million) are included, this provides SQ's EBITDA (Earnings Before Interest, Tax and Depreciation) result for FY17. The positive EBITDA result means that SQ is operating its venues positively and it is only when the high value of the asset portfolio and the corresponding depreciation charges are accounted for that SQ is observed to record large overall net losses. On a net result, SQ has recorded an average net deficit of \$36 million in FY14 to FY16, which increased to a net deficit of \$47.9 million in FY17. The overall net deficit is primarily due to depreciation not being funded by government grants or recovered from SQ's other revenue sources.

The QTC analysis confirms that capital city and multi-tenant SQ venues, in combination with government operating grants, subsidise the operations of SQ's regional stadiums and community participation venues.

Further to that, the historic performance of SQ shows generally positive operating results but a large overall net loss is recorded primarily due to high depreciation costs. SQ relies on government operating grants predominantly to offset the recurring losses from regional stadiums and community participation venues that are unable to fully recover costs.

Finding 9.2

Stadiums Queensland generated a positive result of \$2.3 million in FY17 for the administration and management of its portfolio, prior to depreciation.

Finding 9.3

On a net result Stadiums Queensland has recorded an average net deficit of \$36 million in FY14 to FY16, which increased to a net deficit of \$47.9 million in FY17. The overall net deficit is primarily due to depreciation not being funded by government grants or recovered from Stadiums Queensland's other revenue sources.

When comparing financial operating models to similar entities such as Venues New South Wales and VenuesWest, a number of differences in financing and funding can be observed. This relates to the method of state subsidy and borrowings. The proportion of total grant funding subsidy as a proportion of total revenue is substantial across all entities.

QTC has identified the most significant financial risk to the financial operations of SQ is increasing venue operating costs, without a corresponding increase in revenue, either from the operations of cash generating assets or from government grants.

QTC has expressed some concern with regard to SQ's available unrestricted cash balance, with the projected available (unrestricted) cash balance as at 30 June 2018 of \$8.4 million, indicating a possible liquidity issue in coming years. The 30 June 2018 cash balance (excluding cash reserved for capital expenditure) produces a cash expense ratio (a key financial metric for liquidity) of 1.8 times (1.8 months of operating expenses covered by cash reserves) against a benchmark for similar organisations of three times.

The 'unfunded' growth in SQ operating expenses is creating liquidity pressures and requires SQ to prioritise expenditure in order to maintain sufficient funds for operating purposes and to optimally manage its assets within those constraints. The prioritisation of expenditure has the potential to limit the distribution of funds towards maintenance and asset lifecycle expenditure. The deferral of maintenance and asset lifecycle expenditure will not be a viable long-term strategy as it will compromise SQ's ability to provide contemporary venues.

