

**SOUTH AUSTRALIA**

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**FINAL REPORT OF  
THE AUDITOR-GENERAL**

**ON THE**

**HINDMARSH SOCCER STADIUM  
REDEVELOPMENT PROJECT**

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**Part 2  
Chronology**

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## GLOSSARY

Adelaide City	Adelaide City Soccer Club was a division of the Adelaide Juventus Sports & Social Club Inc. Adelaide City is currently known as the “Adelaide Force”.
Mr Ashenden	The Hon. Scott Ashenden MP, Minister for Recreation and Sport from 12 December 1996 to 20 October 1997.
Mr Avory	Mr Les Avory, Member of the Board of Commissioners of the Soccer Federation from 1993 and Chairman of the Soccer Federation from December 1996.
Mr Blatter	Mr Sepp Blatter, General Secretary of FIFA.
Mr Bollen	Mr Vaughn Bollen, Manager Capital Works, Office for Recreation, Sport and Racing and successor agencies from March 1996.
Mr Damian Brown	Mr Damian Brown, the Managing Director of National Portfolio Strategies Pty Ltd.
Mr Dean Brown	The Hon. Dean Brown MP, Premier of South Australia from 14 December 1993 to 28 November 1996, Minister for Information and Contract Services from 12 December 1996 to 20 October 1997.
Mr Browne	Mr Jeff Browne, Project Manager, Services SA and its predecessor and successor agencies.
Mr Caruso	Mr Charlie Caruso, Chairman of the Soccer Federation until October 1996.
Mr Ciccarello	Mr Sam Ciccarello, member of the Sydney 2000 Bid Committee established in March 1996 and consultant to Government and head of the Olympic Taskforce from March 1997.
The Council	The City of Charles Sturt and its predecessors, the Corporation of the City of Hindmarsh and the City of Hindmarsh and Woodville.
Mr Crafter	The Hon. Gregory John Crafter MP, Minister for Recreation and Sport between 1 October 1992 and 14 December 1993.
Mr Dixon	Mr Ian Dixon, Stage 2 Project Director from July to November 1997, Chief Executive Officer of the Department of Industry and Trade from 23 October 1997.
Mr Ellis	Mr Terry Ellis, the consultant retained by the Office for Recreation, Sport and Racing in March 1994 to review the April 1989 Feasibility Review and the Soccer Federation’s February 1994 Submission.
Mr Elphinston	Mr Bob Elphinston, General Manager – Games Operation, SOCOG.

Ernst & Young	Ernst & Young, consultants retained by the Office for Recreation, Sport and Racing in April 1996 to prepare a feasibility report on redeveloping the western grandstand.
Mr Evans	The Hon. Iain Evans MP, Minister for Recreation and Sport from 17 December 1997 to 8 October 1998, Minister for Recreation, Sport and Racing from 8 October 1998.
Mr Farrugia	Mr Tony Farrugia, General Manager of the Soccer Federation.
FIFA	Federation Internationale de Football Association, the governing body of international soccer.
Mr Fletcher	Mr Robert Fletcher, the Director of Corporate Services in the Office for Recreation, Sport and Racing and successor agencies from April 1996.
Mr Forbes	Mr George Forbes, Director of Capital Projects in the Office for Recreation, Sport and Racing from 1987 until March 1996.
Mr Ford	Mr Andrew Ford, principal and director of Woods Bagot, primary consultants for Stage 1 and 2.
Mr Forrest	Mr Simon Forrest, Executive Director, Department of Recreation and Sport and successor agencies from 1 July 1997.
Ms Freeman	Ms Judith Freeman, Manager, Project Management Services, Services SA and its predecessor and successor agencies.
Mrs Hall	The Hon. Joan Hall MP, Member for Coles, Ambassador for Soccer in South Australia from December 1995 to 1 October 1999, Chair of the Stage 1 Redevelopment Committee and Executive Group, member of the Sydney 2000 Bid Committee, member of the Olympic Taskforce, member of the Stage 2 Reference Group, Parliamentary Secretary to Mr Ingerson as the Minister for Recreation, Sport and Racing from 21 March 1996 to 29 January 1997, Parliamentary Secretary to Mr Ingerson as Deputy Premier and Minister for Infrastructure from 29 January to 17 December 1997, Minister for Youth and Minister for Employment from 17 December 1997 to 8 October 1998, Minister for Tourism from 8 October 1998.
Mr Hill	Mr David Hill, Chairman of Soccer Australia between 1995 and 23 September 1998.
Mr Hocking	Mr John Hocking, Assistant Crown Solicitor, Crown Solicitor's Office.
Ms Howe	Ms Anne Howe, CEO of Services SA and predecessor and successor agencies.

Mr Ingerson	The Hon. Graham Ingerson MP, Minister for Recreation, Sport and Racing from 22 December 1995 to 12 December 1996, Deputy Premier of South Australia from 28 November 1996 to 7 July 1998, Minister for Local Government, Recreation and Sport from 20 October to 17 December 1997.
IOC	International Olympic Committee.
Mr Jaksa	Mr Gaby Jaksa, Crown Solicitor's Office.
Mr MacFarlane	Mr David MacFarlane, Australian Major Events.
Mr Mayes	The Hon. Milton Kym Mayes, Minister for Recreation and Sport from 18 December 1985 to 1 October 1992.
NSL	The National Soccer League.
NSL Clubs	The National Soccer League Clubs, Adelaide City and West Adelaide.
Mr Olsen	The Hon. John Olsen MP, Premier of South Australia from 28 November 1996.
Mr Oswald	The Hon. John Oswald, Minister for Recreation, Sport and Racing from 14 December 1993 to 22 December 1995.
Mr Pickard	Mr Gordon Pickard, Patron of Adelaide City.
Mr Scarsella	Mr Basil Scarsella, Deputy Chair of Soccer Australia between early 1995 and, from 23 September 1998, Chair of Soccer Australia.
Mr Andrew Scott	Mr Andrew Scott, Stage 2 Project Director from November 1997.
Mr Michael Scott	Mr Michael Scott, CEO of the Office for Recreation, Sport and Racing from 19 September 1994 to 30 June 1997.
Mr Simmonds	Mr Kevin Simmonds, Manager Sporting Events, SOCOG.
Soccer Australia	The Australian Soccer Federation Limited.
Soccer Federation	The South Australian Soccer Federation Inc.
SOCOG	Sydney Organising Committee for the Olympic Games.
Mr Spurr	Mr Bill Spurr, CEO of Australian Major Events.
West Adelaide	West Adelaide Soccer Club was a division of the Hellenic Athletic and Soccer Club of South Australia Inc.
SACES	South Australian Centre for Economic Studies.

## **PART 2 – CHRONOLOGY**



## CHAPTER 5 – INTRODUCTION TO PART 2

### OVERVIEW

In this part of this Report I have set out my detailed factual findings in a chronology of the events relating to the redevelopment of Hindmarsh Stadium.

The concept of redeveloping Hindmarsh Stadium was discussed for over 10 years before major work was undertaken. From the Soccer Federation's point of view it was interested in *"obtaining additional grants for the continual redevelopment of the stadium"*.<sup>46</sup>

In December 1993, the concept of redeveloping Hindmarsh Stadium formed part of the newly elected Government's policy to provide upgraded sporting facilities for netball, athletics and soccer, with a financial contribution from the sport commensurate with its capacity to meet debt servicing costs for the facilities built.

From September 1993, once Sydney was successful in securing the 2000 Olympics, the focus of discussions concerning the redevelopment of Hindmarsh Stadium changed. Whilst the redevelopment of the stadium for the general good of sport was still a relevant concern, the shorter term opportunity to host part of the Sydney Olympics became the driving concern of those involved.

There was bi-partisan support for the upgrade of Hindmarsh Stadium to enable Adelaide to host Olympic Soccer.

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<sup>46</sup> Minutes of the Board of Commissioners of the Soccer Federation meeting held on 17 August 1993.

## CHAPTER 6 - 1988 TO DECEMBER 1994

### SEPTEMBER 1988 - "A MAJOR FACILITY DEVELOPMENT"

On 20 September 1988, the Hon. Kym Mayes MP, then Minister for Recreation and Sport, met representatives of the Soccer Federation. They told Mr Mayes that the Soccer Federation believed that soccer did not receive enough support. The Soccer Federation expected the Government to fund *"a major facility development."* At that time the Soccer Federation had no clear picture of its exact requirements. Mr Mayes discussed the options of redeveloping Hindmarsh Soccer Stadium or building a new stadium at Sports Park, Gepps Cross. Mr Mayes concluded that encouraging a major facility development would be a positive step. He proposed to commission a feasibility study *"in cooperation with the Soccer Federation and Hindmarsh Council."*

Adelaide City's home ground was at that time Kensington Olympic Sports Field. It occupied the sports field for the six "winter" months of each year, with Athletics SA taking up the rest. Athletics and soccer became incompatible at the sports field when the National Soccer League changed soccer from a winter to a summer competition from October 1989. The solution adopted was to move Adelaide City to Hindmarsh. In October 1989, the Premier's endorsement was sought and given for the Department of Recreation and Sport<sup>47</sup> to fund Athletics SA up to \$750,000 to buy out Adelaide City's lease and fund Adelaide City up to \$460,000 to buy land in Manton Street.

### APRIL 1989 - FEASIBILITY STUDY FOR SOCCER: HINDMARSH V GEPPS CROSS

A feasibility study to consider the two options of redeveloping Hindmarsh or building a new facility at Gepps Cross was prepared jointly by the South Australian Department of Housing and Construction,<sup>48</sup> the Department of Recreation and Sport and the Soccer Federation. It was completed in April 1989 and found that:

- while reputed to be one of Australia's best playing surfaces, Hindmarsh lacked amenities for spectators, members and officials;
- its capacity was 18,000 but only 1,500 seats were under cover;
- lighting did not meet colour television requirements;
- the standard of the facility was no longer commensurate with spectator demands and expectations at the international, national and local levels.

The study costed the options of redeveloping Hindmarsh at \$13 million and building a new facility at Gepps Cross at \$17 million. The Soccer Federation preferred redeveloping Hindmarsh.

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<sup>47</sup> The Department of Recreation and Sport as it was known in 1989 was abolished in July 1993. From July 1993 to the date of this Report there have been a number of successor entities and changes in administrative arrangements for this entity. The principal changes are set out below in this chronology at the times they occurred.

<sup>48</sup> The Department of Housing and Construction was known as "SACON". It became the Department for Building Management on 30 June 1994 and was subject to further administrative changes from October 1997. The principal changes are set out below in this chronology at the time they occurred.



The study addressed in some detail the factors relevant to a redevelopment of Hindmarsh Stadium.

The study contained the following passage: <sup>49</sup>

*"Should the upgrading of the Hindmarsh Stadium proceed it will be necessary to negotiate an arrangement between the SA Government, the Hindmarsh Council and the South Australian Soccer Federation whereby the interests of all parties are recognised and protected.*

*One option is for the Government to lease the stadium with its current improvements from the Council and enter into a sub-lease arrangement with the SA Soccer Federation.*

*The agreement between the SA Soccer Federation and the Government would be similar to that proposed for the Hockey/Lacrosse Complex giving responsibility for the financial management of the facility to the sport.*

*The SA Soccer Federation would enter into sub-lease arrangements with resident clubs.*

*This proposal has been canvassed with representatives from the Council and the SA Soccer Federation and initial indications from both parties are positive.*

*This option, will require more detailed discussions with all parties concerned before a final ownership/management proposal can be agreed to."*

The concept of the Government taking a lease from the Council <sup>50</sup> would have given the Government protection in the event of default by the Soccer Federation under the lease and the ability to ensure that Hindmarsh Stadium continued to be used for the playing of soccer. That concept, raised in 1989, appeared briefly three times later, <sup>51</sup> but was not implemented.

## **AUGUST 1989 - \$3.9 MILLION PACKAGE**

During 1989/90 Budget discussions, the Treasury Department informed the Department of Recreation and Sport that it did not support expenditure of the magnitude considered in the April 1989 Feasibility Study. <sup>52</sup> The Department of Recreation and Sport then worked with the Soccer Federation to develop a smaller modified project at a cost of \$3.9 million.

In August 1989, Mr Mayes announced a \$3.9 million package to "boost soccer headquarters" at Hindmarsh. The works included extension of the western grandstand by 300 seats to 1,800, construction of a new eastern grandstand of 2,800 seats, upgraded lighting to enable televising of

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<sup>49</sup> Page 23.

<sup>50</sup> The Corporation of the Town of Hindmarsh is now the City of Charles Sturt. The details of changes in its legal identity and name are set out below in this chronology at the time they occurred. In this Report, it will be referred to as "the Council" unless otherwise stated.

<sup>51</sup> See below in this Chapter at pages 41, 45 and 53.

<sup>52</sup> Minute dated 16 November 1989 from the Acting Director Operations to the Chief Executive of the Department of Recreation and Sport.

night matches plus spectator and player amenities. Works were to be completed by June 1991. The announcement included the following statement:<sup>53</sup>

*"Included in the design concept of the eastern stand are seven shop-front tenancies, the development of which will be the responsibility of the South Australian Soccer Federation.*

*Income generated from these tenancies, corporate box sponsorship and other revenue sources will provide the SASF with a sound financial base from which to further develop Hindmarsh Stadium in the future."*

## **NOVEMBER 1989 – \$6.2 MILLION ESTIMATE**

In developing a smaller project, both the Department of Recreation and Sport and the Soccer Federation worked on the basis of April 1989 costs, which did not take into account escalation costs to completion over a staged construction. That led to a significant understatement of the real cost of the proposed works.

In November 1989, the Department of Recreation and Sport realised that the \$3.9 million budget for the proposed redevelopment was insufficient. An upper limit of \$6.2 million was estimated. A minute from the Chief Executive of the Department of Recreation and Sport to Mr Mayes, then Minister for Recreation and Sport, recorded that the Department considered the \$6.2 million figure a high figure *"with opportunity to decrease this by negotiation with the Soccer Federation about facilities and quality of finish."*<sup>54</sup> It was planned to stage the project over three years.

In January 1990, the Department of Recreation and Sport sought approval from the Capital Works Budget Committee to undertake the proposed redevelopment at a cost of \$6.2 million.

On 5 February 1990, the Chairman of the Capital Works Budget Committee sent a minute to the Chief Executive of the Department in response to the Department's submission for approval. That minute stated:

*"It was, of course, most unfortunate that the Minister's August 1989 statement was based on April 1989 costs, and that escalation to completion was not included in the figure. Of greater concern, however, is the fact that the \$3.9 million figure significantly understates the cost, in April 1989 values, of the facilities now seen as being required. The Committee cannot stress too strongly the importance of project requirements being finalised before cost estimates are prepared..."*

That minute also correctly pointed out to the Department that the Committee was not an approving body and only made recommendations to Government. Before it could make any recommendations, it would be necessary for a report to be prepared detailing and justifying the revised proposal. That proposal would need to be considered in the context of the Department's other capital works proposals and the Government's overall works program. Before any on-site work could begin, the project would need to be referred to the Parliamentary Standing Committee on Public Works for inquiry and report.

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<sup>53</sup> Press release dated 20 August 1989.

<sup>54</sup> Minute dated 23 November 1989.

## MARCH 1990 - PROJECT JUSTIFICATION REPORT

In March 1990, the Facilities Development Unit of the Department of Recreation and Sport prepared a Project Justification Report. It put the case for redevelopment of Hindmarsh in terms of stated Government policy: <sup>55</sup>

*"To promote the development of a State-wide comprehensive recreation and sport system which will cater for all sections of the community...[with] the stated objective of continuing with a long range program to provide sports facilities to international standard[s]. One of the principal aims ... is to increase the number and standard of participation of people in recreation, sport and fitness activities. The provision of international standard facilities for use by players for both competition and training purposes is an important part of pursuing this aim."*

It also stated that: <sup>56</sup>

*"An essential element of an international standard soccer facility is the provision of adequate lighting per medium of overhead lighting towers. The resultant lighting intensity is an essential component of spectator comfort and television coverage."*

The proposed works no longer included the construction of a new eastern grandstand as had been publicly announced by Mr Mayes in August 1989. <sup>57</sup>

As to management and control, it was proposed that the Government take a lease of the stadium from the Council and sub-lease it to the Soccer Federation, with management shared between the Department of Recreation and Sport and the Soccer Federation. That was a sound concept, previously raised in the April 1989 Feasibility Study, <sup>58</sup> that twice briefly re-appeared but was never adequately pursued. <sup>59</sup> There were no detailed proposals as to how this would work.

It also stated: <sup>60</sup>

*"The Facility will be fully maintained by S.A. Soccer Federation in a manner which will ensure that its capital value and purpose are kept to the highest standard."*

*There will be no recurrent expenditure by S.A. Government."*

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<sup>55</sup> Paragraphs 1.1 and 1.2.

<sup>56</sup> Paragraph 1.4.

<sup>57</sup> Paragraph 4.3.2.

<sup>58</sup> See page 38.

<sup>59</sup> See below in this Chapter under the headings "January 1994 - Proposal for Government to Take Over Lease" and "April 1995 - First Involvement of the Crown Solicitor's Office" at pages 45 and 53.

<sup>60</sup> Paragraph 4.2.

Figures were stated as to attendance levels: <sup>61</sup>

*"Attendances vary in accordance with the status of the match; e.g. International fixtures attract between 12-14 000 spectators. State Representative matches attract between 3-4 000 spectators. National Soccer League attract [sic] 3-4 000 spectators normally but this often increases to 10000. State Soccer League attracts up to 1000. Cup matches attracts [sic] up to 10000."*

These levels have not increased materially since.

This proposal for the redevelopment of Hindmarsh Stadium advanced in the Project Justification Report did not ultimately proceed due to funding constraints.

The Project Justification Report was the most detailed and comprehensive consideration given by Government to the issues relevant to redeveloping the Hindmarsh Stadium.

## **MAY 1991 - PROPOSAL FOR PARTIAL UPGRADE FOR 1993 WORLD YOUTH CHAMPIONSHIPS**

In May 1991, Mr Mayes, the then Minister for Recreation and Sport, sought Cabinet approval to proceed with a partial upgrade of Hindmarsh to conform to "FIFA requirements" <sup>62</sup> for the 1993 World Youth Championships at a cost of \$890,000.

The Cabinet submission did not specify what those FIFA requirements were. It stated:

*"The S.A. Soccer Federation applied to the Federation Internationale De Football Association (F.I.F.A.) to have the Hindmarsh Soccer Stadium accepted as a venue for the 1993 World Youth Soccer Championships.*

*F.I.F.A. inspected the facility and noted as a general impression that 'for the moment, this stadium is unsuitable for this championship...'*

*The Department...has developed plans over the past two years for a total redevelopment of the Hindmarsh Soccer Stadium. This has not been proceeded with due to funding constraints...*

*This proposal has been drawn from the plans for the total redevelopment of Hindmarsh Soccer Stadium. ... Further development is planned as and when Capital Funds become available."*

Treasury did not support the project proceeding at that time and questioned whether it warranted sufficient priority in the difficult budgetary position facing the State. Treasury argued that as soccer was a semi-professional sport, it ought to contribute to the cost of upgrading its premier facility. Despite Treasury opposition, Cabinet approved expenditure of \$890,000.

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<sup>61</sup> Paragraph 4.4.

<sup>62</sup> FIFA is the acronym for the Federation Internationale de Football Association. This is the governing body of international soccer. There were no mandatory FIFA guidelines applicable to all stadia hosting international matches. FIFA had in 1991 published non-binding "Technical Recommendations and Requirements for the Construction of New Stadia". FIFA's practice was to assess separately each stadium that was under consideration for specific events.

By March 1993, the following works had been undertaken at a cost of \$1.8 million:

- new lighting suitable for television (1,200 Lux minimum);
- new VIP seating in the western grandstand;
- 8 new corporate boxes;
- a drug testing room;
- new change room facilities for players;
- an enclosed players' race area;
- improved catering facilities on the western side of the ground; and
- 3,000 fixed seats on the eastern terrace.

Between 5 and 20 March 1993, the World Youth Championship was held in Australia. Seven matches were hosted at Hindmarsh Stadium.

## **JULY 1993 – ABOLITION OF THE DEPARTMENT OF RECREATION AND SPORT**

On 1 July 1993, the Department of Recreation and Sport was abolished and became the Recreation, Sport and Racing Division of the Department of Housing and Urban Development. The Department's employees were transferred to the new Division. The Chief Executive Officer of that Division continued to be responsible to and subject to the direction of the Hon. Greg Crafter MP, then Minister for Recreation, Sport and Racing. After the restructure, it was referred to in correspondence as the "Department of Recreation, Sport and Racing".

## **AUGUST 1993 – MERGER OF HINDMARSH AND WOODVILLE COUNCILS**

On 2 August 1993, the Corporation of the Town of Hindmarsh amalgamated with the Corporation of the City of Woodville to form a new council named the City of Hindmarsh and Woodville. Mr John Dyer, the former Mayor of the City of Woodville, was appointed Mayor of the new council.

## **SEPTEMBER 1993 - SYDNEY 2000 OLYMPICS WIN**

On 2 September 1993, it was announced that Sydney had secured the 2000 Olympic Games. The bid document submitted to the International Olympic Committee named Adelaide as one of the possible host venues for matches in the Olympic Soccer Tournament.

By October 1993, discussions were under way between the Division of Recreation, Sport and Racing and the Soccer Federation about the redevelopment of Hindmarsh to accommodate matches during the Sydney Olympics. The construction of a new eastern grandstand as part of a staged four grandstand redevelopment was discussed.

In the ensuing three years there was considerable tension between the various participants' perceptions of whether the Sydney Organising Committee for the Olympic Games had committed to staging Olympic soccer in South Australia and whether the State Government had committed to

providing financial assistance to ensure that occurred. The Soccer Federation regarded both as well established by October 1993: <sup>63</sup>

*"As reported earlier it was noted that Sydney had been successful in their bid to host the Year 2000 Olympic Games.*

*It was further noted that Soccer is the only sport which will be 'decentralised' from Sydney and a group participate in Adelaide.*

*For Adelaide to host a group in the Year 2000 Olympics the stadium will require extensive renovations as FIFA regulations provide that all international matches which have FIFA sanction are to be played in Stadiums which provide the necessary facilities, in particular, seating.*

*The Chairman advised that he had discussed the matter with the Premier of South Australia who had given a verbal undertaking to him that any expenditure on any stadium in Adelaide for the playing of Soccer in the Olympic games would only be made at the Hindmarsh Soccer Stadium.*

*The Commissioners requested that the Chairman obtain the same commitment at a meeting with the Leader of the Opposition."*

## **NOVEMBER 1993 – SACON ABOLITION AND RECONSTITUTION**

On 22 November 1993, the Department of Housing and Construction (SACON) was abolished. On 20 December 1993, a new Department for Housing and Construction was established incorporating all the employees and functions of the former administrative unit.

## **9 DECEMBER 1993 – MR CRAFTER'S LETTER TO SOCCER FEDERATION**

On 9 December 1993, Mr Crafter, then Minister for Recreation, Sport and Racing wrote to the Soccer Federation stating that he was:

*"...pleased to advise that the Government of South Australia is committed to upgrade the Hindmarsh Stadium to full international standard".*

He wrote that he had instructed his departmental officers to prepare a brief to redevelop Hindmarsh Stadium to ensure qualifying and quarter final matches for the 2000 Olympics were played in South Australia. The eastern grandstand was to receive priority as the first stage to be constructed.

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<sup>63</sup> Minutes of the Soccer Federation Board of Commissioners meeting held on 5 October 1993. That must be compared with later reports eg letter dated 14 July 1994 from Adelaide City to the Soccer Federation: "... whether Adelaide and in particular Hindmarsh Stadium hosts a group for the 2000 Olympics is still very speculative and 'up in the air', and subject to continued government discussions and political lobbying."

## **14 DECEMBER 1993 - CHANGE OF GOVERNMENT**

On 14 December 1993, following the State election, the Labor ministers formally resigned and the new Liberal ministers were appointed. The Hon. Dean Brown MP became Premier. Mr Crafter resigned as Minister of Recreation and Sport. The Hon. John Oswald MP was appointed as Minister for Recreation, Sport and Racing.

On 19 December 1993 following the change of Government, the Division for Recreation, Sport and Racing was separated from the Department of Housing and Urban Development and established as an administrative unit in its own right pursuant to the *Government Management and Employment Act 1985*. Its assets and rights were vested in, its obligations attached to and its employees transferred to the new Office for Recreation, Sport and Racing. The Chief Executive Officer of the Office was responsible to and subject to the direction of the new Minister for Recreation, Sport and Racing, Mr Oswald.

On 20 December 1993, the title of the Treasury Department was altered to the Department of Treasury and Finance.

## **JANUARY 1994 - PROPOSAL FOR GOVERNMENT TO TAKE OVER LEASE**

In January 1994, Mr Neil McGachey, then General Manager<sup>64</sup> of the Office for Recreation, Sport and Racing, obtained approval from the Minister to commence negotiations with the Soccer Federation and the Hindmarsh and Woodville Council for the Government to take over the lease of the stadium. In a minute to the Minister, Mr McGachey stated:<sup>65</sup>

*"The Hindmarsh Stadium is Council owned and is leased to the South Australian Soccer Federation and it would be appropriate at this stage to begin negotiations with Council and the Federation to ensure that Government interests are protected. This would be in order to avoid a repeat of the Olympic Sports Field saga whereby it appears that Athletics SA will not be in a position to continue to utilise OSF at the end of 1994 and approximately \$2M worth of asset which was a contribution by the State and Federal Government and Athletics SA could be lost.*

*I would, therefore, propose that the Government, through Recreation, Sport and Racing hold the lease over Hindmarsh Stadium and enter into a sub-lease arrangement with the Federation in order to protect the State and Federal commitments to this Stadium".*

## **FEBRUARY 1994 - SOCCER FEDERATION'S SUBMISSION TO MINISTER OSWALD**

In January 1994, the Soccer Federation was preparing final plans and costings for its four staged development proposal for the upgrading of Hindmarsh Stadium for the 2000 Olympics and waiting on FIFA to send requirements for stadia hosting international matches. The Soccer Federation had allocated its Commissioner, Mr Les Avory, responsibility for working out the parameters of the redevelopment and putting them in a report.

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<sup>64</sup> Mr McGachey later became the Acting Chief Executive of the Office for Recreation, Sport and Racing. The former Chief Executive was Dr Don Swincer.

<sup>65</sup> Dated 6 January 1994.

On 14 February 1994, the Soccer Federation presented Mr Oswald, then Minister for Recreation, Sport and Racing, with its submission entitled *"Qualification Upgrading Requirements For The Hindmarsh Stadium For the Year 2000 Olympic Games"*.<sup>66</sup>

The Soccer Federation President's Message at the front of this submission stated that the Soccer Federation had been invited by the Australian Soccer Federation<sup>67</sup> to host a section of Olympic soccer *"subject to the upgrading of the Hindmarsh Soccer Stadium to conform with strict F.I.F.A. guidelines. ... Unless the Hindmarsh Soccer Stadium is upgraded to these F.I.F.A. requirements South Australia is going to continually miss out on hosting important International [sic] matches."* On the other hand, if it were upgraded there would be no question that Soccer Australia would look favourably at allocating international matches to South Australia regularly.

The Soccer Federation submission proposed an upgrade to conform to FIFA standards. It stated that:<sup>68</sup>

*"In order to achieve our goal we will require to construct, [sic] on a phased basis, a stadium capable of housing 22,000 spectators – seated, together with the necessary public facilities and amenities – in the following way:*

<i>PHASE ONE</i>	<i>Construction of Eastern Grandstand.</i>
<i>PHASE TWO:</i>	<i>Extension of Western Grandstand</i>
<i>PHASE THREE:</i>	<i>Construction of Northern Grandstand.</i>
<i>PHASE FOUR:</i>	<i>Construction of Southern Grandstand."</i>

Apart from several anecdotal examples of the current stadium's deficiencies, there was no definition or explanation as to what the strict FIFA requirements were.

The Soccer Federation's submission estimated the total cost of construction of the four phased redevelopment at \$22.5 million. It stated that it was envisaged that \$250,000 per annum could be generated from a Capital Improvement Fund that the Soccer Federation would establish by levying 5 percent of all gross income generated by any event or match played at Hindmarsh. The Soccer Federation otherwise required a Government grant as it did not have the resources to contribute to capital improvements of the stadium.<sup>69</sup>

The Soccer Federation's submission positively stated that Hindmarsh was the only stadium in Australia which provided exclusively for soccer. There was no analysis of why this was a positive factor.<sup>70</sup>

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<sup>66</sup> This submission will be referred to as the February 1994 Soccer Federation Submission in this Report.

<sup>67</sup> This is the governing body of soccer in Australia.

<sup>68</sup> Page 7.

<sup>69</sup> Page 17.

<sup>70</sup> Mr Tony Farrugia, General Manager of the Soccer Federation has submitted to this Examination that it was always assumed that if Hindmarsh were the only purpose built soccer stadium it would attract more international fixtures than if it were not. I do not consider this assumption analysis of why it was a positive factor.



The Soccer Federation's submission also stated that the Soccer Federation currently leased the stadium until 1999. This lease was about to be extended and a new lease drawn for 25 years, giving the Soccer Federation "security of tenure" at Hindmarsh.<sup>71</sup>

## **FEBRUARY 1994 - SACON PRELIMINARY FEASIBILITY ESTIMATE OF \$30.75 MILLION**

In late February 1994, SACON<sup>72</sup> prepared a preliminary feasibility estimate for the upgrade at Hindmarsh to FIFA standards at the joint request of the Office for Recreation, Sport and Racing and the Soccer Federation. This costing advice was sought for a Cabinet submission.

It stated that:

- The proposal was to accommodate 25,000 spectators within the broad guidelines of FIFA;
- The key findings made in the April 1989 Feasibility Study were used as part of SACON's investigation;
- Preliminary schematics were prepared and based on the information and brief provided by the Soccer Federation Commissioner, Mr Avory.

SACON concluded that early investigation indicated that a four staged project for construction of a 23,750 spectator stadium with two-tiered stands on the northern, southern and eastern sides would cost \$30.75 million, based on current rates and data drawn from recently completed stadia in Adelaide and Sydney. The basis of this conclusion was not articulated in the report.

Nor was any explanation given to reconcile SACON's costings with the \$22.5 million estimate made in the February 1994 Soccer Federation Submission or the inconsistency between quoted FIFA requirements for stadium capacity of 22,000 or 25,000 or 23,750 seats.

The report attached a notional program that contemplated as part of the initial project process a submission to Cabinet, preparation of a brief and a feasibility study.

## **MARCH 1994 - MR ELLIS' REVIEW OF PROPOSALS TO UPGRADE HINDMARSH**

On 31 March 1994, Mr Terry Ellis, a consultant retained by the Office for Recreation, Sport and Racing, provided a review of the April 1989 Feasibility Study and the Soccer Federation's February 1994 Submission. The review was scathing. In Mr Ellis' opinion:

- The estimates of use did not justify a stadium with 23,750 seats:<sup>73</sup>

*"The theory that 'if facilities are provided - the show will follow' is not necessarily true. The facility proposed would doubtless be the best in Australia, but the estimates of use*

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<sup>71</sup> Page 17.

<sup>72</sup> That is, the Department for Housing and Construction. See footnote 48 above.

<sup>73</sup> Page 1.

do not seem to relate to the size proposed. For example, a maximum of 18,000 patrons on 4 occasions (April 89 Report) and 19 occasions of 5,000 patrons is a stadium of 23,750 capacity.

*It seems false economy to build a facility to a maximum demand level for, perhaps one use per year. As other sports have shown that demand problem is easier to manage than the problems of security, cleaning and loss of ambience when 4-5000 are spread throughout a large facility."*

- On the basis of the costs involved, a proposal for a 5 percent levy would require gross income of \$5 million. That income was not established on the information Mr Ellis had seen.
- The cost of the project, \$1,500 per seat, was excessive given the anticipated use.
- Dual usage of the then proposed Athletic Centre should be considered for major events and a minor upgrade to Hindmarsh to avoid cost duplication.
- The car parking and traffic problems were so serious that an alternate site should be seriously considered: <sup>74</sup>

*"The cost of the desired project is excessive for the use and the scale is ambitious for the location; ...*

*The traffic and carparking problem should over-ride any other and must be resolved before any serious consideration is given to remaining, let alone expanding, on the Hindmarsh Site."*

- The April 1989 Feasibility Report was deficient because it did not provide any detailed proposals as to cost repayment, ownership or rights and conditions of use.
- The costs had risen from \$13 million in April 1989 to \$22.5 million in 1993 and \$30.7 million in February 1994 without any major change in the proposal.

