



Government of **Western Australia**
Department of **Treasury**

The new Perth Stadium Design, Build, Finance and Maintain Project

Project Summary

February 2015



The new Perth Stadium Design, Build, Finance and Maintain Project

Project Number: SP07937121

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FOREWORD

This Project Summary provides an overview of the commercial and contractual arrangements for the delivery of the new Perth Stadium (nPS) Design, Build, Finance and Maintain (DBFM) Project.

This Project Summary is divided into two parts.

Part One provides a broad overview of the DBFM Project, including the rationale to deliver it under a public-private partnership model, a summary of the procurement process, the value for money outcome, the public interest considerations and the timetable for the DBFM Project.

Part Two focuses in more detail on the key commercial features of the DBFM Project, including the main parties and their respective obligations, the broad allocation of risk between the public and private sectors and the treatment of various key project issues.

This summary should not be relied on as a complete description of the rights and obligations of the parties to the DBFM Project and is not intended for use as a substitute for the Project Agreement and associated Project documentation.

1. PROJECT OVERVIEW

1.1 Background

In June 2011, the Western Australian Government committed to deliver a new major stadium for Perth. After reviewing the work of the Major Stadia Taskforce (published in its June 2007 final report) and considering the views of a wide range of stakeholders, the State nominated the Burswood Peninsula option as its preferred site, and publically committed to begin construction by 2014, with the completed Stadium to be ready for the commencement of the AFL season in 2018.

The members of the Major Stadia Taskforce recommended the development of a 60,000 seat multi-use outdoor stadium with the capacity to expand to 70,000 seats. The Taskforce found that *“Western Australia’s existing stadia (WACA Ground, Subiaco Oval and Members Equity Stadium [now nib Stadium]) no longer meet the needs of their respective sports, their supporters and the broader Western Australian community”* and *“Western Australians are at a distinct disadvantage in competing to host major national and international events”*.

The Stadium and Sports Precinct will form a permanent centrepiece for the redevelopment of the Burswood Peninsula on the Swan River. The Stadium will bring a ‘fans-first’ experience in sports viewing and entertainment to Perth and the State, i.e. a strong focus on optimising experience for the Stadium patrons. It will be a state of the art multi-purpose Stadium accommodating AFL, cricket and entertainment events with drop-in seats adding flexibility to host rugby union and league, and soccer (football) matches. The Stadium will also have the capability to host major events consistent with requirements for Commonwealth Games and international athletics.

The DBFM Project site is situated on the Burswood Peninsula and occupies approximately 40 hectares in area. It is located 2.9 km east of the Perth central business district and is connected to East Perth via the Windan Bridge, the Goongoongup Rail Bridge and by the time of commencement of Stadium operations, a new pedestrian bridge link to East Perth.

1.2 The Project

The planning phase for the nPS Project concluded with the approval of the Stadium Project Definition Plan (PDP) by Cabinet in August 2012. This approval included the capital funding for the Stadium, its surrounding Sports Precinct, and project management. The approved Stadium PDP also included the master plan for the precinct, the Stadium and Sports Precinct procurement strategy, the governance structure for the delivery phase, and the timeline for project delivery. With the master plan approved for the Stadium and the Sports Precinct, a separate Transport PDP was then developed by the Public Transport Authority (PTA) that addressed all associated major transport and access infrastructure works. The Transport PDP was approved by Cabinet in December 2012.

The procurement strategy for the nPS Project outlined in the Stadium PDP was determined after an extensive analysis of options. The first round of analysis concluded that a pre-construction site works package (PCS Works) should proceed immediately, to ensure delivery of the Stadium and the Sports Precinct by 2018, given that a period of 12 to 18 months was expected to be required for the ground treatment works at the site. After a competitive procurement process, the State appointed the Ertech Keller Joint Venture in May 2013 to carry out the PCS Works. The PCS Works have prepared certain areas of the site to facilitate the construction of the Stadium and the development of the surrounding Sports Precinct.

The procurement options analysis identified that for the Stadium and Sports Precinct works package, a Design, Build, Finance and Maintain (DBFM) public private partnership (PPP) model would best balance the control of project cost and risk with the achievement of the project objectives, and is the procurement model most likely to maximise value-for-money (VFM) outcomes for the State.

An invitation for Expressions of Interest (EOI) to deliver the Stadium and its surrounding Sports Precinct under a DBFM procurement model (the DBFM Project) was advertised in December 2012 and three consortia were shortlisted in April 2013. The Request for Proposals (RFP) was issued to the Shortlisted Respondents in July 2013, and closed in December 2013. Appointment of the Preferred Respondent (Westadium) was approved in April 2014, together with a Reserve Respondent (Confidem). Exclusive negotiations resulted in the achievement of contractual close with Westadium (Project Co) on 13 August 2014, followed by financial close on 21 August 2014.

Brookfield Multiplex Engineering and Infrastructure Pty Ltd (the Builder) has been subcontracted by Westadium to undertake design, construction, fit out and commissioning of the Stadium and Sports Precinct works over a three year period (the Design and Construction (D&C) phase).

Following commissioning of the Stadium and Sports Precinct, facilities management services (Services) will be provided over a 25 year operating term (the Operating Phase) by Brookfield Johnson Controls Pty Ltd (the FM Subcontractor).¹

Table 1 provides a summary of the key members of the Westadium consortium involved in the delivery of the DBFM Project and other key project facts.

Table 1: Key Project Facts

KEY PROJECT FACTS	
Contracting Entity	
Project Co	Westadium Project Co Pty Ltd in its personal capacity and as trustee for Westadium Project Unit Trust

¹ Westadium will not be undertaking operational activities such as securing events, promoting the Stadium, agreeing commercial access arrangements with hirers, branding and advertising and making any event and function arrangements (including in relation to ticketing, event and function staff, event and function crowd control and catering operations). These activities will be undertaken by the Stadium Operator who is to be appointed by the Governance Agency (VenuesWest) after a separate procurement process during 2015.