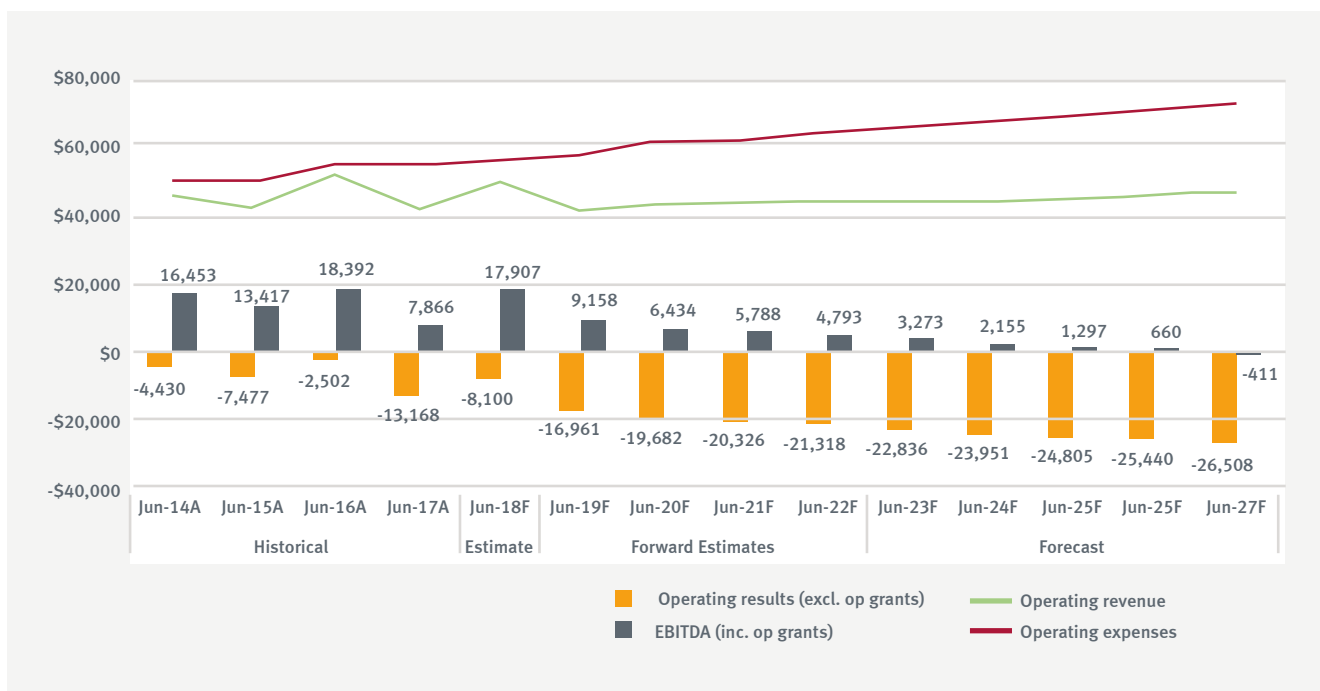


Figure 9.2: Historical and Forecast Performance and Revenues and Expenses (\$'000)

Source: QTC analysis

Figure 9.2 shows that SQ's EBITDA deteriorates over the forecast period primarily due to relatively flat, forecast operating revenue compared to forecast increasing operating expenses. Revenues are expected to increase by 1.5% and expenses are forecast to grow by 2.9% over the forecast period (FY19-FY27). Net deficits increase due to the lower forecast operating revenues compared to forecast expenditure.

SQ indicates that going forward, it will be challenging to increase revenues at the same rate as expenses due to little recent or current evidence to suggest an increase in patronage by current anchor tenants and limited scope for SQ to increase the venue hire fees payable by the anchor tenants.

9.2 Annual Grants

SQ receives two types of annual grants, operating grants and an annual general capital grant from the State. Operating grants consist of a general purpose operating grant (eg. community venue operation, debt repayments, land tax, local government rates, stamp duty) and a specific operating grant for Metricon Stadium loan repayments. The annual general capital grant is to assist with maintaining the venues as fit for purpose.

Both general purpose annual operating and capital grants have remained relatively steady for the past 10 years and have not had CPI applied. Analysis indicates that SQ would benefit if annual grants received an annual CPI increase to help support increased costs associated with operating the SQ asset portfolio.

Government operating grants do not fully cover all venue costs, unrecovered event day costs, and corporate costs incurred by SQ. Income generated from profitable venues is not projected to increase at a rate that would offset increasing operating deficits for regional stadium and participation venues and corporate costs. Most SQ venues (consistent with global stadium attendance trends) have recorded a downward trend in attendance, as a result SQ is forecasting low or no growth in attendance and number of available events.

In FY18, SQ received an annual operating grant increase of \$4.973 million. This increase was calculated based on the application of CPI to the operating grant over the previous 10 years. This increase in general purpose operating grant will assist SQ, however it will not resolve the underlying operating position for SQ.

Recommendation 9.1

All Stadiums Queensland annual operating grants and annual general capital grants should be indexed by CPI on an annual basis.