Mr Ellis also observed that it was surprising that the proposals did not put forward the concept of a loan or equity. If the sport was as popular as suggested and had the potential stated, then it should have some ability to pay for the facilities. Mr Ellis recommended that the Soccer Federation prepare 10 year income/expenditure projections to establish whether or not there was an ability to pay and to prove the Soccer Federation's viability so that the Government did not face an annual "bail out". <sup>75</sup>

Mr Ellis' review was not detailed. It was one consultant's comments on the Soccer Federation's own partisan report. It probably overstated concerns about car parking. However, its two key points remain valid even as this Report is published, first in respect of the long term demand for the stadium and second, in respect of the Soccer Federation's ability to contribute to the cost.

According to Mr Tony Farrugia, General Manager of the Soccer Federation, the Soccer Federation was not consulted about, or provided with a copy of Mr Ellis' review.

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<sup>74</sup> Page 3.

<sup>75</sup> Page 2.

## **MAY 1994 - CABINET SUBMISSION**

In May 1994, the Office for Recreation, Sport and Racing, prepared a Cabinet submission for Mr Oswald, then Minister for Recreation, Sport and Racing, recommending that Cabinet note the possible budget impact of proposals to upgrade two major sporting facilities for soccer and netball. The draft submission very briefly outlined the four Stage phased project for soccer, consistent with the February 1994 Soccer Federation Submission at an estimated cost of \$22.5 million. While SACON's initial costings were referred to, no mention was made of SACON's February 1994 estimate of \$30.75 million. The proposed first stage was construction of a new eastern grandstand in the 1994/5 year at a cost of \$6.75 million. That was said to be necessary to achieve completion of all four stages in time for the 2000 Olympics.

Detailed submissions were promised when all avenues of funding had been fully explored.<sup>76</sup>

## **MAY 1994 - REQUEST FOR \$6.7 MILLION GRANT**

By late May 1994, the Soccer Federation knew that there was no Federal funding available for the upgrade. Following a meeting with Mr Oswald, then Minister for Recreation, Sport and Racing, the Soccer Federation understood that the Minister would make a request to the Department of Treasury and Finance for a grant in 1995/6 of \$6.7 million to build a new eastern stand.

There was bi-partisan support for the redevelopment of Hindmarsh Stadium. Mr Kevin Foley MP, Shadow Minister for Recreation, Sport and Racing, urged the Government to do everything possible to assist the Soccer Federation in its endeavours to upgrade Hindmarsh to a world class facility.

The Soccer Federation planned to continue its ongoing negotiations with Federal and State Governments to ensure the project actually proceeded.

By July 1994, the Soccer Federation had not received a firm commitment from either the State or Federal Government. Adelaide City thought it was clear that the upgrade and whether Adelaide would host a group for the Olympics was *"very speculative and up in the air"*.<sup>77</sup> Yet the Soccer Federation was still hopeful, even though it knew that there were no funds available for any works in excess of \$3 million in the current budget year.<sup>78</sup> The Soccer Federation continued to lobby for the redevelopment and was encouraged by Minister Oswald's indication that he would seek an amount to build the eastern stand as a minimum requirement for the 2000 Olympics from the 1995/6 Capital Works Budget.

The Soccer Federation went so far as to propose to Minister Oswald that the relocation and building costs for the Soccer Federation's offices be paid by the Soccer Federation until such time as the building of the new eastern grandstand (or any other redevelopment in excess of \$3 million). It proposed that the Soccer Federation would then be entitled to recoup \$200,000 of that cost in repayment for their contribution to works from the redevelopment funds.<sup>79</sup> In discussions with

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<sup>76</sup> This Examination has been unable to determine what happened to this submission. It may have been withdrawn or refused. The only evidence seen on this point suggests that because there was only \$3 million available in the Capital Works Budget, Cabinet decided that the project could not proceed that year.

<sup>77</sup> Letter dated 14 July 1994 from Adelaide City to the Soccer Federation.

<sup>78</sup> Minute dated 30 August 1994 from the Acting Chief Executive, Officer for Recreation, Sport and Racing to Minister Oswald; Letter dated 25 July 1994 from the Soccer Federation to Minister Oswald.

<sup>79</sup> Letter dated 25 July 1994 from the Soccer Federation to Minister Oswald.

Adelaide City, the Soccer Federation sought \$200,000 from Adelaide City pending reimbursement by the Government.<sup>80</sup> Understandably, Adelaide City was unhappy with the security of this proposal.<sup>81</sup> The Soccer Federation's proposal to Minister Oswald did not lead anywhere at that time because there were no funds available in the 1994/5 Capital Works Budget.<sup>82</sup>

For several months, the Soccer Federation did not receive any commitment for a Government funded upgrade. On 15 November 1994, representatives of the Soccer Federation met with Minister Oswald to discuss the Soccer Federation's redevelopment proposals for the 2000 Olympics.

Mr Michael Scott, then Chief Executive of the Office for Recreation, Sport and Racing,<sup>83</sup> made a file note of that meeting. It recorded that the Soccer Federation requested a \$6.75 million eastern stand upgrade, to take the stadium to a capacity of 10,000 (6,000 seated on the eastern side). If Federal funding was unavailable for the north and south sections, the Soccer Federation would look within its own resources to fund this seating. That file note further stated:

*"The Minister advised that he would be prepared to seek Cabinet's in principle approval on this matter [for the \$6.75 million upgrade]. It was also noted that any Cabinet approval would need to be subject to Adelaide securing the rights to host a qualifying round in the Men's Soccer Tournament in the 2000 Olympic Games."*

The Soccer Federation's records<sup>84</sup> reported that the Minister had indicated that the building of a new eastern grandstand was a priority for the South Australian Government and would be taken up by Cabinet and Treasury.

The Soccer Federation by this time had adopted an expedient approach to realising their "dream"<sup>85</sup> of completing the redevelopment. It focused on pursuing the first stage of the phased development so as not to miss out altogether.

However, the Soccer Federation still wished to pursue the full phased redevelopment and made its intentions clear to the South Australian Government at the highest levels.<sup>86</sup>

### **30 JUNE 1994 – ESTABLISHMENT OF THE DEPARTMENT FOR BUILDING MANAGEMENT**

In May 1994, the Government approved changes to the structure and mandate of the Department for Housing and Construction. The revised structure and mandate provided for a central policy and advisory capacity, risk management capabilities, and a small service function.<sup>87</sup>

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<sup>80</sup> Letter dated 8 July 1994 from the Soccer Federation to Adelaide City.

<sup>81</sup> Letter dated 14 July 1994 from Adelaide City to the Soccer Federation.

<sup>82</sup> Minute dated 30 August 94 from Mr McGachey, the Acting Chief Executive, Office for Recreation, Sport and Racing to Minister Oswald.

<sup>83</sup> Mr Scott was appointed Chief Executive of the Office for Recreation, Sport and Racing on 19 September 1994 and resigned on 30 June 1997.

<sup>84</sup> Extract from the minutes of the Board of Commissioners of the Soccer Federation held on 21 November 1994.

<sup>85</sup> Letter dated 26 October 1994 from the Soccer Federation to the Hon. Mike Rann MP.

<sup>86</sup> Letter dated 14 December 1994 from the Soccer Federation to The Premier.

<sup>87</sup> See the Auditor-General's Report for the financial year ended 30 June 1994.

On 30 June 1994, the title of the Department for Housing and Construction was altered to the Department for Building Management. Its Chief Executive Officer was then responsible to the Minister for Tourism and Industrial Affairs. One of the business units comprising the Department was Consultancy Services to provide project and risk management services, contract management, asset management planning and provides a superintendent role to Government on contract administration.<sup>88</sup>

## **OCTOBER 1994 - FIFA REQUIREMENTS AS TO TEMPORARY FACILITIES**

On 27 October 1994, Mr Tony Farrugia, General Manager of the Soccer Federation, sent a letter to Minister Oswald stating that Mr Bob Elphinston, then General Manager – Games Operation, SOCOG, had been told by Mr Sepp Blatter, General Secretary of FIFA, that FIFA would not allow matches to be staged on temporary facilities. According to Mr Farrugia, Mr Elphinston had in turn repeated that conversation to Mr David MacFarlane, then of the Office for Recreation, Sport and Racing.

On the day that the Soccer Federation wrote that letter, the FIFA Executive Committee passed a resolution to permit the use of temporary stands, directly contrary to Mr Farrugia's letter.<sup>89</sup> Ultimately, the final plans for the hosting of qualifying matches in the 2000 Olympic Soccer Tournament in Adelaide did involve some temporary facilities.

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<sup>88</sup> See the Auditor-General's Report for the financial year ended 30 June 1995.

<sup>89</sup> "Authorisation of Temporary Stands in Stadia", FIFA.

## CHAPTER 7 - JANUARY TO DECEMBER 1995

### 30 JANUARY 1995 – SOCOG LETTER TO THE PREMIER OF SOUTH AUSTRALIA

By letter dated 30 January 1995, Gary Pemberton, the Executive President of SOCOG, wrote to then Premier Dean Brown, seeking confirmation of the Government's interest in participating in the 2000 Olympic Soccer Tournament. That letter listed the venues that had been included in the Host City Contract between SOCOG and the International Olympic Committee as:

"VENUE	CAPACITY
<i>Sydney Olympic Stadium (finals)</i>	<i>80,000</i>
<i>Sydney Football Stadium</i>	<i>42,000</i>
<i>Suncorp Stadium (Lang Park), Brisbane</i>	<i>30,000</i>
<i>Olympic Park, Melbourne</i>	<i>30,000</i>
<i>Parramatta Stadium</i>	<i>30,000</i>
<i>Hindmarsh Stadium, Adelaide</i>	<i>15,000"</i>

The letter further stated that SOCOG, in consultation with FIFA and the Australian Soccer Federation, sought confirmation on a number of matters including:

- "(a) The desire by your State to participate in the Olympic Games by hosting a number of matches in the Olympic Football competition;*
- (b) The provision of a venue that is acceptable to SOCOG, FIFA and ASF in all respects including the required minimum seating capacity (a summary of FIFA's minimum requirements is attached;*
- (c) The provision of all necessary infrastructure at no cost to SOCOG to ensure the successful conduct of the Olympic competition including but not limited to – training sites, accommodation, security, local transport, medical services, etc;*
- (d) Cost of capital improvements to venues will not be met by SOCOG as any improvements undertaken represent a long-term investment for the local community and the sport of soccer in particular..."*

The letter attached a one page document entitled "*Football Stadia Minimum FIFA Requirements*" that were stated to be drawn from a range of FIFA publications including regulations and laws of the game, "*Technical Requirements and Guidelines for New Stadia June 1991*" and "*FIFA News*".

The minimum requirements included:

*"Each stadia to have minimum seated capacity 15,000 – no terraces or spectator standing areas.*

*Temporary grandstands and seating permissible [sic] provided strict safety and spectator comfort standards are met – FIFA must approve construction of such temporary stands."*

Also attached was a one-page extract from "FIFA News" entitled "Authorisation of Temporary Stands in Stadia". It set out the conditions upon which the FIFA Executive Committee had resolved to permit the use of temporary stands on 27 October 1994.

On 21 February 1995, Premier Dean Brown responded, confirming Adelaide's selection and advising that a venue would be provided that was acceptable to SOCOG, FIFA and Soccer Australia.

## **FEBRUARY 1995 - EARLY ESTIMATES OF COST OF HOSTING OLYMPIC SOCCER**

On 11 February 1995, Mr Farrugia sent Mr Scott, then Chief Executive of the Office for Recreation, Sport and Racing, a letter about the costs of hosting matches in the 2000 Olympic Soccer Tournament. He estimated those costs as in the order of \$349,700 and stated in his letter that he had made no allowance for CPI or travel between Sydney and Adelaide, that they were estimates only and were broadly based on the 1993 World Championships. However, Mr Farrugia's letter then stated that *"[a]s far as the Stadia requirements are concerned, the requirements of FIFA are self-explanatory."*

On 16 February 1995, Mr Scott prepared a minute to Minister Oswald about the costs of hosting matches in the 2000 Olympic Soccer Tournament. He stated that he considered Mr Farrugia's figure to be underestimated. He expressed his view that *"a figure in the vicinity of \$500,000 would be a more than ample budget for the men's competition"*. The basis for Mr Scott's estimate did not appear in the minute.

## **20 APRIL 1995 – BUDGET SUB-COMMITTEE APPROVAL**

On 20 April 1995, the Budget Sub-committee approved the construction of a new eastern grandstand at a cost of \$6.5 million to be sourced from the recurrent budget of the Office for Recreation, Sport and Racing.

## **APRIL 1995 - FIRST INVOLVEMENT OF THE CROWN SOLICITOR'S OFFICE**

The Crown Solicitor's Office opened its first file in relation to the Hindmarsh Stadium redevelopment on 28 April 1995.

Shortly before, Mr George Forbes, Director of Capital Projects in the Office for Recreation, Sport and Racing, had correctly identified that: <sup>90</sup>

*"[t]he term of the lease with the Hindmarsh and Woodville Council needs to be agreed, as a long term commitment will be essential." [emphasis supplied]*

On the same day that the Crown Solicitor's Office opened its file, a Memorandum of Understanding between the Government and the Soccer Federation was executed.

In the first draft of the Memorandum of Understanding produced by the Crown Solicitor's Office, two alternative mechanisms were postulated to protect the use of the stadium for soccer.

First, it was proposed that the Government would take a lease of the stadium and sublease it to the Soccer Federation. This was the same concept that had been raised in 1989, <sup>91</sup> 1990 <sup>92</sup> and 1993. <sup>93</sup>

The second option was for the Soccer Federation to take a lease from the Council and for the Government to have the first right of refusal to take an assignment of the lease if the Soccer Federation sought to assign the lease during its term.

In the final Memorandum of Understanding as executed, the second option was preferred.

That concept, included in the Memorandum of Understanding by the Crown Solicitor's Office after having been briefed for at most 48 hours, became the sole protection given to the Government to ensure the ongoing availability for soccer of the redeveloped Hindmarsh Stadium.

The concept of the Government taking over the lease was raised with the Soccer Federation, although not in writing. The Soccer Federation rejected it because it perceived it as requiring it to give up control of its traditional home. The Federation's position in that regard had changed since 1989. The Government did not press the point.

## **28 APRIL 1995 - MEMORANDUM OF UNDERSTANDING WITH THE SOCCER FEDERATION**

The April 1995 Memorandum of Understanding was not a binding legal document. It expressly stated in Clause 6.2 that:

*"The parties acknowledge that this Memorandum of Understanding is entered into by all of them in good faith on the understanding that both the Minister and SASF are undertaking further feasibility studies regarding the development and finance of the Hindmarsh Developments in the manner contemplated by this Memorandum of Understanding."*

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<sup>90</sup> Note of discussion points prepared by Mr Forbes dated 26 April 1995.

<sup>91</sup> See above under the heading "April 1989 - Feasibility Study for Soccer: Hindmarsh v Gepps Cross" at page 38.

<sup>92</sup> See above under the heading "March 1990 - Project Justification Report" at page 41.

<sup>93</sup> See above under the heading "January 1994 - Proposal for Government to Take Over Lease" at page 45.



The April 1995 Memorandum of Understanding required that the commitment to play matches at Hindmarsh Stadium be given by the NSL Clubs<sup>94</sup> to the Soccer Federation in their licence agreements with the Soccer Federation.

The April 1995 Memorandum of Understanding defined the project as the works to be undertaken by the Soccer Federation at Hindmarsh at a maximum cost of \$6.5 million and comprising:

- provision of the Soccer Federation's new office, at that time already built;
- construction of a new eastern grandstand; and
- such other works as the Soccer Federation might propose and the Government accept.

The eastern grandstand was defined by reference to a Site Plan and a Concept Plan that comprised annexures to the April 1995 Memorandum of Understanding. The Site Plan denoted the eastern grandstand as a shaded rectangle on the eastern side of the stadium.<sup>95</sup> The Concept Plan was a line drawing of a soccer field surrounded by boxed areas designating seats within the triangle-shaped land bounded by Hindmarsh Place and Manton and Holden Streets. On the eastern side the words "new grandstand" were written. The areas designated for the eastern grandstand in the Site Plan and the Concept Plan were different shapes.

The April 1995 Memorandum of Understanding provided that the Soccer Federation and the Government would contribute to the cost of the redevelopment. Both would use their best endeavours to procure a contribution from the Council. The redevelopment would be financed by the Soccer Federation borrowing up to \$6.5 million and the Government using "*its good offices [to] facilitate*"<sup>96</sup> obtaining that finance to the extent that was appropriate and legal.

The April 1995 Memorandum of Understanding envisaged that the Soccer Federation would fund its contribution of up to 50 percent of the loan repayments by a \$3 levy on all spectators using the new grandstand and \$1 for each spectator using the existing western grandstand. The Government would pay any shortfall between the spectator levies and the loan repayments.

Although the Sydney 2000 Olympics was a key motivation for entering into the April 1995 Memorandum of Understanding, they were not referred to.

## **29 APRIL 1995 – MEMORANDUM OF UNDERSTANDING BETWEEN THE FEDERATION AND THE NSL CLUBS**

The day after the April 1995 Memorandum of Understanding was executed, the Soccer Federation met with representatives of the two clubs which had NSL teams, Adelaide City and West Adelaide. The two NSL Clubs approved the Memorandum of Understanding with the Government in principle except that they refused to be responsible for the \$1 levy to be imposed upon spectators using the existing western grandstand.

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<sup>94</sup> That is, Adelaide City and West Adelaide.

<sup>95</sup> The Site Plan, Annexure A, was a copy of Figure 7 in the 1989 Feasibility Study without Figure 7's original title. Figure 7 in the 1989 Feasibility Study denoted Option 4 for the upgrading of Hindmarsh involving covered seating of 9,000 and total seating of 13,800. The new eastern grandstand seated 2,500 under cover.

<sup>96</sup> Clause 5.4 of the April 1995 Memorandum of Understanding.

## **1 MAY 1995 – COUNCIL OF CLUBS AUTHORISATION OF SOCCER FEDERATION LOAN**

An extraordinary meeting of the Council of Clubs of the South Australian Soccer Federation was held on 1 May 1995 to consider the Government's offer of an eastern grandstand.

The minutes<sup>97</sup> record that the Chairman reported that the Government had recently called meetings with the Soccer Federation to discuss the building of a new eastern grandstand:

*"...in line with the requirements for South Australia to host a section of the year 2000 Olympics, Soccer Tournament."*

The proposal required the Soccer Federation to borrow and service a loan of \$6.5 million under Government guarantee.

The minutes then record that:

*"It was noted that the Federation was not exposed to any risk and any shortfall in the repayments would be made by the State Government – without limitation."*

*It was also noted that as part of the Agreement, Government had agreed to include the new Office Administration area as part of the project and therefore the repay [sic] the borrowing's [sic] of \$200,000 to Adelaide City SC." [emphasis supplied]*

## **1 MAY 1995 - CABINET APPROVAL**

On 28 April 1995, Mr Oswald signed a submission seeking Cabinet approval of the April 1995 Memorandum of Understanding. The definition of the project included a new eastern grandstand but the size and layout of that grandstand was not defined in the Cabinet submission. Only one criterion was stated in the Cabinet submission by which the content of the project could be discerned and that was the cost of \$6.5 million. Mr Oswald has submitted to this Examination that the project was not defined further in the Cabinet submission because it was intended that the content of the project would be the subject of detailed negotiations between the Government and the Soccer Federation within the cost ceiling set by Cabinet of \$6.5 million.

On 1 May 1995, Cabinet considered that submission and gave approval for the Minister for Recreation, Sport and Racing, to conduct negotiations within the principles set out in the April 1995 Memorandum of Understanding. Cabinet also endorsed the Office for Recreation, Sport and Racing being given an additional budget appropriation equivalent to the Government's contribution to the repayments of the \$6.5 million loan that the Soccer Federation would take out.

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<sup>97</sup> Minutes of the Council of Clubs meeting held on 1 May 1995.

Paragraph 2.2 of the submission read as follows:

*"With the success of the Sydney Olympic 2000 bid Hindmarsh Stadium has been chosen as a venue to host Olympic Soccer fixtures provided the Hindmarsh stadium is upgraded to meet FIFA requirements [sic]. FIFA have indicated that matches can only be played on soccer specific stadiums, ie. Hindmarsh. This upgrading will not only guarantee that Adelaide will host a section of the Olympic Games but will continue to host major international soccer events prior to and after the Olympics."*

Mr Oswald has submitted to this Examination that this paragraph in the Cabinet submission was based on *"the best advice coming out of the Soccer Federation from its President and others that the upgrade proposal would secure the Olympic matches"*.

I have found that this advice was incorrect, as was paragraph 2.2 of the Cabinet submission in that:

- There had been no commitment from SOCOG to use Hindmarsh Stadium. Certainly Hindmarsh Stadium would not be used if it did not meet the "minimum FIFA requirements" sent to the Premier on 30 January 1995.
- There is no written record of FIFA having stated that Olympic matches could only be played on soccer specific stadia. Indeed, on 30 January 1995, SOCOG had informed the Premier that the other venues proposed included Sydney Olympic Stadium, Sydney Football Stadium, Brisbane Suncorp Stadium, Melbourne Olympic Park and Parramatta Stadium, none of which were soccer specific. Further, the "minimum FIFA requirements" sent to the Premier on 30 January 1995 did not require that the stadium be soccer specific.
- The April 1995 Memorandum of Understanding and the Cabinet submission proposed the construction of a new eastern stand at a cost of \$6.5 million. It was implicit in the Cabinet submission that this would meet minimum FIFA requirements for number of seats. A file note made by Mr Scott in November 1994 recorded that the Soccer Federation wanted a new eastern grandstand comprising 6,000 seats at a cost of \$6.75 million which would increase the stadium's capacity to 10,000 seated. However, the FIFA minimum stadium requirements received in January 1995 required a minimum capacity of 15,000 seated. No reference was made in the Cabinet submission for the need for temporary seating at a further cost.

The submission also stated that the Soccer Federation was to contribute up to 50 percent of the repayment of the loan of \$6.5 million over a 20 year period. That contribution was to be funded by a "premium" on ticket prices. The submission contained an estimate that approximately \$300,000 to \$400,000 could be achieved in each year. The submission stated:

*"While the contribution by the Federation will vary dependent on the number of spectators utilising the Eastern and Western stands the figure proposed is considered to be achievable and reasonable. The figure represents a cost of \$13 per spectator occupying the Eastern stand which is \$3 in excess of the general admittance cost. This additional cost will provide funds to assist in loan repayments, etc. Similarly the cost per spectator occupying the Western stand will be \$14 (an increase of \$1) the additional cost of \$1 will also contribute toward the repayment of the loan."*

That calculation assumed that the new eastern stand would be fully occupied at each of the NSL matches. While the submission described the estimate as *"achievable and reasonable"*, in fact, the Office for Recreation, Sport and Racing had not undertaken any independent or detailed analysis of those expectations.<sup>98</sup> In fact, the serious reservations expressed in Mr Ellis' Review were not taken into account.

The April 1995 Memorandum of Understanding envisaged that the Soccer Federation would fund its contribution to the financing of the project by a \$3 levy on all spectators using the new grandstand and \$1 for each spectator using the existing grandstand.

The Cabinet submission multiplied those levies by anticipated average attendances at NSL, international and Premier League matches. The anticipated averages involved either substantial increases in average attendances at each match or increases in the number of spectators attending matches choosing to sit in the grandstands. For example, the anticipated average spectators sitting in the new grandstand for NSL matches was 3,000. The average attendances at NSL matches in the preceding four seasons had been as shown below:

Year	Adelaide City	West Adelaide
1991/1992	4,683	3,250
1992/1993	3,714	4,369
1993/1994	4,219	3,383
1994/1995	4,482	3,825

The Soccer Federation did not have historical records to show how many of those attending chose to sit in the existing stand but its capacity was 930 or roughly 20 percent of those attending. If attendances remained the same, about 75 percent of spectators would have to choose to pay extra to sit in the grandstands.

Mr Oswald's view in evidence to this Examination was that when Cabinet approved further negotiations it was on the basis that the budget must be strictly limited to \$6.5 million and that an eastern stand together with temporary seating on the northern and southern sides of the ground would be sufficient to secure matches in the 2000 Olympic Soccer Tournament. Mr Oswald has submitted to this Examination that:

*"if negotiations failed to produce a project for the \$6.5 million then all bets were off and we would have had to withdraw our commitment to the Games."*

On 3 May 1995, the then Premier issued a press release:

*"Premier Dean Brown today announced a \$6.5 million upgrade of Hindmarsh Stadium to bring the venue up to international standard."*

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<sup>98</sup> Indeed, the earlier optimistic estimate of income put forward by the Soccer Federation in its February 1994 submission to Minister Oswald had been criticised by the independent consultant Mr Ellis, who identified the need for those estimates to be thoroughly checked (see under the heading "March 1994 - Mr Ellis' Review of Proposals to Upgrade Hindmarsh" at page 47 above).

*Mr Brown said the upgrade was essential to ensure a world-class stadium in preparation for Olympic 2000 preliminary matches which will be played in Adelaide."*

On 4 May 1995, an article "\$6.5m grandstand for Hindmarsh" was published in The Advertiser. It stated that:

*"The announcement was welcomed by Adelaide City, its NSL counterpart West Adelaide and the SASF, which highlighted further plans for upgrading facilities.*

*The federation's Chairman, Mr Charlie Caruso, said his personal aim was to transform the stadium by spending about \$30 million to create a stadium for 25,000 seated spectators."*

## **18 MAY 1995 - COMMITTEES FOR REDEVELOPMENT ESTABLISHED**

After the April 1995 Memorandum of Understanding had been approved by Cabinet, Mr Scott, the Chief Executive of the Office for Recreation, Sport and Racing, set up four committees, each with representatives from the organisations shown below:

Committee	Representative Organisations
"Finance"	Soccer Federation Office for Recreation, Sport and Racing The Department of Treasury and Finance
"Marketing"	Soccer Federation Office for Recreation, Sport and Racing
"Project Design and Development"	Soccer Federation Office for Recreation, Sport and Racing Department for Building Management
"Executive"	Soccer Federation Office for Recreation, Sport and Racing The Department of Treasury and Finance Crown Solicitor's Office Department for Building Management

The set up of those committees was defined in a letter dated 18 May 1995 sent to the Soccer Federation by Mr Scott. Although it described the function of each committee, it did not specify how decisions would be made. It stated that the committee structure would *"ensure equal representation by both Government and the Federation"* [emphasis supplied]

The Council was invited to join the Executive Committee on 30 November 1995.

## 20 JULY 1995 - FIRST MEETING OF THE EXECUTIVE COMMITTEE

On 20 July 1995, the first meeting of the executive committee for the redevelopment of the Hindmarsh Soccer Stadium was held.

The minutes of that meeting record that it was intended that Department for Building Management should have a significant role in the project.<sup>99</sup>

*"Judy Freeman then outlined DBM's possible role in the project, describing the Department as a risk manager for the Government, assisting the project to meet the desired brief to program as well as to budget.*

...

*Judy advised that she would prefer DBM to have a significant involvement in this project rather than smaller, advisory role."*

In relation to project definition:

*"It was agreed that a meeting be scheduled with representatives from Recreation, Sport and Racing, SA Soccer Federation, and Department for Building Management in order to prepare the design brief."*

A design brief had been prepared by the Office for Recreation, Sport and Racing by the time of that meeting but it was recognised at the meeting to be inadequate.

The meeting endorsed the establishment of the committees proposed by Mr Scott:

- An "executive committee" comprising the Assistant Crown Solicitor<sup>100</sup> and the President<sup>101</sup> and General Manager<sup>102</sup> of the Soccer Federation and the Chief Executive<sup>103</sup> and the Director of Capital Projects<sup>104</sup> of the Office for Recreation, Sport and Racing.
- A "marketing sub-committee" comprising one representative from the Office for Recreation, Sport and Racing<sup>105</sup> and one from the Soccer Federation.<sup>106</sup>

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<sup>99</sup> Minutes of Meeting of Hindmarsh Soccer Stadium Upgrade Committee held on 20 July 1995, pages 4-5.

<sup>100</sup> Mr John Hocking. Mr Hocking did not attend this meeting.

<sup>101</sup> Mr Charlie Caruso.

<sup>102</sup> Mr Farrugia.

<sup>103</sup> Mr Scott.

<sup>104</sup> Mr George Forbes.

<sup>105</sup> Mr Bruce Raymond.

<sup>106</sup> Mr Martin Harrington.

- A "finance sub-committee" consisting of the Director of Capital Projects of the Office for Recreation, Sport and Racing, the General Manager of the Soccer Federation, the Deputy Chair of Soccer Australia<sup>107</sup> and a representative from the Department of Treasury and Finance.<sup>108</sup>
- A "project design development sub-committee" comprising the Director of Capital Projects of the Office for Recreation, Sport and Racing, the General Manager of the Soccer Federation and two representatives from the Department for Building Management.<sup>109</sup>

The minutes of the meeting record that:

*"Michael Scott informed that the Sydney Organising Committee for the Olympic Games would be a valuable resource subsequent to the completion of the design brief."*

This statement suggests that the Committee recognised the importance of consulting SOCOG in developing the design brief for the project so as to meet FIFA/SOCOG requirements.

## **AUGUST 1995 - SOCCER FEDERATION ATTEMPTS TO INCREASE BUDGET**

Mr Oswald gave evidence to this Examination that the Soccer Federation sought to use comments about temporary stands made by FIFA as a reason to expand the scope of the development but he had insisted on the project remaining limited to one grandstand within the budget of \$6.5 million. He had been asked to approve additional expenditure so that no temporary stands, of the type used during the Grand Prix, would be necessary. Mr Oswald refused. His departmental staff received informal indications from SOCOG that that would be sufficient.

## **1 SEPTEMBER 1995 - APPOINTMENT OF DEPARTMENT FOR BUILDING MANAGEMENT AS PROJECT MANAGER**

On 1 September 1995, the Department for Building Management was appointed as project manager for the Hindmarsh Stadium Redevelopment project. An agreement for the Department's role in the proposed construction of a new eastern grandstand with undercover seating for 5,000 was recorded in an exchange of letters between the Office for Recreation, Sport and Racing and the Department for Building Management.

## **4 SEPTEMBER 1995 - DEPARTMENT FOR BUILDING MANAGEMENT PROJECT BRIEF**

The Department for Building Management prepared a "consultancy brief" dated 4 September 1995, which described in note form the content of the new eastern grandstand. That brief specified that the seating in the new grandstand should meet FIFA guidelines but it did not mention that the pitch had to be upgraded for the stadium to comply with FIFA guidelines.

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<sup>107</sup> Mr Basil Scarsella.

<sup>108</sup> Mr Neil Nosworthy.

<sup>109</sup> Ms Judith Freeman and Project Manager, Mr Jeff Browne.

## 20 SEPTEMBER 1995 - TENDER PROCESS FOR APPOINTMENT OF PRIMARY CONSULTANT

By letter dated 20 September 1995, the Soccer Federation invited six firms of architects to make submissions for the position of primary consultant to provide architectural and engineering services.

The letter was prepared by the Department for Building Management. It included the following: <sup>110</sup>

*"Role of the Department for Building Management*

*DBM will provide project and cost management services for both consultancy stages of the project.*

*The DBM role, coordinated by the DBM project manager, will include project overview, support and advice to the project team on Government policy and procedures, facilitation of project approvals and engagements, provision of the tendering service and contract administration as Superintendent's Representative. Formal submission of the project for planning approval and certification under the Development Act will be by the project manager based on information provided by the primary consultant.*

*DBM cost management service will include budgeting, costing, progress payments processing and the input of data into the contract reporting system.*

*DBM will be responsible for the printing of the tender documents and for calling tenders."*

The letter inviting tender submissions included the following specification of work: <sup>111</sup>

*"It is intended that consultancy services be procured in two stages.*

*The initial stage will consist of the following services:-*

- *preparation of a comprehensive brief of requirements;*
- *undertaking of feasibility investigations;*
- *preparation of preliminary concepts;*
- *provision of a recommended proposal.*

*The DBM cost manager will prepare notional estimates and will assess the estimates against the budget.*

*The remaining stage will consist of primary consultancy services from sketch design through to contract administration."*

The requirement of the "feasibility investigations" was not specified in more detail either in that letter or in any later document or instruction to the primary consultant ultimately engaged.

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<sup>110</sup> Pages 1 and 2.

<sup>111</sup> Page 2.



Engagement of the primary consultant beyond the initial design stage was not guaranteed: <sup>112</sup>

*"It should be noted that an engagement as primary consultant for the initial stage may not necessarily indicate continued engagement of the same primary consultant for the remaining stage."*

A notional budget for the project, including professional fees, was stated as \$6.2 million. <sup>113</sup> Of the \$6.5 million approved by Cabinet in May 1995, \$300,000 was for works already undertaken to the Soccer Federation's office administration facilities.

Tenders were received from six architectural firms. Representatives of the Soccer Federation, the Office for Recreation, Sport and Racing and the Department for Building Management interviewed three short listed architectural firms.