KEY PROJECT FACTS	
Key Members of the Westadium Consortium	
Equity Investors (shareholder of Westadium)	John Laing Investments (Perth Stadium) B.V. and Aberdeen Infrastructure Investments (NPS) Limited
Builder	Brookfield Multiplex Engineering and Infrastructure Pty Ltd
FM Subcontractor	Brookfield Johnson Controls Pty Ltd
Finance	
State Capital Contribution	The State will contribute 60% of the construction cost of the Stadium and Sports Precinct and Westadium has procured the balance of finance to fund the Project.
Debt Providers	National Australia Bank Limited and Canadian Imperial Bank of Commerce (together the Financiers)
Project Duration	
D&C Phase	21 August 2014 to 31 December 2017
Operating Phase (Facilities management)	25 years from 1 January 2018
Site Details	
Location	<p>The DBFM Project site is situated on the Burswood Peninsula, located 2.9 km east of the Perth central business district, and is connected to East Perth via the Windan Bridge and the Goongoongup Rail Bridge.</p> <p>The site extends over the northern portion of the former Burswood Park Golf Course and a portion of the land on which the State Tennis Centre is situated (but excludes the State Tennis Centre).</p> <p>The transport corridor that includes a realignment of the Armadale rail line is excluded from the site.</p> <p>The site also excludes all of the road reserve for Victoria Park Drive.</p>
Area	Approximately 40 hectares
Design and Construction	
Key features	<ul style="list-style-type: none"> • Stadium with six floor levels; • 60,000 seats in AFL mode with an additional 5,000 drop-in seats for rectangular sports; • Provision for future expansion to 70,000 seats or more; • Striking bronze facade reflecting the State's geology; • A light weight 'halo' roof; • 85% of seats under cover; • State-of-the-art LED lights to show home team colours by night; • Five change rooms for teams (two dedicated to local AFL teams), plus additional change rooms for officials; • Wide range of premium product facilities (that can be used for functions in non event mode);

KEY PROJECT FACTS	
	<ul style="list-style-type: none"> • More than 70 food and beverage outlets in event mode; • A sports retail store (that will be open for trade in non event mode); • A community arbour that will include Aboriginal heritage stories and link the new six-platform stadium train station to the river; • A distinctively landscaped, activated precinct around the Stadium in non-event mode, including restaurants, a community recreation oval, rehabilitation parkland, a nature playground, a sports playground and a grass-sloped amphitheatre; and • A comprehensive public art program, implemented through the Percent for Art Scheme.
Facilities Management (FM) Services Provided	
Services Provided	<ul style="list-style-type: none"> • Building maintenance services including reactive/preventative maintenance and lifecycle replacement; • Playing surface services; • Grounds and gardens services; • Event support services; • Information and communications technology and audio visual Services; • Pest control services; • Asset security services; • Utilities management services; • FM help desk services; and • Management and integration services.

1.3 Project Objectives

1.3.1 Project Aspirations

The following aspirations approved in the Stadium PDP guide the development of the nPS Project (nPS Project Aspirations):

- cater for the fans who use the Stadium by taking a ‘fans-first’ approach to planning and design to create an exceptional event atmosphere:
 - the flexible design will deliver a multipurpose venue and a ‘fans-first’ experience;
 - the Stadium will be designed with cutting edge technology that caters for future trends; and
 - the Stadium will bring a new experience in sports viewing and entertainment to Perth and Western Australia;
- the Stadium and Sports Precinct will transform the Burswood Peninsula and create a spectacular gateway to our city:
 - the Stadium and Sports Precinct will take advantage of its riverside views and central location; and

- the Stadium and Sports Precinct will be a catalyst for future development in the area, creating a new sports and entertainment precinct for Perth;
- together with other major development projects such as Elizabeth Quay and the Perth City Link, the Stadium and Sports Precinct will enhance Perth's reputation as a world-class destination:
 - the Stadium and Sports Precinct will enable Perth to attract more international events;
 - the Stadium and Sports Precinct will acknowledge our State's rich sporting history and heritage; and
 - the Stadium and Sports Precinct will attract more visitors to our State;
- the fan experience will be enhanced through the provision of an improved and integrated public transport system comprising upgrades to road, rail, bus and pedestrian services to allow maximum public transport usage:
 - the upgrades will plan for more than 70% of fans using public transport for major Events;
 - the upgraded system will not only improve public transport and access for Events, it will also have flow on benefits for other Burswood Peninsula activities; and
 - the upgrades will significantly improve connectivity to surrounding areas and support Perth's overall future transport requirements; and
- project management for the nPS Project will focus on sound planning and strong contract management to achieve the best VFM and deliver a world class stadium on time and within the approved budget.

1.3.2 DBFM Project D&C Phase Objectives

In addition to the nPS Project Aspirations that will continue to guide the development of the nPS Project, the DBFM Project Objectives included in the RFP have been developed to affirm the nPS Project Aspirations. The key objectives for the DBFM Project are to:

- deliver a world class stadium on time and within budget in order to provide VFM for the State;
- deliver a Stadium and Sports Precinct designed to meet the functional and technical requirements contained in the Project Agreement which will:
 - cater for future users by adopting a 'fans-first' approach;
 - enable cutting edge technology that caters for and accommodates future trends;
 - create a world class playing surface and excellent support facilities for sporting teams, performers and media personnel;
 - maximise year round use with events and functions that may not require the use of the playing surface; and
 - take advantage of its riverside views and central location;
- deliver a Stadium and Sports Precinct:
 - that is efficient, functional and distinctive; and

- with a service life of at least 50 years and with an environmentally sustainable, whole of life approach to operations and maintenance; and
- design and deliver a vibrant Stadium and Sports Precinct that acknowledges Western Australia’s rich sporting history and cultural and Aboriginal heritage, and capitalises on the opportunity to activate the Burswood Peninsula, including through the development of experiences and activities outside of event days that encourages frequent, year round patronage of the Sports Precinct by Western Australians and tourists alike.

1.3.3 DBFM Project Operating Phase Objectives

A suite of key operational objectives have also been developed for the Operating Phase of the DBFM Project (Operating Phase Objectives) that align with nPS Project Aspirations, as follows:

- operate and maintain a Stadium and Sports Precinct that:
 - caters for Stadium Users by adopting a ‘fans-first’ approach;
 - continues to satisfy the Fit for Purpose (FFP) Warranty;
 - is maintained to the standards specified in the Services Specifications;
 - is revered for its world class playing surface and excellent support facilities for sporting teams and performers;
 - ensures the safety and security of all stadium users;
 - responds and adapts to changes in technology; and
 - adapts to changing trends within stadia and their usage;
- maximise year round use of the Stadium and Sports Precinct with events and functions to ensure that:
 - the Stadium generates sufficient overall revenue to meet the cost of its operating overheads, fund lifecycle costs and return a net operating profit; and
 - the Sports Precinct is activated and becomes a destination in itself, including on non-event days;
- design, construct and maintain the Stadium and Sports Precinct to minimise the risk of damage caused by stadium users;
- provide an environment in which the Stadium and Sports Precinct can host as many events and functions as the market allows;
- provide and enhance a positive image of the Stadium and Sports Precinct, the State and the Stadium Operator, particularly to hirers, stadium users, potential stadium users and television audiences;
- support and enhance the Stadium Operator's ability to market and maximise the economic benefit and profitability, as well as the social benefit, of the Stadium and Sports Precinct; and
- ensure that the Stadium Operator and Project Co are not hindered in performing their respective obligations under each of their respective agreements with the State, and can perform such obligations to maximise efficiencies and outcomes for the parties.

1.4 Delivery Model

As part of a procurement options analysis in the Stadium PDP, the State analysed nine possible models as detailed in Table 2. Each option was considered with reference to either the public or private sector delivery of components of the Project.