Recommendation 9.2

Stadiums Queensland to focus on increasing income and additional sources of revenue not related to event day costs. Additional income will allow Stadiums Queensland to focus more on event attraction, community use of venues and to limit cost increases for venue hirers.

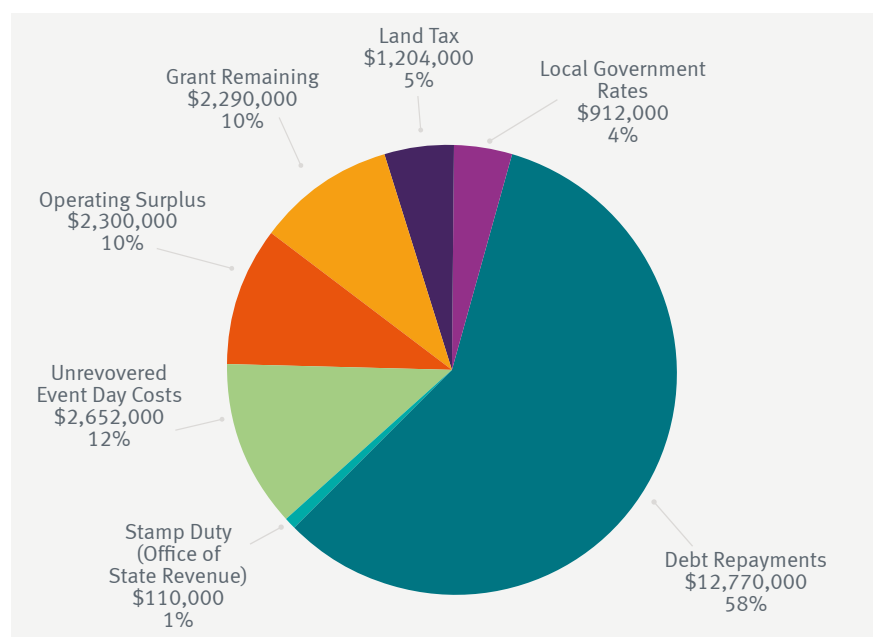


Figure 9.3: Notional Expenditure of FY17 Operating Grant

Source: Stadiums Queensland Data

The total operating grants received by SQ in FY17 (includes land tax operating grant of \$1.2 million) including the Metricon Stadium debt repayment grant was \$22.2 million. Figure 9.3 shows a range of SQ costs in FY17 representing a notional expenditure of funds against the \$22.2 million operating grants. In Figure 9.3 it can be seen that over 65% of the operating grant allocated to SQ is offset by government costs, including debt repayments, land tax, local government rates and stamp duty. Further, a large portion of the unrecovered event day costs are related to the delivery of Queensland Government services, including police, traffic management and public transport.

Finding 9.4

Over 65% of the operating grants paid to Stadiums Queensland in FY17 was used to pay government related costs including debt repayments, land tax, local government rates and stamp duty.

SQ venues are located in different local government areas across Queensland with little consistency as to how local government approaches SQ venues in regards to rates. As Figure 9.3 above shows, SQ paid over \$900,000 in local government rates in FY17.

During the analysis of SQ operations, it became apparent that SQ is eligible to use existing whole of government procurement processes. A number of existing whole of government arrangements may offer SQ the potential for lower costs, including insurance and electricity.

It is evident to the Taskforce that a significant portion of the annual operating grants provided to SQ are to repay debt. As at 30 June 2018, SQ had total loans outstanding of \$93.263 million for a range of previous improvements for their assets. The outstanding loans included the Gabba redevelopment, Suncorp Stadium redevelopment, Metricon Stadium redevelopment and Video Screens at the Gabba and Suncorp Stadium.

Finding 9.5

Stadiums Queensland has loans with a book value of \$93.263 million as at 30 June 2018 related to the Gabba redevelopment, Suncorp Stadium redevelopment, Metricon Stadium redevelopment and video screens at the Gabba and Suncorp Stadium with a significant portion of annual operating grants being applied to debt repayment by Stadiums Queensland.