The architectural firms visited the site before making their submissions. In the course of Woods Bagot's visit, Mr Andrew Ford, the Adelaide principal and a partner of Woods Bagot, made a note which read *"Stage I - another \$10 mill coming .: ? masterplan"*. <sup>114</sup> In his evidence to this Examination, Mr Ford said that someone, maybe Mr Jeff Browne, Senior Project Manager in the Department of Building Management, must have made the point to him that the development was part of an ongoing development program. He did not recall anyone suggesting that the Government had already given a commitment to spend that money.

Woods Bagot were very conscious of the fact that the \$6.2 million budget covered work which had to fit into the longer term needs for the site. In their tender submission they said: <sup>115</sup>

*"This project offers a number of site challenges. The compact nature of the grounds, the need for continuous operation, the importance of maximising the value of the existing facilities, provision of the new grandstand and ensuring future opportunities are 'protected' in the master planning are all critical. Further, the risk to the owners and operators should be minimised.*

*Strategic master planning is therefore a vital factor in this project. The site opportunities and constraints will be carefully evaluated. Alternative design solutions will be prepared and carefully assessed to ensure that the best solution meets key criteria, including value for money, providing opportunities for future development, the best use of existing facilities and maximising the opportunity to continue operations during construction."*

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<sup>112</sup> Page 2.

<sup>113</sup> Page 3.

<sup>114</sup> The symbol ".:" is taken to mean "therefore".

<sup>115</sup> Page 1.

Woods Bagot's submission also stated: <sup>116</sup>

*"Client Support*

*Woods Bagot is keen to support SASF and we would like to explore corporate options such as sponsorship and other ways in which we can assist the SASF in achieving its objectives as part of our ongoing relationship." [original emphasis]*

After Woods Bagot's submission was received, the Soccer Federation sent a letter to the Chief Executive of the Office for Recreation, Sport and Racing that contained the following passage: <sup>117</sup>

*"It should be noted that as part of Woods Bagot original submission they offered some form of sponsorship to the Soccer Federation and we advise that we have submitted proposals to this Company and intend to follow up on these."*

Woods Bagot were approached by the Chairman of the Soccer Federation seeking confirmation of their sponsorship offer. <sup>118</sup> Mr Ford confirmed that Woods Bagot intended to offer sponsorship if Woods Bagot were the successful tenderer. The Chairman of the Soccer Federation, Mr Caruso, then asked how much Woods Bagot were offering and how much would Woods Bagot be prepared to cut off their fees because other tenderers might also be prepared to do the same. Mr Ford objected to sponsorship being part of the tendering process. It was not part of the offer to tender and Mr Ford feared that if the Soccer Federation sought that from them, they would also seek it from other tenderers, leading to a *"Dutch auction"*. Mr Ford informed DBM about his objections and DBM ensured that the integrity of the tender process for the primary consultant was maintained. Ultimately, even though their submission invited it, Woods Bagot did not provide the Soccer Federation with any sponsorship either as part of the tender process for the primary consultant or more generally for the redevelopment project.

Woods Bagot's tender submission also contained the following passage: <sup>119</sup>

*"Andrew Ford and Peter Hoare have also recently been involved in several preliminary studies of the Hindmarsh Soccer Stadium for SASF in exploring options for new grandstands."*

Mr Ford and Mr Peter Hoare of Woods Bagot had informal discussions with Mr Avory about the plans to either redevelop Hindmarsh Stadium or relocate to a new stadium north of the city that were the subject of the 1989 Feasibility Study. Woods Bagot were not paid for their involvement and neither Mr Ford nor Mr Hoare regarded Woods Bagot as retained by the Soccer Federation.

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<sup>116</sup> Page 7.

<sup>117</sup> Letter dated 1 November 1995 from SA Soccer Federation to Mr Scott signed by Mr Farrugia.

<sup>118</sup> Mr Avory has informed this Examination that Mr Caruso's approach was not authorised by the Soccer Federation.

<sup>119</sup> Woods Bagot submission page 34.

## **30 OCTOBER 1995 - ESTABLISHMENT OF SERVICES SA**

On 30 October 1995, the Department for Building Management was abolished and Services SA established. The employees and functions of the Department were transferred to Services SA.

## **8 NOVEMBER 1995 - APPOINTMENT OF WOODS BAGOT**

Woods Bagot were selected as primary consultant because they were the preferred candidate of the Soccer Federation. The Soccer Federation expressed a preference for Woods Bagot, noting that the Soccer Federation would pursue the possibility of sponsorship from Woods Bagot.<sup>120</sup> The Office for Recreation, Sport and Racing supported the appointment of Woods Bagot.<sup>121</sup>

Woods Bagot were not the cheapest of the tenderers. Services SA had assessed the cheapest tenderer as having the necessary skills for the project, even if not the same skill level as Woods Bagot. Services SA considered Woods Bagots' proposal offered the most appropriate level of services for a market competitive fee.

On 8 November 1995, the Soccer Federation sent Woods Bagot a letter formally offering Woods Bagot the contract as primary consultant.<sup>122</sup> The scope of the retainer was indicated in the letter's heading - "*Hindmarsh Soccer Stadium New Eastern Grandstand*" but not otherwise. That letter stated that it enclosed a formal contract document but it did not. That contract was not sent until 9 January 1996. The contract then sent, defined the scope of Woods Bagot's retainer by reference to Woods Bagot's own submission. It was not executed until February 1996.

## **8 NOVEMBER 1995 - WOODS BAGOT PRELIMINARY DESIGN WORK**

### **Project Definition**

Woods Bagot commenced preliminary design work immediately.

They were not provided with any documents to show how the budget of \$6.2 million had been set.

Woods Bagot did not consider themselves constrained by the previous project definitions. Those project definitions did not precisely state the extent to which compliance with FIFA guidelines was necessary.

During the selection process, by Services SA letter dated 29 September 1995, Woods Bagot had been provided with a copy of FIFA's "*Technical Recommendations for the Construction of New Stadia*". During a site visit Woods Bagot were told that a thorough understanding of those requirements was necessary. The extent to which adherence to those standards was necessary was not specified. Woods Bagot were not instructed as to the criteria they were to apply in determining which of the FIFA standards were mandatory and which optional.

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<sup>120</sup> The circumstances of the selection of Woods Bagot are described in detail above.

<sup>121</sup> Minute dated 2 November 1995 from Mr Scott, Chief Executive of the Office for Recreation, Sport and Racing.

<sup>122</sup> This letter was prepared for the Soccer Federation by Services SA.

During a series of design meetings held from December 1995, Woods Bagot tabled a draft *"FIFA Requirements Comparison Schedule"* to be built up progressively. The minutes of these meetings record that "Field Size" was a primary issue as *"Field and boundary clearances is [sic] currently below FIFA requirements for International matches"*.<sup>123</sup>

### **Assessment of Future Development Options**

Between their appointment in November 1995 and March 1996, Woods Bagot developed a series of options for the first stage of the redevelopment. The design process adopted by Woods Bagot involved taking very detailed instructions from the Soccer Federation. Woods Bagot regarded the Soccer Federation as the client.

Woods Bagot's design philosophy was based on an approach taught to them by an American consultant. That philosophy required an examination with the client of how the specific project being undertaken would fit with the future desires of the client and possible further development of the site. That philosophy reflected common sense in that duplication and waste would occur if the development had to be demolished or excessively altered when later developments were undertaken. The development might close off options for future development.

When Woods Bagot commenced preparation of their own *"Functional Design Brief"*,<sup>124</sup> they defined the project objectives as:<sup>125</sup>

*"Generally, the objective of this project as funded is the design and development of a new eastern grandstand for the Hindmarsh Stadium.*

*In particular, there is a requirement to achieve the best value for money for the various stakeholders involved. These stakeholders are:-*

*South Australian Soccer Federation*

*City of Hindmarsh and Woodville (owners of the site)*

*Government of South Australia (provider of finance and represented by Office for Recreation, Sport and Racing)*

1. *The National League Clubs - Adelaide City and West Adelaide (currently located on site in western grandstand)*
2. *All the Federation clubs*
3. *Soccer Australia (National body)*

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<sup>123</sup> Item 1.1.2 in minutes of Design Meetings No. 1 and 2 held on 12 and 21 December 1995.

<sup>124</sup> This was a far more detailed document than the consultancy brief prepared by the Department for Building Management and sent to Woods Bagot in September 1995.

<sup>125</sup> Draft Contents Page.

*Due to the long term implication of this project to the first 3 stakeholders in particular, the agreed methodology is to thoroughly investigate and analyse the current and future needs and objectives of the stakeholders and develop a flexible master plan for the full long term development of the facilities on this site. From this viewpoint, it is intended to determine the most appropriate use of the current available funding to agree a scope and brief for the first stage.*

*Detailed objectives within the above scenario are:-*

- *provide the most value for the least cost at all times*
- *provide the best possible amenity for all of the spectators and other users*
- *provide as many covered seats as possible*
- *provide a world class facility to promote soccer and South Australia throughout Australia and internationally*
- *to add value and financial return to all of the stakeholders*
- *to optimise the flexibility of the stadium to capitalise on alternative events and uses."*

### **Identification of Need for Land Acquisition**

Woods Bagot prepared rough sketch plans of the main playing pitch and the possible locations of the grandstands by reference to that pitch. Woods Bagot formed the opinion that if the pitch was to be enlarged to accommodate the grass surround required by FIFA and there was to be a stand on each side of that pitch with total seating capacity of 20,000, the stadium site would have to be expanded. That would require the closure of Hindmarsh Place near the south western corner of the stadium. That in turn would necessitate acquisition of the properties fronting Hindmarsh Place that would then have no street access or acquisition of other land from which to provide the street access.

Woods Bagot spoke to the Council about this issue. Coincidentally, the Council had already been considering acquiring a number of the properties adjacent to the stadium site and closing Hindmarsh Place. On 11 December 1995, the Council sent Woods Bagot a plan of the land surrounding the stadium showing certificate of title references, land owned by the Council and land currently for sale.

Woods Bagot's preliminary sketches identified that if the playing pitch was to be expanded, the stadium site needed to be extended to the south into Hindmarsh Place and east over the land then occupied by the Hindmarsh Bowling Club.

### **Financial Examination**

Woods Bagot endeavoured to identify the mix of revenue at the stadium and the effect that different mixes of facilities (eg spectator seating versus corporate boxes) would have on revenue. They were based solely on incomplete historical figures obtained from the Soccer Federation. Their inquiries were not finalised.

### **Identification of Preference to Redevelop Western Side**

Woods Bagot formed the view from the time of their submission that the main grandstand at the Hindmarsh site should be on the western rather than the eastern side. As part of the client briefing

process with the Soccer Federation, they prepared a series of options. Woods Bagot identified a number of options for the future development of grandstands on all four sides of the pitch. The options involved variations in the configuration of the grandstands, such as whether a grandstand would be single or multiple-tiered or would extend over Hindmarsh Place or the Bowling Club. Woods Bagot developed a number of combinations of those options that Woods Bagot considered were feasible. They recorded thirteen of those combinations in a compilation document that compared the different ultimate total capacities. Those capacities ranged between 15,000 and 22,965 seats.

Each combination envisaged that one of the grandstands on either the eastern or the western side of the pitch would be larger than the others. Woods Bagot distilled from the thirteen combinations of different configurations, seven options for the development of the first grandstand, referred to as "Stage 1".

Most of the options were variations on the development of a new eastern stand. The third, Option C, was a redevelopment of the existing western stand. Option G was a new two tier stand on the southern side.

Option C was Woods Bagot's preferred option. For that option to remain within the \$6.2 million budget, it would have only 3,730 seats, not 5,000 as envisaged by the May 1995 Cabinet submission. To achieve the target of 5,000 seats, it was necessary to extend the western stand to the north and south.

## CHAPTER 8 - DECEMBER 1995 TO MAY 1996

### LATE 1995 - APPOINTMENT OF MRS HALL AS AMBASSADOR FOR SOCCER

In late 1995, the Hon. Joan Hall MP was appointed Ambassador for Soccer by the Soccer Federation. She was invited to take on the role by the then Deputy Chair of Soccer Australia, Mr Scarsella to replace the former President. The role had not previously existed.

Mrs Hall's position as Ambassador for Soccer was an honorary position. In her evidence before this Examination, Mrs Hall said it involved her ceremonially and in a chairing capacity. Mrs Hall did not involve herself in the day to day activities of the Soccer Federation or the NSL Clubs. However, Mrs Hall did attend meetings of the Board of Commissioners of the Soccer Federation occasionally.

Mrs Hall's role as Ambassador for Soccer is discussed in detail in Chapter 38.

### 22 DECEMBER 1995 - CHANGE OF MINISTER FOR RECREATION, SPORT AND RACING

On 22 December 1995, the Hon. Graham Ingerson MP replaced Mr Oswald as Minister for Recreation, Sport and Racing.

Mr Ingerson gave evidence to this Examination that, although he could not recall the specific occasion, he believed that he would, immediately upon taking over, have obtained a briefing from Mr Scott or someone else in the Office for Recreation, Sport and Racing about the stadium project. He did not have a hand over meeting with the previous minister.

### 18 JANUARY 1996 - WOODS BAGOT'S FIRST PROJECT REPORT

By letter dated 18 January 1996 to Services SA, Woods Bagot provided their first report on the status of the project.<sup>126</sup> Woods Bagot reported:

*"The methodology we are following on this project has a strategic focus rather than a traditional architectural briefing and design approach. This involves working with the Soccer Federation to understand their financial drivers and business objectives before finalising the brief and the scope of the project.*

*This will enable us to match the brief and the design options that follow to the available funds in a way that will best service the ongoing needs of the Federation.*

*In order to do this we needed to obtain figures on the financial returns that Soccer are currently achieving or expect to achieve for various aspects of their operations. We have also suggested options for Soccer have to follow up for acquiring additional land around the site which will not affect the project funds and will open up a range of design options for more effective use of the site. Soccer have had some difficulty providing this information and we have had to extend the programme...*

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<sup>126</sup> The Department for Building Management had become part of the newly formed agency, Services SA.

*The cost of the project will depend on the final mix of ancillary facilities such as covered seating, corporate facilities, club rooms etc. With the methodology we are following we can assure you that the project will be contained within budget while providing the best possible value for money to the Federation." [emphasis supplied]*

No representative of Government with financial expertise was involved in examining the Soccer Federation's "financial drivers" affecting the design of the stadium.<sup>127</sup> This issue was left to Woods Bagot who were architects, not financial advisers.<sup>128</sup>

## **22 JANUARY 1996 - FIFA LETTER ABOUT PITCH SIZE**

On 22 January 1996, FIFA sent a letter to the Soccer Federation confirming that the pitch for Olympic competitions must be 105 metres by 68 metres with a grassed area behind the goals of 3 to 5 metres and outside the sidelines of 2 metres.

## **FEBRUARY 1996 - ESTABLISHMENT OF HINDMARSH STADIUM REDEVELOPMENT COMMITTEE**

In February 1996, Mr Ingerson as Minister for Recreation, Sport and Racing established a new committee called the Hindmarsh Stadium Redevelopment Committee. This Ministerial Advisory Committee replaced the project management structure that had operated from July 1995 which had been established by Mr Scott as the Chief Executive of the Office for Recreation, Sport and Racing.

The stated objective of the committee was to:<sup>129</sup>

*"[C]omplete the Hindmarsh Soccer Stadium development project, within the agreed budget of \$6.5m for Stage 1, by August/September 1997, with the least disruption to the South Australian soccer community and the national league competition."*

I consider that the reference to "Stage 1" in this stated objective indicates that the then Minister, Mr Ingerson viewed the \$6.5 million redevelopment as part of a wider project. Mr Ingerson has submitted to this Examination that use of "Stage 1" does not justify this conclusion. I do not accept Mr Ingerson's submission.

This was different from the former Minister Oswald's view and consequently, from the May 1995 Cabinet approval and the April 1995 Memorandum of Understanding under which the project was being pursued.

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<sup>127</sup> The Government did not obtain any proper or considered understanding of the financial operation of the stadium until the Arthur Andersen Report was delivered in March 1999. See below in this Chronology at "27 November 1998 – Recognition that Government not able to assess Soccer's capacity to pay".

<sup>128</sup> Mr Ingerson submitted to this Examination that this finding was incorrect because Woods Bagot employed Rider Hunt as cost consultants to costs the design before it was submitted to Government. I do not agree. Rider Hunt were not involved in the redevelopment until September 1996 when they were instructed by Services SA to cost options for Stage 2.

<sup>129</sup> Letter from Mr Ingerson, Minister for Recreation, Sport and Racing to Mr Browne, undated but about February 1996.



The letter continued:

*"...this Committee which is to be responsible to me as Minister for Recreation, Sport and Racing ... will provide me with regular progress reports to ensure the redevelopment is delivered on time and on budget."*

Before this Examination Mr Ingerson gave evidence about his intentions in setting up this committee. He said:

*"...that was to set up advisory committees to keep me informed, I think, around that time and I can't remember the exact date but around that time we were formally given Parliamentary Secretaries by the then Premier and my way of being kept personally informed was to involve the Parliamentary Secretaries in any committees we had so that I had a direct input as to what went on versus what might have been reported to me by the Department and/or the soccer Federation..."*

There were no written reports from this Committee to the Minister found among the considerable volume of documents produced to this Examination. Mr Ingerson confirmed that he did not receive any. He gave evidence that he was kept informed of the deliberations of the Committee by oral briefings from Mrs Hall, who was his Parliamentary Secretary and Chair of the Committee, as and when was necessary. He was also kept informed of developments by Mr Scott as Chief Executive of the Office for Recreation, Sport and Racing during their regular weekly briefing meetings.

Copies of the minutes were distributed to the members of the committee and to Ms Judith Freeman of Services SA.

The members of the committee were:

<b>Member</b>	<b>Representing</b>
The Hon. Joan Hall MP (Chair)	Minister Ingerson
Mr Basil Scarsella (Deputy Chair)	The Soccer Federation
Mr Charlie Caruso then Mr Les Avory <sup>130</sup>	The Soccer Federation
Mr Tony Farrugia	The Soccer Federation
Mr Charlie Zollo	Adelaide City
Mr Charlie Caprogreco <sup>131</sup>	Adelaide City
Mr John Garas <sup>132</sup>	West Adelaide
Mr Harry Zachroyannis	West Adelaide
Mr Peter Korolis <sup>133</sup>	West Adelaide
Mr Michael Scott	Office for Recreation, Sport and Racing

<sup>130</sup> When Mr Avory replaced Mr Caruso as Chairman of the Soccer Federation in October 1996, he began attending these meetings as a representative of the Soccer Federation.

<sup>131</sup> Mr Charlie Caprogreco only attended the fourth meeting of this Committee.

<sup>132</sup> Mr John Garas did not attend the first two meetings of the Committee.

<sup>133</sup> Mr Peter Korolis attended the first meeting in place of Mr Harry Zachroyannis.

Member	Representing
Mr George Forbes then Mr Vaughn Bollen <sup>134</sup>	Office for Recreation, Sport and Racing
Mr Geoff Whitbread	Council
Mr Jeff Browne	Services SA
Mr Kevin Brodie	Services SA
Mr Andy Ford	Woods Bagot
Mr Peter Hoare	Woods Bagot

Shortly prior to the first meeting of the committee, Woods Bagot sent Mrs Hall a copy of a map showing the ownership of the land surrounding the stadium. Ownership of the surrounding land had become an issue for the committee because Woods Bagot's master plan investigations had identified the need to expand the site south and west to accommodate a larger playing pitch. Mrs Hall has informed this Examination that while she cannot now identify the map sent to her, she recalls that she made inquiries to ascertain whether the Government owned any of the land surrounding the stadium because the possibility had been raised that the redevelopment might extend beyond the existing boundaries of the stadium. However, there were no funds included in the Stage 1 budget for the acquisition of land and it was not part of the scope of works contemplated to that date for the project. At the first meeting of the committee held on 26 February 1996, Woods Bagot presented the options for the redevelopment of the stadium. Woods Bagot expressed their preference for the redevelopment of the existing western stand. Discussion at the meeting focused on two of the options:

- Option "C" - upgrading of the existing western grandstand; and
- Option "D" - a single tiered grandstand on the eastern side incorporating the existing concrete terraces to remain at the front of the stand at an estimated cost of \$4.45 million.

There was considerable initial resistance from the Soccer Federation representatives to the change from east to west. Mr Ford attributed that to a fear that an attempt to change the nature of the project could place the entire funding of \$6.5 million at risk.

Eventually, Mr Scarsella was persuaded of the merits of the change. The other Soccer Federation representatives followed his lead.

Mr Geoff Whitbread of the Council asked at that meeting whether:

*"...the margin of cost effectiveness of a 20,000 person stadium capacity had been appraised against a lesser capacity particularly in regard to opportunities for temporary grandstand facilities for high capacity events."*

The minutes record next to that comment "*All to Note*". However, no consideration was later given by that committee to setting the goal for ultimate capacity by reference to cost-effectiveness.

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<sup>134</sup> When Mr Vaughn Bollen replaced Mr Forbes in the Office for Recreation, Sport and Racing in March 1996, Mr Bollen attended these committee meetings in his place. Mr Bollen's position in the Office for Recreation, Sport and Racing was as Manager, Capital Works.

The issue of presenting more than one option to Minister Ingerson was considered. The Chair, Mrs Hall:

*"...advised that this Committee will determine the preferred option and will then recommend accordingly to the Minister."*

Despite that statement, the next day, Woods Bagot asked Services SA to check and inform them:

*"...if another option (A or D) [is] to be presented to the Minister. (Agreed that no further costing or development required for these options)".*<sup>135</sup>

## **22 FEBRUARY 1996 - CHANGE OF TITLE FOR SERVICES SA**

On 22 February 1996, Services SA's title was altered to the Department for State Government Services. It was still referred to as Services SA.

## **23 FEBRUARY 1996 - SOCCER FEDERATION LEASE**

On 23 February 1996 the Soccer Federation entered into a lease of the stadium site from the Council. The Government was not consulted about the terms of that lease, even though that was a condition of the April 1995 Memorandum of Understanding. This also became a condition of the Funding Deed entered into between the Government and the Soccer Federation in October 1996.<sup>136</sup>

The Government did not take any security over the lease, as part of the legal arrangements for either Stage 1 or Stage 2.

## **FEBRUARY 1996 - 2000 OLYMPIC SOCCER QUALIFYING TOURNAMENT**

On 27 February 1996, Mr Scott, Chief Executive of the Office for Recreation, Sport and Racing, sent Mr Ingerson as Minister for Recreation, Sport and Racing a minute concerning the 2000 Olympic Soccer Qualifying Tournament. That minute stated that it had been indicated by the Chief Executive of SOCOG that *"it is not a foregone conclusion [that] Hindmarsh Stadium will be selected as a venue, for the staging of qualifying rounds of the 2000 Olympic Soccer competition."*<sup>137</sup> Further, *"it is clear that Adelaide faces competition in its aspirations to Stage preliminary rounds of the 2000 Olympic Soccer competition."*<sup>138</sup>

Mr Scott recommended that the Minister request Australian Major Events<sup>139</sup> to establish a committee to promote Adelaide as a preferred venue for staging Olympic soccer matches.

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<sup>135</sup> Minutes of Consultant Meeting No 1 held on 27 February 1996.

<sup>136</sup> See below under heading "14 October 1996 - Execution of Funding Deed" at page 126.

<sup>137</sup> Page 1.

<sup>138</sup> Page 2.

<sup>139</sup> Australian Major Events were the body responsible for staging major events in South Australia.

## **FEBRUARY 1996 - DEBT SERVICING COSTS DURING CONSTRUCTION**

On 29 February 1996, Mr Scott sought confirmation from the Under Treasurer that the Office for Recreation, Sport and Racing could meet the debt servicing costs of the proposed loan of \$6.5 million for the project during construction out of that agency's recurrent budget. He stated that \$400,000 was available from the agency's 1995/6 recurrent budget. As no loan had yet been negotiated, a portion of those funds was being used to engage primary consultants and would be reimbursed once the loan was established.

## **6 MARCH 1996 - CHANGE FROM EASTERN TO WESTERN GRANDSTAND**

On 6 March 1996, the second meeting of Mr Ingerson's Ministerial Advisory Committee was held. Woods Bagot presented revised versions of Options C and D discussed at the 26 February meeting. After considerable discussion, the western grandstand option was preferred. The matters identified in the minutes as favouring the western grandstand redevelopment option were:

- There was a greater benefit of a western grandstand to spectators in regard to sun, rain and wind.
- It allowed for more corporate facilities than a new eastern grandstand.
- It was better value for money.
- It allowed greater flexibility for future development.

The minutes record that upon acceptance of revised Option C, Mrs Hall, as Chair, requested that a presentation be prepared for Mr Ingerson as Minister for Recreation, Sport and Racing including:

- Revised Option C.
- The approximate cost for a northern extension of the western grandstand.
- The approximate cost for an additional southern bay extension to the western grandstand.
- The approximate cost to relocate media facilities in order to achieve two additional corporate boxes.

This presentation was to include detail on what could be provided for \$6.2 million as well as the indicative cost of additional facilities. The meeting also resolved that Woods Bagot's master plan options for the use of the Bowling Club site, Hindmarsh Place and Holden Street should be presented to Mr Ingerson as Minister for Recreation, Sport and Racing. It was specifically noted that the *"master plan options allow for the future increase of the pitch size to meet FIFA etc requirements."*

The minutes further record that Mrs Hall advised *"that a presentation to the clubs and the Soccer Commissioners regarding the proposal as recommended to the Minister should occur following the presentation to the Minister"* and *"prior to proceeding any further"*.

## 8 MARCH 1996 - MR SCOTT MEETS WITH SOCOG

Mr Scott met with representatives of SOCOG including Mr Kevin Simmonds, Manager Sporting Events, on 8 March 1996.

Mr Scott's file note of his visit records being informed by SOCOG of the following:

- SOCOG were preparing a detailed questionnaire on venues, training sites and other hosting issues that would be sent to the Premiers of the four States identified in the Sydney bid document as well as the Chief Minister of the ACT and the Mayors of Wollongong and Newcastle.
- The completed questionnaires would be analysed by a committee comprising representatives of SOCOG and Soccer Australia.
- An assessment team would visit Adelaide to analyse Adelaide's response and assess Adelaide's capability of hosting the event.
- SOCOG would then consult FIFA on its recommendations in February/March 1997.
- SOCOG would announce the successful cities by the end of March 1997.
- SOCOG would require the Government to sign a Memorandum of Understanding outlining the roles and responsibilities of the Government and SOCOG.
- It was most likely that SOCOG would request a Rights fee from the states to stage the event.
- Temporary seating is allowed for 2000 Olympic Soccer on the basis that it has the approval of the appropriate authorities and is not bench seating.
- While Mr Scott believed that it would be between 15,000-20,000, SOCOG could not give a definitive answer on the question of seating capacity. This issue was currently being resolved with FIFA.
- The venue must be ready in Olympic mode by September 1999.

Mr Scott's file note also records that Mr Scott informed Mr Simmonds of the current redevelopment project and the master plan for the site. It further records: <sup>140</sup>

*"Although actually never visiting the site Mr. Simmonds advised that reports he had read suggested that there were severe restrictions associated with the Hindmarsh site. I advised him that the master plan was addressing these issues and would be happy to provide a detailed briefing after they had been further advanced and endorsed by the Minister and the SA Soccer Federation. (I sensed from the meeting that issues associated with securing extra land around the site ie the bowling club and closure of Hindmarsh Place would be critical to Adelaide securing a Preliminary round of the 2000 Soccer Tournament.)" [original emphasis]*

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<sup>140</sup> Paragraph 16.

Mr Scott identified the key issues to be resolved, namely:

- Identification of the resources (people and financial) to complete the questionnaire in conjunction with the Australian Major Events committee;
- Development of an effective presentation strategy to SOCOG, involving the Premier;
- Progress of the current redevelopment being *"well underway by the date of the SOCOG inspection in order to demonstrate the South Australian Government's commitment to hosting this event"* and
- *"Fast track the acquisition of the Bowling Club plus the closure of Hindmarsh Place to alleviate [sic] SOCOG's concerns associated with the space restrictions of Hindmarsh Stadium"*.

## **18 MARCH 1996 - CABINET APPROVES MRS HALL'S APPOINTMENT AS PARLIAMENTARY SECRETARY TO MR INGERSON**

On 18 March 1996, Cabinet approved the recommendation to the Governor of the appointment of 15 Members of Parliament as Parliamentary Secretaries to various Ministers.

On 21 March 1996, the Governor appointed Mrs Hall Parliamentary Secretary to Mr Ingerson as Minister for Industrial Affairs and Minister for Recreation, Sport and Racing in respect of Tourism and Recreation and Sport.<sup>141</sup>

## **20 MARCH 1996 - MR INGERSON'S FIRST BRIEFING**

On 20 March 1996, Mr Ford of Woods Bagot met with Minister Ingerson. This was the first time that Minister Ingerson was briefed by Woods Bagot about the project. He authorised further investigation of land acquisition, town planning and traffic planning.

Woods Bagot then sought proposals for the provision of these consultancy services. On 26 March 1996, Woods Bagot reported to Mr Browne of Services SA on these proposals. Woods Bagot proposed a further fee of \$8,000 for coordinating this work.

### **Land Acquisition**

At about that time, Mr Ford had discussions with Mr Damian Brown, the Managing Director of National Portfolio Strategies Pty Ltd and the Council to discuss how land acquisition was to be investigated further.

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<sup>141</sup> The Hon. Rodney Bass MP was appointed Parliamentary Secretary to Mr Ingerson in respect of Industrial Affairs and Racing.

On 22 March 1996, Mr Damian Brown wrote to Mr Ford of Woods Bagot about his firm's potential appointment to act for the "various stakeholders" in advising and actioning a confidential land consolidation/acquisition strategy. Mr Damian Brown advised:

*"It is acknowledged that two clear alternatives are available to complete a land consolidation, the first being by compulsory land acquisition and the second being by commercial negotiation. Whilst each alternative has advantages, given the time-frame you have outlined for completion of this task, we would recommend that the only commercial solution available is to negotiate direct with the registered proprietors concerned, utilising 'blind' acquisition vehicles and subsequently transferring ownership rights to the ultimate owner, whomever that may be."*<sup>142</sup>

...

*The notion of achieving a total site consolidation, in the limited time available is extremely questionable, however, there exists a real opportunity to capture at least three major land parcels..."*<sup>143</sup>

Mr Damian Brown estimated that National Portfolio Strategies' fees for a planning study would be \$6,000 plus \$1,500 for its lawyers' fees if necessary. He estimated that the likely cost of the three targets would be \$4 million and the cost of securing options over that land would be \$40,000 for non-refundable option fees plus \$63,250 in fees (including legal costs).

In its letter of report dated 26 March 1996, Woods Bagot advised Services SA that it could not engage National Portfolio Strategies directly "because of the commercial, professional and indemnity issues" involved in retaining a land acquisition consultant. Ultimately, National Portfolio Strategies were retained by the Office for Recreation, Sport and Racing and then directly by Mr Ingerson as Minister for Recreation, Sport and Racing.<sup>144</sup>

### **Town Planning**

Woods Bagot secured the agreement of the Council for Mr Alan Faunt of the Council to provide town planning services to the project at no cost.

### **Traffic Planning**

Woods Bagot arranged for Murray Young & Associates to provide traffic planning advice in two stages. The first stage was the provision of an overview of the feasibility of the road closures. The second stage proposed was a more detailed study if the road closures were to proceed.

Woods Bagot retained Murray Young & Associates as a sub-contractor.

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<sup>142</sup> Page 1.

<sup>143</sup> Page 2.

<sup>144</sup> See the sections below under the headings "22 May 1996 - Retainer of National Portfolio Strategies" at page 86 and "20 August 1996 - Letter of Nomination to National Portfolio Strategies" at page 117.

## **21 MARCH 1996 - ESTABLISHMENT OF ADELAIDE OLYMPIC BID COMMITTEE**

Following Mr Scott's recommendation, Minister Ingerson established another committee whose role was to promote Adelaide for Olympic qualifying events.

The committee met for the first time on 21 March 1996. The committee included Mr Bill Spurr, the Chief Executive of Australian Major Events, Mrs Hall and representatives of the Soccer Federation, Adelaide City and the Office for Recreation, Sport and Racing. The role of this committee was to take steps to ensure that Adelaide succeeded in becoming a host for soccer matches in the Sydney 2000 Olympics. However, the committee did not include any representatives of the Government departments responsible for construction of a stadium adequate to host those matches (ie Services SA) or for overseeing funding (ie The Department of Treasury and Finance) or for implementing legal procedures to protect the Government's interests (ie the Crown Solicitor's Office). This committee, which had the most direct relationship with SOCOG in respect of meeting SOCOG's requirements, met independently of the committee responsible for implementing the design of the stadium necessary to achieve that end. Mr Sam Ciccarello was a consultant who had undertaken considerable work on Adelaide's staging of Grand Prix races. At this time he was leading a committee reviewing the efficiency of a number of departments in the ministerial portfolio of Mr Ingerson. He joined the Adelaide Olympic Bid Committee in July 1996 after receipt by the Premier of SOCOG's technical questionnaire and a document setting out FIFA/SOCOG's stadium requirements for the 2000 Olympic Soccer Tournament.