Table 2: Procurement Options Analysis

MODEL NO	DELIVERY MODEL	DESCRIPTION
Model 1	Construct Only	Public sector provision of the design. Private sector is contracted for construction.
Model 2A	Novated Design and Construct	Public sector provision of schematic design. The State's design team is then novated to the private sector which is contracted to develop detailed design and proceed with construction.
Model 2B	Design and Construct	Private sector contracted for design and construction.
Model 2C	Design, Construct and Maintain	Private sector contracted for design, construction and maintaining the facilities.
Model 3	Early Contractor Involvement	Private sector builder involvement in schematic design. Private sector is contracted for detailed design and construction, typically under a fixed price design and construct contract.
Model 4	Managing Contractor	Early appointment of a builder to undertake a majority of the planning and coordination activities and to actively manage the design, procurement and construction process.
Model 5A	Design, Build, Finance and Maintain	Private sector is contracted for design, construction, financing and maintaining the facilities.
Model 5B	Design, Build, Finance and Operate	Private sector is contracted for design, construction, financing and maintaining the facilities. The same entity will also operate the Stadium, in return for a service payment from the State. Revenue (demand) risk is retained by the State.
Model 5C	Build, Own, Operate and Transfer	Private sector is contracted for design, construction, financing, maintaining and operating the Stadium at no cost to the State, with the private sector meeting its cost through Stadium revenue. The private sector is granted a long term ownership period and will return the asset at the end of term to the State at no cost.

After careful analysis, which included a market sounding process, the State identified option 5A (the DBFM model) as the preferred procurement model.

The State also elected to make a capital contribution of 60% of the construction cost. Hence, the State has entered into a contract with a private sector entity that is required to:

- design, construct and partially finance the Stadium and Sports Precinct; and
- maintain the Stadium and Sports Precinct over the Operating Phase of the DBFM Project.

The State will retain responsibility, through the appointment of a Stadium Operator, for the day-to-day operation of the Stadium and Sports Precinct. The State also retains ownership of the Stadium and Sports Precinct.

The DBFM model was chosen because it has the following benefits:

- it delivers three design solutions prepared under a competitive process;
- it is well understood by the market and is considered capable of extracting very competitive market responses and tender prices;
- it injects significant intellectual, operational and commercial focus of the consortium entities such as the FM Subcontractor and the Financiers into the procurement process resulting in whole-of-life benefits;
- it ensures a robust maintenance regime is delivered over a 25-year operating period to minimise asset deterioration and a focus on preventative maintenance rather than reactive maintenance;
- it has an excellent track record of achieving on time and on budget outcomes when compared with traditional procurement models. The private sector entity is only entitled to commence receiving monthly service payments upon asset commissioning. This provides a powerful incentive to achieve construction timeframes; and
- it provides the most efficient and effective structure for the transfer of both construction and facilities management risks to the private sector by effectively locking-in the monthly service payments and the implementation of an extensive key performance indicator based abatement regime.

1.5 Project Governance

The nPS Project is being managed in accordance with the State Government's governance arrangements for strategic non-residential building projects. The new Perth Stadium Steering Committee has been established by Cabinet to guide the delivery of the Stadium, associated precinct and services infrastructure. It provides leadership and oversight on the nPS Project through the provision of strategic, cross-agency guidance and advice that ensures that the project is developed in accordance with agreed scope, time, cost and quality parameters, including the realisation of agreed project benefits. The Steering Committee reports to the Premier, the Minister for Sport and Recreation, and Cabinet.

The new Perth Stadium Steering Committee is jointly chaired by the Executive Director, Strategic Projects and Asset Sales (SP&AS) from the Department of Treasury (Treasury) and the Director General from the Department of Sport and Recreation (DSR). Other members include the Director General, Department of Transport; Chairman, Burswood Park Board; Deputy State Solicitor, State Solicitor's Office (SSO); Director General, Department of Finance; Director General, Department of Planning; Deputy Director General, Department of the Premier and Cabinet (DPC); and the Chief Executive Officer, VenuesWest.

The Treasury SP&AS division has the leading role in planning and delivering the project and DSR is the client agency, responsible for defining the service scope and functional requirements for the Stadium and Sports Precinct. VenuesWest is the Governance Agency accountable for the Operating Phase and will have leadership responsibility for procuring and managing the Stadium Operator and managing Westadium during the Operating Phase.

A Stadium Delivery Project Control Group has been established to undertake the overall direction for the delivery aspects of the nPS Project at an operational level. It is chaired by the Principal Project Director, SP&AS. The Project Control Group is responsible to the Steering Committee.

The Stadium project team is comprised of members from Treasury, DSR, SSO and VenuesWest. The project team works closely with DPC, the Public Transport Authority and Main Roads Western Australia.

1.6 Project Scope

Table 3 below summarises Westadium’s key responsibilities under the Project Agreement.

Table 3: Project Scope

SCOPE OF THE DBFM PROJECT (ELEMENTS TO BE DELIVERED BY WESTADIUM)	
Project Element	Description
Finance	Westadium is required to procure the balance of project finance over and above that provided as part of the State’s capital contribution to fund the entire DBFM Project.
Design	Westadium is responsible for design development in accordance with the Design Development Plan.
DBFM Works	<p>Westadium is responsible for constructing, completing and commissioning the DBFM Works. In broad terms, the DBFM Works comprise the following:</p> <p>Stadium Works:</p> <ul style="list-style-type: none"> (a) completion of ground improvement works not undertaken by the PCS Works Contractor; (b) construction of piling and substructure; (c) construction of the stands and superstructure; (d) construction of the roof; (e) construction of the surrounding plaza; (f) construction of the pitch (including drainage, sub-structure and turf installation); (g) construction of building engineering services; and (h) completion of certain fit-out works and commissioning of loose furniture, fittings and equipment; <p>Sports Precinct Works:</p> <ul style="list-style-type: none"> (a) completion of ground improvement works not undertaken by the PCS Works Contractor, associated with the Sports Precinct, the pedestrian assembly areas, the internal roads and parking areas and the community recreation oval on the north side of the Stadium; (b) construction of hard and soft landscaping (including reticulation); (c) construction of internal roads and parking areas, paving and pedestrian assembly areas adjacent to the Stadium;