Recommendation 9.3

Stadiums Queensland approach Councils to seek a rates exemption on the basis that 100% of savings would be directed to 'around the venue' upgrades and enhancements to traffic and accessibility in those local government areas that grant such exemption.

Recommendation 9.4

Stadiums Queensland to re-examine if using Whole-of-Government procurement arrangements would reduce costs for electricity and insurance.

9.3 Maintenance and Capital

Stadiums and venues are capital intensive businesses that require significant funds to construct, maintain, refresh and upgrade.

The State has made a significant investment in the construction and redevelopment of Queensland's major stadiums for elite sporting teams, national bodies, elite training and community sports facilities. Capital investment for new facilities is provided through specific grants and loans.

The State Government's position is that operating costs should be recovered from the hirers who use the stadiums. Hiring agreements are therefore negotiated on a 'commercial' basis to reflect these goals and to minimise the level of subsidy provided by the State. Historically, revenue from hirers has not been sufficient to cover expenses and recurrent operating and capital grants are provided to help fund SQ.

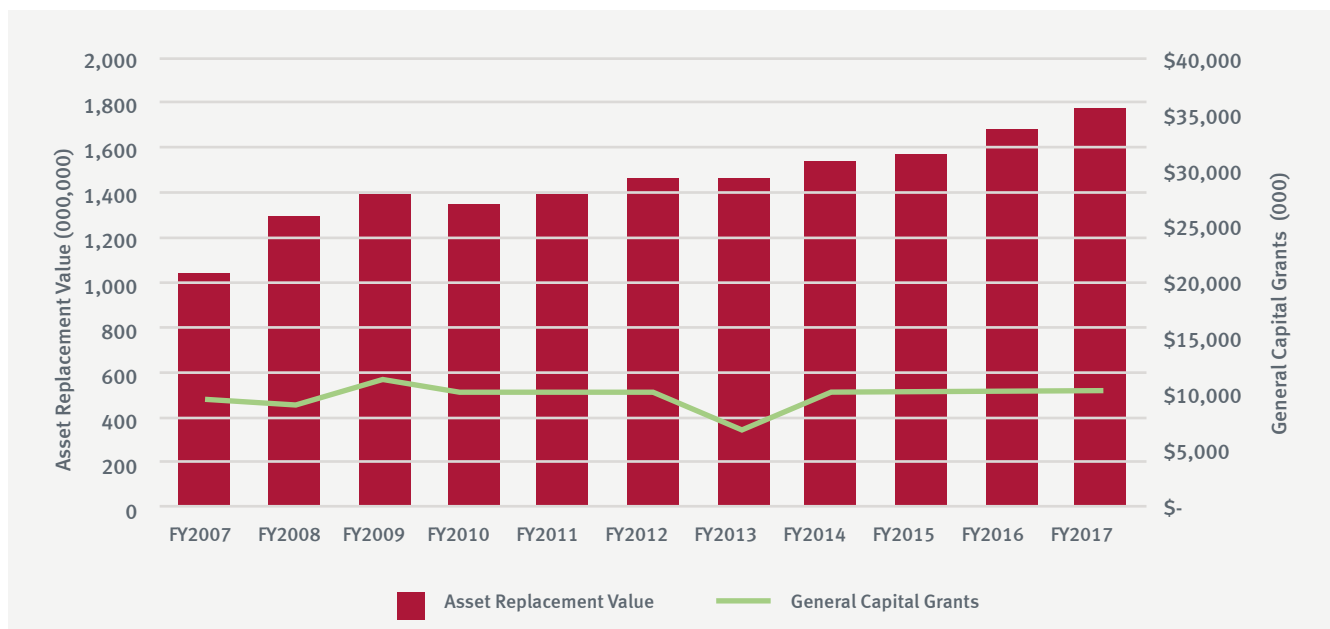


Figure 9.4: Asset Replacement Value (excluding Metricon Stadium) vs General Capital Grants

Source: Stadiums Queensland Data

Figure 9.4 shows that while the Asset Replacement Value (ARV) of the assets owned and operated by SQ has increased by 71% over the 10 years from FY07 to FY17 (\$1.04 to \$1.78 billion). Over the same period the general capital grant has remained largely steady at \$10 million.