## **21 MARCH 1996 - ISSUES IDENTIFIED BY TREASURY AND FINANCE**

An internal Department of Treasury and Finance minute dated 21 March 1996 records the issues this agency had identified as requiring attention on the Hindmarsh Stadium project. On the issue of interest during construction, the minute recorded that the May 1995 Cabinet approval made no mention of how interest on the Soccer Federation loan would be funded during construction. As it was clear that the project had been developed on the basis of spending \$6.2 million on the grandstand, a significant change to project budget would:

*"...present a problem. Mr Scott is threatening to halt the project pending resolution of the matter and this is likely to generate a good deal of heat."*

The minute continued that although Cabinet had not approved the additional contribution for interest:

*"... there is sufficient confusion in the documentation to suggest that Government would be expected to pick up the difference."*

*Fortuitously provision has been made in the 1995-96 and 1996-97 budgets for Recreation, Sport and Racing to enable this payment without immediate budget impact. There would be an impact in about 20 years time when the budget provision would not be sufficient to cover the last loan repayment.*

*In these circumstances it is suggested that we acknowledge the confusion and accept that the interest during construction will be an additional cost."*



## **APRIL 1996 - SOCCER FEDERATION COMPLAINT TO SOCCER AUSTRALIA ABOUT THE BID PROCESS**

On 1 April 1996, Mr Farrugia sent a letter to Mr David Woolley, the Chief Executive of Soccer Australia, complaining that the Sydney Olympic Soccer Tournament matches were to be allocated on the basis of a bidding process.

He stated that on 15 April 1994 he had been assured by Soccer Australia and SOCOG that Adelaide would be hosting matches. He further wrote:

*"As you are aware on the basis of these assurances made the State Government has allocated to the Federation a grant of some \$6.5 million for stage one of the upgrading of the stadium and is committed to ensure that the stadium will meet the minimum requirements of FIFA and IOC for the Tournament."*

The April 1995 Memorandum of Understanding did not provide for "a grant" to the Soccer Federation.

### **2 APRIL 1996 – INVOLVEMENT AGAIN OF THE CROWN SOLICITOR'S OFFICE**

On 2 April 1996, a conference was held at the Office for Recreation, Sport and Racing involving Mr Hocking from the Crown Solicitor's Office to discuss the three major sporting stadia projects being undertaken by that agency.<sup>145</sup> Mr Hocking's file note of that meeting records that concerns were expressed by the Office for Recreation, Sport and Racing over:

- the Soccer Federation's capacity to fund the additional borrowing required because the cost of the project had increased to accommodate the change to redevelopment of the western grandstand;
- the ticketing arrangements put in place to ensure all paying spectators were accounted for;
- the Government's exposure from the terms of the borrowing and the ability of the Soccer Federation to contribute to loan repayments given that *"Treasury and Finance figures were budgeted on the Government having to pick up in fact 60 percent"* of the repayments; and
- the ability of the Soccer Federation to draw crowds to Hindmarsh Stadium.

Mr Hocking advised that *"the next step is to consider what formal contracts need to be put in place having regard to the MOU and the issues set out above"*. The meeting was left on the basis that Mr Robert Fletcher, the Director of Corporate Services in the Office for Recreation, Sport and Racing, would provide the Crown Solicitor's Office with a briefing note on the present status of the project.

After that meeting Mr Hocking nominated Mr Gaby Jaksa, a senior solicitor in the Crown Solicitor's Office, as responsible for the Hindmarsh Stadium Redevelopment project. Mr Jaksa did not receive further instructions until 10 May 1996 when he had a conference with Mr Fletcher.

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<sup>145</sup> That is, the Hindmarsh Stadium redevelopment, construction of a new netball stadium and a new athletics facility.

## **8 APRIL 1996 – FUNDING OF INTEREST DURING CONSTRUCTION**

Minister Ingerson sent the Treasurer a minute on 8 April 1996 seeking his agreement to use funds appropriated for the Office for Recreation, Sport and Racing to meet interest costs during construction of the netball and soccer facilities. That minute estimated the likely cost to be \$570,000 which would be incurred in the 1995/6 and 1996/7 budget years. The long term cost to the Government was noted as arising at the end of the term of the loans – in 20 years' time.

## **APRIL 1996 - DRAFT ERNST & YOUNG REPORT**

In April 1996, the Office for Recreation, Sport and Racing retained Ernst & Young to prepare a report on the feasibility of the proposed redevelopment of the western grandstand. A draft addressing the following narrow issue was prepared in late April 1996. It compared two scenarios:

- Upgrading of the western grandstand at that time, with a deferral of construction of northern and southern extensions to the western grandstand.
- Upgrading of the western grandstand and construction of extensions at the same time.

Ernst & Young concluded that it was more cost-effective to proceed with the latter option principally because of the additional costs of having two separate construction projects and the disruption to the playing of soccer. Ernst & Young did not compare the various options prepared by Woods Bagot. They were not asked to do so.

## **29 APRIL 1996 - CABINET APPROVAL FOR WESTERN GRANDSTAND REDEVELOPMENT AND \$8.125 MILLION BUDGET**

### **Cabinet Decision**

On 26 April 1996, Mr Ingerson as Minister for Recreation, Sport and Racing signed a Cabinet submission seeking approval for the redevelopment of the western grandstand at an estimated cost of \$8.125 million and to proceed with documentation. That day Cabinet gave its approval to Mr Ingerson's recommendation without change.

### **Preparation of the Submission**

In March 1996, Mr Vaughn Bollen was transferred to the Office for Recreation, Sport and Racing from the Court Services Department. Mr Bollen's role in the Office for Recreation, Sport and Racing was as Manager, Capital Works. Mr Bollen's role was to attend to all of the necessary internal governmental approval processes, such as Public Works Committee and Cabinet approvals.

Mr Bollen prepared the first draft of the Cabinet submission seeking approval of the change from construction of a new eastern grandstand to redeveloping the existing western grandstand.

The definition of the project in the submission approved by Cabinet on 26 April 1996 was:

- Redevelopment of the existing western grandstand; and
- Upgrade and facelift to the eastern side.

It was implicit in the Cabinet submission that FIFA guidelines would be met. However, there was considerable uncertainty as to the content of SOCOG's and FIFA's technical requirements until July 1996. As at 26 April 1996, neither FIFA or SOCOG requirements were part of the definition of the project that had been given to Woods Bagot or of the functional design brief that they set for themselves after consultation with the Soccer Federation.

The April 1996 Cabinet submission put forward only one option for redevelopment of Hindmarsh Stadium. Only Option C from Woods Bagot's four options, upgrading of the western grandstand, was put before Cabinet.

### **Departure from April 1995 Memorandum of Understanding**

On 29 April 1996, Cabinet approved the change in the project scope from construction of a new eastern grandstand to redevelopment of the existing western grandstand. At the same Cabinet meeting, Cabinet noted that *"the Office for Recreation, Sport and Racing will finance investigations into town planning, traffic planning and land acquisition for the development of the southern end of the stadium relating to the Master Plan"*.

This represented a substantial departure from the concept embodied in the April 1995 Memorandum of Understanding and the project approved by Cabinet on 1 May 1995.

### **Inaccuracies in Cabinet Submission**

The Cabinet submission leading to this approval was inaccurate.

### **Misdescription of the Soccer Federation Commitment**

It contained the following passages: <sup>146</sup>

*"The Memorandum of Understanding approved by the Cabinet Budget Committee in May 1995 has been entered into between the Minister for Recreation, Sport and Racing and the South Australian Soccer Federation (SASF) which sets in place the financial parameters for SASF to make up to 50 percent of the principal and interest repayments on the loan which is to finance this project.*

...

*Subsequent negotiations with the SA Soccer Federation has now resulted in the Federation agreeing to meet 50 percent of the principal and interest repayments."*  
*[emphasis supplied]*

The Soccer Federation had not agreed to be bound to pay 50 percent, irrespective of the amount of levies collected. If Cabinet were persuaded to approve the increase in budget by the increased responsibility shouldered by the Soccer Federation, then Cabinet was misled. A later submission noted a return to the previous position. <sup>147</sup>

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<sup>146</sup> Paragraphs 3.17 and 3.18.

<sup>147</sup> See on page 109 below.

A minute to Mr Ingerson prepared by Mr Scott two months later on 27 June 1996 recorded that:

*"The original Memorandum of Understanding provided that the Government would meet at least 50 per cent of the costs (principal plus interest). The Soccer Federation's share was to come from a levy on seats and any shortfall would also be met by the Government.*

*In meetings with you leading up to the decision to increase the cost of the project from \$6.5 million to \$8.125 million, it was advised that the Federation would now meet 50 per cent of the cost. That is, even if the levy on seats does not yield this amount. If I recall correctly, your Parliamentary Secretary was to discuss this with the Federation and obtain its agreement. At the bi-lateral budget meeting with the Treasurer you indicated that this was to be the situation.*

*So far as I know, the Soccer Federation is still operating on the assumption that the arrangement in the original Memorandum of Understanding will apply.*

*I would appreciate your clarification of the situation as this will clearly impact on the nature of the agreement with the Federation. In particular, if the original arrangement is to apply, the Office's Audit Committee has alerted me to the need to devise reasonably sophisticated arrangements to ensure that the State's interests are protected."*

Mrs Hall has submitted to this Examination that she categorically denied that Mr Ingerson ever directed her or asked her to obtain the Soccer Federation's agreement to meeting 50 percent of the cost of the redevelopment. The Soccer Federation had made it clear to the Government at all times that it was not prepared to assume itself any responsibility for any of the cost of the redevelopment.

The statement in the Cabinet submission that the Soccer Federation's agreement had been obtained was false.

### **Inadequate Summary of Ernst & Young Report**

Paragraph 3.18 of the Cabinet submission referred to the draft Ernst & Young Report and stated that:

*"With the proposed redevelopment and extensions of the western stand in lieu of the eastern grand stand, the firm of Ernst and Young were engaged to undertake a net present value study. The analysis concluded that the redevelopment of the western grand stand including the northern and southern extensions, which incorporates 3,105 additional seats, provides better value for money and investment for both the State Government and the SA Soccer Federation."*

As appears above, the Ernst & Young Report was limited to the narrow issue of the marginal benefit of proceeding with the extensions to the western stand, and not any comparison to the eastern stand proposal.

## **Land Acquisition**

The April 1996 Cabinet submission also sought Cabinet's approval for:

*"4.2 noting that the Office for Recreation, Sport and Racing will finance investigations into town planning, traffic planning and land acquisition for the development of the southern end of the stadium relating to the Master Plan."*

The justification for this approval placed before Cabinet was:

*"3.11 The Office for Recreation, Sport and Racing is to investigate town planning, traffic planning and land acquisition for the development of the southern end of the stadium. Cabinet should note that if the land acquisition is to be pursued then the estimated cost for the acquisition will be \$1,750,000 with funds most likely required in the 1997/98 financial year. It is proposed that funds for the land acquisition could be sourced from two parties viz; Hindmarsh/Woodville Council and State Government. An approach will also be made to the Federal Government."*

That was the only explanation recorded for the land acquisition.

## **Interest Cost During Construction**

The Cabinet submission sought approval for the Office for Recreation, Sport and Racing to fund an estimated \$570,000 of interest costs during construction from that agency's appropriations for the project in the 1995/6 and 1996/7 years. By omitting that there was confusion over this issue from the May 1995 Cabinet approval and it was now considered too late to disrupt the project, the Cabinet submission did not address this issue as candidly as the Department of Treasury and Finance did in their internal minute dated 21 March 1996. An internal Department of Treasury and Finance minute dated 6 May 1996 stated:

*"Although Treasury and Finance did not have the opportunity to formally comment on the revised proposal it is assumed that the Cabinet's decision reflected an understanding that if these costs were not met [sic] by the Government it would have resulted in a corresponding reduction in the scope of works able to be undertaken from a finite project budget with the potential for disruption to the project."*

## **No Comment by Treasury and Finance or the Crown Solicitor's Office**

The Cabinet Cover Sheet recorded that consultation had occurred with the Department of Treasury and Finance, the Crown Solicitor's Office, the Soccer Federation and the Council. The Cabinet submission did not specify the detail of that consultation.

The draft was not circulated to the Department of Treasury and Finance or the Crown Solicitor's Office for formal comment before it was sent to Cabinet for approval as is usual Government practice. The Crown Solicitor's Office was still awaiting formal instructions from the Office for Recreation, Sport and Racing. Consultation with the Council had only occurred so far through its representation on the Hindmarsh Stadium Redevelopment Committee.

## 1 MAY 1996 - MEETING OF THE COUNCIL OF CLUBS

At an extraordinary meeting of the Council of Clubs of the Soccer Federation held on 1 May 1996, a resolution was passed authorising the Soccer Federation to borrow up to \$8.125 million on the proviso that the loan was supported by an unconditional Government guarantee.

The minutes record that there was lengthy discussion at the meeting about the reasons for the change from building a new eastern grandstand to redeveloping the existing western grandstand. The minutes record that:

*"Emphasis was placed on the importance that the South Australian Soccer Federation was not committed in any way to financing the loan, with the repayment of the loan being financed by way of a \$3 surcharge being placed on all patrons utilising the Western Grandstand, and the South Australian Government [sic] picking up any shortfall in repayments [sic] by the Federation."*

## 1 MAY 1996 - PRESENTATION OF MASTER PLAN BY WOODS BAGOT

After the meeting of the Council of Clubs held on 1 May 1996, there was a major unveiling of the master plan for the upgrading of Hindmarsh Stadium at the Soccer Federation's offices. Mr Ingerson delivered a speech and Woods Bagot unveiled the overall master plan. By this time, it was public knowledge that the Soccer Federation's goal was to achieve the full redevelopment of the entirety of Hindmarsh Stadium, rather than the limited project envisaged by the April 1995 Memorandum of Understanding between the Government and the Soccer Federation.<sup>148</sup>

Mr Scott, Chief Executive of the Office for Recreation, Sport and Racing, recommended to Mr Ingerson that if he was asked at the presentation about the Government's commitment and intentions for future developments at the stadium he should respond:<sup>149</sup>

*"that the State Government has demonstrated its support for Soccer by today's announcement which firmly entrenches South Australia as the Soccer capital of Australia as it is the only stadium solely designated for Soccer. Both the Soccer Federation and the State Government may need to consider minor upgrades and the installation of temporary facilities associated with the 2000 Olympics and these will be considered once negotiations have been undertaken with SOCOG."*

It is instructive to pause at this point and reflect that Mr Scott expected that only "*minor upgrades and the installation of temporary facilities*" would be necessary when subsequently the capital cost of the redevelopment expanded from \$8.125 million to \$28.394 million.

## 2 MAY 1996 - ARTICLE IN THE ADVERTISER

The public announcement made at Hindmarsh on 1 May 1996 by Minister Ingerson and Mr Caruso as Chairman of the Soccer Federation was reported the following day in The Advertiser. The article "*Centrepiece of SA soccer set to host Olympic 2000 final group*" began:

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<sup>148</sup> For example, see The Advertiser "*\$6.5m upgrade for Hindmarsh*" published on 4 May 1995 referred to at page 59.

<sup>149</sup> Minute dated 1 May 1996 from Mr Scott to Minister Ingerson.

*"An \$8.125 million upgrade of Hindmarsh Stadium, mooted this time last year, was approved yesterday – virtually assuring the South Australian Soccer Federation of the right to host a group in the Sydney 2000 Olympic Games finals.*

*The cost will be shared equally by the State Government and the SASF. It is understood that government initially will loan the SASF its \$4m component".*

### **3 MAY 1996 - THE DEPARTMENT OF TREASURY AND FINANCE'S FURTHER INSTRUCTIONS**

On 3 May 1996, Mr Scott sent a minute to Mr Rick Jansan, Chief Budget Analyst in the Department of Treasury and Finance, instructing that agency to proceed with the financial analysis of the funding proposals presented by the banks and to send Mr Scarsella on behalf of the Soccer Federation a copy for his information. He wrote: *"Could you please proceed with this analysis at your earliest convenience as the Minister for Recreation, Sport and Racing wishes this project to commence before August, 1996."*

On 6 May 1996, the Acting Under Treasurer sent Mr Scott a minute in response to his instructions to proceed with analysis of the banks' funding proposals. That minute addressed two issues: Provision of financial advice by the Department of Treasury and Finance and Policy Issues.

#### **Financial Advice**

This minute stated that:

*"As a general principle, it is usual for agencies to undertake economic and financial analysis themselves or obtain financial advice from external sources other than Treasury and Finance in order to evaluate proposals received. Treasury and Finance's role is to provide comment and advice on financial options after the relevant agency has analysed and developed a preferred approach. During the course of evaluation Treasury and Finance may also provide comment and advice in relation to the methodology adopted and the actual financial and risk analysis undertaken by the agency. Independent financial advice from an external consultant may therefore be required.*

*However in the present circumstances Treasury and Finance is prepared to provide technical financial evaluation advice to the Office for Recreation, Sport and Racing (ORS&R) in relation to the financial proposals received. This advice will be separate from Treasury and Finance's role in advising the Treasurer in relation to the:*

- *soundness or otherwise of the overall project; and*
- *alternative means of obtaining the outcome of construction by the Soccer Federation of new, increased seating capacity at Hindmarsh Stadium."*

The Under Treasurer proposed to charge the Office for Recreation, Sport and Racing a fee of \$50 per hour for evaluating the banks' funding proposals. As the existing banks' proposals were based on a \$6.5 million project, it was necessary for new proposals to be sought from the banks for a \$8.125 million project.

## **Policy issues**

This minute formally raised the concerns of the Department of Treasury and Finance with the project as approved by Cabinet on 29 April 1996. They were stated as follows:

*"Treasury and Finance understands that at least one of the banks invited to tender has had difficulty in obtaining relevant financial information from the South Australian Soccer Federation (SASF). This indicates that SASF may be treating the government guarantee similar to a government grant with lesser regard for the commercial realities of the underlying viability or otherwise of the proposal without the backing of a government guarantee.*

*To minimise the possibility of a call on the government guarantee Treasury and Finance considers that in providing any guarantee of any financial arrangement the government should seek:*

- *Information from SASF in relation to:*
  - *Current and forecast levels of attendances at games; and*
  - *Full cash flow forecasts with sensitivity analysis in the context of meeting debt servicing and repayments.*
- *The existence of an agreement between the financier and the SASF that an amount of revenue is set aside and quarantined to meet SASF loan facility repayments.*
- *A margin from SASF recognising the benefit to SASF and risk to the government emanating from the guarantee.*
- *A guarantee deed being negotiated which provides the government with appropriate rights and access to information to monitor the risk on the guarantee."*

## **10 MAY 1996 - FURTHER INSTRUCTIONS FOR THE CROWN SOLICITOR'S OFFICE**

Mr Jaksa, the solicitor in the Crown Solicitor's Office newly appointed with responsibility for the Hindmarsh Stadium project, received his first instructions on 10 May 1996 in a conference with Mr Fletcher. Later that day, Mr Fletcher provided Mr Jaksa with copies of the Cabinet submission approved on 29 April 1996 and a draft financial analysis prepared by Ernst & Young.

## **22 MAY 1996 - RETAINER OF NATIONAL PORTFOLIO STRATEGIES**

On 22 May 1996, Mr Bollen from the Office for Recreation, Sport and Racing wrote to Mr Damian Brown of National Portfolio Strategies seeking a fee offer for urgently negotiating with the owners of land south of the stadium and securing six month options over that land.

On 27 May 1996, National Portfolio Strategies responded by estimating an upper fee limit of \$16,000 plus legal costs of \$10,000 plus disbursements.

On 4 June 1996, Mr Bollen wrote to National Portfolio Strategies accepting their *"fee offer with an upper limit of \$26,000"*. He scheduled a meeting between Mr Damian Brown, Mr Bollen and Mr Jaksa of the Crown Solicitor's Office in June 1996.



## **23 MAY 1996 - FIRST MEETING OF THE EXECUTIVE GROUP OF THE HINDMARSH STADIUM REDEVELOPMENT COMMITTEE**

The working executive of the Hindmarsh Stadium Redevelopment Committee met for the first time on 23 May 1996. The Chair, Mrs Hall, advised the meeting that this committee would *"deal with the day to day issues to ensure efficiency associated with the project development"*.

Membership of the Executive Group involved all the members of the Redevelopment Committee except representatives of the NSL Clubs and the Council.

The minutes of the first meeting record that:

*"Joan Hall advised that the Minister for Recreation, Sport & Racing has advised that the project should follow usual Government process, ie, Minister of State Government Services will be the Principal in all contracts and the project will be referred to Cabinet for final approval.*

*Tony Farrugia agreed that the project follow Government process providing that the ability to offer 'friends of soccer' an involvement in the project was maintained. This issue was agreed by all.*

*Judith Freeman discussed the need to separate the tendering process from any sponsorship process. It was agreed that guidelines need to be determined prior to the commencement of tendering."*

The minutes also record that the meeting agreed that construction management was the preferred procurement method and that a registration of interest process would be used to shortlist potential construction managers. It was also agreed that Baulderstone would continue to advise Woods Bagot on buildability issues until the construction manager was appointed.

The Executive Group continued to meet once or twice a month until the completion of the project in December 1997. The Redevelopment Committee only met infrequently, every second or third month until its final meeting in December 1996.

## **30 MAY 1996 - INSTRUCTIONS FROM TREASURY AND FINANCE TO THE CROWN SOLICITOR'S OFFICE**

On 30 May 1996, Mr Jaksa of the Crown Solicitor's Office attended a meeting with two representatives of the Department of Treasury and Finance to obtain instructions on the preparation of the Funding and Guarantee Deeds.

## **31 MAY 1996 - TREASURY AND FINANCE RESPONSE TO MR SCOTT'S REQUEST TO WORK TOGETHER**

By minute dated 31 May 1996, the Acting Under Treasurer responded to Mr Scott's request that both agencies work in partnership to achieve the best result for the Government overall. In this minute, the Under Treasurer clarified his agency's role as follows:

*"One of the main roles undertaken by Treasury and Finance is to provide advice to the Treasurer in relation to the financial and economic consequences to the State of various courses of action.*

*In order to maintain its objectivity in this respect Treasury and Finance is generally not involved in evaluating for agencies financial and economic proposals.*

*Consistent with maintaining its objectivity and as stated in my 25 May minute Treasury and Finance can, however, comment and advise on the methodology adopted and the actual financial and risk analysis undertaken by the agency.*

*In offering to evaluate the Hindmarsh Stadium upgrade financial proposals for your agency Treasury and Finance is firstly undertaking an additional function and secondly potentially limiting its ability to provide objective advice.*

*As such it is not usual practice for Treasury and Finance to make such an offer. However, given that the evaluation should be relatively simple, an offer was made..."*

## CHAPTER 9 - JUNE TO JULY 1996

### JUNE 1996 - PUBLIC WORKS COMMITTEE DELIBERATIONS ON STAGE 1

#### Submission to Public Works Committee

Stage 1 was referred to the Public Works Committee by a submission dated 5 June 1996.

That submission was prepared by officers of the Office for Recreation, Sport and Racing. In preparing that submission they obtained substantial assistance in drafting from Woods Bagot.

The submission contained the following passage:

*"With the success of the Sydney Olympic 2000 bid, the Hindmarsh Stadium has been chosen as a venue to host the Olympic soccer fixtures, provided the Hindmarsh Stadium is upgraded to meet the Federation Internationale De Football Association (FIFA) requirements. The upgrading will maximise Adelaide's chances of hosting a preliminary round (4 out of 16 nations) of the Olympic Soccer competition while continuing to host major international events prior to and after the Olympics." [emphasis supplied]*

Those two sentences were inconsistent. The first, taken alone, suggested that Adelaide had already been selected and that all it had to do was meet FIFA requirements. The second, taken alone, suggested that there was a selection process still to be undergone. Taken together, they were ambiguous.

That was not remedied by other sections of the submission. For example, the submission also stated:<sup>150</sup>

*"When it was announced that the 2000 Olympics had been awarded to Sydney, the success of the World Youth matches in 1993 provided the spring board for Adelaide to host preliminary matches Sydney 2000 Olympics. A letter to the Premier in January 1995 from the Executive President of the Sydney Organising Committee for the Olympic Games (SOCOG) confirmed Adelaide was included in the list of venues for the soccer preliminary matches provided the venue was acceptable to the FIFA, SOCOG and the Australian Soccer Federation (ASF) and in turn sought confirmation for the State Government to participate in the Olympic Games."*

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<sup>150</sup> Page 8.

## **12 June 1996 Hearing before the Public Works Committee**

During the 12 June 1996 hearing before the Public Works Committee, Mr Farrugia of the Soccer Federation gave the following evidence:<sup>151</sup>

*"PRESIDING MEMBER: Despite the upgrade of the stadium and the plans proceeding, are we yet sure that we will get the Sydney 2000 spin off and see games played in Adelaide?"*

*MR FARRUGIA: Another committee has been set up to ensure that Adelaide does participate in the Olympic Games, which involves Australian Major Events Chief Executive Bill Spurr. All the documents are made to the IOC, which had four venues – Adelaide, Melbourne, Sydney and Brisbane - to host sections of the Olympic Games soccer tournament. On that basis and on winning the bid we are told that any variation from that bid document would require IOC approval and there would have to be good reasons why you would move away from the venue stipulated, particularly when those venues are approved by FIFA and the Soccer Federation in Sydney. No, there is not a written commitment to us saying that we will get the Olympic Games other than the bid document. Secondly, we are working hard to ensure that we comply with the FIFA requirements to ensure that there is no reason for SOCOG to take the games away from Adelaide."*

Mr Browne gave evidence that the project would be managed by a construction manager, yet to be appointed. The Committee was told by Mr Browne and Mr Farrugia that when tenders were received for particular parts of the project, those tenders would be considered by the 12 person executive committee previously established. It would be up to that committee to choose the preferred tenderer.

## **JUNE 1996 - LETTER TO COUNCIL**

In June 1996, Mr Browne of Services SA prepared a draft letter to the Council to be sent on the Soccer Federation's letterhead. The draft proposed that representatives of the Soccer Federation, Government and the Council meet to discuss the project and its future. A copy of the draft was sent to Mr Hoare of Woods Bagot to find out whether he would be prepared to facilitate that meeting. Mr Hoare informed Mr Browne that this was the Soccer Federation's responsibility.

At the Executive Group meeting held on 25 June 1996, Mr Farrugia reported that he had sent a letter to the Council seeking its consideration of the project in their capacity as owners of the land. The minutes record that a presentation to the Council was planned prior to 5 July 1996.

## **13 JUNE 1996 - THE CROWN SOLICITOR'S OFFICE BRIEFING ON LAND ACQUISITION**

On 13 June 1996, a meeting was held at the Crown Solicitor's Office to brief Mr Jaksa on the proposal to obtain options over the land south of the stadium. That meeting was attended by Mr Bollen, Mr Damian Brown of National Portfolio Strategies and Simon O'Loughlin of O'Loughlins, solicitors for National Portfolio Strategies. According to Mr Jaksa's file note of the meeting, apart from being informed about it, the Crown Solicitor's Office was not asked for and did not volunteer advice about

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<sup>151</sup> Page 13 of the transcript.

the proposal. The Crown Solicitor's Office was not approached again in relation to the National Portfolio Strategies land acquisition investigations.

## **24 JUNE 1996 - THE DEPARTMENT OF TREASURY AND FINANCE ANALYSIS OF THE FUNDING OFFERS**

On 24 June 1996, the Department of Treasury and Finance provided the Office for Recreation, Sport and Racing with a detailed report on the revised funding offers received from four trading banks. The document was limited to the relative merits of the four finance proposals. It did not consider the Soccer Federation's ability to meet the loan repayments because further information <sup>152</sup> was required from the Soccer Federation before that analysis could be done.

Implicit in the obtaining of those offers and their analysis by Treasury and Finance, was that the basic concept from the April 1995 Memorandum of Understanding was to remain. The key features of the Soccer Federation borrowing money to pay for construction work for land which it had the exclusive right to occupy, with the Government to guarantee those borrowings, remained.

In preparing this report, an internal Treasury and Finance minute recorded that *"even without the knowledge of SASF's financial status, there is concern regarding their ability to service their share of the loan given the attendance requirements"*. <sup>153</sup>

This concern was reiterated in the Under Treasurer's minute to Mr Scott enclosing the report:

*"Treasury and Finance has noted the draft Ernst & Young report regarding the feasibility of the development. We acknowledge the methodology and assumptions included in the Report, and particularly note the addendum. Using an interest rate of 10 percent to calculate repayments required on an \$8.125 million loan, the SASF would need to have over 70 percent of the grandstand occupied at matches with the assumed ticket prices with a 20 percent rise in attendances if it is to be able to meet its portion of principal and loan repayments. [original emphasis]*

*Therefore, even without knowledge of SASF's financial status, there are concerns regarding its ability to service its share of the loan given the attendance requirements. [emphasis supplied]*

*This means that there is a real risk that these attendance assumptions will not be realised resulting in the guarantee proposed to be put in place by the Treasurer (which is understood to be a precondition for all the financing proposals) being called upon with the result that the Office for Recreation Sport and Racing (ORS&R) will need to supply further funds from its budget allocation to fund any shortfall of SASF payments."*

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<sup>152</sup> That is, current and projected financial statements of the Soccer Federation, details of the current relationship between the Soccer Federation and the NSL Clubs and details on the current match fee structures and attendances and future scheduled matches and other events.

<sup>153</sup> Dated May 1996.

## **25 JUNE 1996 - SECOND MEETING OF EXECUTIVE GROUP**

The minutes of the second meeting of the Executive Group held on 26 June 1996 record that Mr Scott was to arrange for the Office for Recreation, Sport and Racing to facilitate and manage land acquisition opportunities. The issue of the adjoining properties was discussed and the minutes record that Mrs Hall "*agreed to pursue bowling club issues*".

## **26 JUNE 1996 - ESTIMATES COMMITTEE**

On 26 June 1996, Mr Ingerson as Minister for Recreation, Sport and Racing responding to a question asked about the Redevelopment Committee's role in the tender process for the Hindmarsh Stadium Redevelopment project stated to the Estimates Committee that:

*"[T]he inference that any member of that Executive committee, whether a member of this Parliament or any other members, might have a role in that decision is incorrect."*

## **28 JUNE 1996 - PRESSURE ON THE CROWN SOLICITOR'S OFFICE FOR THE DOCUMENTS**

On 28 June 1996, Mr Hocking in the Crown Solicitor's Office received a minute from Mr Scott concerning the progress of the legal work for the project. That minute stated:

*"My understanding is that we had a verbal commitment that an initial draft of these documents would be available by 14 June 1996. At the time of writing we have not yet received this work."*

*"I understand that there may be good reason why the agreed deadline has not been achieved. However, could I stress that in relation to the Sports Stadium Projects there is a need to ensure that once timing commitments have been established they are adhered to. My Minister has made it clear to me, on behalf of the Cabinet, that priority is to be given to ensuring that we progress these projects in a timely manner."*

Mr Ingerson gave evidence to this Examination that he could not recall any specific deadline. His concern was simply to ensure that the project was completed within the time that had been originally planned.

On receipt of this minute Mr Hocking telephoned Mr Scott. His file note records that there was a dispute between the agencies as to the agreed time lines for the project. It further recorded:

*"M.S. enormous pressure from the MRSR + Joan Hall for docs. MRSR wanted to take up with A-G but MS wanted to sort out with me."* [original emphasis]

In evidence before this Examination Mr Hocking said the note indicated that Mr Scott was under considerable pressure from Mr Ingerson as Minister for Recreation, Sport and Racing and Mrs Hall for the documents.

*"[The project] had high Government political priority and the responsible Minister was most anxious to have the matter completed"*.

## **JULY 1996 - MR SCOTT'S BIRMINGHAM TRIP**

In July 1996, Mr Scott, the Chief Executive of the Office for Recreation, Sport and Racing, travelled to Birmingham, Alabama where soccer matches had been staged in the 1996 Olympics. He found out from the Birmingham Local Organising Committee that Birmingham had paid US\$4.5 million to the Atlanta Organising Committee for the right to Stage the event and had incurred direct operational costs of US\$5.5 million. From Mr Scott's factual investigation it was apparent that Mr Scott's estimate of \$500,000 in February 1995 was quite inadequate.

Olympic soccer was played in Alabama between 20 and 28 July 1996. Eleven matches were played in those eight days, four more than were played in Adelaide.

Mr Scott reported his findings to the Adelaide Olympic Bid Committee.