SCOPE OF THE DBFM PROJECT (ELEMENTS TO BE DELIVERED BY WESTADIUM)	
Project Element	Description
	<p>(d) construction of precinct signage, pedestrian footpaths, boardwalks and lighting;</p> <p>(e) the provision and construction of drainage systems, lake and Swan River's edge restorations, public furniture, BBQ areas and public toilets; and</p> <p>(f) the provision of utility services within the Sports Precinct;</p> <p>DBFM Transport Infrastructure Works (included in the Sports Precinct Works):</p> <p>(a) construction of the peninsula bus stands adjacent to the Stadium and thoroughfares to the Stadium Station;</p> <p>(b) construction of pedestrian assembly areas adjacent to the peninsula stands and the Stadium Station; and</p> <p>(c) construction of a pathway from the Swan River Pedestrian Bridge to the Stadium and construction of the pedestrian assembly area adjacent to the pedestrian bridge;</p> <p>Off-Site Infrastructure Works</p> <p>(a) Westadium is required to undertake some Off-Site Infrastructure Works associated with the drainage and flooring of the underpass under Victoria Park Drive, and is required to maintain those works during the Operating Phase; and</p> <p>(b) Westadium is responsible for the rehabilitation and revegetation of the Swan River's edge during the D&C Phase and maintaining the Swan River's edge during the Operating Phase</p>
Authorisations	With the exception of the authorisations to be obtained by the State, Westadium is responsible for identifying and obtaining all other authorisations required to deliver the DBFM Project. Westadium is responsible for assisting the State in obtaining authorisations to be obtained by the State.
Surcharge	Westadium is responsible for the removal and disposal or re-use of the surcharge, placed by the PCS Works Contractor in carrying out PCS Works, on the pitch, the irrigation lake, the community recreation oval and the peninsula bus stands.
Services	<p>Westadium is responsible for delivering the Services. In broad terms, the Services comprise the following:</p> <p>(a) Estate services (including lifecycle refurbishment);</p> <p>(b) Playing surface services;</p> <p>(c) Grounds and gardens services;</p> <p>(d) Event support services;</p> <p>(e) ICT and AV services;</p> <p>(f) Pest control services;</p> <p>(g) Asset security services;</p> <p>(h) Utilities management services;</p> <p>(i) FM help desk services; and</p> <p>(j) Management and integration services</p> <p>Westadium must also monitor and report on the performance of the Services.</p>
Commercial Opportunities	Westadium is required to deliver any Commercial Opportunities at the Site agreed between it and the State. A list of permitted opportunities is set out in the Project Agreement.
Handover at end of	Westadium is required to handover the Stadium and Sports Precinct at the end

SCOPE OF THE DBFM PROJECT (ELEMENTS TO BE DELIVERED BY WESTADIUM)	
Project Element	Description
Term	of the Term in a well maintained and pre-specified condition for nil consideration.

1.7 Procurement Process

The State undertook an open and competitive procurement process to appoint Westadium as the preferred respondent. The procurement process was implemented in accordance with relevant State tendering guidelines and undertaken in three stages as described below.

1.7.1 Expressions of Interest Phase

The procurement process commenced with the public release of the Invitation for Expressions of Interest on 4 December 2012. The purpose of this document was to invite suitably skilled and qualified organisations to submit expressions of interest to deliver the DBFM Project. It also contained information concerning the DBFM Project and set out the information that respondents were to provide in their submissions and the criteria against which submissions would be assessed.

After a detailed evaluation of the EOI submissions, the State invited the following three short-listed respondents to progress to the RFP phase of the procurement process:

- the Confidem consortium comprising Capella Capital, John Holland and Spotless Facilities Services;
- the Evolution Stadium consortium comprising Plenary Group, Bouygues Construction Australia, ProBuild Constructions and Honeywell; and
- the Westadium consortium comprising Brookfield Financial Australia Securities Limited, John Laing Investment Limited, Brookfield Multiplex Constructions Pty Ltd, and Brookfield Johnson Controls Pty Ltd.

1.7.2 Request for Proposals Phase

The State released Tranche 1 and Tranche 2 of the RFP on 12 July 2013 and 13 August 2013 respectively. The RFP contained the detailed technical, services and commercial requirements for the DBFM Project. The RFP requested the Shortlisted Respondents to submit detailed fully costed and complete proposals based on the requirements set out in the RFP document.

From August 2013 to December 2013, the State conducted an Interactive Tendering Process (ITP) between the State project team and each of the Shortlisted Respondents. The intention of the ITP was to provide timely and meaningful feedback on the concept design and other aspects of the RFP to assist Shortlisted Respondents' understanding of the State's requirements and increase the quality of the final proposals.

Proposals were received on 12 December 2013 and evaluated against a range of qualitative and quantitative criteria that considered the following:

- overall delivery approach;

- interface management;
- design proposal;
- design and build project management;
- service delivery; and
- commercial and financial solution including risk and value for money (VFM) to the State.

The Evaluation was undertaken by a panel of senior State representatives including:

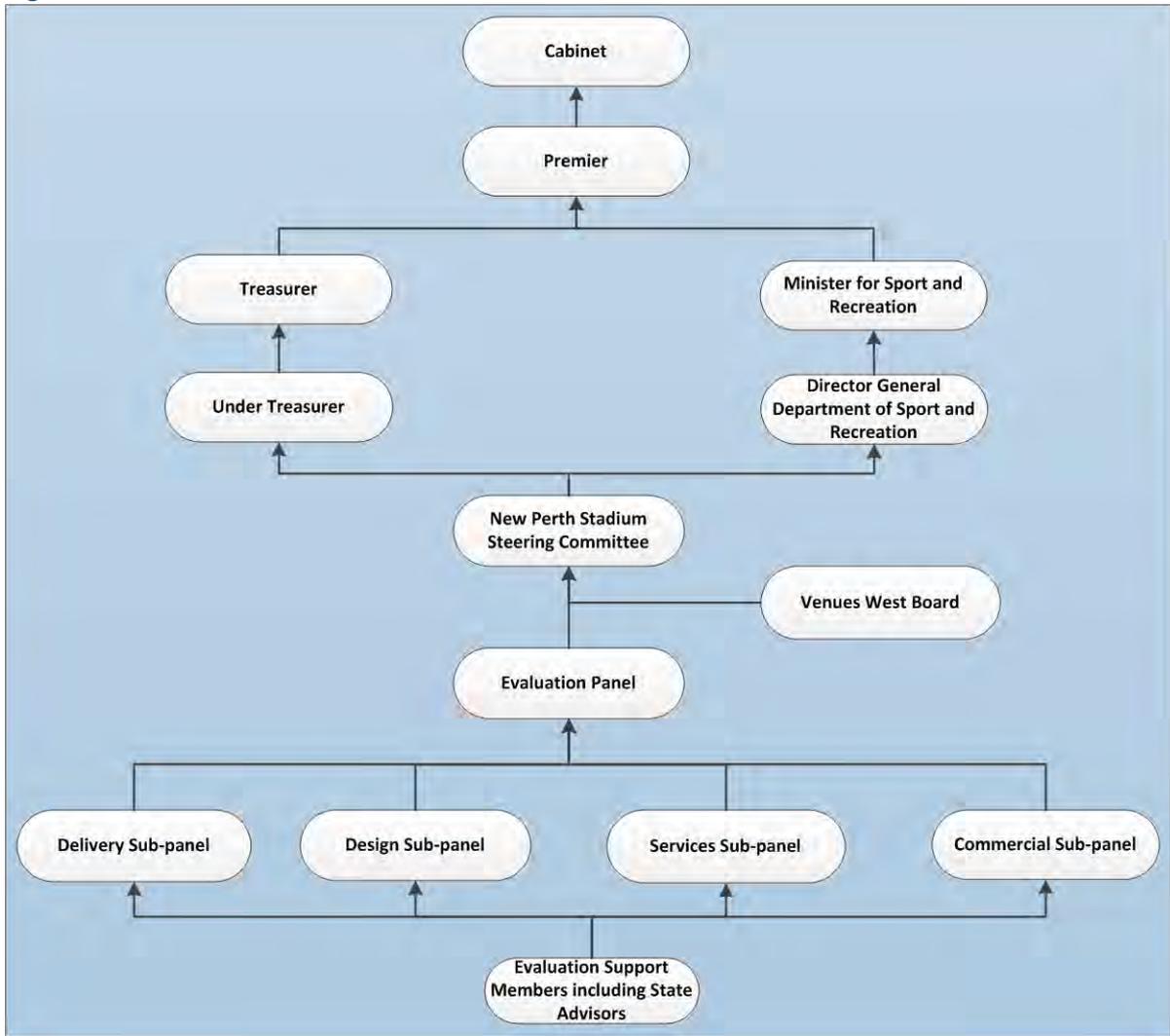
- Executive Director SP&AS, Treasury;
- Acting Director, Commercial Contracting, Treasury;
- Chief Executive Officer, VenuesWest;
- Deputy State Solicitor, SSO;
- Government Architect, Office of the Government Architect;
- Principal Project Director SP&AS, Treasury; and
- Project Director, DSR.