Finding 9.6

Over the past 10 years, the annual general capital grant to Stadiums Queensland has remained largely steady at \$10 million, while the value of the assets managed by Stadiums Queensland has increased by 71%.

The 71% increase in ARV over the 10 years from FY07 to FY17 largely reflects the addition of new facilities and asset enhancements at existing venues. The number of venues in SQ's portfolio has increased from one in FY01 to nine in FY09 and there have been or will be additional assets constructed within Queensland Sport and Athletics Centre and Sleeman Sports Complex, such as the BMX track (FY11), 50 metre outdoor pool (FY12), the Anna Meares Velodrome (FY16) at the Sleeman Sports Complex and the Queensland State Netball Centre at the Queensland Sport and Athletics Centre (due in FY19).

Since 2011, the asset enhancements have predominantly been at the venues considered to service the needs of the community, recreational sports user/s and for the development of Queensland's elite athletes (Sleeman Sports Complex and Queensland Sport and Athletics Centre) and as such have generated minimal operating revenues. These facilities and asset enhancements have largely delivered qualitative benefits in the form of enhanced user experience and broader community and social benefits.

Maintenance Expenditure (\$ million)	FY13	FY14	FY15	FY16	FY17	4YR CAGR	2YR CAGR
Asset replacement value (ARV)	1,467	1,540	1,566	1,681	1,781	5.0%	6.6%
Maintenance expense	9.7	10.0	9.6	11.1	11.2	3.6%	8.0%
Maintenance expense / ARV	0.66%	0.65%	0.61%	0.66%	0.63%	-	-
MMF 1% benchmark (in \$ terms)	14.7	15.4	15.7	16.8	17.8	5.0%	6.6%
Spend below benchmark	5.0	5.4	6.1	5.7	6.6	7.5%	4.5%

Table 9.1: Historic maintenance expenses

Source: QTC Analysis

Maintenance expense presented in Table 9.1 relates specifically to building maintenance only (planned, condition based and unplanned maintenance). It excludes costs relating to furniture and equipment repairs, workshop tools and turf maintenance (chemicals and fertilizers, soils and sand), which are included in repairs and maintenance for financial reporting. In addition, the value of maintenance and ARV relating to Metricon Stadium has been excluded from the analysis as the AFL is responsible for maintenance under the lease arrangements.

In regard to the asset management strategy and performance of venues, SQ uses the Maintenance Management Framework (Department of Housing and Public Works, Second Edition, December 2017) (MMF) as a guide to maintaining its assets. The MMF establishes a minimum benchmark of 1% of an ARV should be spent on asset maintenance.

The maintenance expense to ARV ratio has remained largely flat since 2013, although the quantum to reach the benchmark has widened over time as the ARV has increased through capital investment.

Past maintenance expenditure has not met the recommended minimum MMF benchmark. SQ's maintenance expense to ARV ratio was 0.63% in FY17. This may result in an increase in future unplanned maintenance and have a negative impact on the condition of the assets.



SQ recently received an increase to its FY18 operating grant of \$4.973 million (to a total of \$20.45 million). It is expected \$3.5 million of the operating grant increase will be spent on repairs and maintenance, taking expected maintenance to \$14.7 million in FY18 (increasing the maintenance to ARV to 0.83%). The recent increase in the operating grant will help fund maintenance but it will not be enough to meet the MMF benchmark of 1%. Meanwhile, the annual general capital grant to SQ has remained steady for 10 years during a period of asset portfolio expansion, which has significantly restricted SQ's ability to undertake minor capital replacement and enhancement at its venues.