## **1 JULY 1996 - FINAL ERNST & YOUNG REPORT**

On 1 July 1996, Ernst & Young delivered to the Office for Recreation, Sport and Racing their final report on the feasibility of the redevelopment of the western grandstand at Hindmarsh Stadium. The Report was also sent to the Department of Treasury and Finance.

Although the Report was described as being a report on the financial analysis of the redevelopment, it dealt with only two issues:

- The marginal benefit of constructing northern and southern extensions to the western grandstand (comprising an extra 756 seats for an additional cost of \$1.275 million) at the same time as the main redevelopment (costing \$6.2 million comprising 3,279 seats). This first issue had been the subject of Ernst & Young's draft report delivered in late April 1995.<sup>154</sup>
- The Soccer Federation's ability to contribute to the interest costs of the \$8.125 million loan to fund the redevelopment on the basis of a \$3 levy on spectators using the redeveloped grandstand and projected attendance figures.

Ernst & Young concluded that for the Soccer Federation to meet its financial obligations:

- attendances at matches would have to increase by 20 percent more than the attendances projected if the proposed levy of \$3 per ticket was maintained; or
- the levy would have to be increased to \$4.

Ernst & Young's Report was heavily qualified. The attendance figures upon which their analysis was based were provided by the Soccer Federation. Their Report included past records of attendances at the stadium and estimates of future attendances prepared by the Soccer Federation. Those estimates included an arbitrary increase in attendances of 40 percent. Ernst & Young specifically disclaimed any attempts to independently verify those attendance figures either as to the past or as to how realistic future estimates were.

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<sup>154</sup> See the section above under the heading "April 1996 - Draft Ernst & Young Report" at page 80.

Ernst & Young undertook sensitivity analyses that considered the effect upon the figures of variations in attendances. Those analyses did not consider the possibility that attendances might decrease.

## **1 JULY 1996 - FINANCIAL INFORMATION FROM THE SOCCER FEDERATION**

By letter dated 1 July 1996, Mr Farrugia of the Soccer Federation sent the Department of Treasury and Finance a five year forecast, the 31 October 1995 Annual Report, financial statements for the Soccer Federation, details of the current ticket prices for matches, a list of match attendances from April 1995 to March 1996 and stated that the Soccer Federation was currently negotiating licence agreements with the NSL Clubs. Mr Farrugia's letter addressed the issue of future projections by stating that:

*"Short of having a crystal ball as to the attendance at Soccer matches in the future, I believe that it would be fair to say the game will continue to enjoy steady crowds and support growth over the next 5-10 years."*

Mr Farrugia stated that Australia's recent qualification for the Olympic Games and the World Cup preliminaries and the provision of better facilities were the reasons for expecting this growth in attendances at soccer matches at Hindmarsh.

## **2 JULY 1996 - FIRST DRAFT OF FUNDING DEED**

The first draft of the Funding Deed was prepared by Mr Jaksa of the Crown Solicitor's Office on 2 July 1996. It and a revised draft of the Deed of Guarantee was circulated for comment to the Office for Recreation, Sport and Racing and the Department of Treasury and Finance.

## **4 JULY 1996 - SECOND DRAFT OF FUNDING DEED**

The Crown Solicitor's Office circulated revised drafts of the Funding Deed and the Deed of Guarantee to the Office for Recreation, Sport and Racing and the Department of Treasury and Finance. The accompanying minute expressly advised that neither document should be discussed with the Soccer Federation until the Crown Solicitor's Office had received comments from both agencies and incorporated any necessary changes into the documents.

## **5 JULY 1996 - TREASURER'S BRIEFING ON CONCERNS OVER FUNDING ARRANGEMENTS**

On 5 July 1996, the Under Treasurer sent the Treasurer a briefing note on issues arising from the funding arrangements for *"the Soccer Federation's (SASF's) redevelopment of the Hindmarsh Stadium"* on the basis that the Soccer Federation would be required to meet 50 percent of the debt servicing costs for a \$8.125 million loan as submitted to Cabinet on 26 April 1996.

The minute detailed the Department of Treasury and Finance's concerns over the Soccer Federation's inability to service its share of the loan repayments from the spectator levy: <sup>155</sup>

*"Treasury and Finance recently obtained from SASF: financial statements; five year forward cash flow projections; match fee structures and attendances; and future*

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<sup>155</sup> Page 2 of the minute dated 5 July 1996 from the Under Treasurer to the Treasurer.



*scheduled matches and other events. Based on this information, Treasury and Finance has undertaken preliminary sensitivity analyses regarding SASF's ability to meet repayments. Consistent with the Ernst and Young report and based on an indicative interest rate of 10 percent and assumptions that: current attendance numbers and ticket prices are maintained; and that at least 50 percent of attendees occupy the grandstand, SASF may be able to meet 38 percent of the loan repayments. However, on more conservative assumptions regarding a minimal number of events at Hindmarsh, SASF may only be able to meet 25 percent of the loan repayments.*

...

*Accordingly indications are that SASF can be expected to find it difficult to meet 50 percent of the loan repayments and that additional funding will be sought from ORS&R within the first year or two after completion of the grandstand (due August 1997)."*

The minute also recorded the difficulty experienced in obtaining financial information from the Soccer Federation as well as indications from Soccer Federation officials that it may be treating the project as a Government grant, *"with lesser regard for the commercial realities of the underlying viability or otherwise of the project".*<sup>156</sup>

## **8 JULY 1996 - TREASURER'S AGREEMENT THAT FUNDING SHORTFALL CAN BE MET FROM THE SPORT AND RECREATION FUND**

On 8 July 1996, the Treasurer sent a minute to the Minister for Recreation, Sport and Racing replying to his request that SAFA present a funding proposal for loan funds for the soccer and netball facilities. The Treasurer stated that he was unable to approve the Minister's request because current Government policy did not permit a direct financial relationship with SAFA and the Office for Recreation, Sport and Racing. However, subject to Cabinet Budget Committee and Cabinet approval, the Treasurer proposed that the Government's share of the project costs be funded from the capital side of the Budget *"as this would represent the most cost effective financing option from the Government's perspective"*.

This minute continued:

*"Prior to proceeding down this course, I will need to be assured of the sporting bodies' capacity to service their share of the costs. In this context, I understand that there may be some reservations regarding the SA Soccer Federation's (SASF) ability to meet 50 per cent of the potential loan repayments based on indicative modelling forecasts prepared by external consultants. This would suggest that there is a real risk of the Government's guarantee, which I understand is a precondition for all the financing proposals, being called on and a requirement for further funding to meet any shortfall in SASF payments.*

*Given the above, I suggest that any shortfall in debt servicing costs be met from the allocation of funds set aside in the Sport and Recreation Fund to provide financial assistance to sporting bodies for facilities development."*

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<sup>156</sup> Page 3 of the minute dated 5 July 1996 from the Under Treasurer to the Treasurer.

## 9 JULY 1996 - PRESENTATION TO COUNCIL OF REDEVELOPMENT PROPOSAL

On 9 July 1996, Council members were invited by the Soccer Federation to a presentation of the redevelopment proposal for the Hindmarsh Stadium. Woods Bagot presented preliminary plans for a major expansion of the existing western grandstand.

Council minutes <sup>157</sup> record that the Council saw that the aim of the briefing was to:

- *"Acquaint Council with current issues affecting the ongoing soccer presence on the site.*
- *Seek Council comment on preliminary concept plans for an extension to the existing stadium building, prior to lodging a Development Application.*
- *Establish a dialogue on the long term development options for further consolidation of the site."*

## 9 JULY 1996 - SOCOG INVITATION FOR EXPRESSION OF INTEREST AND TECHNICAL QUESTIONNAIRE

### The Questionnaire

On 9 July 1996, Mr John Iliffe, then President of SOCOG, sent to Premier Brown a letter enclosing SOCOG's technical questionnaire and a document setting out FIFA/SOCOG's stadium requirements for the 2000 Olympic Soccer Tournament.<sup>158</sup> The letter sought return of the questionnaire by 30 September 1996. The enclosed FIFA/SOCOG requirements required a minimum capacity of 15,000 seats. The requirements noted that FIFA's requirement for the 2004 Olympic Games was a minimum capacity of 20,000 seats and that SOCOG would welcome proposed stadia that met the 2004 requirement. The document noted that temporary grandstands and seating were permissible provided the strictest safety and spectator comfort standards were met.

Mr Iliffe's letter and the enclosed questionnaire did not make clear how SOCOG's selection process would work. It did not set out formal conditions of bidding or tendering. Indeed it did not refer to a "bid" or "tender". It contained the following passage:

*"The essential qualifying criteria for States, Territories or Cities to be considered for participation in the Olympic Football Tournament is provision of a competition stadium in full compliance with FIFA/SOCOG requirements. If this qualifying criteria is not satisfied, then States/Territories/Cities will not be eligible for consideration.*

*Accordingly, attached to this letter are detailed FIFA/SOCOG Requirements, along with a Technical Questionnaire relating to the proposed competition stadium and training sites. States/Territories/Cities are requested to read these Requirements, and return a completed Questionnaire to SOCOG by 5pm on 30 September 1996 if you [sic] are interested in participating in the Olympic Football Tournament.*

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<sup>157</sup> Dated 12 August 1996.

<sup>158</sup> It was entitled "OLYMPIC GAMES FOOTBALL TOURNAMENT – FIFA/SOCOG REQUIREMENTS".

*An analysis will be made by SOCOG of the responses received, followed by inspections of the proposed competition venue, training sites and other infrastructure.*

*Provided that the technical and training requirements are met, detailed negotiations will then take place between SOCOG and the 'preferred' States/Territories/Cities on financial, marketing and organisational arrangements. SOCOG's Board will then choose the 'preferred' venues to participate in the Olympic Football Tournament, to which FIFA's concurrence will be sought. SOCOG will subsequently advise all parties of the final decisions taken, to be followed by a public announcement of the chosen venues."*

I consider that this was an unsatisfactory basis for the submission of a bid involving an unquantified amount of Government expenditure. It gave no idea of how SOCOG would select the "preferred" venues. The SOCOG/FIFA requirements were a minimum pre-requisite but beyond that, the document gave no guidance as to what criteria would be applied. The letter introduced a second basis for selection that was not clear. The letter stated that a public announcement of the chosen venues would occur after detailed negotiations about the commercial arrangements. In fact, SOCOG actually announced the successful cities before those negotiations.

The Sydney 2000 Bid Committee sought clarification from SOCOG of some aspects of the stadia requirements document from SOCOG. There was no officer from Services SA involved in both the communications with SOCOG about the requirements of the 2000 Olympic Soccer Tournament and the supervision of the building project. Australian Major Events attended meetings with SOCOG but not meetings of any of the various Hindmarsh Stadium Redevelopment Committees, including the Executive Group that made many of the decisions that affected the content of the project.<sup>159</sup> Services SA attended the stadium committee meetings but not the Bid Committee.

Woods Bagot, the Soccer Federation and Mrs Hall attended both.

### **Preparation of Adelaide's Bid**

The work of responding to the SOCOG questionnaire was undertaken by the Bid Committee set up in May 1996. Mr MacFarlane, then of Australian Major Events, was primarily responsible for that. Woods Bagot provided assistance in working out what was necessary to be able to provide the facilities required by the bid document and produced drawings showing the configuration of the stadium in "Olympics mode".

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<sup>159</sup> Many of the Executive Group's decisions were the subject of approval by Cabinet. Cabinet did not approve every decision of the Executive Group.

## **Table of SOCOG/FIFA Requirements**

Woods Bagot became concerned that there might be some misunderstanding about which of the SOCOG/FIFA requirements would be met by the western grandstand redevelopment. They prepared a "compliance matrix" that contained a detailed list of the SOCOG/FIFA requirements with an indication of whether the item was already in existence, to be provided as part of the western grandstand redevelopment or to be a temporary facility.

### **10 JULY 1996 - CABINET SUBMISSION**

On 10 July 1996, Mr Ingerson as Minister for Recreation, Sport and Racing signed a Cabinet submission recommending:

- approval for expenditure of \$1,164,108 comprising \$760,000 for documentation, disbursements and project management fees and \$404,108 for the Construction Manager;
- that Cabinet note the engagement of Hansen Yuncken Pty Ltd as the Construction Manager for the fixed lump sum of \$404,108; and
- assignment of the Minister for State Government Services (or his delegate) to accept all trade package tenders.

The view of the Department of Treasury and Finance was recorded in a minute dated 12 July 1996 from the Under Treasurer to the Treasurer. On the basis that a revised funding proposal was expected to be put to the next Cabinet Budget Committee, Treasury suggested that it may not have been appropriate to proceed with the construction management contract until the funding arrangements were finalised. Further, the recommendation that approval be given to the Minister for State Government Services to accept tender for trade packages should not be given and sought as part of the final Cabinet approval.

This Cabinet submission was withdrawn before it was scheduled to be considered by Cabinet on 15 July 1996.

### **10 JULY 1996 - RECONVENING OF THE PUBLIC WORKS COMMITTEE**

On 10 July 1996, the Public Works Committee reconvened. Mr Browne from Services SA gave evidence about the mechanism for controlling the selection of tenderers. He informed the Committee that the project would be managed by Services SA with the assistance of a private industry construction manager. Services SA and the private industry construction manager would divide the project into "tender packages" according to sub-trades. Any tenders would need to conform to the specification to be tendered through the audited Services SA processes endorsed by the Executive Committee and accepted by the Minister for State Government Services.

The Public Works Committee retained concerns about whether that approach was appropriate. As a consequence, the Committee requested Minister Ingerson to obtain written confirmation from the Crown Solicitor that the process proposed was appropriate by letter dated 17 July 1996.

## **10 JULY 1996 - MR SCOTT'S REQUEST TO THE CROWN SOLICITOR'S OFFICE TO RESOLVE FUNDING DEED ISSUES URGENTLY**

By minute dated 10 July 1996, as a result of recent meeting between the Soccer Federation and the Minister for Recreation, Sport and Racing, Mr Scott gave his comments on the draft Funding Deed prepared by the Crown Solicitor's Office on 4 July 1996. Mr Scott stated that the Minister requested that a further draft be provided by the close of business the following day so that final negotiations occurred early the next week before the Minister went overseas.

This minute informed the Crown Solicitor's Office that:

- From early on both participants had promoted the project as a joint venture and that theme should be reflected in the Funding Deed.
- The draft did not include the *"key fundamentals of the Memorandum of Understanding ie the introduction of a \$3 levy per spectator utilising the new grandstand"*.
- Services SA believed from a risk management perspective that the Minister for State Government Services should be the principal to the construction contracts and not the Soccer Federation as proposed in the April 1995 Memorandum of Understanding.
- The Government would now make its 50 percent contribution directly rather than the Soccer Federation borrowing the whole of the project costs and the Government repaying 50 percent of the debt servicing costs.

## **11 JULY 1996 - FURTHER INSTRUCTIONS FROM THE MINISTER FOR RECREATION, SPORT AND RACING ON THE TERMS OF THE FUNDING DEED**

By minute dated 11 July 1996, Mr Scott requested the Crown Solicitor's Office to include a further term in the Funding Deed as a result of further discussions with the Minister:

*"If unforeseeable circumstances arrive and SAFA are unable to contribute 50 percent of the debt servicing arrangement, after consultation with the respective parties (Treasurer, Minister and SAFA), any shortfall could be addressed by either or both of the following*

- *renegotiation of clause(s) of the Trust Deed and/or the operations of Hindmarsh Stadium Business Unit, or*
- *increased contribution by the State Government via the MRSR."*

## **11 JULY 1996 - CROWN SOLICITOR'S OFFICE ADVICE TO MR SCOTT**

In response to Mr Scott's minutes dated 10 and 11 July 1996, Mr Jaksa of the Crown Solicitor's Office sent a minute to Mr Scott and to the Department of Treasury and Finance. Mr Jaksa's minute complained about the way in which the project was being progressed:

- The proposal now involved the Soccer Federation merely using its best endeavours to pay one half of the proposed loan repayments. That diverged with his instructions from the Department of Treasury and Finance and was inconsistent with the 29 April 1996 Cabinet approval. *"Consistency with this Cabinet approval is of paramount importance and needs to be considered further."*

- Mr Jaksa had conflicting instructions on the structure of the arrangement and the provisions of the Funding Deed. That made it difficult to draft the Funding Deed.
- Negotiations had been conducted with the Soccer Federation about the structure of the funding and legal arrangements in the absence of officers of the Department of Treasury and Finance or the Crown Solicitor's Office. That was ill-advised.
- A copy of the draft Funding Deed had been provided to the Soccer Federation before the Crown Solicitor's Office had received any comments from the Office for Recreation, Sport and Racing or, more importantly, from the Department of Treasury and Finance, contrary to Mr Jaksa's express written instructions of 4 July 1996.
- The deadline imposed by the Minister was unreasonable and unnecessary given that the bank had not been selected and the *"most important contents of the Funding Deed are ultimately dependent on the structure of the relationship between the Federation, the bank, the Treasurer and the Minister"*.

## **12 JULY 1996 - CROWN SOLICITOR'S OFFICE REQUIREMENT FOR QUANTIFICATION OF THE SHORTFALL**

The Crown Solicitor's Office advised Mr Scott that the revised Cabinet submission on the project should expressly state that the Minister for Recreation, Sport and Racing is proposing to top up the Soccer Federation's payments to service the loan and that this liability should be quantified in the Cabinet submission.

## **12 JULY 1996 - TREASURY'S RESPONSE TO MR SCOTT'S MINUTES AND RESPONSE OF THE CROWN SOLICITOR'S OFFICE**

By minute dated 12 July 1996, the Under Treasurer responded to Mr Scott's minutes dated 10 and 11 July 1996 and the response of the Crown Solicitor's Office dated 11 July 1996.

That minute stated:

*"On the basis of the Treasurer's minute,<sup>160</sup> OSR&R [sic] will be responsible for any shortfall in SASF loan repayments. As such it is essential that OSR&R [sic] is satisfied with the arrangements put in place through the Funding Deed and the Deed of Guarantee. Such arrangements should attempt to minimise the likelihood of a shortfall occurring and minimise the value of a shortfall should it occur.*

*To provide a clear delineation of responsibility, it is agreed that OSR&R [sic] will provide instructions to Crown Law with respect to the Funding Deed and that Treasury and Finance will provide instructions with respect to the Deed of Guarantee. Notwithstanding [sic] it is essential that both OSR&R and Treasury and Finance each have an opportunity to provide comment on each other's draft documents.*

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<sup>160</sup> That is, dated 8 July 1996 and referred to above under the heading "8 July 1996 - Treasurer's Agreement that Funding Shortfall can be Met from the Sport And Recreation Fund" at page 95.

*As a general comment if the arrangements proposed by either OSR&R [sic] or Treasury and Finance are inconsistent with approved Cabinet Submissions then it is necessary for consideration to be given to putting forward a new Cabinet Submission."*

Mr Ingerson in giving evidence to this Examination said he *"totally refuted"* the complaints made by the Crown Solicitor's Office. When giving evidence Mr Ingerson recalled that there was a wide range of issues the subject of disagreement between his department and the Crown Solicitor's Office, but he did not recall the detail.

Mr Ingerson took the view that the Crown Solicitor's Office were letting his department down by not getting on with the job and holding it up unreasonably. He said he was only interested in getting the Funding Deed agreed by all the parties to take back to Cabinet. Mr Ingerson said he was not interested, nor was it his responsibility to get involved in the day to day machinations in finalising the Funding Deed. That was the responsibility of his department and the Crown Solicitor's Office.

Neither Mr Scott or anyone else from the Office for Recreation, Sport and Racing responded in writing to the Crown Solicitor's Office.

### **15 JULY 1996 - CROWN SOLICITOR'S OFFICE ADVICE ON WHO SHOULD BE THE PRINCIPAL TO THE CONSTRUCTION CONTRACT**

By minute dated 15 July 1996, the Crown Solicitor's Office advised the Attorney-General as to why the Crown Solicitor proposed that the Soccer Federation be the principal to the construction contract instead of the Minister for State Government Services.

That advice identified that the Government had no interest in the land upon which the redevelopment was been undertaken or equity in the project. The Crown Solicitor was concerned for the Government not to accept any risk from the construction consequent upon a Minister of the Crown being the principal to the construction contract. Instead the Crown Solicitor proposed to pass that risk to the Soccer Federation as *"the development is not a Government development but a private development in which the Government is providing significant financial support."*

The Crown Solicitor's view was not shared by the Minister for Recreation, Sport and Racing, the Office for Recreation, Sport and Racing or Services SA for the following reasons:

- the Soccer Federation had no experience, expertise or resources to effectively manage the risk of the project;
- the Soccer Federation recognised this and did not want to be the principal in the project; and
- Government would have no input to the management of the project yet bear all the risk as guarantor.

## 15 JULY 1996 - REDEVELOPMENT COMMITTEE MEETING

### Endorsement of Project Consultancy Fees

The minutes of the Hindmarsh Stadium Redevelopment Committee meeting held on 15 July 1996 record that the Mr Scott proposed endorsement of Woods Bagot's continued retainer for the rest of the project for a fee of \$495,000 and subject to further negotiation with his Office, Services SA fee be \$140,000. Mr Whitbread suggested that there be a ceiling of \$760,000 for professional fees and sundry costs for the project rather than limit Services SA's fees.

### Council

The minutes also record that Mr Farrugia reported on the presentation to Council held on 9 July 1996 and that the Council has asked the Soccer Federation to maintain communication with the Council on future proposals for the site.

## 16 JULY 1996 – ATTORNEY-GENERAL'S MEETING WITH THE MINISTER FOR RECREATION, SPORT AND RACING

On 16 July 1996, a meeting was held between the Attorney-General, Mr Ingerson as the Minister for Recreation, Sport and Racing, Ms Ann Ruston and Mr Hocking of the Crown Solicitor's Office.

Mr Hocking's file note of this meeting records:

*"Imperative that Services S.A. manages the project*

*A.G. points out that can't contract to build on someone elses [sic] land. ∴ we need sub-lease or licence to occupy site during construction period.*

*J.H.(Mr Hocking) to check out lease and progress this option*

*A.G. mortgage of lease important*

*security may never be used but from an accountability perspective essential. Something we may give away later but need it now.*

*A.G. instructs to progress as fast as we can. Present an issues paper to him that he can canvass in Cabinet + with Premier. [Include structure of document] All issues.*

*A.G. Matter must go back to Cabinet before execution of documents..." [original emphasis]*

## 17 JULY 1996 - THE CROWN SOLICITOR'S OFFICE DISCOVERY THAT LEASE EXECUTED

Mr Hocking of the Crown Solicitor's Office discovered that the 1996 Lease had been executed without reference to the Government in the course of a telephone conversation with Mr Farrugia, the General Manager of the Soccer Federation on 17 July 1996. Mr Hocking's file note records that he inquired whether the Government had approved its terms as required by both the April 1995 Memorandum of Understanding and the Funding Deed (then still in draft). Mr Farrugia said that it had not but that he thought the Government had a copy of it.



Mr Hocking telephoned Mr Fletcher in the Office for Recreation, Sport and Racing to raise this issue. Mr Fletcher was unsure what had happened but said he would need the Crown Solicitor's advice. Mr Hocking advised Mr Fletcher to consider the lease first and see if it raised any specific issues which should be included in the instructions to the Crown Solicitor. The Crown Solicitor would then consider anything else that was apparent. He advised that this should happen as soon as possible and not wait until execution of the Funding Deed.

In fact, the Office for Recreation, Sport and Racing had already sent a copy of the lease to the Crown Solicitor's Office on 16 July 1996. On 18 July 1996, the Office for Recreation, Sport and Racing sent the Crown Solicitor's Office a minute expressing its concerns over certain terms of the lease and seeking the Crown Solicitor's advice on its suitability. Specifically, the Office for Recreation, Sport and Racing queried the absence of a right to vary the lease when it might need to be varied to suit the Funding Deed.

The Crown Solicitor's Office did not formally respond to that minute. However, Mr Jaksa, the solicitor responsible for the file within the Crown Solicitor's Office has informed this Examination that he was sure he gave oral advice on the lease. It is clear he was alive to the need for him to review the lease. For example, on 26 July 1996, he advised the Office for Recreation, Sport and Racing that he would write to the Council after he had had the opportunity to consider the lease. He also noted it on a handwritten list of things to do that he made in early August 1996.

The Crown Solicitor's Office had reviewed the 1996 Lease to the extent of identifying the need for the Council's consent for the granting of a mortgage over the lease and a licence to construct. It did not identify or address other inadequacies.

## **17 JULY 1996 - CABINET NOTE DETAILING EXPENDITURE TO DATE**

Mr Ingerson as Minister for Recreation, Sport and Racing signed a Cabinet Note on 17 July 1996 informing Cabinet that:

- There had been expenditure of \$1,164,108 comprising \$760,000 for documentation, disbursements and project management fees and \$404,108 for Hansen Yuncken Pty Ltd who had been engaged as the Construction Manager.
- The Minister for State Government Services (or his delegate) had been assigned to accept all trade package tenders.

## **17 JULY 1996 - PUBLIC WORKS COMMITTEE LETTER TO MINISTER FOR RECREATION, SPORT AND RACING**

Mr Oswald as Chair of the Public Works Committee wrote to Mr Ingerson as Minister for Recreation, Sport and Racing on 17 July 1996 expressing concerns about the conflicting evidence it had received about the project. It stated:

*"Mr Jeff Browne, of Services SA and Mr Tony Farrugia, of the South Australian Soccer Federation first gave evidence for this project to the Committee on 12 June 1996. This evidence is in direct conflict with the Hansard recorded during Estimate Committees and evidence received from Mr Browne on 10 July 1996.*

*Whilst Mr Browne provided an additional statement to the Committee on 10 July 1996 to clarify the conflicting remarks, the Committee requires confirmation of the relevant details prior to tabling its report for this reference. Consequently, the Public Works Committee asks that you request the Crown Solicitor to confirm, in writing, that the procedure being adopted for Construction Management and tender processes of the Hindmarsh Stadium is well founded, lawful in all respects and legally defensible.*

*The Committee would also appreciate receiving a flow chart detailing the checks and balances put in place to ensure that this process will not place the Government in an embarrassing situation in the future.*

*Finally, the Public Works Committee would appreciate receiving a copy of all instructions the Office of Recreation, Sport and Racing and Services SA gave the Crown Solicitor when seeking his advice that the process being adopted for the Construction Management tender approvals and sponsorship arrangements for the Hindmarsh Stadium project are legally defensible."*

## **24 JULY 1996 - DISCUSSION BETWEEN THE CROWN SOLICITOR'S OFFICE AND COUNCIL ABOUT LAND OWNERSHIP ISSUES**

On 24 July 1996, Mr Jaksa of the Crown Solicitor's Office telephoned the Director of Corporate Services at the Council to discuss issues arising from its ownership of the land upon which the stadium redevelopment was proposed to occur. The Council's consent was required as owner of the land to the proposed development and a licence required to be granted to the Minister for State Government Services during construction. Mr Jaksa also identified the need for a direct contractual relationship between the Crown and the Council in case of breach of the lease by the Soccer Federation.

His minute of 26 July 1996 recorded:

*"I have also discussed with the Director of Corporate Services of the City of Hindmarsh and Woodville its willingness to consent both to the granting of a licence to the Minister for SGS to occupy and control portions of Hindmarsh Stadium for the purpose of undertaking the development and to the actual undertaking of the development for the purposes of the lease. He indicated that the Council supported this in principle and he would be recommending to Council that these consents be given. I am advised that this matter is to be considered by Council on 12 August 1996.*

*I also foreshadowed that some sort of "facilitation deed" may be necessary between the Council and the Crown regulating the Council's right to terminate the lease.*

*I advised that I will write to the Council this week formally discussing these matters after I have had the opportunity of considering the lease."*

That passage also appeared in minutes sent to The Department of Treasury and Finance, Services SA, the Office for Recreation, Sport and Racing and the Attorney-General. The Facilitation Deed referred to was not prepared as part of the transaction documents for Stage 1. A draft was eventually prepared by the Crown Solicitor's Office in April 1998 but it was not sent to the Soccer Federation or the Council and, of course, has not been executed.

## 29 JULY 1996 - CROWN SOLICITOR'S OFFICE RESPONSE TO PUBLIC WORKS COMMITTEE REQUEST

### First minute to the Minister for Recreation, Sport and Racing

On 26 July 1996, the Crown Solicitor's Office sent a minute to the Minister for Recreation, Sport and Racing in relation to the concerns raised in the Public Works Committee's letter to the Minister dated 17 July 1996.

First that minute stated that the Crown Solicitor's Office in providing this opinion was:

*"...exclusively relying on a conference held between Ms Judith Freeman, Mr Vaughn Bollen and the writer on Monday, 22 July 1996 and the minute dated 24 July 1996 from Ms Judith Freeman to the Chief Executive Officer of the Office of Recreation, Sport & Racing written at my request as a consequence of that conference."*

The minute then contained three paragraphs concerning the proposed structure for undertaking the development. The first of those paragraphs referred to "two intertwined and relevant aspects": the appointment of Hansen Yuncken Pty Ltd as Construction Manager and the proposal the Minister for State Government Services being the principal in the construction agreements.

The second and third of those paragraphs stated:

*"I note that Services S.A. have strenuously argued that the Minister should be the principal contracting party. However, as previously advised, I confirm the Attorney-General's position that this is a matter which must be considered by Cabinet prior to it being implemented. I also note that the Minister for State Government Services has already entered into a contract with Hansen Yuncken Pty Ltd for it to act as a "construction manager" in relation to this project. My instructions from Ms Judith Freeman of Services S.A. is that the existing contractual relationship only relates to building advice during the development documentation phase. Further stages of the proposed construction management arrangement are subject to Cabinet's approval.*

*Moreover, if this type of contracting model is to be implemented, then I consider that there is a range of legal, commercial and risk management issues which need to be addressed, especially in relation to the relationship between the Minister for State Government Services and the Soccer Federation. I have highlighted and briefly discussed some of these matters in the accompanying minute addressed to Services S.A., the Office for Recreation, Sport & Racing and the Department of Treasury & Finance."*

As to the Public Works Committee's request, the minute stated that the procedures described in Services SA's minute would be legally defensible and appropriate provided that:

- "1. Cabinet approves the Minister for State Government Services to be the principal contracting party and to be contractually responsible to undertake the development.*

2. *The various commercial, prudential and risk management issues attendant upon the Minister for State Government Services directly contracting to undertake the redevelopment are adequately addressed, especially in respect of the contractual relationship between the Crown on the one hand and the Soccer Federation on the other.*
3. *The processes set out in Services S.A.'s minute dated 24 July 1996 are implemented and observed. This would include the following:*
  - 3.1 *all usual government tender processes are implemented and observed;*
  - 3.2 *the Minister is exclusively responsible to accept the lowest conforming tenders;*
  - 3.3 *the Hindmarsh Redevelopment Executive Group and the Hindmarsh Redevelopment Committee are, in relation to the actual undertaking of the development, merely performing a liaison or consultative function and do not have any right or power to determine or influence the acceptance of tenders or the performance of the Minister's contractual, prudential or construction responsibilities and obligations.*

*Any "sponsorship" arrangements proposed by individual tenderers for "trade packages" are considered separately from the acceptance of the actual tender and are negotiated independently by the Soccer Federation directly with any such tenderer."*

I have found that no sponsorship opportunities were sought or obtained by the Soccer Federation from any tenderer for the construction of the redevelopment. As discussed above, although Woods Bagot offered sponsorship in their tender for the primary consultancy, no sponsorship was provided. This issue of sponsorship was properly supervised by Services SA and its predecessor, DBM, ensuring the integrity of the tender processes for the whole project.<sup>161</sup>

### **Accompanying Minute**

The minute sent by the Crown Solicitor's Office to the Minister for Recreation, Sport and Racing dated 26 July 1996 referred to an accompanying minute that addressed some of the *"legal, commercial and risk management issues"* attendant upon the relationship between the Crown and the Soccer Federation. The issues raised in this lengthy minute included:

- Hansen Yuncken Pty Ltd's appointment for more than *"building advice during the development documentation phase"* required Cabinet approval.
- The Attorney-General's requirement that the proposal for the Minister for State Government Services to be the principal in any construction agreements be submitted to Cabinet for consideration. This was to be done urgently.

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<sup>161</sup> See the section above headed "20 September 1995 – Tender Process For Appointment of Primary Consultant".