The Evaluation Panel was supported by four sub-panels (respectively focusing on Delivery, Design, Services and Commercial criteria) that comprised project team members and State Advisors.

The Evaluation Panel's recommendations were endorsed by the Venues West Board and the new Perth Stadium Steering Committee.

On 14 April 2014 the State approved the appointment of Westadium as the Preferred Respondent to proceed to exclusive contract negotiations. Confidem was approved as the Reserve Respondent.

Figure 1: State Evaluation Structure



1.7.3 Negotiation Phase

During the negotiation phase, the State worked with Westadium to address all outstanding issues and finalise the project documents. At the completion of an exclusive negotiation period, the State was satisfied that all key issues had been addressed and Westadium’s solution continued to represent the best VFM for the State. Accordingly, the State and Westadium executed the contract documentation on 13 August 2014. Financial Close was achieved on 21 August 2014.

1.8 Timetable

Details of the timing of the procurement process and the DBFM Project generally are provided in the timetable below.

Table 4: Project Timetable

EVENT	DATE
Expression of Interest Phase	
Release of Invitation for EOI	4 December 2012
Closing date for lodging EOIs	14 February 2013
Announcement of Short-listed Respondents	12 April 2013
Request for Proposal Phase	
Release of RFP – Tranche 1	12 July 2013
Release of RFP – Tranche 2	13 August 2013
Closing date for RFP proposals	12 December 2013
Appointment of Preferred Respondent	14 April 2014
Contract Negotiation Phase	
Contract close	13 August 2014
Financial close	21 August 2014
Design, Construction & Commissioning Phase	
Commence site establishment and construction	21 August 2014
Technical completion	1 October 2017
Commercial acceptance	31 December 2017
Facilities Management Operational Phase	
Commence Operating Phase	1 January 2018

1.9 Probity

The procurement process was undertaken within a robust probity framework in accordance with the following probity principles:

- fairness and impartiality;
- use of a competitive process;
- consistency and transparency of process;
- security and confidentiality;
- identification and resolution of conflicts of interest; and
- compliance with State policies as they apply to tendering.

Key evaluation activities were monitored by an independent probity advisor from Braxford Consultancy in accordance with a probity plan and were supported by individual evaluation plans for each stage of the procurement process.

1.10 Value for Money

The State’s evaluation framework for the DBFM Project sought to identify the best overall VFM solution. The concept of VFM goes beyond the selection of the cheapest solution, focusing on the overall value of each delivery option. This involves a careful comparison of the State-managed delivery option against each proposal received from the Shortlisted Respondents. The analysis considered quantifiable elements (i.e. items that can be quantified in dollar terms) as well as subjective or qualitative considerations.

1.10.1 Public Sector Comparator

The Public Sector Comparator (PSC) is an estimate of the risk adjusted, whole of life cost of the DBFM Project if delivered by the State. The PSC is developed broadly in accordance with the National PPP Guidelines and additional State policy guidance for Western Australian PPP Projects. The PSC estimates the hypothetical risk adjusted cost of the project if it was to be delivered by government using a traditional procurement process.

The PSC for the DBFM Project was developed in collaboration by the State’s Project team and its commercial advisor, Pricewaterhouse Coopers (PwC), supported by advice provided by the State’s Quantity Surveyor and Facilities Management consultants.

The PSC contained estimates for the costs and risk of the State managed delivery option consisting of:

- the State designing, constructing and commissioning the Stadium and Sports Precinct under a traditional design and construct contract.
- the State being responsible for all ongoing facilities management services for the Operating Phase.

The estimated cash flows over the life of the DBFM Project are discounted in accordance with the National PPP Guidelines to obtain the net present cost (NPC) of the PSC.

The State’s PSC is presented in Table 5 below.

Table 1: Public Sector Comparator

PUBLIC SECTOR COMPARATOR ELEMENT	NPC \$'000
Capital Costs	\$813,033
Operating Costs	\$554,495
Raw PSC	\$1,367,528
Capital Risks	\$84,263
Operating Risks	\$85,066
Total Risk Adjusted PSC	\$1,536,857

The NPC of the PSC is then compared to the NPC of the bids received to determine the quantitative aspect of the VFM analysis. The VFM estimate for Westadium's proposal at financial close is contained in the table below:

Table 6: Quantitative Value for Money Assessment – Net Present Cost

ELEMENT	
State's Risk Adjusted PSC (\$'000)	\$1,536,857
Westadium's Risk Adjusted Proposal (\$'000)	\$1,212,417
Savings (\$'000)	\$324,440
Savings (%)	21.1%

As shown in Table 6, in comparison to the PSC, contracting with Westadium for the DBFM Project represents a \$324 million NPC saving or, in percentage terms, a saving of 21.1%. This saving was driven by:

- a competitive design and construction cost that represents significant savings over the State's traditional cost of delivery; and
- competitive facilities management costs including refurbishment costs during the Operating Phase that represents significant savings over the State's costs of delivery of these services.