Community assets such as Sleeman Sports Complex and Queensland Sport and Athletics Centre have incurred additional operating and maintenance costs due to additional facilities being built at the venues. There has not been corresponding annual uplifts in operating funding to meet these additional liabilities.

Assuming the proposed forecast major capital expenditure provided to the Taskforce is successfully funded, the maintenance to ARV ratio is forecast to decline from 0.83% in FY18 to 0.62% in FY23. This signals forecast maintenance expense to FY23 (growing at 3.1% per annum) is not keeping pace with the forecast total capital program, which is increasing the portfolio's ARV.

It is understood that SQ considers maintenance prioritisation against funds and resources available in each financial year. Maintenance works are deferred by SQ if there is insufficient funds available as long as it does not impact risk, compliance and workplace health and safety. SQ undertakes a maintenance assessment process that considers the types of maintenance actions necessary to maintain an asset or restore an asset to the specified condition level. The SQ maintenance prioritisation process is based on an assessment of risk and appears to be comprehensive and in line with the MMF.



*New Zealand vs Kenya, Women's Rugby Sevens,
2018 Gold Coast Commonwealth Games, Cbus Super Stadium
© Getty Images for GOLDOC*

Finding 9.7

Stadiums Queensland's maintenance program appears risk based, comprehensive and in line with the Maintenance Management Framework.

Funds available after fixed costs (eg employee costs, rates and utilities) appears to be the main driver for the quantum of maintenance and capital works expenditure. Unplanned maintenance represents over 50% of maintenance spending at some venues. This could be symptomatic of funding constraints to maintain the portfolio. The average condition rating of SQ's portfolio has decreased since 2010 with the Gabba showing the largest fall.

SQ is not funded to undertake major capital expenses or improvements. For example the construction of the new North Queensland Stadium was commenced by the Department of State Development Manufacturing, Infrastructure and Planning.

Finding 9.8

Stadiums Queensland is not funded to undertake large capital works projects or planning activities.

SQ's 20 year forecast model provided to the Taskforce for this Final Report has identified forecast capital works. Inputs have been largely sourced from quantity surveyor and engineering reports, with the list being aspirational and financial costings should be considered early stage estimates. SQ have assumed that all major capital expenditure (new and major upgrade capital expenditure) is funded by external sources, with special purpose capital grants matching major capital expenditure over the forecast period. As SQ currently do not generate a return of capital (depreciation) this is in accordance with SQ's operating model and how it interacts with Government.

The State Government has spent over \$800 million on new or redeveloped stadium facilities since FY03, representing 75% of the total capital required. A mix of Commonwealth, council and private capital has funded the remainder.

Finding 9.9

Stadiums Queensland has previously funded some minor capital enhancements to stadiums from within their portfolio operating and capital grants. As a result of the increasing asset portfolio and static grants, it is not sustainable for Stadiums Queensland to adequately maintain the existing assets and undertake minor capital enhancement works.

This Final Report identifies that the Queensland Government has already significantly invested in the SQ asset portfolio, but needs to continue and increase its ongoing commitments through operating and capital grant funding to retain existing content, help support the attraction of new events and prolong the life of the asset base. The financial analysis has demonstrated that SQ is currently restricted in its ability to act in a proactive manner when it comes to ensuring the asset portfolio remains modern and fit-for-purpose to contemporary expectations. Based on its current operating position, SQ needs to focus its resources on the maintenance of its venues, with the more costly funding for capital venue enhancements to be broadly the responsibility of Government.

Recommendation 9.5

The focus of Stadiums Queensland from an asset maintenance, replacement and enhancement perspective should be on planned and unplanned maintenance as well as minor capital works (replacement and enhancement) for individual projects less than \$3 million. Government should be responsible for funding capital works for individual projects greater than \$3 million and major redevelopment works.