- The Crown Solicitor's Office had not been informed of the proposal for the Minister for State Government Services to be the principal until 10 July 1996 although the proposal had been the subject of "2-3 months" of action and consideration. Consequently, this change had not been reflected in the draft Funding Deed.
- The Crown Solicitor's Office had discussed the Council's willingness to consent to the development under the lease and to granting a licence to the Minister to build on its land. Mr Jaksa had also *"foreshadowed that some sort of 'facilitation deed' may be necessary between the Council and the Crown regulating the Council's right to terminate the lease."* Mr Jaksa proposed to write to the Council formally about these matters after he had reviewed the lease.
- If the Minister for State Government Services became the principal in the construction agreements, Mr Jaksa considered that *"a fundamental change is effected to the nature of the relationship between the Crown on the one hand and the Soccer Federation on the other as well as raising a constellation of related commercial, legal and risk management issues. Furthermore, all of these issues will have to be reflected in the relevant documentation."*

### **Final Minute to the Minister for Recreation, Sport and Racing**

On 29 July 1996, the Crown Solicitor's Office sent the Minister for Recreation, Sport and Racing an amended version of its minute dated 26 July 1996.

The final version omitted three paragraphs included in the 26 July version<sup>162</sup> and the reference to the accompanying minute addressing the range of legal, commercial and risk management issues that needed to be addressed as a consequence of a fundamental change in the legal structure for the project.

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<sup>162</sup> See the section under the heading "First minute to the Minister for Recreation, Sport and Racing" at page 105 above.

## CHAPTER 10 - AUGUST TO SEPTEMBER 1996

### 1 AUGUST 1996 - CIRCULATION OF REVISED FUNDING DEED

On 1 August 1996, Mr Jaksa of the Crown Solicitor's Office circulated a revised version of the draft Funding Deed to the Office for Recreation, Sport and Racing, the Department of Treasury and Finance and Services SA. The minute accompanying the draft sought instructions on the progress of the further Cabinet submission required by the Attorney-General that needed to address the proposal for the Minister for State Government Services to be the principal in the construction contract. That Cabinet submission also needed to inform Cabinet of the Crown Solicitor's concerns about the Soccer Federation's capacity to service the loan and should include an estimate of the amount of the shortfall over the life of the loan.

This minute also stated:

*"I also advise that the Attorney-General is of the view that the Crown should seek some security from the Federation for the performance of its obligations. The Funding Deed always envisaged this by providing that the Federation would, at the request of the Minister for Recreation, Sport and Racing, grant a mortgage of its lease or a fixed and floating charge. The granting of such a security would require the Council's consent pursuant to the lease. I note that I have already foreshadowed with the Council that a contractual accommodation between the Crown and the Council will be necessary in order to regulate the Council's rights to terminate the lease for breach by the Federation. This document would essentially provide that the Council could not terminate the lease without giving to the Crown the opportunity to remedy any relevant breach of the Federation."*

Mr Jaksa sent a copy of this minute to the Attorney-General and the Crown Solicitor. The covering minute stated:

*"I enclose a copy of my minute dated 1 August 1996 to various persons. I note that a revised version of the Funding Deed has been distributed. This amended version has been drafted on the basis that the Minister for State Government Services is to undertake a contractual obligation to construct the development. Extensive provisions have been inserted to minimize the risks attendant upon the Crown undertaking such an obligation. These include specific obligations on the Federation, releases of liability and indemnities given by the Federation, exclusions of representations and warranties and representations and warranties made by the Federation. In the light of the Crown's recent experience concerning the Hindmarsh Island bridge, a provision has also been included permitting the Minister for State Government Services to terminate his construction obligation if an event of frustration or of supervening illegality of performance should occur."*

*Given the current close working relationship between the Office for Recreation, Sport and Racing and the Soccer Federation, it is incumbent on me to alert you to the possibility that there may be an adverse reaction by the Minister or the Soccer Federation to the incorporation of these provisions in the Funding Deed."*

## **2 AUGUST 1996 - RETAINER OF WOODS BAGOT FOR STAGE 1 DESIGN WORK**

From May 1996, Woods Bagot negotiated with Services SA over the price they would be paid for their consultancy services for the rest of Stage 1. Services SA sought an interim approval from the Office for Recreation, Sport and Racing to fund consultancy fees and disbursements totalling \$477,000 for the project from that agency's budget, pending final Cabinet approval.

On 2 August 1996, Services SA wrote to Woods Bagot formally extending Woods Bagot's retainer to do the detailed design work for Stage 1 and to act as principal consultant during the construction phase for Stage 1.

## **6 AUGUST 1996 - VALUE MANAGEMENT STUDY**

Services SA conducted a Value Management Study for Stage 1 on 6 August 1996. The stated objective of the study was *"to ensure that client expectations are being achieved and to determine cost saving opportunities."*<sup>163</sup>

## **8 AUGUST 1996 - CROWN SOLICITOR'S OFFICE FURTHER COMPLAINT AFTER MEETING WITH THE SOCCER FEDERATION**

On 5 August 1996, a meeting was held with the Soccer Federation to discuss the draft Funding Deed. It was attended by Mr Scott and Mr Fletcher of the Office for Recreation, Sport and Racing, Mr Jaksa of the Crown Solicitor's Office and Mr Farrugia and Mr Scarsella of the Soccer Federation and its solicitor, Mr Charles Brebner.

Following the discussions at that meeting, on 8 August 1996, Mr Jaksa sent a lengthy minute to the Office for Recreation, Sport and Racing and the Department of Treasury and Finance complaining about divergences in his instructions and lack of agreement on fundamental issues. He copied his minute to the Attorney-General and the Minister for Recreation, Sport and Racing. Although this minute raised a number of significant concerns with the funding arrangements for the project, neither the Office for Recreation, Sport and Racing nor the Department of Treasury and Finance responded in writing.

### **Divergent Instructions**

*"The result of this meeting is that I am now required substantially to revise the terms of the Funding Deed. Yet again, it appears that my instructions materially diverged either from the actual basis of the arrangements with the Federation or from the Federation's understanding of these arrangements. From my perspective, this is manifestly an unsatisfactory manner in which efficiently to progress this project and is the cause of some frustration.*

*Furthermore, many of the matters discussed at that meeting and the divergences in understanding relate to fundamental aspects of the transaction. It is also unsatisfactory that there should exist such a lack of agreement on these matters at this late stage."*

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<sup>163</sup> Minutes of the meeting of the Executive Group held on 4 August 1996.

### **No Cabinet Approval or Consideration by Treasury**

*"Finally, many of the aspects of the financial arrangements summarized below have not been considered by Cabinet or the Department of Treasury & Finance. Each of these matters must be clearly discussed in the next Cabinet Submission."*

### **Government or Private Project**

*"The Federation perceives the project not as its own but as essentially a government project. It is of the opinion that the size, cost and other major aspects of the development have been determined for it by the government and it is merely a participant in this decision-making process with no overall control. If it is, and always was a government project, then it should have been presented as such to Cabinet and the various agencies."*

### **Whether Soccer Federation's Contribution Quarantined to Levies**

*"The Federation's position is that it is not responsible for the repayment of the loan other than from its collection of the proposed \$3 grandstand levy. All of its other revenue sources, including those earned or derived from activities conducted from Hindmarsh Stadium, are to be quarantined from and unavailable to contribute to the repayment of the loan which it is proposing to obtain.*

*Effectively this state of affairs entails that the Crown bears the risk of the repayment of the loan to the extent that levy collections are insufficient to service the loan.*

*I consider that it is crucial that the magnitude of this potential liability of the Minister for Recreation, Sport & Racing be estimated as accurately as possible and that Cabinet be advised of this estimate in the next Cabinet submission.*

*Moreover, I have discussed this matter yesterday with the Department of Treasury & Finance and it appears to be at variance with its understanding of the extent of the Federation's obligations as being to repay the loan from all revenue earned or derived from the use of Hindmarsh Stadium. The latter was the reason motivating the establishment of the Hindmarsh Stadium profit centre."*

### **Unreliability of the Ernst & Young Report**

*"The Federation is not prepared to warrant, to any extent, the truth, accuracy or completeness of the information the Federation provided to Ernst & Young for the purpose of the preparation of its report. Moreover, the Federation has not been provided with a copy of this final report. The representatives of the Federation stated that all they provided to Ernst & Young were their best estimates of future attendances at Hindmarsh Stadium. In these circumstances, I am not sure what credence can be given to the results of the Ernst & Young report.*



*However, I note that Department of Treasury & Finance have undertaken their own independent assessment of the Federation's ability to service the loan. I understand that its results are similar to those of Ernst & Young. It estimates that the Federation may be able to meet 38 percent and 25 percent of the loan repayments on best and worst case scenarios respectively. However, I note that this analysis did not take into account the effect on gross levy collections of the proposed arrangements for the issuing of complimentary tickets by the Federation."*

Free tickets were estimated to amount to \$144,000 of levy foregone.

### **Mortgage over Lease**

*"The Federation were [sic] loathe to consent to the granting of a mortgage of its lease to the Minister at this stage. However, I reiterate that this is a requirement of the Attorney-General."*

### **Unconditional Treasurer's Guarantee**

The Soccer Federation had "*erroneously and without authority*" written to the National Australia Bank Limited referring to an unconditional Treasurer's Guarantee. The Crown's Solicitor's Office had drafted a "last recourse" type and the Department of Treasury and Finance were adamant that it would not be an unconditional guarantee. The Government's position was undermined by the Soccer Federation's actions.

Mr Ingerson in giving evidence to this Examination said he "*totally refuted*" the complaints made by the Crown Solicitor's Office.

## **8 AUGUST 1996 - CROWN SOLICITOR'S OFFICE LETTER TO COUNCIL**

On 8 August 1996, Mr Jaksa of the Crown Solicitor's Office wrote to the Council seeking their consent for the Soccer Federation and the Crown undertaking the redevelopment and for the granting of a licence to the Minister for State Government Services for the construction of the development. His letter continued:

*"Moreover, given that the Crown is making a substantial contribution to the construction costs, the Crown has an interest in ensuring that Hindmarsh is used for the playing of soccer during the remainder of the term of the existing Lease and the period of any renewal exercised by the Federation. Consequently, the Crown may require the Federation to grant a mortgage of its lease. Such a mortgage would require the Council's consent pursuant to Clause 2.30. In any event, and as discussed with the writer, given the Crown's substantial investment in the development of the Hindmarsh Stadium, an agreement will need to be reached between the Council on the one hand and the Crown on the other regulating the Council's right to terminate the lease. I note that these matters are still under consideration and need to be discussed further."*

## **12 AUGUST 1996 - COUNCIL RESOLUTION TO ESTABLISH ADVISORY COMMITTEE**

On 12 August 1996, the Council resolved to establish an Advisory Committee to consider the future development of Hindmarsh Stadium. The terms of reference for this committee stated that its functions were:

- "1. To advise and recommend to Council on the long term development of the Hindmarsh Soccer Stadium site.*
- 2. To advise and recommend to Council on any planning policy changes with respect to the Hindmarsh Soccer Stadium development.*
- 3. To advise and recommend to Council on any matters relating to the existing ground lease arrangements between Council and SA Soccer Federation.*
- 4. To negotiate the long term future of other organisations currently housed on the site of the Hindmarsh Soccer Stadium and to recommend to Council as required."*

## **13 AUGUST 1996 - WOODS BAGOT REVIEW OF VALUE MANAGEMENT STUDY FINDINGS**

On 13 August 1996, Mr Hoare of Woods Bagot sent Services SA, the Soccer Federation, Hansen Yuncken Pty Ltd and Connell Wagner a fax about the possible cost savings and actions identified at the Value Management Study held on 6 August 1996.

\$160-135,000 of cost savings had been identified that were stated as immediately achievable to bring the project back close to "on budget". This was noted as not providing any contingency for extra items requested by the Soccer Federation following their last meeting with the NSL Clubs.

Mention was made of the deferral of the pitch extension: *"SASF have now received Olympic requirements formally and this includes a 120 x 80 pitch. Combined with the Minister's statement – this option appears to be politically unacceptable."*

## **13 AUGUST 1996 - MR SCOTT'S REQUEST FOR SOFTER APPROACH IN THE GUARANTEE**

By minute dated 13 August 1996 to the Under Treasurer, Mr Scott stated that the Soccer Federation had expressed their concern over the terms of the Deed of Guarantee requiring that the Soccer Federation be wound up before it was called up in case of default under the loan. He asked:

*"I would be grateful if you could consider a softer approach in the guarantee along the lines that would enable the Bank to approach the Treasurer immediately on default by the Federation. Note that this situation should not arise since our Minister is effectively guaranteeing the Federation's repayments through the Funding Deed."*

## 14 AND 15 AUGUST 1996 - CIRCULATION OF CABINET SUBMISSION FOR COMMENT

A draft Cabinet submission seeking final approval for the funding arrangements for Stage 1 was prepared by the Office for Recreation, Sport and Racing. Assistance was sought from the Crown Solicitor's Office for the wording of the sections summarising the terms of the Funding Deed.

Mr Jaksa of the Crown Solicitor's Office sent its further comments on the Cabinet Submission to the Office for Recreation, Sport and Racing that same day. He advised that the submission should:

- State that the Soccer Federation was not required to repay the loan from any other sources of its revenue.
- Raise the issue of free tickets not subject to the levy.
- Contain an estimate of the magnitude of the potential liability of the Minister for Recreation, Sport and Racing for a shortfall between the levy collections and the loan repayment.

Mr Jaksa then sent a minute to the Crown Solicitor of matters to be raised with the Attorney-General:

- He sought the Attorney-General's views on whether a mortgage over the lease was still necessary. Mr Jaksa felt it should be required although it may delay execution of the Funding Deed.
- He noted the compromise that had been reached over the alternatives of an unconditional or last recourse guarantee by including a requirement that the Soccer Federation serve notice on the Minister for Recreation, Sport and Racing for payment before any demand is made on the Treasurer.

*"...as the Minister is effectively underwriting the Federation's repayment of the loan, I am insisting that the Cabinet submission contain an estimate of the Minister's potential liability..."*

A revised version of the Draft cabinet submission was sent to the Crown Solicitor's Office on 15 August 1996 for further comment. Mr Jaksa faxed his handwritten comments of the draft to Mr Fletcher in the Office for Recreation, Sport and Racing on 16 August 1996.

His numerous comments included:

- As to the engagement of Hansen Yuncken Pty Ltd, *"but previous advice"*;
- As to paragraph 3.1.5 overstating the Soccer Federation's ability to meet its share of the loan repayments: *"T&F 2/3 – 3/4 - on what basis are these estimates made? Ernst & Young, Treasury?"*
- As to land acquisition: *"Has this commenced? My advice was that it was to go to Cabinet first. Please clarify."*
- As to the engagement of National Portfolio Strategies: *"Has this been done?"*

- As to the option documents: *"What document is this? Who prepared? On whose advice is it said to be appropriate?"*

By minute dated 16 August 1996, the Under Treasurer provided the Department of Treasury and Finance's view on the proposed Cabinet submission:

- The submission should take into account the proposed changes to the Guarantee discussed by Treasury with the Crown Solicitor's Office. Instead of an unconditional or last recourse guarantee, the bank will serve a notice on the Soccer Federation requiring payment and the service on the Minister for Recreation, Sport and Racing to pay before a demand can be made on the Treasurer.
- Land acquisition should be the subject of a separate Cabinet submission including a business case detailing cost/benefit analyses of the various options.

### **19 AUGUST 1996 - FURTHER COMMENTS FROM THE CROWN SOLICITOR'S OFFICE AND TREASURY**

By minute dated 19 August 1996 directed to the Director of the Cabinet Office, the Crown Solicitor's Office supplemented its comments on the Cabinet Submission dated 16 August 1996, although Mr Jaksa had not had the opportunity of considering the final version.

It stated:

*"... I have been instructed by the Attorney-General to advise Cabinet of his view that the State should obtain security from the Soccer Federation for the performance of its obligations contained in the Funding Deed and the Deed of Guarantee. It is proposed that this security be in the form of a mortgage, in favour of the Minister for Recreation, Sport & Racing or the Treasurer, of its interest as lessee of the land comprised in Hindmarsh Stadium. Moreover, it is also proposed that the Federation grant to the Minister for Recreation, Sport & Racing a fixed charge over the bank account for the deposit of levy collections and any moneys collected by the Federation from this levy.*

*I note that these matters have been discussed with the Soccer Federation and are contained as obligations on it pursuant to the Funding Deed. I also note that these documents will be prepared by me."*

By minute dated 19 August 1996, from the Deputy Chief Executive of the Cabinet Office to the Premier, it was noted that the Cabinet Submission for the Hindmarsh Soccer Stadium was received at 4 pm on Friday 16 August 1996. Officers from the Department of Treasury and Finance had expressed their concerns regarding the Guarantee Deed which were summarised as:

- Treasury proposed that the Government's contribution be limited to \$4.0625 million. Cost overruns are to be shared equally by the Government.
- The estimated shortfall in the Soccer Federation meeting its loan repayments was \$185,000. Free tickets and pricing may inhibit the Soccer Federation's repayments.
- The underwriting by the Minister for Recreation, Sport and Racing of this shortfall was a substantial move away from the 29 April 1996 Cabinet approval.

## **19 AUGUST 1996 - CABINET FINAL APPROVAL OF STAGE 1 FUNDING ARRANGEMENTS AND APPOINTMENT OF CONSTRUCTION MANAGER**

On 14 August 1996, Mr Ingerson as Minister for Recreation, Sport and Racing signed a Cabinet submission seeking final approval of the Stage 1 budget and funding arrangements and appointment of Hansen Yuncken Pty Ltd as construction managers. Cabinet granted its approval in the terms recommended save that it was noted that tenders for trade packages could not be let until the Public Works Committee's report was finalised.

### **Funding**

Approval was sought for expenditure of \$7,648,000 to take the project cost to \$8.125 million, of which the Government would pay half (\$4.0625 million).

Detail was included as to the essential features of the draft Funding Deed, including some of the issues advised by the Crown Solicitor's Office as necessary to be brought to Cabinet's attention. For example, the changes in the arrangements since the April 1995 Memorandum of Understanding<sup>164</sup> and that the Soccer Federation would not contribute 50 percent of the debt servicing costs as approved by Cabinet on 29 April 1996.

### **Deed of Guarantee**

The submission referred to the Soccer Federation's preference for an unconditional guarantee although the Crown Solicitor's Office had prepared a "last recourse" type. The submission stated "*[t]his matter is the subject of ongoing discussions and will need to be resolved before any documentation is signed, However, it is anticipated that a resolution will be found.*"<sup>165</sup>

The Cabinet submission did not ask Cabinet to resolve this issue.

### **Principal in the Construction Contract**

As required by the Crown Solicitor's Office, this issue was brought to Cabinet's attention. The contrary views of the Crown Solicitor's Office were not stated in writing to Cabinet. It was noted however:

*"This proposal is supported by the Minister for Recreation, Sport and Racing, the Minister for State Government Services, the Office for Recreation, Sport and Racing, Services SA and the South Australian Soccer Federation."*<sup>166</sup>

### **Construction Manager**

Details of the selection process and contract made with Hansen Yuncken Pty Ltd were included.

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<sup>164</sup> That is, change from new eastern grandstand to redeveloped western grandstand, increased project cost, Government contribution to be directly funded as a grant and letter of intent only required from Soccer Australia.

<sup>165</sup> Paragraph 3.3.2.

<sup>166</sup> Paragraph 3.4.3.

## Land Acquisition

The submission also included the following recommendation that Cabinet accepted:

*"Note that options for the purchase of land in Hindmarsh Place are being pursued by the Office for Recreation, Sport and Racing as part of the overall Master Plan for the bid for the Sydney 2000 Olympics preliminary soccer matches."*

The explanation given for acquiring the options was as follows:

### *"3.6 Land Acquisition*

*3.6.1 A long term strategy has been prepared for the site which will provide a framework for orderly implementation of any future development and systematic upgrading of the site for the Sydney 2000 Olympics qualifying matches. Measures proposed include the closure of Hindmarsh Place which will provide off-street car parking, upgrading site fencing to soften the interface with the streetscape, site paving and tree planting, widening of pavements and development of pedestrian zones at main entries.*

*In the Cabinet submission in April 1996 it was noted that the Office for Recreation Sport and Racing is to investigate town planning, traffic planning and land acquisition for the future development of the southern end of the stadium. It was also noted in the Cabinet submission that the indicative cost for the land acquisition would be \$1,750,000.*

*3.6.2 The firm National Portfolio Strategies (NPS) has been engaged by the Office for Recreation Sport and Racing to a secure six month option on allotments in Hindmarsh Place. The cost to secure the options is in the order of \$10,000 which will be funded from the Office for Recreation Sport and Racing's budget.*

*3.6.3 Preliminary investigations completed by NPS indicate the cost to Government to purchase the allotments would be in the order of \$1,205,000. However to acquire all of the land in Hindmarsh Place would require the purchase of an additional allotment on the corner of Manton and Hindmarsh Place which has a current market value of between \$1.76M and \$1.935M.*

*3.6.4 For South Australia to maximise its chance of hosting the Sydney 2000 Olympics qualifying matches and other international soccer and rugby union fixtures, funds to a maximum of \$3.2M will be required in 1997/98 to acquire the land in Hindmarsh Place.*

*3.6.5 It is now proposed the Minister for Recreation Sport and Racing will authorise NPS to proceed with securing the options on the land in Hindmarsh Place. The mechanism to be adopted for this will be by way of a nomination form similar to that used by the Minister for Employment, Training and Further Education for land acquisition in Light Square, Adelaide.*

3.6.6 *Full details of the acquisition will be the subject of a separate Cabinet Submission.*"

The stated reason for the land acquisition was the concern expressed by Sydney about the constriction of the site. The submission committed the Government to expenditure on land acquisition when there had been no decision by Cabinet to pursue any work in Woods Bagot's master plan beyond the western grandstand.

Mr Ingerson has informed this Examination that:

*"The reality of which Cabinet was well aware is that once it had committed to the extension of the Western stand to the south, and with the extension of the pitch, future development would encroach into Hindmarsh Place."*

## **20 AUGUST 1996 - LETTER OF NOMINATION TO NATIONAL PORTFOLIO STRATEGIES**

On 20 August 1996, following recent discussions, National Portfolio Strategies sent Mrs Hall:

- a letter of nomination authorising National Portfolio Strategies to act for the Minister for Recreation, Sport and Racing in acquiring land south of the stadium;
- a map showing the targeted land; and
- their Strategy Overview including details of the properties to be acquired and the estimated acquisition price of \$4.145 million. It contained no discussion of how the land would be used if acquired.

On 26 August 1996, National Portfolio Strategies sent to Mr Ingerson a letter enclosing the Strategy Overview and the letter of nomination for him to sign.

Mr Ingerson executed the letter of nomination. Between September and November 1996, National Portfolio Strategies proceeded to enter into four option contracts on his behalf as Minister for Recreation, Sport and Racing. The letter to Mr Ingerson stated that the option contracts provided for settlement of the purchase of the land after 1 July 1997 *"(ie within the 1997/98 Budget Year)"*.

## **23 AUGUST 1996 - COUNCIL'S CONSENT FOR REDEVELOPMENT**

By fax dated 23 August 1996, Perry responded to the Crown Solicitor's Office letter dated 8 August 1996. It stated that the matter had been considered by the Council at its meeting of 12 August 1996 and resolutions passed consenting to redevelopment and granting to an exclusive licence to the Minister for State Government Services to undertake the redevelopment. Neither the Council in meeting or the fax addressed the wider issued of the proposed Facilitation Deed.

## **23 AUGUST 1996 - HANSEN YUNCKEN PTY LTD RETAINER**

On 23 August 1996, the Minister for State Government Services entered into the Construction Management Agreement with Hansen Yuncken Pty Ltd.

That agreement committed the Government to pay Hansen Yuncken Pty Ltd for managing the complete construction of Stage 1.

## **26 AUGUST 1996 - COUNCIL'S SUPPORT FOR DEVELOPMENT APPLICATION**

At a meeting of the Council held on 16 August 1996, the Council resolved to support the Development Application for Stage 1.

## **27 AUGUST 1996 - EXECUTIVE GROUP DEFERRAL OF PITCH UPGRADE**

The minutes of the Executive Group meeting held on 27 August 1996 record that in considering the budget overrun issues from the Value Management Study, "increasing the pitch size" was decided to be treated as a further contingent item.

*"The Executive Group noted and endorsed this strategy as an available approach to reducing expenditure, although, the Executive Group did not consider the strategy particularly attractive.*

*Michael Scott and Tony Farrugia reported on the Soccer 2000 Bid.*

*Woods Bagot agreed to provide a drawing showing all space requirements necessary to meet bid requirements. It was noted that not all of these requirements form part of the current funded proposal.*

*The Soccer 2000 Bid is due to be lodged by the end of September 1996. Michael Scott discussed the possibility of including some of the project cost (pitch increase) as part of the Bid funding."*

## **28 AUGUST 1996 - THE PUBLIC WORKS COMMITTEE'S 33<sup>RD</sup> REPORT**

In August 1996, the Public Works Committee published its 33<sup>rd</sup> Report.

The Public Works Committee reported that it had three concerns with the project:

- car parking;
- procurement method; and
- land ownership.

### **Car Parking**

As to car parking, the Committee urged the Office for Recreation, Sport and Racing and the Soccer Federation to address these issues as a matter of urgency and stated that it would monitor their progress in doing so.



## **Procurement Method for Contract Delivery**

The Committee was concerned that the method for management of the construction of the redevelopment provided increased opportunities for the Soccer Federation to obtain sponsorship but that that gave rise to a greater risk of conflict of interest. The Public Works Committee recommended the project on condition that all the requirements set out by the Crown Solicitor in its letter dated 29 July 1996 were met.

## **Land Ownership**

The Committee reported that all the land involved in the stadium was owned by the Council and that lease negotiations had recently been concluded whereby the stadium would be leased by the Council to the Soccer Federation for 21 years with a right of renewal for a further 21 years.

Further:

*"Although the Soccer Federation has secured use of the facility for a further forty two years, as landlords, the City of Hindmarsh Woodville will be the major beneficiaries of the stadium upgrade. To date the Hindmarsh Woodville Council have not been approached to make a contribution toward the cost of the stadium upgrade and the Committee recommends that this matter be discussed with the council.*

*Furthermore, given the level of capital expenditure associated with the project, the Committee is concerned by the possibility that the facility may no longer be available to the South Australian Soccer Federation at the end of the lease term." <sup>167</sup>*

## **Project Justification**

The Public Works Committee stated in its Report on Stage 1:

*"This upgrade will provide Adelaide with the necessary facilities to host preliminary matches for the Sydney 2000 Olympics." <sup>168</sup>*

### **"Necessity of Construction**

*To ensure Adelaide retains the opportunity to host preliminary rounds of the competition, it is essential that a stadium meeting the FIFA minimum requirements is available...*

*The proposed upgrade will ensure those requirements are met." <sup>169</sup>*

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<sup>167</sup> Page 13 of the 33<sup>rd</sup> Report.

<sup>168</sup> Page 4.

<sup>169</sup> Page 9.

## **29 AUGUST 1996 - LICENCE AGREEMENT BETWEEN SOCCER FEDERATION AND THE NSL CLUBS**

While negotiation of the Funding Deed and design work on the stadium continued, Mr Avory, Mr Scarsella and Mr Farrugia on behalf of the Soccer Federation entered into negotiations with the two NSL Clubs that had NSL teams as to the terms of the licence under which those clubs would use Hindmarsh Stadium.

The negotiations concluded with the Soccer Federation sending each of the NSL Clubs a detailed six page letter on 29 August 1996 recording the licence agreement and requesting them to counter-sign it and return it to him. The NSL Clubs signed and returned the letters, although West Adelaide sent a covering letter containing a number of minor variations to the agreement.

The licence agreement did not compel the clubs to play their NSL matches at the stadium nor any particular matches. An addendum to the licence agreement was executed by both NSL Clubs on 2 October 1996 that included that obligation.

The licence agreements were negotiated and drafted without the assistance of solicitors. The Government was not given an opportunity to comment upon the licence agreements, even though the use of the stadium by the NSL Clubs in national matches was an important justification for the upgrade. Despite their imperfections, the documents constituted binding legal agreements.

The NSL Clubs later sought, successfully, to renegotiate the licence agreements and then later again sought to treat them as null and void.

## **30 AUGUST 1996 - COUNCIL'S LETTER TO MR INGERSON ABOUT NOMINEE FOR ADVISORY COMMITTEE**

On 30 August 1996, Mr John Dyer, the Mayor of the Council, wrote to Mr Ingerson as Minister for Recreation, Sport and Racing inviting him to nominate a representative for the Advisory Committee the Council proposed to establish. The letter stated:

*"Stage 2 envisaging a comprehensive upgrade of the entire site to achieve its full potential, has not yet been finalised, involving a number of issues requiring careful management. In order to provide an effective vehicle to achieve this, Council has also formally established the Hindmarsh Soccer Stadium Advisory Committee (HSSAC)..."*

## **SEPTEMBER 1996 - ADELAIDE'S BID TO SOCOG**

### **Discussions with SOCOG Representatives**

Adelaide's bid team engaged in a number of discussions with representatives of SOCOG about the requirements for the bid. On 9 September 1996, Mr Spurr, Mr MacFarlane, Mr Ciccarello and Mr Farrugia of the Sydney 2000 Bid Committee met in Sydney with Mr Elphinston and Mr Simmonds of SOCOG. Mr Farrugia produced detailed minutes of that meeting. According to those minutes the purpose of the meeting was to clarify Sydney's technical requirements. Mr MacFarlane presented to SOCOG an outline of what Adelaide proposed to do to Hindmarsh stadium to make it suitable for the staging of the Olympics. Mr Farrugia's minutes record only one item of Adelaide's proposal that the SOCOG representatives said would not be adequate. That was the size of the change rooms.

SOCOG stated that it might not be necessary to provide separate warm up areas since warm up could take place on the pitch, as it had in Atlanta.

SOCOG were aware that there was a longer term plan for further work at the site and asked when that work would be done. Mr Farrugia volunteered that it was hoped that work would be done by 2000.

### **Lodgment of Final Bid**

The final bid document was lodged with SOCOG under cover of a letter signed by the Premier dated 20 September 1996.

The final bid contained drawings prepared by Woods Bagot showing how the ground would be laid out for the matches.

The bid was considered by the members of the Bid Committee to be sufficient to win matches for Adelaide.

### **15 SEPTEMBER 1996 - TREASURY AND FINANCE APPROVAL OF SHORTFALL IN SPORT AND RECREATION BUDGET**

On 15 September 1996, approval was granted by the Treasurer for an annual provision of \$50,000 to be included in the Office for Recreation, Sport and Racing budget as a grant to the Soccer Federation on an as required basis as a "safety net" given the impact on the Soccer Federation of the additional cost of borrowing externally (instead of from SAFA) and the guarantee fee.

An internal Department of Treasury and Finance minute <sup>170</sup> recorded that the Minister for Recreation, Sport and Racing had "earmarked" a portion of funds from the annual allocation of the Sport and Recreation Fund to fund any shortfall in the Soccer Federation's loan repayments. Cabinet had subsequently approved this, with \$250,000 being allocated for this purpose.

### **16 SEPTEMBER 1996 - NOMINATION OF MRS HALL FOR COUNCIL ADVISORY COMMITTEE**

Mr Ingerson as Minister for Recreation, Sport and Racing nominated Mrs Hall for the Council's Advisory Committee. His letter stated *"The Council's initiative of establishing this Committee has my endorsement and it will provide an effective mechanism for addressing a wide range of issues associated with any future upgrading at the Hindmarsh stadium."*

### **19 SEPTEMBER 1996 - RIDER HUNT BRIEFING ON COST ESTIMATE FOR ADDITIONAL PERMANENT GRANDSTANDS**

On 19 September 1996, Mr Steve Knight from Rider Hunt <sup>171</sup> attended a meeting at Woods Bagot's office with Mr Bollen and Mr Hoare. This Examination has not been provided with any minutes or file note of that meeting.

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<sup>170</sup> Minute dated 15 September 1996 from the Under Treasurer to the Treasurer.

<sup>171</sup> The cost consultant retained by Woods Bagot.

This meeting was the first instruction they had been given to do this work. <sup>172</sup>

Either at that meeting or soon after, Rider Hunt were provided with two 1:750 scale concept drawings of the stadium marked "CD13" and "CD14" and another drawing marked "CD08". This Examination has not been provided with copies of those drawings. <sup>173</sup>

"CD13" and "CD14" described two options for further development of Hindmarsh Stadium, both providing an additional 15,000 seats. <sup>174</sup>

Option 1 and Option 2 were only slightly different. Option 2 involved slightly more demolition work, site works and landscaping and additional car parking. Option 2 was based on an assumption that an additional parcel of land would become available.

## **19 SEPTEMBER 1996 - EXECUTIVE GROUP DEFERRAL OF PITCH UPGRADE**

Also on 19 September 1996, the Hindmarsh Stadium Executive Group resolved that the pitch upgrade that had until then been part of the project should be deferred. That pitch upgrade was essential to comply with the July 1996 SOCOG/FIFA minimum requirements. By that decision, the Committee ensured that Stage 1 would not meet FIFA requirements for pitch dimensions.