This figure does not recognise a range of other significant VFM benefits provided by Westadium's proposal, which exceed the specifications detailed in the RFP such as:

- 4G and Wi-Fi coverage across the Stadium and Sports Precinct;
- higher than briefed number of television (TV) screens located throughout the Stadium;
- cup holders in every seat in the Stadium, maximising comfort and convenience for fans;
- larger than briefed children's activity zone ('Kids' Zone') for Stadium Events;
- three Changing Places toilets instead of two, additional parenting rooms and first aid facilities;
- electronic entry for all accessible toilet facilities;
- increased event day parking capacity;
- dedicated taxi drop-off facilities;
- opportunity to expand the size of the two giant video screens in the seating bowl;
- a community arbour depicting local Indigenous community stories and linking the Stadium Station with the Swan River Pedestrian Bridge;
- significantly more intensive revegetation of the land adjacent to the river;
- considerably larger children's playgrounds in the Sports Precinct which are of a higher specification than briefed; and
- a uniquely Western Australian artwork package that is cleverly integrated throughout the

Stadium and Sports Precinct.

1.11 Achieving Project Objectives

A key Project Objective is to deliver a Stadium and Sports Precinct designed to cater for future users by adopting a 'fans-first' approach. The following aspects of Westadium's design are key 'fans-first' features:

- future-proofed stadium technology, including full 4G and Wi-Fi coverage across the Stadium and Sports Precinct;
- two 240m² giant video screens;
- over 1,000 TV screens strategically located throughout the interior of the Stadium so fans never miss the action;
- a children's activity zone within the Stadium;
- ability for fans to utilise more than 70 food and beverage outlets and still be able to view the action on the field;
- a buffet and a la carte restaurant over-looking the Swan River providing a destination for patrons pre and post game, as well as on non-event days;
- provision of the widest range of seating and hospitality options of any stadia in Australia;
- seats will be a minimum of 50cm wide and the space between seats will be generous, maximising comfort for fans; and
- providing access to fans requiring higher levels of support and accessibility to designated seating platforms across all seating tiers, parking spaces within the Sports Precinct and adult changing rooms that provide larger cubicles and additional facilities.

Other key features of Westadium's Stadium and Sports Precinct design assisting in achieving the State's design aspirations includes:

- ability to increase the seating capacity by 10,000 within the existing structure;
- a unique bronze façade using anodised aluminium which reflects WA's unique geology by day and, using state of the art LED lighting, home team colours by night;
- a seating bowl which maximises the venue atmosphere, giving fans exceptional views and bringing them close to the action, providing a special home ground advantage for our teams;
- a lightweight fabric roof covering 85% of seats which responds to Perth's climatic conditions, presenting a spectacular glowing halo effect at night;
- state-of-the-art team facilities including flexible warm-up and recovery areas;
- the Community Arbour representing Noongar Community stories, linking the six-platform Stadium Station to the Swan River;
- an amphitheatre, two children's playgrounds, picnic areas and a boardwalk in the western section of the Sports Precinct;
- a community recreation oval available for public use on non-event days, as well as

providing event-day parking;

- a rehabilitation parkland and nature play zone inspired by the Indigenous six seasons, providing wind and shade protection;
- integrated artwork throughout the Sports Precinct recognising the indigenous history as well as the State's rich sporting history; and
- a network of walking and cycle tracks throughout the Sports Precinct encouraging seven day a week use.

The fan experience will be further enhanced through the provision of an improved and integrated public transport system comprising upgrades to road, rail, bus and pedestrian services to allow maximum public transport usage, with planning for more than 83% of fans using public transport for major events.²

Westadium's service delivery solution addresses the State's Operating Phase objectives, meets the requirements of the State's Services Specification and demonstrates:

- a proactive approach to working with users and the Stadium Operator;
- a service delivery model focused on ensuring maximum 'availability' of the Stadium for events and functions, including:
 - a focus on preventative maintenance rather than reactive maintenance; and
 - redundancy and diversity in critical systems to ensure maximum 'uptime'.
- a focus on refurbishing key areas of the Stadium at set intervals to achieve the fans-first aspiration; and
- a reduced requirement to clean key elements of the Stadium due to the use of specialist self-cleaning materials (such as the roof).

In summary, Westadium has provided an excellent design and services delivery model at 21.1% below the State's PSC thus delivering the State's objective of achieving VFM.

² While the nPS PDP initially targeted more than 70% of fans using public transport for major events, this was refined to 83%, through a separate Transport PDP developed by the Public Transport Authority.

View from the south east



2. KEY COMMERCIAL FEATURES

Part Two of this document outlines the contractual relationships between the parties involved in the DBFM Project, including the allocation of risk and the obligations of both Westadium and the State. A brief description of Westadium's arrangements with its consortium members is also provided. In some areas, this Part provides more detail on the issues and topics discussed in Part One.

2.1 Parties to the Project Documentation

On 13 August 2014, the Premier (on behalf of the State of Western Australia) and the Treasurer (in his delegated authority from the Minister for Works), together with the Chairman and CEO of VenuesWest and representatives of Westadium, executed the project documentation to design, build, partially finance and maintain the Stadium and Sports Precinct.

The parties to the Project Agreement are:

- the State of Western Australia;
- the Minister for Works;
- VenuesWest (Governance Agency); and
- Westadium Project Co Pty Ltd in its personal capacity and as trustee for Westadium Project Unit Trust (Project Co).

State

The State of Western Australia is a signatory to the project documents, as is the Minister for Works, body corporate. The Premier and the Treasurer, in accordance with their executive and delegated powers, are empowered to execute the contract documentation on behalf of the State and the Minister for Works respectively.

The State's Representative during the D&C Phase is the Principal Project Director, Treasury (SP&AS).

VenuesWest

VenuesWest is the Governance Agency and has lead responsibility for procuring and managing the Stadium Operator and managing the DBFM contract during the Operating Phase.

Contracting Entity

Westadium Project Co Pty Ltd (in its personal capacity and as trustee for Westadium Project Unit Trust) is a special purpose legal entity that has been contracted to deliver the DBFM Project. Westadium Project Co Pty Ltd is the counterparty to the Project Agreement and is the main contracting entity with the State. Westadium Project Co Pty Ltd, in turn, has entered into a range of contractual relationships with members of the Westadium consortium to deliver

elements of the DBFM Project. However, Westadium Project Co Pty Ltd is the legal entity that is ultimately responsible to the State for delivery of the DBFM Project.

Builder

Brookfield Multiplex Engineering and Infrastructure Pty Ltd is subcontracted by Project Co for the purpose of undertaking the design, construction and commissioning of the Stadium and Sports Precinct.

FM Subcontractor

Brookfield Johnson Controls Pty Ltd is subcontracted by Project Co to deliver the Services during the Operating Phase of the DBFM Project.