Recommendation 9.6

Stadiums Queensland should develop a 10 to 20 year capital enhancement and replacement plan which categorises capital and maintenance expenditure as planned maintenance, unplanned maintenance, minor capital works less than \$3 million, minor capital works greater than \$3 million and major capital enhancement works to increase transparency and clarity around Stadiums Queensland's capital expenditure. This will help to inform strategy about resource allocation and future maintenance and capital expenditure investment decisions by Government.

9.4 Food and Drink Prices

The cost of food and drinks at SQ venues has been raised by a number of hirers as impacting on the affordability of people attending stadium events in Queensland. The price of food and beverages in SQ venues is set annually by SQ.

The Stadium Taskforce is aware of annual analysis undertaken by independent experts on behalf of SQ to benchmark food and beverage prices against other entertainment venues and against interstate stadiums.

Finding 9.10

Food and beverage prices at Stadiums Queensland venues are reviewed annually by independent experts utilising benchmarking against other venues across Australia and noting local CPI changes.

Product	Stadiums Queensland	Interstate Stadiums			Other Comparable Locations Theme Parks, Cinemas and Airports		
	Average Product Price	Average Product Price	Average SQ Product Price Difference	Average SQ Product % Difference	Average Product Price	Average SQ Product Price Difference	Average SQ Product % Difference
Hot Chips	\$5.83	\$6.30	-\$0.47	-7%	\$8.59	-\$2.76	-32%
Pie	\$5.30	\$5.53	-\$0.23	-4%	\$8.00	-\$2.70	-34%
Fish & Chips	\$10.78	\$12.40	-\$1.62	-13%	\$14.59	-\$3.81	-26%
Hot/Super Dog	\$5.85	\$6.63	-\$0.78	-12%	\$8.37	-\$2.52	-30%
Beer Cup 425ml (mid strength)	\$8.05	\$8.73	-\$0.68	-8%	\$8.60	-\$0.55	-6%
Soft Drink PET 600ml	\$5.30	\$5.85	-\$0.55	-9%	\$5.15	\$0.15	3%
Magnum Ice Cream	\$5.43	\$5.75	-\$0.32	-6%	\$5.24	\$0.19	4%
Bottled Water	\$4.75	\$4.83	-\$0.08	-2%	\$4.74	\$0.01	0%

Table 9.2: Average Food and Beverage Price Comparison

Source: Independent analysis supplied by Stadiums Queensland undertaken by PSE Pty Ltd

SQ has engaged an independent expert to undertake a comparison of the price of food and beverage products between SQ venues, a range of interstate stadiums and other comparable facilities including theme parks, cinemas and airports. The SQ venues that have been included for comparison are the Gabba, Suncorp Stadium, Cbus Super Stadium and 1300SMILES Stadium. The interstate stadiums that have been included for comparison are Marvel Stadium, Adelaide Oval, Optus Stadium and Allianz Stadium/Sydney Cricket Ground. The other comparable locations that have been included for comparison are Dream World, Movie World, Sea World, Village Cinemas, Hoyts Cinemas, Melbourne Airport and Brisbane Airport.

Based on Table 9.2 it can be seen that SQ has on average cheaper food and beverages than other interstate stadiums, with the range of saving between 2% and 13%. In comparison to the other comparable locations, including theme parks, cinemas and airports, SQ average food prices are substantially cheaper by at least 26% and up to as much as 34% cheaper.

SQ venues on average have cheaper beer in comparison to interstate stadiums and other comparable locations including theme parks, cinemas and airports. Note that Marvel Stadium and the theme parks did have individual prices cheaper than the SQ average price.

It should be noted that there can be variation in the portion sizes between venues for similar products and not all venues offered similar products. Further it is noted that many of the other comparable locations offered meal deals of combos that may reduce the overall cost of individual products.