That resolution occurred in the following context:

- On 9 September 1996, SOCOG informed Mr Farrugia, Mr Spurr, Mr MacFarlane and Mr Ciccarello, representatives of the Sydney 2000 Bid Committee, that the SOCOG/FIFA requirements as to pitch size were "not negotiable". <sup>175</sup> Of those four, only Mr Farrugia was on the Hindmarsh Stadium Redevelopment Committee Executive Group.
- On 20 September 1996, Adelaide's bid to SOCOG to host matches in the 2000 Olympic Soccer Tournament was finalised when Premier Dean Brown signed a covering letter of that date. That bid had as an attachment <sup>176</sup> a document prepared by Woods Bagot headed "Hindmarsh Stadium - Future Development". That attachment referred to a single re-development at a cost of \$8.5 million. <sup>177</sup> The attachment included a list of the components of the project that included the following:

*"The playing surface increased in size to FIFA full international standard of 120m x 80m."*

On 25 September 1996 Ms Howe and Ms Freeman of Services SA signed a minute prepared by Mr Browne addressed to the Minister for State Government Services setting out the then current estimated cost of Stage 1. A summary of that minute is set out in the box below.

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<sup>172</sup> Letter from Rider Hunt to Mr Scott dated 26 September 1996.

<sup>173</sup> Ibid.

<sup>174</sup> Ibid.

<sup>175</sup> Recorded in Mr Farrugia's minutes of the meeting with SOCOG. The words quoted were in block capitals in the minutes.

<sup>176</sup> Attachment 8.

<sup>177</sup> Despite the discrepancy between that figure and the budget that had at that time been approved by Cabinet it is plain that attachment referred to the western grandstand redevelopment project, later known as Stage 1.

The minute recorded no comparison of the proposed changes to the benefits of the project or what effect they would have. The pitch upgrade was described as a "deferral" only to be added back to the project if other items cost less than expected after tendering.

Also passing without comment were the facts that two of the items, temporary toilets and corporate box air conditioning, were costs which had until then been entirely the responsibility of the Soccer Federation but now had become the Government's responsibility.

	\$	\$
Approved budget		8,125,000
<i>plus</i> Recent developments:		
Design changes	200,000	
Changes required after obtaining geotechnical advice	136,000	
Development Assistance Commission requirements	130,000	
Soccer Federation changes:		
Extend lift to upper tier level	30,000	
Eastern side toilets	43,000	
Temporary toilets	10,000	
Air conditioning to corporate boxes	100,000	
General changes	29,500	
Total additional costs		+ 678,500
<i>Less</i> Deferred items		- 556,000
New estimate		8,247,500

## 24 SEPTEMBER 1996 - ADDITIONAL PERMANENT GRANDSTANDS ESTIMATE REVIEW MEETING

On 24 September 1996, Rider Hunt met with Mr Ford at Woods Bagot.<sup>178</sup> There are no minutes or file note of that meeting.

Although Rider Hunt later described the meeting as an "*estimate review meeting*", a handwritten note from Rider Hunt to Mr Hoare records that at the meeting Mr Ford suggested to Rider Hunt that Mr Hoare should be given the estimate to review.

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<sup>178</sup> Ibid.

## 26 SEPTEMBER 1996 - DRAFT COST ESTIMATE FOR ADDITIONAL PERMANENT GRANDSTANDS

On 26 September 1996, Mr Knight of Rider Hunt sent a draft of the cost estimate to Mr Hoare with a handwritten covering note.<sup>179</sup>

In the note Mr Knight recorded that Mr Ford had suggested that Mr Hoare review the estimate before it was sent to the Department of Recreation and Sport. The draft on Woods Bagot's file adjacent to that note covers only Option 1, although the terms of the note suggest that both options were enclosed.

The draft cost estimate for the building work comprised in Option 1 totalled \$25,491,093.

Mr Knight noted that the draft did not yet include an allowance for escalation but that would be included.

## 26 SEPTEMBER 1996 - RIDER HUNT REVISION OF DRAFT COST ESTIMATE FOR ADDITIONAL PERMANENT GRANDSTANDS

There is no record of Woods Bagot's comments on the draft cost estimate. However, a comparison of the draft for Option 1 and the version sent to the Department of Recreation and Sport shows that Rider Hunt increased their estimate significantly.

The total for the building work comprised in the final version was \$29,039,592. The difference between that total and the total of \$25,491,093 in the draft was accounted for by the following items:

	Draft \$	Final \$	Difference \$
Grandstands	14,846,500	18,518,700	3,672,200
Car Parking	872,545	667,119	(205,426)
Roadway outside boundary	616,480	586,480	(30,000)
Practice Pitches	212,340	196,065	(16,275)
External Services	757,000	885,000	128,000
			3,548,499

The increase was accounted for almost entirely by the greater estimated cost of the grandstands.

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<sup>179</sup> The note was marked "26/9/95". Rider Hunt had not been retained by that date in 1995 so it is clear that date should be 1996.

## **26 SEPTEMBER 1996 - RIDER HUNT COST ESTIMATE**

On 26 September 1996, Rider Hunt sent their completed cost estimate to Mr Scott. It included two options that were only slightly different. The three largest cost elements were common to both options:

- additional permanent grandstands at a cost of \$18,518,700;
- a sports training facility at a cost of \$2,058,750;
- a lighting upgrade at a cost of \$2,285,000.

The elements of the estimate are consistent with Rider Hunt having been asked to estimate what it would cost to provide the facilities required for the 2000 Olympic Soccer Tournament entirely as permanent facilities.

## CHAPTER 11 - OCTOBER 1996 TO FEBRUARY 1997

### 3 OCTOBER 1996 - MR SCOTT'S ADVICE TO SOCCER FEDERATION ABOUT LOAN COSTS

By letter dated 3 October 1996, Mr Scott informed the Soccer Federation that the Crown Solicitor's Office had advised that the costs of the loan were the Soccer Federation's responsibility and not the Government's. He suggested that the Soccer Federation apply for a grant from the Minister for Recreation, Sport and Racing under the Statewide Development Program.

### 4 OCTOBER 1996 - SOCOG RESERVATIONS ABOUT CONSTRUCTIONS OF HINDMARSH STADIUM SITE

In the course of making arrangements for the visit to Adelaide of SOCOG's bid evaluation team, Mr Simmonds from SOCOG, spoke to Mr MacFarlane of Australian Major Events. According to Mr MacFarlane's memorandum of the conversation, he was told that SOCOG's major concern about Adelaide was the constrained site. Even so, SOCOG conceded that SOCOG *"probably needed Adelaide as much as Adelaide needed the event"*.

### 13 OCTOBER 1996 - LAUNCH OF THE REDEVELOPMENT

Mrs Hall as Ambassador for Soccer and the Soccer Federation hosted a special launch of the Hindmarsh Stadium Redevelopment on Sunday 13 October 1996 at Hindmarsh. The launch was followed by the kick off of the 1996/97 NSL season.

### 14 OCTOBER 1996 - EXECUTION OF FUNDING DEED

On 14 October 1996, the Treasurer, the Minister for Recreation, Sport and Racing, the Minister for State Government Services and the Soccer Federation executed the Funding Deed. This document records the terms upon which the Government agreed to provide the Soccer Federation with financial assistance in undertaking Stage 1 of the Hindmarsh Stadium redevelopment.

In the Funding Deed:

- the Government promised to pay for half of the cost of construction work for the redevelopment of the western grandstand at Hindmarsh Soccer Stadium;<sup>180</sup> and
- the Minister for Recreation, Sport and Racing promised to pay that part of the other half of the cost that the Soccer Federation could not fund from levies imposed on spectators using the western grandstand.

Under the Funding Deed, the Soccer Federation was entitled to insist upon the Government contributing a minimum of \$4.0625 million to the upgrading of the western grandstand at Hindmarsh Stadium.

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<sup>180</sup> To a limit of \$4.062 million.



Effectively, the Minister for Recreation, Sport and Racing underwrote any shortfall between the Soccer Federation's loan repayments and the levies. The Minister's obligation cut in before the Treasurer's Guarantee would be called.

The final terms of the Deed of Guarantee between The Treasurer, the National Australia Bank Limited and the Soccer Federation and the Loan between the National Australia Bank Limited and the Soccer Federation were still being negotiated by representatives of Government when the Funding Deed was executed. Those documents were executed on 23 October 1996.

## **15 OCTOBER 1996 - START OF ON SITE CONSTRUCTION WORKS FOR STAGE 1**

Work commenced on site on Tuesday 15 October 1996, five weeks behind the project timelines.

While the Funding Deed had been executed, its terms were not operative until all of the conditions precedent to it had been satisfied. A key condition precedent was execution of the Loan between the Soccer Federation and the National Australia Bank Limited and the Deed of Guarantee, neither of which was executed until 23 October 1996. Negotiations continued between Finlaysons (the National Bank's solicitors), the Crown Solicitor's Office and the Department of Treasury and Finance over the economic cost payable to the bank on termination of the Loan until shortly before execution of the final documents on 23 October 1996.

## **16 OCTOBER 1996 - SELECTION OF PRACTICE VENUES FOR DISPLAY TO SOCOG**

On 16 October 1996, Mr MacFarlane of Australian Major Events wrote in a fax to Mr Ciccarello:

*"Further to our discussion late yesterday, the following are my thoughts on the selection of training venue sites, for the SOCOG visit.*

*The opposing forces at work in this matter is the SASF, whose preference, naturally, is that all training site venues be at its affiliated club grounds and that the "action" be shared between national and state league clubs. The other approach suggests that we should be setting soccer politics aside and presenting to the SOCOG delegation, the best training venues on offer, in Adelaide, irrespective of whether such sites are the home of an SASF affiliated soccer club or not.*

*The problem with the SASF approach, is that it does not have enough clubs of a suitable standard (in my opinion) to present with conviction, to the SOCOG delegation. Tony Farrugia's reaction to the suggestion that some of the SASF clubs might not be considered to be of a suitable standard, is that the State Government should help bring these clubs up to scratch and this contribution becomes the legacy (over and beyond Hindmarsh), delivered to soccer, as a consequence of the staging of this event. My response to Tony was that a significant proportion of the Adelaide bid already has to be taken 'on promise', at least in relation to the competition venue and that we should not ask SOCOG to also take 'on promise' too many of the training venues.*

*One point on which the SASF is implacable, is the use of the Adelaide Oval. Tony's view [Farrugia] is that if the Adelaide Oval is offered up as a training venue, SOCOG might*

*push the line that it should be used as the competition venue. Tony understands that Elphinston has seen the Adelaide Oval and is most impressed with this venue.*

*So taking all of the above into account, I suggest that we should settle on the following training venues:*

- *Adelaide City's training venue in southern Parklands*
- *West Adelaide's training venue in southern Parklands*
- *West Torrens Birkalla's facility*
- *the Mile End athletic stadium*

*This approach will result in being able to offer SOCOG high standard training facilities, close to the centre of Adelaide. From a political perspective, the benefits are seen to be spread around in the selection of these sites. The one major disadvantage, however, is that Adelaide City and West Adelaide sites would require the provision of temporary fencing. This is both expensive and delivers no lasting benefit.*

*The bottom line, however, is that allowing for all other considerations, we must offer up the best quality bid possible. To do otherwise, jeopardises our chances of success in this venture and obviously, unless we succeed in securing a pool for Adelaide, nobody wins a prize!"*

## **23 OCTOBER 1996 - FINALISATION OF STAGE 1 LOAN AGREEMENT AND DEED OF GUARANTEE**

Negotiations between the Crown Solicitor's Office and the Department of Treasury and Finance and Finlaysons, solicitors for the National Australia Bank Limited were not finalised over the terms of the Loan Agreement between the Soccer Federation and the bank until 23 October 1996. On that day, the Loan Agreement and the Deed of Guarantee between the Treasurer, the bank and the Soccer Federation were executed.

On the same day, the Office for Recreation, Sport and Racing sent the National Australia Bank Limited a department cheque for \$15,000 in payment of the Soccer Federation's application fees for the loan of \$4.0625 million.

## **23 OCTOBER 1996 - EXECUTIVE GROUP REASSESSMENT OF BUDGET AND WORK SCOPE**

The minutes of the Executive Group meeting held on 23 October 1996 record that the meeting discussed a revised budget and scope of work strategy following discussion between Mr Farrugia of the Soccer Federation, Mr Scott and Mr Hoare.

This budget assumed additional funding of \$418,000, deleting from the project the eastern side works and the pitch upgrade and was stated to include as priority items:

- temporary catering and spectator facilities during construction;
- level one concessions;

- level four corporate air conditioning (that the Soccer Federation had now agreed with the NSL Clubs would be part of the project cost); and
- the Soccer Federation's loan costs (although the Crown Solicitor's Office had previously advised were not the Government's responsibility).

## **24 OCTOBER 1996 - MINISTER INGERSON'S TIP OFF**

After Adelaide's bid was submitted, SOCOG representatives arranged to come to Adelaide to inspect the venue on 29 October 1996, arriving on the evening of the previous day.

In the intervening period, according to Mr Ingerson, there were communications among Mr Ingerson, his departmental officers, SOCOG representatives and Victorian Government Ministers, that led to Mr Ingerson and the Bid committee forming the view that Adelaide's bid might not succeed. One such communication was between a senior SOCOG official and Mr Ingerson.

In the week prior to the SOCOG visit, Mr Ingerson had a telephone conversation with a senior SOCOG official who said words to Minister Ingerson to the effect that Adelaide's bid was at the lower end and that if Adelaide still wished to be part of the Olympic Games, Adelaide needed seriously to reconsider its position.

Mr Ingerson said the SOCOG official did not give any detail of why that was the case or mention any particular aspects of Adelaide's bid or the stadium that required improvement. Mr Ingerson regarded the SOCOG official's comments as only 50 percent likely to be an accurate statement of SOCOG's position. Although he had reservations about the accuracy of what he had been told, Mr Ingerson said he was not prepared to go on with the bidding process without a second option. Mr Ingerson said he spoke to Premier Olsen about the need to have a second option and that the Premier was "*quite happy*" for him to get an alternative provided whatever was agreed as needed was approved by Cabinet.

The senior SOCOG official gave evidence before this Examination that he did not recall the specific telephone conversation, although he had conversations with Mr Ingerson on a number of issues over the several years he was with SOCOG. He gave evidence that it was unlikely that he said that Adelaide was unlikely to be chosen as a venue because he did not know whether or not that was the case.<sup>181</sup> He said he probably conveyed to Mr Ingerson that because SOCOG would not assume any financial burden from hosting Olympic soccer matches outside Sydney and Adelaide was located further from Sydney than others, Adelaide needed to be confident that the recovery and financial model SOCOG sought was reflected in Adelaide's bid. Adelaide needed to consider the matters that made it less attractive than other venues and how it would bring those matters into account in its bid.

### **Instructions to Woods Bagot**

As a result of that telephone conversation, Mr Ingerson telephoned Mr Ford of Woods Bagot and asked to meet him. Mr Ford went to Mr Ingerson's office. Mr Ingerson asked Mr Ford what the options were for the development. Mr Ford described to Mr Ingerson the options from the master plan that had been explored earlier in the year and told him about some of the options for land acquisition

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<sup>181</sup> The senior SOCOG official was not involved on a day to day basis in the selection of venues for the soccer tournament. That was left to SOCOG's Sports Commission headed by Mr Graham Richardson.

in the area. Mr Ingerson asked Mr Ford to prepare some drawings of some options that could be used during SOCOG's visit the following week if necessary.

Mr Ford and his staff spent many hours, in the ensuing days before Tuesday 29 October 1996, including long hours right through the intervening weekend, preparing concept plans for a much bigger development of the stadium. The exact plans prepared have not survived, nor is it clear how many and what options those plans showed. However, the plans did involve options including:

- Acquisition of all of the land south of the stadium between Hindmarsh Place and Richard Street;
- Extensive landscaping of the acquired land to turn the entire triangle of land bounded by Holden, Richard and Manton Streets into a soccer park precinct;
- One full size and one half size practice pitch south of the stadium; and
- New permanent stands on the northern, southern and eastern sides of the stadium.

Mr Ford showed the plans to Mr Ingerson once they were finished. The Minister was impressed that such plans had been able to be prepared in such a short time.

### **27 OCTOBER 1996 - REIMBURSEMENT OF \$300,000 TO THE SOCCER FEDERATION**

On 27 October 1996, the Office for Recreation, Sport and Racing sent a cheque for \$300,000 to the Soccer Federation. It reimbursed the Soccer Federation for \$300,000 of costs incurred and paid by the Soccer Federation for the construction of its office facilities in December 1994. Costs of \$300,000 were agreed to be Project Costs pursuant to Clause 30 of the Funding Deed. Mr Ingerson as the Minister for Recreation, Sport and Racing had agreed to repay these costs even though all the conditions precedent to the Funding Deed had not been met or waived. He did so on condition that the Soccer Federation undertook to ensure that appropriate resolutions were adopted by the Council of Clubs on 25 November 1996.

### **28 OCTOBER 1996 - LETTING OF TRADE PACKAGES FOR CONSTRUCTION**

On 28 October 1996, Mr Scott sent a minute to Mr Ingerson as Minister for Recreation, Sport and Racing informing him that as the legal documents had now been executed, the demolition trade package could now be let for work to commence on site.

### **29 OCTOBER 1996 - VISIT BY SOCOG DELEGATION**

On the evening of 28 October 1996, a delegation from SOCOG arrived in Adelaide to examine the Hindmarsh Stadium site. They visited the stadium the next day.

There is no contemporaneous record of the visit. Later the visit was repeatedly referred to as the key point at which it became clear that the redevelopment of the western grandstand alone would not result in a venue that would be satisfactory for Olympic soccer.

Different attendees have different recollections of what occurred but the following facts are well established by the oral evidence given to this Examination.

- The delegation had breakfast on the Tuesday with the Premier in the State Administration Centre.
- The delegation was shown the practice venues before visiting Hindmarsh stadium.
- At the stadium the delegation walked around the site, escorted principally by Mr Farrugia and Mrs Hall.
- After the tour of the site, a presentation was made to the delegation in a room at the Soccer Federation's offices known as the "Band Room". The presentation was made by Woods Bagot and Australian Major Events using computer based slides.
- There was discussion after the presentation.
- Minister Ingerson arrived late, while the delegation was in the Band Room. The presentation by Woods Bagot and Australian Major Events had already started.
- After some discussion, Mr Ingerson made a further presentation about a proposed further development of the stadium. He showed drawings of the further development mounted on plastic boards. These were the drawings prepared by Woods Bagot in the preceding few days.
- The delegation was taken to the airport to catch a plane at about midday.

That account does not address the factual key issues that arise out of the SOCOG visit.

### **Key Issues**

The key issues for this Examination about the SOCOG representatives' visit are:

- What the SOCOG representatives said about the likelihood of Hindmarsh Stadium being chosen as a venue for the Olympic Soccer Tournament.
- What the SOCOG representatives said needed to be changed at the stadium.
- What Minister Ingerson said was proposed by way of further development.

### **What the SOCOG Representatives said about Hindmarsh Stadium's Chances**

Most attendees could recall receiving a negative impression from the SOCOG representatives, but there was some degree of variation on how strong that was. With three exceptions, no witness could recall the Sydney representatives saying clearly that Adelaide was unlikely to be chosen.

One exception was Mr Farrugia who gave evidence that Mr David Hill, then Chairman of Soccer Australia made a gesture like a knife being drawn across his throat during a discussion of the use of temporary grandstands.

Another exception was that Mrs Hall gave evidence that she could recall one occasion while standing on the pitch that someone had said: "*This is not acceptable*". She was not sure that it did not happen on another occasion.

Mr Ingerson gave evidence that while they were not told that Adelaide's bid was not acceptable, they were told that it was not likely to be accepted without being told specifically any significant reasons as to why.

Mr Elphinston, SOCOG's General Manager – Sport gave evidence that prior to the visit, SOCOG considered Adelaide's bid at the lower end because Hindmarsh Stadium, of all the venues under consideration, was the most restricted. Specifically, SOCOG were concerned whether Hindmarsh could accommodate the significant number of Olympic facilities and its limited seating capacity. He said these concerns were expressed to Government representatives on a number of occasions.

Taking all of the evidence into account I find that the SOCOG representatives did not make any express statements about the likelihood of success of Adelaide's bid but that the questions they asked, coupled with their general demeanour, conveyed the impression to those attending that Adelaide's bid was not looked upon favourably.

### **What the SOCOG Representatives said Needed to be Changed**

Apart from the gesture recalled by Mr Farrugia in respect of the temporary stands, no witness could recall any direct statement by the SOCOG representatives that any particular aspect of the stadium had to be changed.

Some examinees could remember questions being asked about the following matters:

- What was the available space in the stadium surrounds?
- What roads were to be closed?
- Where was the large number of outside broadcast vans to be stationed?

Mrs Hall recalled Mr Elphinston of SOCOG saying that a relevant criterion was that there had to be a legacy left for sport. Mr Ingerson's recollection is stronger. He recalled that they said that existing proposed legacy was inadequate and there needed to be "*more permanent improvement*".

In relation to SOCOG's visit, Mr Ciccarello wrote in April 1998:

*"It is my recollection that SOCOG's General Manager of Sport, Mr Bob Elphinston made it very clear that, unless there was extensive upgrading of facilities and infrastructure at Hindmarsh Stadium, further than that proposed at that stage, including seating, lighting, pitch, changerooms etc, then our bid would fail."*

Mr Ingerson has submitted to me that this passage of Mr Ciccarello's minute confirms that it was made plain on 29 October 1996 that SOCOG sought more permanent improvement to the stadium. I note that Mr Ingerson has stopped short of suggesting that SOCOG specifically sought more permanent seating. This was the reason advanced as the need for Stage 2 in his 13 November 1996 Cabinet submission. I note that Mr Ciccarello's minute does not refer to permanency.

Apart from those matters, no witness recalled any particular item of criticism. That was consistent with the approach of SOCOG recorded in Mr Farrugia's minute of the Sydney 2000 Bid Committee's meeting with SOCOG on 9 September 1996.

Mr Elphinston said the SOCOG representatives did not specify what should be provided at Hindmarsh. SOCOG's prime requirement was that there be enough space around the stadium to accommodate the Olympic facilities. SOCOG did not specify that additional land had to be acquired permanently as SOCOG was not concerned how the extra space was procured. In fact, most Olympic sites procure the necessary space for Olympic facilities temporarily. SOCOG was concerned that there be 20,000 seats but did not specify the mix of permanent or temporary seats. SOCOG did not have a specific desirable level of permanent seats. However, while Mr David Hill from Soccer Australia was very concerned about a legacy for sport, it was up to the local sport and Government to specify the form of the legacy. Permanent facilities obviously provided a legacy. From SOCOG's perspective, the notion of a legacy was a fairly broad and generalised requirement.

Mr Elphinston said that the SOCOG representatives did not do or say anything that would have required new plans to be presented. The further redevelopment was volunteered by Minister Ingerson.

Taking all of the evidence into account I find that during the visit of the delegation on 29 October 1996, the SOCOG representatives did not make any express statements about how any particular aspect of the stadium could be improved. The questions they asked showed their concern about the amount of space available at the site. They expressed a general concern about the amount of additional permanent improvements proposed but did not specify what amount was required or that permanent seating was essential. The SOCOG representatives did not specify what was required to be done to address the concerns they expressed. That was left entirely to be decided by Cabinet on the basis of recommendations put forward from time to time by the proponent Ministers, Mr Ingerson and Mr Ashenden.

#### **What Minister Ingerson said was Proposed by way of Further Development**

The drawings presented by Minister Ingerson cannot now be located.<sup>182</sup>

There is a drawing in existence that was attached to the Cabinet submission and letter sent to SOCOG on 20 November 1996 following the SOCOG visit.<sup>183</sup> That drawing showed the key elements identified above<sup>184</sup> resulting from work over the weekend preceding the SOCOG visit.

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<sup>182</sup> Woods Bagot did not necessarily keep a printed copy of every draft of every drawing. Their computer aided drafting system meant that they could print the current version of any plan when needed. They would readily file A3 and A4 drawings on their correspondence file as a historical record but not larger plans. As to Government's record keeping, none of the relevant administrative units have been able to assist this Examination in locating these drawings.

<sup>183</sup> Copies of that letter were on a number of the files examined in the course of this Examination. Each copy was obtained from SOCOG's files some time after the event, since they all bear SOCOG's "received" stamp.

<sup>184</sup> See page 130 above.

No witness was able to identify unequivocally that drawing as recording the same proposal as was shown to SOCOG but all agreed that it could have been. The preponderance of evidence favours concluding that it was substantially the same:

- The elements in the drawing accord with the elements recalled by those witnesses who can recall what Mr Ingerson showed.
- It is inherently unlikely that Mr Ingerson would have sent SOCOG later on 20 November 1996 something different.
- As Mr Ford and Mr Hoare from Woods Bagot were not aware of the 20 November 1996 letter it is unlikely that they prepared a special drawing to accompany it.

On one view, the drawing attached to the letter to SOCOG dated 20 November 1996 represented the Hindmarsh redevelopment at its most lavish. It showed:

- Inclusion of all of the land between Hindmarsh Place and Richard Street in the stadium precinct; and
- Permanent stands on each of the northern, southern and eastern sides of the pitch.

## **29 AND 30 OCTOBER 1996 - ANNOUNCEMENT OF CANBERRA AND MELBOURNE UPGRADES**

SOCOG had stated that it wished to use only three venues outside of Sydney. A number of cities had indicated that they wished to host soccer games. Perth had been an early contender but was persuaded to drop out because of its distance from Sydney. Newcastle and Albury-Wodonga made bids but they were not considered serious competitors by the Sydney 2000 Bid Committee. Because of their populations, Brisbane and Melbourne were regarded as certainties. Canberra was seen as Adelaide's real competition.

On 29 October 1996 Canberra announced a \$27 million upgrade to Bruce Stadium.<sup>185</sup> Canberra became Adelaide's bid team's major concern.

On 30 October 1996, Victoria's Premier, Mr Jeff Kennett, called for expressions of interest for development of a \$200 million sports stadium in Melbourne's docklands:<sup>186</sup>

*"...in time for the World Soccer Championships in 1999 and the preliminary rounds of the 2000 Olympic Soccer Tournament."*

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<sup>185</sup> Canberra Times, 30 October 1996, "\$27m boost to ACT Games Bid".

<sup>186</sup> Australian Financial Review, 31 October 1996, "\$200m hi-tech stadium for CBD".



## 6 NOVEMBER 1996 - MEETING OF BID COMMITTEE TO CONSIDER SOCOG VISIT

On 6 November 1996, the Adelaide Soccer 2000 Bid Committee met in Minister Ingerson's office with the following agenda:

- "1. *Review of visit by SOCOG Delegation.*
2. *Consideration as to whether or not any further information should be forwarded to SOCOG, in relation to Adelaide's bid.*
3. *Any further business."*

No minutes were kept of that meeting. The agenda was sent to the members of the Bid Committee. That did not include Services SA or Woods Bagot.<sup>187</sup>

## 14 NOVEMBER 1996 - FURTHER FUNDS REQUIRED FOR STAGE 1

On 12 November 1996, Mr Ingerson as Minister for Recreation, Sport and Racing and Matthew as Minister for State Government Services signed a cabinet submission seeking Cabinet approval for further funds of \$560,000 for Stage 1 as a result of Development Assessment Commission requirements and latent conditions.

The submission sought further funding to take the budget for Stage 1 to \$8.685 million:

<b>New Work</b>	<b>Cost \$</b>
DAC requirement and latent conditions necessitating modification of the construction form of the piling	359,000
DAC requirement for streetscaping	91,000
Extension of lift to upper tier	40,000
Additional seats	40,000
Lighting to corporate suites	30,000
Total	560,000

Cabinet was not expressly informed that the lighting in the corporate suites was part of the fit out works to be undertaken by the Soccer Federation as required by the Funding Deed.<sup>188</sup> The submission stated:<sup>189</sup>

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<sup>187</sup> The day before that meeting members of the committee received copies of newspaper articles recording the announcement of the Canberra and Melbourne plans for multi-million dollar stadium construction projects.

<sup>188</sup> Clause 31 provided that "The parties hereby covenant and acknowledge that the Federation shall undertake and be responsible for, exclusively at its cost and expense, the fit out or refurbishment of the clubrooms under the grandstand at Hindmarsh Stadium and the purchase or installation of any fixtures, fittings, plant or equipment for this purpose. Consequently, any such cost or expense incurred, payable or paid by the Federation for this purpose is not and shall not be construed as being a Project Cost."

<sup>189</sup> Paragraph 3.9.

*"The costings for the western grandstand redevelopment did not allow for fit out to the corporate suites as this was seen as the responsibility of the West Adelaide and Adelaide City Clubs and the SASF. The leasing of the suites will generate revenue critical to the financial stability of these organisations. As with most commercial tenancies, potential lessees are enticed by incentives offered by the lessor. To that end it is considered the installation of lighting would assist in this practice..."*

Approval was also sought for the further funding to be contributed entirely by the Government contrary to Clause 54 of the Funding Deed. The stated rationale was that *"the request for additional funds is largely the result of satisfying DAC's requirements and latent conditions, and not budget variations initiated by the SASF, it is reasonable to apply Clause 54 'Waiver' of the Funding Deed..."*<sup>190</sup>

Cabinet noted the recommendations for which approval was sought on 14 November 1996, noting that the budget for Stage 1 *"may need to be increased"*.

## **18 NOVEMBER 1996 - CABINET APPROVAL OF SUBMISSION FOR STAGE 2**

On 13 November 1996, Mr Ingerson as Minister for Recreation, Sport and Racing, signed a Cabinet submission seeking *"in principle endorsement of the Hindmarsh Stadium Master Plan – Option 1"*. This was the first consideration of what very soon became known as "Stage 2".

A plan of "Option 1" was annexed to the Cabinet submission. It showed:

- Acquisition of all of the land south of the stadium between Hindmarsh Place and Richard Street.
- Extensive landscaping of the acquired land to turn the entire triangle of land bounded by Holden, Richard and Manton Streets into a soccer park precinct.
- One full size and one half size practice pitch south of the stadium.
- New permanent stands on the northern, southern and eastern sides of the stadium.

Notwithstanding the content of the attached drawing, it was apparent from the cost breakdown included in the Cabinet submission that new permanent stands were not part of the approval.

The submission sought only *"in principle"* approval.

On 18 November 1996, Cabinet gave its approval subject to two important qualifications:

- Cabinet approved written confirmation being given to SOCOG that Adelaide would implement Stage 2, but subject to being awarded a round in the 2000 Olympic soccer tournament.
- If SOCOG did award a round of the 2000 Olympic soccer tournament to Adelaide, a further detailed Cabinet submission was to be presented.

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<sup>190</sup> Paragraph 3.11.

The option presented to Cabinet did not involve any new permanent stands. Cabinet was given the option of a cheaper Stage 2, again not involving any stands, but involving a reduced acquisition of land. The estimated cost of the cheaper option was \$13,280,000. It was considered that:

*"This option will ensure that Adelaide may be successful in its bid to host a round of the 2000 Olympic Soccer Tournament however from a long term quality [sic], development [of] this option is severely limited and does not maximise the opportunities likely to be presented."*

The land comprised by Option 2 was exactly co-extensive with the land for which National Portfolio Strategies had been authorised to obtain options to purchase by Mr Ingerson's letter of nomination dated 26 August 1996.<sup>191</sup>

The Crown Solicitor's Office was provided with the submission. It drafted a minute to the Attorney-General that addressed briefly two matters about the submission:

- The fact that the Crown Solicitors Office had not provided any advice about the nomination of National Portfolio Strategies to acquire options over land in Hindmarsh Place.
- The wording of the proposed letter to SOCOG.

The Crown Solicitors Office did not identify any other respects in which the Government's processes leading to the November 1996 Cabinet submission might have been flawed.

On 18 November 1996 Cabinet approved the submission.

## **20 NOVEMBER 1996 - ADDITIONAL COMMITMENT TO SOCOG**

Pursuant to Cabinet's approval, Minister Ingerson sent a letter dated 20 November 1996 to SOCOG confirming that the additional works would be undertaken. The letter stated:

*"Following your visit, I confirm that the South Australian Cabinet has agreed to extend the Hindmarsh Stadium as outlined at our meeting.*

*This will allow for a very significant enhancement of the Hindmarsh Stadium project beyond the scope of the present redevelopment, on which work has already commenced. As outlined the second Stage development will provide for a significant increase in the overall size of the stadium, which along with other options, will permit the installation of a second soccer pitch.*

*Attached is a draft plan showing the area identified as our future development site."*

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<sup>191</sup> See above under the heading "20 August 1996 - Letter of Nomination to National Portfolio Strategies" at page 117.

The drawing attached was the same as the drawing put before Cabinet on 16 November 1996. What was not clear to SOCOG was that the attached drawing was not intended to convey that new permanent stands were planned. That was only apparent from the cost breakdown and narrative contained in the Cabinet submission that was not sent to SOCOG. The Crown Solicitor later expressed the view in a minute dated 21 March 1997 to the Attorney-General that this letter effectively incorporated the additional work in Adelaide's bid.