Equity Providers

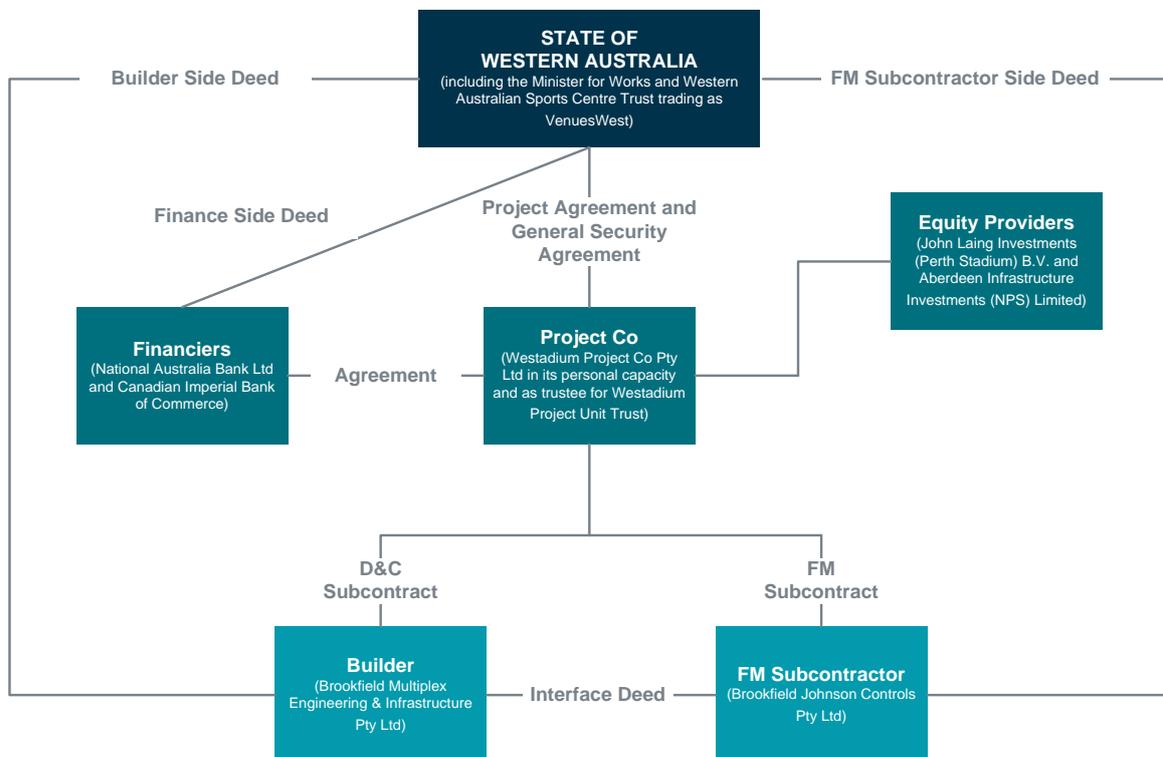
John Laing Investments (Perth Stadium) B.V. and Aberdeen Infrastructure Investments (NPS) Limited are shareholders in Project Co.

Financiers

National Australia Bank Limited and Canadian Imperial Bank of Commerce will provide the senior debt for the DBFM Project in the form of a construction facility that will be converted to a term loan at commencement of the Operating Phase. Debt will be progressively drawn down during the D&C Phase to pay the Builder in accordance with a construction drawdown schedule.

The high level contractual structure for the DBFM Project is summarised in Figure 2 below.

Figure 2: Contractual Structure



2.2 State Project Documentation and Related Agreements

The contractual arrangements associated with a DBFM delivery model are complex due to the involvement of private sector finance and an associated securitisation structure and provision of Services over the 25 year Operating Phase. The section below identifies the suite of contractual documents that the State entered into for the delivery of the DBFM Project.

Table 7: Key Project Documents

NAME	PARTIES	DESCRIPTION
Project Agreement	State, Project Co	The Project Agreement between Westadium and the State is the primary legal document that sets out the rights and obligations for the delivery of the DBFM Project. It covers both the D&C and Operating Phases of the DBFM Project. It has been developed in accordance with the National PPP Guidelines for social infrastructure, subject to Western Australian specific requirements.
Finance Side Deed	State, Project Co, Security Trustee	This deed governs the relationship between the State, Westadium and the Financiers and sets out the priority arrangements between the parties in respect of each of their security over the DBFM Project. The deed also qualifies the State's rights in the Project Agreement to terminate the Project Agreement.
Builder Side Deed	State, Project Co, Builder, Builder Guarantor	This deed governs the relationship between the State, Westadium, the Builder Guarantors and the Builder. Pursuant to this deed, the Builder gives various undertakings to the State not to terminate the D&C Subcontract if Project Co defaults, until the State has had an opportunity to remedy the default.
FM Subcontractor Side Deed	State, Project Co, FM Subcontractor, FM Subcontractor Guarantor	This deed governs the relationship between the State, Westadium, the FM Subcontractor Guarantor and the FM Subcontractor. Pursuant to this deed, the FM Subcontractor gives various undertakings to the State not to terminate the FM Subcontract if Project Co defaults, until the State has had an opportunity to remedy the default.
General Security Agreement	State, Project Co	This Agreement between the State and Westadium grants the State security over Westadium's property to secure payment of Westadium's liabilities to the State under the project documents.
Independent Certifier Agreement	State, Project Co, Independent Certifier	This document sets out the terms and conditions by which the Independent Certifier carries out its duties to act as an independent assessor as to whether the construction requirements of the Project Agreement have been met.
Operating Phase Licence	State, Project Co	This document sets out the terms and conditions by which the State grants to Westadium a non-exclusive licence to use the Stadium and Sports Precinct for the purpose of providing the Services during the Operating Phase. This document is not executed until the commencement of the Operating Phase.

NAME	PARTIES	DESCRIPTION
Operational Interface Agreement	State, Project Co, Stadium Operator	This agreement between the State, the Stadium Operator and Westadium sets out how the parties will co-operate in the performance of their obligations during the Commissioning Phase and the Operating Phase. This agreement is executed after the Stadium Operator is appointed by the State.
Key Subcontractor Direct Deeds	State, Project Co Builder/FM Subcontractor, Key Subcontractor	<p>Agreements between the State, Westadium, the Builder or FM Subcontractor (as the case may be) and the relevant Key Subcontractor, under which the Key Subcontractor agrees not to terminate the Key Subcontract until:</p> <ul style="list-style-type: none"> the State has had an opportunity to remedy a non-payment by the Builder or the FM Subcontractor (as the case may be); or the State terminates the Project Agreement, but does not elect to take over the Builder or the FM Subcontractor's role on the Key Subcontract.

2.3 Key Commercial Principles

Set out below is a general summary of a number of the key commercial principles that apply to the DBFM Project. These were developed in accordance with the National PPP guidelines for social infrastructure, and subject to Western Australian specific requirements.

2.3.1 Design, Construction and Commissioning

Westadium is responsible for the design, construction and commissioning (subject to certain State specific commissioning requirements) of the DBFM Works by the dates for technical completion and commercial acceptance and to ensure that it is fit for its intended use. Westadium is predominantly responsible for risks relating to design, construction and commissioning of the DBFM Works. Failure to do so may delay or prevent completion. Delays in completion result in a reduced Operating Phase which decreases the number of monthly service payments paid to Westadium by the State.