Based on the analysis of Table 9.2, it could be reasonably argued that the average price of food and beverages at SQ venues are competitive with other stadiums in Australia and other comparable locations including theme parks, cinemas and airports.

The Taskforce is aware of the pricing decisions that have been made by the AFL at the Melbourne Cricket Ground to reduce the price of food and non-alcohol beverages. The Melbourne Cricket Ground was not one of the interstate stadium that were included in the comparison in Table 9.2. Based on a number of products that are comparable between SQ venues and the Melbourne Cricket Ground discounted products, it appears that the price different is between \$0.90 (soft drink) and \$1.63 (hot chips). According to media releases from the Melbourne Cricket Ground, the cost of discounting these food and non-alcohol products is costing approximately \$2.5 million per year.

The cost of food and beverages inside SQ venues are high compared to the cost of similar products outside of the venues. Profits from food and beverage sales are typically shared between the caterer, venue owner and venue hirer. The ability to attract strong margins on food and beverage products inside the stadium are attractive to the venue owner and venue hirer because of the profits that can be achieved. These profits, from a venue manager perspective, mean the venue hire fees can be lower. From a venue hirer perspective, the additional income can be used to improve the fan experience, reduce ticket prices or invest in other parts of their business.

Finding 9.11

The average price of food and beverages at Stadiums Queensland venues are competitive with other stadiums in Australia and other comparable locations including theme parks, cinemas and airports.

Finding 9.12

Profits from food and beverage are typically distributed between the caterer, venue manager and venue hirer, this creates a strong incentive to maintain reasonable margins on food and beverage products at Stadiums Queensland venues. Reducing the price of food and beverages at Stadiums Queensland venues would reduce income for the caterer, venue manager and venue hirer.

Variety of Product

A competitive open tender process is undertaken by SQ to determine who will provide food and beverage products and services at SQ venues. A number of long term contractual arrangements have been entered into by SQ for the supply of food and beverages at SQ venues. The Taskforce welcomes the recent development by food and beverage suppliers at Suncorp Stadium to increase the variety of food and beverage options that are being offered to patrons through the use of concession stands at the Northern entry plaza. The Taskforce encourages increasing competition for the supply of food and beverages within SQ venues as a way of improving the variety of affordable food and beverages for patrons. Any changes to the existing food and beverage supply contracts could impact on SQ income and may only be achievable at the end of existing contracts.

Finding 9.13

Stadiums Queensland stadiums provide limited healthy option foods.

Pourage Rights

An issue that has been raised with the Taskforce is in regard to competition for pourage rights for one-off events at SQ venues. Contracts are in place for the supply of alcoholic beverages at a venue level. Typically this supplier will install and maintain fridges, beer supply lines and other infrastructure at their own cost.

Under some contracts, the venue hirer retains the rights to select the alcoholic beverage supplier. In these circumstances, the selected supplier, if different from the venue contract supplier, would be required to use the facilities developed and equipment installed under the venue level contract. The venue level contract has provisions allowing for others to use these facilities, by making a payment to the venue level contractor. The venue level contractor appears to be in a market dominant position for retaining the pourage rights, even where these rights are not covered under the venue level contract (ie one-off events), because they can charge a fee to their competitors to use their facilities. It is unclear how these fees are calculated which has the potential to create barriers for competition.

Recommendation 9.7

Stadiums Queensland to explore with the current suppliers of food and beverages, ways to increase the variety of affordable food and beverages at Stadiums Queensland venues. For example, increasing the number of subcontractors and smaller mobile operators within the Stadiums Queensland venues.

Recommendation 9.8

Stadiums Queensland initiate a trial of healthy food and beverage options to assess customer take up and benefits.

Recommendation 9.9

Stadiums Queensland undertake regular analysis to ensure that fees, charged by venue level contract holders for pourage rights, are transparent and fair and that they do not create an inappropriate barrier to competition where hirers have the rights to select alcoholic beverage suppliers under their hire agreement.