During the D&C Phase Westadium generally assumes all risks associated with construction, except for delays and disruption caused by the discovery of artefacts, native title and heritage claims and certain approvals to be obtained by the State. Westadium has responsibility for site conditions, excluding migrating contamination and contamination caused by the State.

2.3.2 Facilities Management Services

Westadium must maintain and refurbish the Stadium and Sports Precinct during the 25 year Operating Phase as necessary to ensure it continues to meet the fit for purpose warranty and to meet the requirements in the Services Specifications. In specified circumstances set out in the agreement (such as damage by a stadium user or the Stadium Operator or a Force Majeure Event), Westadium may apply for relief to the extent that the event prevents its performance of the Services.

2.3.3 Operational Interface

The State will retain responsibility, through the Stadium Operator, for the day-to-day operation of the Stadium and Sports Precinct. The State, Westadium and the Stadium Operator (once appointed) will enter into the Operational Interface Agreement, under which interface obligations are imposed on Westadium and the Stadium Operator to work together in the shared site. The Operational Interface Agreement will regulate issues such as access, scheduling of events and maintenance and works required to support the events, as well as prescribing a regime for rectifying damage caused during events and recovery of loss from hirers.

2.3.4 Payment Mechanism

During the D&C Phase, the State will pay Westadium 60% of its construction cost in the form of a State Capital Contribution (SCC) paid in arrears. The monthly amount of the SCC is calculated in accordance with the Project Agreement.

Payment during the Operating Phase is in the form of a Monthly Service Payment (MSP) calculated in accordance with the Project Agreement and paid in arrears. The MSP covers the remainder of the construction costs, financing costs and maintenance costs including lifecycle replacement.

The MSP is subject to abatement in accordance with the abatement regime set out in the Project Agreement.

2.3.4.1 Abatement Regime

Specified failures to provide the Services in accordance with the Service Specifications may constitute a 'service failure' and result in the abatement of the MSP. The abatement is calculated in accordance with a pre-determined formula specified in the Project Agreement.

Westadium may also incur 'availability' failure abatements, 'incident' failure abatements or 'performance' failure abatements.

Westadium will be subject to availability failure abatements if faults occur in any of the functional areas (including individual seats) in the Stadium and Sports Precinct resulting in the functional area failing to satisfy any of the 22 availability conditions specified in the payment schedule, and if the fault is not made safe or rectified by Westadium within pre-specified times.

Incident failure abatements will be incurred where Westadium fails to meet any of the 181 performance measures included in the payment schedule.

Performance failure abatements arise where a fault occurs due to a functional area failing to satisfy any of the Service Standards set out in the Services Specification (excluding availability failures or incident failures) and it is not made safe or rectified by Westadium within pre-specified times.

The response and rectification times that Westadium has been allowed for fixing faults that affect functional areas are dependent on the extent of the potential consequence of the fault, the importance of the area affected and the profile period it occurs in (i.e. whether the fault arises during an event, permitted training period or in a non event period). For example, where a fault occurs in an area of high importance during an event, there is a significantly shorter response and rectification time. This in turn greatly increases the severity of abatements and

financial consequences for Westadium. The occurrence of a similar fault in a non event period has a much lower abatement.

2.3.5 Default and Termination Regimes

2.3.5.1 Default

A default by Westadium under the contractual arrangements, such as where Westadium accumulates abatements above pre-specified thresholds, would entitle the State to various remedies. Where a default has occurred, the State usually gives Westadium an opportunity to cure the default and prevent the Project Agreement from being terminated.

Where Westadium fails to remedy a default within the agreed periods or to comply with an agreed remedial program (as applicable), this will usually give the State a right to terminate the Project Agreement as discussed further in section 2.3.5.2 below. The State's rights in this respect are regulated by the Project Agreement and the Finance Side Deed.

Certain events of default have such significant consequences that they are not subject to a cure regime and will give rise to a State termination right immediately upon their occurrence (e.g. insolvency of Westadium). These events are called 'immediate termination events'.

2.3.5.2 Termination

Subject to the Finance Side Deed, the Project Agreement can be terminated:

- as a result of a failure to remedy an event of default or comply with the agreement remedial program;
- as a result of an immediate termination event;
- as a result of a force majeure event such as a natural disaster (e.g. earthquake, landslide, cyclone) that significantly impacts the site, the Stadium and Sports Precinct or the Off-Site Infrastructure; and
- by the State, in its discretion.

Where the Project Agreement is terminated before the natural expiry of its term, Westadium may be entitled to a termination payment (and will be entitled to a termination payment if the State exercises its discretionary right to terminate). The basis for the calculation of the termination payment will be determined by the reason for the termination, in accordance with the Project Agreement.

2.3.6 Finance

Westadium is responsible for the provision of debt and equity finance for its share of the capital component of the DBFM Project. Its funding structure comprises senior debt drawn down progressively from financial close through construction and equity committed at financial close, with 100% of equity funding being contributed prior to the completion of construction activities.

2.3.7 Commercial Opportunities

Westadium has been granted the right to undertake an agreed list of commercial opportunities in a 500m² designated space situated on the southern side of the event level of the Stadium.

Westadium has underwritten the projected revenues for the commercial opportunities and the State is entitled to receive a share of the revenues earned above the projected revenues.³

2.3.8 State Rights at Expiry of the DBFM Project

The Project Agreement requires Westadium to handover the Stadium and Sports Precinct to the State at the end of the Operating Phase (or upon earlier termination) for nil consideration.

To ensure that the assets are in sound working order, the Stadium, Sports Precinct and Off-Site Infrastructure (as applicable) will be independently inspected on a semi-annual basis in the four years leading up to handover to ensure that all lifecycle and maintenance works are being completed and that the facility will meet the relevant handover condition. The handover condition is described in the Project Agreement.

The Project Agreement requires that, at a minimum, when the Stadium and Sports Precinct is handed back to the State at the end of the term, it be in such a condition that it is reasonable to expect that no major maintenance or refurbishment works (other than normal routine maintenance) would be required for a period of five years from contract expiry.

In the event that Westadium fails to maintain the Stadium, Sports Precinct or Off-Site Infrastructure to the standard required to satisfy the handover requirements, the State will be entitled to compensation for any works undertaken by the State to fulfil the handover requirements.

Concert Event



³ The RFP sought responses from the short listed respondents that included commercial opportunities that will add to the overall amenity and objectives of the Stadium and Sports Precinct. The RFP specifically requested proposals for the refurbishment, expansion or redevelopment of the former Burswood Park Golf Course Club House. As part of its offer, Westadium proposed a commercial arrangement to the State for the development of the former Burswood Golf Club House. The State is now in exclusive negotiations with the proposed development partner. If these negotiations are not successful, it is expected that the State would formally engage the market under a separate, competitive tender process for commercial opportunities related to the Burswood Park Golf Course Club House.