Mr Elphinston gave evidence to this Examination that he could not tell whether the northern and southern grandstands were intended to be permanent or not. If they were temporary, that would have been acceptable to SOCOG provided the temporary seating met certain safety requirements. He said SOCOG considered the proposed further development a much better arrangement because it offered more space around the site for the Olympic facilities and represented a good legacy for the sport. However, if adequate space had been provided temporarily that would have been sufficient. SOCOG did not require the permanent acquisition of land or consider a second warm up pitch necessary.

## **28 NOVEMBER 1996 - PREMIER OLSEN**

On 28 November 1996, the Hon. John Olsen MP was sworn in as Premier of South Australia, replacing Mr Dean Brown.

## **12 DECEMBER 1996 - CHANGE OF MINISTER FOR RECREATION, SPORT AND RACING**

On 12 December 1996, Mr Ingerson resigned as Minister for Tourism, Minister for Industrial Affairs and Minister for Recreation, Sport and Racing and was appointed Minister for Infrastructure, Minister for Police, Minister for Emergency Services and Minister for Racing. Mr Ingerson had been appointed Deputy Premier on 28 November 1996.

The Hon. Edward Scott Ashenden MP was appointed Minister for Tourism, Minister for Local Government and Minister for Recreation and Sport.

## **19 DECEMBER 1996 - RENAMING OF THE OFFICE FOR RECREATION, SPORT AND RACING**

On 19 December 1996, the title of the Office for Recreation, Sport and Racing was altered to the Department of Recreation and Sport.

## **19 DECEMBER 1996 - SOCOG GRANT OF OLYMPIC SOCCER TO ADELAIDE**

On 19 December 1996, Mr Michael Knight, New South Wales Minister for the Olympics and then President of SOCOG, sent a letter to Premier Olsen formally advising that the SOCOG Board had endorsed a recommendation that Adelaide host matches in the Olympic Soccer Tournament:

*"...subject to the conclusion of negotiations with your Government on financial, contractual and organisational matters, including provision of facilities consistent with offers made to SOCOG".*

SOCOG was satisfied that the concerns expressed at the September Olympic Soccer Bid Committee meeting in Sydney on 9 September 1996 and during the site visit on 29 October 1996 had been addressed sufficiently by Minister Ingerson's letter dated 20 November 1996. The press release enclosed with Mr Michael Knight's letter stated that all venues selected:

*"... have all met the technical requirements set down by FIFA, Soccer Australia and SOCOG".*

## **1 JANUARY 1997 - FORMATION OF THE CITY OF CHARLES STURT**

On 1 January 1997, the City of Henley and Grange and the City of Hindmarsh and Woodville were amalgamated to form a new council named the City of Charles Sturt. Mr John Dyer, the Mayor of the former City of Hindmarsh and Woodville, was appointed Mayor of the new City of Charles Sturt.

## **7 JANUARY 1997 - LAND ACQUISITION IMPASSE**

By 7 January 1997, National Portfolio Strategies had reached a point where they could not procure agreements to sell with four of the landowners. They sought permission from the Chief Executive of the Department of Recreation and Sport to disclose the purchasers' identity in an attempt to break the impasse.

## **8 JANUARY 1997 - EXTENSION OF NATIONAL PORTFOLIO STRATEGIES' RETAINER**

Mr Scott, Chief Executive of the Department of Recreation and Sport requested a fee offer from National Portfolio Strategies for their services in securing options over a further parcel of land south of the stadium (5 properties on Richard Street between Holden Street and the Black Lion Hotel). This land had not been previously targeted by National Portfolio Strategies as part of their retainer by Mr Ingerson on 26 August 1996.

On 8 January 1997, National Portfolio Strategies responded to Mr Scott's request. National Portfolio Strategies estimated fees for these services were \$14,000. Mr Scott accepted this offer by letter on 9 January 1997.

Ultimately, no options were secured over this land.

## **21 JANUARY 1997 - ONGOING MANAGEMENT ARRANGEMENTS**

By minute dated 19 January 1997 to Mr Scott in the Department of Recreation and Sport, the Department of Treasury and Finance outlined the ongoing management and monitoring tasks required to be undertaken on a regular basis under the project documents for Stage 1.

## 22 JANUARY 1997 - COMPLAINT BY THE NSL CLUBS ABOUT FINANCIAL ARRANGEMENTS FOR STAGE 1

On 22 January 1997, the Patron of Adelaide City, Mr Gordon Pickard complained to the Soccer Federation about the implications to Adelaide City of the financial arrangements for Stage 1 of the redevelopment.<sup>192</sup> A meeting was organised to discuss these issues at the Soccer Federation on 30 January 1997. Mrs Hall chaired the meeting. In the course of the resulting discussions, Adelaide City asserted that the letters exchanged in August 1996 had no legal standing.<sup>193</sup>

Mr Pickard observed in a letter he sent to Mrs Hall on 7 February 1997:<sup>194</sup>

*"Firstly the financial arrangements of the SASF letter dated 29 August 1996 casts an unusually large financial burden on the two NSL clubs relative to the SASF. The SASF enjoy a level of benefits, such as tickets and boxes, out of proportion to their part in putting on "the show" which is minimal. The SASF have been granted superior packaging opportunities since they can offer all events at the stadium, such as the Olympic Games. The 500 tickets equate to \$91,000 of free seats, 6 corporate boxes equate to another \$28,000, while the grandstand levy will cost the club between \$81,000 and \$108,000 if there is no relief. In addition, the two NSL clubs will pay 100 percent of the first \$100,000 maintenance despite the many Federation events staged there.*

*It is the tenant's opinion that this arrangement is too heavily weighted in favour of the landlord. Even after factoring in a potential increase in numbers due to the new facility, our forecasts indicate that Adelaide City will need to retain much of its income if it is to survive. This must be equally important to our friends at West Adelaide. In the excitement of achieving the new grandstand – terrific for the game – I am not sure that the tenant checked to see if it could afford the rent or the landlord checked to see if the tenant could afford the rent. We suggested that the financial imbalance should be looked at." [original emphasis]*

This letter highlighted a recurrent theme in respect of the NSL Clubs' contribution to the cost of the stadium that had not ever been satisfactorily addressed. Indeed, even after sending this letter to Mrs Hall, no further investigation was undertaken by the Government of the financial effect of the funding arrangements for Stage 1 until Arthur Andersen were commissioned in January 1999.

In her evidence to this Examination, Mrs Hall said that she was furious that the letter had been addressed to her. Mrs Hall has submitted to this Examination that she received the letter as Ambassador for Soccer and consider she did not have any authority to respond to it. She referred it to either Mr Farrugia or Mr Ivory of the Soccer Federation. She did not draw it to the attention of any officer of the Government to investigate the allegation that the arrangements were financially detrimental for the NSL Clubs. There then ensued five months of negotiations between the Soccer Federation and Adelaide City and West Adelaide over the terms of the financial arrangements for Hindmarsh Stadium. West Adelaide did not actively participate in these negotiations.

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<sup>192</sup> Letter dated 22 January 1997 from Mr Farrugia, Soccer Federation, to Adelaide City and letter dated 7 February 1997 from Mr Gordon Pickard, Patron Adelaide City, to Mrs Hall.

<sup>193</sup> Letter dated 13 February 1997 from Mr Farrugia, Soccer Federation to Adelaide City.

<sup>194</sup> Letter dated 7 February 1997 from Mr Gordon Pickard, Adelaide City, to Mrs Hall.

## **28 JANUARY 1997 - CABINET APPROVAL OF REVOCATION OF APPOINTMENTS AS PARLIAMENTARY SECRETARIES AND NEW APPOINTMENTS**

On 28 January 1997, Cabinet approved recommendations to the Governor that:

- the revocation of appointments of Parliamentary Secretaries previously made including that of Mrs Hall as Parliamentary Secretary to Mr Ingerson in respect of Tourism and Recreation and Sport; and
- new appointments including Mrs Hall as Parliamentary Secretary to Mr Ingerson as Minister for Infrastructure.

The Governor appointed Mrs Hall as Parliamentary Secretary to the Minister for Infrastructure on 29 January 1997.

## **10 FEBRUARY 1997 - RE-ESTABLISHMENT OF COUNCIL ADVISORY COMMITTEE FOR HINDMARSH STADIUM**

At a meeting of the Council held on 10 February 1997, the Council re-established the Hindmarsh Soccer Stadium Advisory Committee. The previous terms of reference<sup>195</sup> were adopted.

## **12 FEBRUARY 1997 - SOCOG BRIEFING**

Consequent upon SOCOG's approval of Adelaide as a venue, officers from Australian Major Events began negotiations with SOCOG about the basis of Adelaide's participation.

At the formal start of those negotiations, Adelaide's Bid representatives, Mr John Heard,<sup>196</sup> Mr Spurr and Mr MacFarlane attended a briefing with SOCOG on 12 February 1997. Representatives of the other cities hosting soccer matches attended. The briefing lasted three hours and was directed towards commercial and organisational issues and not the physical requirements of the venues. It was a one-sided briefing not a two-way negotiation but it was the start of that process.

Detailed minutes were made of the briefing. Those minutes did not include discussion of the content of the stadium. Specifically they did not state that some parts of the stadium facilities that were required to be provided must be permanent rather than temporary.

The briefing explained the division of cost of staging the matches between "base", "fee" and "SOCOG":

- Base: to be provided by the State, the cost of which was to be borne solely by the State;
- Fee: to be provided by SOCOG, the cost of which was to be borne solely by the State; and
- SOCOG: to be provided by SOCOG, the cost of which was to be borne solely by SOCOG.

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<sup>195</sup> See the section above under the heading "12 August 1996 - Council Resolution to Establish Advisory Committee" at page 112.

<sup>196</sup> Chairman of Australian Major Events.

"Fee" costs were always to be negotiated on the basis of the actual cost to SOCOG of the services and facilities that SOCOG was to provide. Thus, if a reduction could be attained in the cost of provision of a service via SOCOG, SOCOG would pass the benefit of that reduction to the State.

## **12 FEBRUARY 1997- FIRST DRAFT OF SOCOG MEMORANDUM OF UNDERSTANDING**

The first draft of the SOCOG Memorandum of Understanding was provided on the same day as the meeting with SOCOG in Sydney.

It did not include or refer to Schedule 2C entitled "*Works to be completed at the stadium*". That was included in the final version of the SOCOG Memorandum of Understanding.

Clause 7.8(a) of the final Memorandum of Understanding required completion of the Schedule 2C works by defined dates. That clause was not in the original Memorandum of Understanding. The final version of Clause 7 is significantly expanded from the original draft. That suggests that Clause 7 was the subject of considerable negotiation.

By Clause 5.8 and the definition of "Proposal" in Clause 1.1 of the draft Memorandum of Understanding, Adelaide's bid document dated 20 September 1996 "*together with subsequent correspondence amending or clarifying same*" was binding on the Government except to the extent inconsistent with the Memorandum of Understanding. By that draft provision, SOCOG intended to bind the Government to carry out the proposal contained in Mr Ingerson's letter dated 20 November 1996.<sup>197</sup>

## **LATE FEBRUARY 1997 - COST OF HOSTING OLYMPIC SOCCER**

Later in February 1997, Mr MacFarlane of Australian Major Events formed the view that the team that was to negotiate with SOCOG should obtain specific authorisation to negotiate up to a set amount before attending negotiations with SOCOG. Mr MacFarlane thought that \$7.5 million should be set as the ceiling. He thought that the team would be able to secure a much better result than that but that was a reasonable limit.

Mr MacFarlane prepared a briefing paper to Mr Ashenden as the Minister of Tourism about the 2000 Olympic Soccer Tournament. It concluded with two recommendations:

- A team should be appointed to negotiate with SOCOG. That team should comprise the Crown Solicitor and Australian Major Events, but not the Soccer Federation since it carried no financial responsibility for the delivery of the event.
- The Government should obtain binding legal commitments to secure the use of the stadium for the matches before negotiating with SOCOG. Legal commitments were required from the Soccer Federation and owners or occupiers of the training venues.

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<sup>197</sup> Mr Ciccarello has pointed out to this Examination that no specific features of the proposal contained in Mr Ingerson's letter dated 20 November 1996 were included in the schedules to the SOCOG Memorandum of Understanding that described the works to be completed by the Government (Schedule 2A) or the FIFA/SOCOG stadium requirements (Schedule 3).



The paper included:

- A summary of the briefing with SOCOG on 12 February 1997.
- A detailed summary of the content of the draft Memorandum of Understanding that had been received from SOCOG including the following passage:

*"The effect of these provisions of the MOU, on the advice of the Crown Solicitor, is that SOCOG has grounds for expecting that Adelaide will deliver a venue for the staging of preliminary matches in the 2000 Olympic Soccer Tournament, identical or significantly similar in character, to that disclosed in the Minister's letter of 20 November 1996. The cost of funding this more ambitious proposal for the upgrading of the Hindmarsh Stadium, therefore becomes a commitment to be met by the Government prior to 1999."* <sup>198</sup>

- An estimate of the cost of hosting the matches:

"	<b>Millions</b>
Current upgrade of Western Grandstand	\$8.535
Further enhancement of Hindmarsh Stadium, as proposed by Minister for RSR, on 20/11/1996	\$16.6 to 20
Staging costs of 2000 Olympic Soccer Tournament	<u>\$6 - \$8</u> <u>\$31.135 (low)</u> <u>\$37.135 (high)"</u>

In the covering minute Mr MacFarlane observed:

1. *Attached is a briefing note advising on a number of implications arising out of the staging of preliminary round matches of the 2000 Olympic Soccer tournament at the Hindmarsh Stadium.*
2. *The most significant of these implications, is the substantial cost associated with further development of the Hindmarsh Stadium to the standard specified under a SOCOG Memorandum of Understanding, which document host States are required to execute by late April 1997.*
3. *This development work will entail a road closure and the acquisition of a significant number of properties on the southern side of Hindmarsh Stadium. In all probability some of the properties in question will need to be compulsorily acquired. Further complications will almost certainly arise in the course of the acquisition process, given that at least one of the properties (a church) is heritage listed.*
4. *Of fundamental concern is the requirement set down within the Memorandum of Understanding to have this work completed by early in 1999. Barely two years are available to finalise property acquisitions and complete the required site works.*
5. *The attached briefing note suggests that before the Memorandum of Understanding is negotiated with SOCOG, the Government's total financial commitment to soccer over the next three years is reconfirmed."*

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<sup>198</sup> Paragraph 8.

These comments about the difficulties of the land acquisition process were made at about the same time as Mr Scott was considering a change of the project to permanent seats rather than land acquisition.

According to Mr MacFarlane, when that briefing note was finally delivered to Minister Ashenden's office it was returned to Mr Spurr, Chief Executive of Australian Major Events by Minister Ashenden's staff member, Mr Peter Lawrence in Mr MacFarlane's presence. Mr Ashenden informed this Examination that he had never returned correspondence in that way. Mr Lawrence gave evidence that he did not and would not have returned correspondence in such a discourteous way, even if he had been instructed to do so. Mr Spurr in his evidence, recalled the event but did not know whether Minister Ashenden had seen the briefing note or not.

## **21 FEBRUARY 1997 - THE PUBLIC WORKS COMMITTEE INFORMED OF INCREASE FROM \$8.125 MILLION TO \$8.685 MILLION**

During the course of the design work for the western grandstand redevelopment it became apparent that a different piling system would have to be used. This was partly due to the requirements of the Development Assessment Commission and partly due to soil problems. Cabinet approved the increase in cost from \$8.125 million to \$8.685 million on 14 November 1996 and the Public Works Committee was informed of the change by letter dated 21 February 1997.

## **24 AND 25 FEBRUARY 1997 - MR CICCARELLO'S DISPUTE WITH THE GOVERNMENT**

Mr Ciccarello maintained that in mid 1996 he had been promised by Minister Ingerson the post of Chief Executive in the soon to be established Tourism, Recreation and Sport Commission. Following Mr Olsen's replacement of Mr Dean Brown as Premier, the legislation setting up that Commission was withdrawn from the Legislative Council, having been passed by the House of Assembly.

Mr Ciccarello complained to the Government and sought compensation for opportunities he had foregone while waiting to be appointed.

By February 1997, Mr Ciccarello was considering taking "*a formal approach*" to remedying his complaint. Following a telephone conversation with Mrs Hall on 24 February 1997, Mr Ciccarello believed the matter could be resolved expeditiously.

On 25 February 1997, Mr Ciccarello wrote to Mrs Hall to convey his appreciation for her efforts in endeavouring to address his complaint. He concluded his letter setting out his position with the following request:

*"Although I have contemplated a much more formal approach to remedy this matter, I am, given your telephone call yesterday, hopeful that through discussion, we can expeditiously resolve this matter. To which, I respectfully request that you advise the Premier and the Deputy Premier of the contents of this letter. I additionally request the Government to address the matter of its obligation and commitment to deliver on its promises to me of a long term contract for my professional services, together with my loss of earnings."*

## CHAPTER 12 - MARCH TO JUNE 1997

### MARCH 1997 - STUDY BY THE SOUTH AUSTRALIAN CENTRE FOR ECONOMIC STUDIES

In March 1997, the South Australian Centre for Economic Studies<sup>199</sup> produced a cost benefit analysis for the Department of Recreation and Sport. SACES concluded that there was a net negative benefit of \$20.898 million. That analysis took into account the economic benefit expected from the staging of Olympic soccer.

That study compared the expected additional revenue to the State resulting from the project to the estimated cost of the project. In assessing revenue, the study adopted the approach that only revenue from outside the State was "*additional*" in the relevant sense. Thus, increased attendances of South Australian spectators at NSL matches would not lead to any benefit for the State but increased attendances of interstate spectators would.

That study did not attempt to address whether the stadium would be adequate for the 2000 Olympic Soccer Tournament or other international matches, which was a key benefit that had been considered by the Government.

The study was an exercise in analysis rather than data gathering or checking. The study referred to only two sources of information:

- The Department of Recreation and Sport; and
- The assumptions contained in a report by Market Equity SA Pty Ltd.

The SACES study did not state that any checks had been undertaken of the quality of the data from the Department or the validity of the assumptions of Market Equity SA Pty Ltd.

One element that was completely untested was the annual revenue from operation of the stadium. That was stated to have been assumed by the Department of Recreation and Sport to be \$450,000.

The SACES study was drafted in accordance with the limited instructions given to SACES. SACES had discussions with Mr Scott, then Chief Executive of the Department of Recreation and Sport, and sent him a letter setting out how SACES would prepare a cost benefit analysis. SACES was only asked to undertake a cost benefit analysis. It was not instructed to undertake a needs analysis.<sup>200</sup> SACES was not asked to examine other options. SACES stated that its report would comply with "*Guidelines prepared by the South Australian Treasury (1990)*".

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<sup>199</sup> The acronym "SACES" is used in this Report to refer to the South Australian Centre for Economic Studies.

<sup>200</sup> "*Needs analysis*" is an expression used by the Government's internal guidelines entitled "*Project Initiation Process*" that govern capital projects from January 1996: "*The real purpose of the needs analysis in the project initiation process is to ensure that only those projects that meet the criteria for demonstrated need will be provided.*"

## **MARCH 1997 - INCREASE IN STRUCTURAL STEEL COST FOR STAGE 1**

In March 1997, tenders closed for the structural steel package for Stage 1, a very significant item in the cost of the western grandstand redevelopment. The lowest tenderer was in excess of the amount allowed for. The structural steel was re-tendered. That did not lead to a significant reduction. As a result, an increase of \$445,000 was required bringing the total Project Cost to \$9.13 million. Cabinet noted the effect of accepting the structural steel tender to the project budget on 19 May 1997. Cabinet approved that increase on 25 August 1997.

The Public Works Committee was informed of that increase on 28 August 1997.

### **1 MARCH 1997 - MRS HALL'S VISIT ABOUT MR CICCARELLO**

According to Mr Ashenden, on 1 March 1997, Mrs Hall telephoned him seeking an appointment. She came to see him and told him that something had to be done for Mr Ciccarello. She said that Mr Ciccarello had been left in the lurch and that both the Premier and Deputy Premier Ingerson agreed that Mr Ciccarello should be appointed as a consultant whatever the procedural requirements were.

In evidence before this Examination, Mrs Hall could not recall that conversation. Mr Ingerson said that he was unaware of it and that he had not asked Mrs Hall to speak to Mr Ashenden in those terms.

### **3 MARCH 1997- SOCOG LETTER**

On 3 March 1997, Dr Mal Hemmerling of SOCOG, sent a letter to Mr MacFarlane of Australian Major Events. The letter:

- stated SOCOG's revenue targets for the 2000 Olympic Soccer Tournament preliminary matches;
- estimated SOCOG's cost recovery fee at \$5.59 million; and
- informed Adelaide that the next negotiation would be in Sydney on 18 March 1997. SOCOG would be represented by its "Football Negotiation Committee" under the Chairmanship of Mr Graham Richardson.

### **7 MARCH 1997 - MR MACFARLANE'S FAX TO MR SIMMONDS OF SOCOG**

On 7 March 1997, Mr MacFarlane sent Mr Simmonds of SOCOG a fax that stated:

*"Thank you for your fax of 5 March 1997. As mentioned in our earlier telephone conversation, the proposed SOCOG meeting date of 18 March 1996 will cause some problems for us.*

*We are in the process of reworking the proposal presented by the Hon. Graham Ingerson MP, then Minister for Recreation and Sport, during the visit of the SOCOG delegation to Adelaide on 28 October 1996. Essentially the revised approach is to ensure provision of a greater number of permanent seats within the stadium. While the proposal unveiled by Minister [sic] significantly increased the stadium 'footprint', it did*

*little [sic] increase the overall number of permanent seats, which is now considered to be a far more important legacy of the refurbishment of the Hindmarsh Stadium.*

*The reworking of this proposal entails seeking Cabinet approval for an increased financial allocation. Cabinet is scheduled to consider a submission in this matter on 24 March 1997. Since the revised plan for the refurbishment of the Hindmarsh [sic] is fundamental to negotiations on the SOCOG Memorandum of Understanding we seek a later meeting with Graham Richardson and his colleagues and his colleagues [sic] and suggest the first week of April. By that time Cabinet's position will be known."*

It is clear from Mr MacFarlane's fax to Mr Simmonds that the change of the proposal from land acquisition to permanent stands was something that was initiated by Australian Major Events, not SOCOG.

Mr MacFarlane gave evidence to this Examination that he telephoned Mr Scott to check Mr Scott's availability for the proposed meeting with SOCOG. During that call Mr Scott told him that he was working on changes to the proposal for the redevelopment of Hindmarsh Stadium. Mr MacFarlane was not involved in that work. Mr Scott gave evidence to this Examination that:

- The change from land acquisition to permanent seats was not the result of concerns expressed by SOCOG.
- The proposal changed because of a concern that land acquisition of the magnitude required by the proposal put by Mr Ingerson to SOCOG would take too long, endangering completion in time for the 2000 Olympic Soccer Tournament.

## **12 MARCH 1997 - MR MACFARLANE'S DISCUSSIONS WITH QUEENSLAND, VICTORIA AND ACT**

On 12 March 1997, Mr MacFarlane prepared a memorandum to Heard as Chairman of Australian Major Events. It dealt with discussions he had had with his Victorian and Queensland counterparts about the "recovery fee" that SOCOG sought from each State. The "recovery fee" was the amount that SOCOG required to be paid to ensure that the staging of matches in the 2000 Olympic Soccer Tournament outside of Sydney would not result in any loss to SOCOG. It was to be calculated by reference to the actual cost to SOCOG and the revenue from the matches. Originally it was envisaged that SOCOG would pay for any temporary facilities that were to be provided. Thus, if a venue had a large number of temporary seats its recovery fee would be higher. The reason why SOCOG was to provide temporary facilities was to ensure that the facilities were of the same standard and so SOCOG could take advantage of its buying power.

Without disclosing South Australia's recovery fee, Mr MacFarlane found out the following recovery fees:

State	Recovery Fee \$
SA:	5.56 million
Victoria:	3.50 million
Queensland:	2.70 million

Mr MacFarlane was told that ACT would pay a similar fee to Adelaide. Mr MacFarlane stated in the memorandum that it was: "... to be expected given that their requirement for temporary seating is about the same as ours."

The figure of \$5.56 million was similar to the figure of \$5.59 million set out in Dr Hemmerling's letter dated 3 March 1997.

Mr MacFarlane recommended to Mr Heard that they should seek a meeting with Mr Ashenden as Minister for Tourism the following day to discuss the cost of the event for Adelaide.

## **12 MARCH 1997 - STAGE 2 FORMAL SUBMISSION TO CABINET**

On 12 March 1997, the submission that had been foreshadowed by the 13 November 1996 submission was signed by Mr Ashenden as Minister for Recreation and Sport.

The submission presented two very different options for further development:

- "Option 1" involving land acquisition and site development. The drawing of this option was almost identical to that sent to SOCOG on 20 November 1996 except that it was clear on this drawing that there were no new permanent stands.
- "Option 2" involving only \$1.22 million worth of land acquisition but \$23.49 million on construction of new permanent stands, including a grandstand of identical design to the upgraded western stand.<sup>201</sup>

The submission firmly recommended Option 2, at a cost of \$24.71 million. The stated reason for preferring Option 2 was:<sup>202</sup>

*"As the greater proportion of the capital cost for Option 2 (\$24.710m) is vested in facilities rather than land and, therefore, offers greater potential for recouping incremental revenue, it is considered that Option 2 is the preferred option."*

No explanation was advanced for how two such radically different options for Stage 2 could both meet SOCOG's requirements. It was not explained why if the space that Option 1 provided was no longer necessary for the staging of matches in the 2000 Olympic Soccer Tournament, it was necessary to pursue Stage 2 at all. It was not explained why Option 2, with three new permanent stands was necessary. It was not explained why a less expensive option, such as only a new eastern stand would not suffice.

Before this Examination, Mr Scott gave evidence that his understanding of the reason for preferring Option 2 was that the complications associated with land acquisition could lead to delay. That could prejudice having the stadium ready for the 2000 Olympic Soccer Tournament.

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<sup>201</sup> It also included \$720,000 of additional items so the total for Option 2 was \$24.71 million.

<sup>202</sup> Paragraph 3.6.

The submission also noted:

*"The complex, on completion, will be owned by the State and Local Government which will present operating and control issues that must be resolved between the Government, Council and the SA Soccer Federation."* <sup>203</sup>

The submission annexed a copy of the SACES report. The summary of the SACES report included in the submission was: <sup>204</sup>

*"The estimated benefit cost ratio is less than one (B/C = 0.4). The proposal is attractive in view of the anticipated stream of future revenue that would be generated through sporting events such as Super League Rugby Union, TV rights and private sponsorship, although this would not offset the substantial capital cost."*

Both the Crown Solicitor's Office and the Department of Treasury and Finance observed at the time of reviewing the draft submission that it was not appropriate to describe the proposal as "attractive" given the SACES conclusion.

Cabinet considered the proposal on 24 March 1997. Cabinet requested it to be reviewed by the Financial and Commercial Contracts Committee so that the cost could be brought within the \$16.205 million envisaged by the November 1996 "in principle" approval.

## **17 MARCH 1997 - ESTABLISHMENT OF OLYMPIC TASK FORCE**

On 13 March 1997, Minister Ashenden invited Mr Ciccarello to a meeting in his office with Mrs Hall, Mr Andrew Daniels (an associate of Mr Ciccarello's), Mr Farrugia and Mr Lawrence. The purpose of the meeting was to discuss the establishment of an Olympic Task Force to be led by Mr Ciccarello and to include Mrs Hall but not Mr Heard, Mr Spurr or Mr MacFarlane from Australian Major Events. The Task Force was also to include Mr Lawrence, Mr Farrugia, Mr Scarsella and Mr Scott.

On 14 March 1997, Mr Ashenden as Minister for Recreation and Sport signed a submission to Cabinet recommending the establishment of a task force to finalise commercial arrangements with SOCOG.

Up until then, Australian Major Events was handling negotiations with SOCOG. It was removed without warning at Minister Ashenden's direction. Mr Lawrence, Minister Ashenden's staff member arrived at the offices of Australian Major Events unannounced and requested that he be given all Australian Major Events' files on Adelaide's bid for the Olympic Soccer. I consider this conduct inconsistent with the procedures that should apply in these matters.

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<sup>203</sup> Paragraph 3.13.

<sup>204</sup> Paragraph 3.22.1.

Australian Major Events' removal was the subject of understandable resentment. Different witnesses gave this Examination different reasons for its removal:

- Australian Major Events was removed to create a position for Mr Ciccarello because the Government thought that otherwise he would have commenced litigation that would have embarrassed Mr Ingerson because of the promises he had made to Mr Ciccarello.<sup>205</sup>
- Dr Hemmerling had told Premier Olsen at the Melbourne Grand Prix to remove Australian Major Events or Adelaide would lose hosting the soccer.
- Mr Ciccarello gave evidence that he was told by Minister Ashenden at their first meeting on 13 March 1997 that it was necessary to have a single-minded and focused approach to the bid negotiations, rather than have Australian Major Events who were involved in a number of events.
- Australian Major Events had been difficult and hence placed the negotiations with SOCOG in jeopardy by not being available for a meeting with SOCOG on a particular date.<sup>206</sup>
- Australian Major Events had allowed Adelaide to "lose" the Commonwealth Games and could not be allowed to do the same with the Olympic soccer.
- Mr MacFarlane, the officer with the day to day responsibility for the bid within Australian Major Events, has submitted that he believed Australian Major Events might have been removed because it drew attention to the likely cost of hosting Olympic soccer in Adelaide at between \$31.135 to \$37.135 million.

I accept Minister Ashenden's evidence of his reasons for removing Australian Major Events. I also accept Mr Ashenden's evidence that he did not remove Australian Major Events to resolve Mr Ciccarello's dispute with Government and that he saw that as a separate matter.

On 17 March 1997, Cabinet approved the establishment of a Task Force to negotiate commercial arrangements with SOCOG at a cost of up to \$5.59 million on behalf of the Government, with the final decision to be made by Cabinet. The Task Force was to report to Mr Ashenden as Minister for Tourism, Minister for Local Government and Minister for Recreation and Sport. Cabinet directed that the Task Force include a representative of the Crown Solicitor's Office and Treasury and Finance.

By letter dated 9 April 1997, Mr Ashenden as Minister for Recreation and Sport retained Mr Ciccarello as a consultant to the SA Olympic Football Task Force. His retainer was effective from 17 March 1997. He was hired at \$770 per day plus disbursements for the duration of the negotiation process through to entry by the Government into the SOCOG MOU in August 1997. Casual secretarial assistance was provided by the Department of Recreation and Sport.

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<sup>205</sup> Mr Ciccarello has submitted to this Examination that he categorically denied that he at any time sought to take over from AME the handling of the bid or negotiations with SOCOG. I accept Mr Ciccarello's submission. Having regard to Mr Ciccarello's experience and qualifications, I consider he was well suited for the appointment and I make no criticism of him in regard to his appointment to replace Australian Major Events.

<sup>206</sup> In fact it was not that a representative of Australian Major Events was unavailable for a meeting with SOCOG. It was Mr Scott, the Chief Executive of the Office for Recreation, Sport and Racing who was unavailable.



## **17, 18 AND 19 MARCH 1997 - INITIAL MEETINGS OF TASK FORCE**

According to Mr Ciccarello's notes of the first meeting on 17 March 1997 of the new Olympic Task Force:

*"Michael Scott:*

- \* *SACOG [sic] should be advised original plan for Stage 2 as presented to SOCOG by Ingerson is being revised - it is better but different.*
- \* *Plans not yet been to Cabinet [but they will have before the 25 March meeting]"*.

The agenda for that Task Force's meeting on 18 March 1997 included the following as "Item 8":

*"Cabinet Submission regarding 'Option One' and 'Option Two' relating to proposed Stage Two of redevelopment of Hindmarsh Stadium."*

At the Task Force's second meeting on 18 March 1997 Mr Ciccarello stated:

- that the cost of each item in Schedules 2A and 2B had to be audited.
- that Options 1 and 2 for the Stage 2 redevelopment would be considered by Cabinet on 24 March 1997.

On 19 March 1997, Mr Ciccarello sent a fax to Mr Simmonds of SOCOG enclosing a list of queries about the SOCOG Memorandum of Understanding. None of the questions related to SOCOG's requirements for the content of the stadium.

On 20 March 1997, Mr Ciccarello requested the Crown Solicitor to prepare a summary of the SOCOG Memorandum of Understanding for presentation to Cabinet. He noted that the *"fixing or capping [of] 'Base Costs' and 'Recovery Fees' "* was to some extent fluid.

## **20 MARCH 1997 - CHECKS ON CONDITIONS PRECEDENT STAGE 1 DOCUMENTS**

On 20 March 1997, Mr Jaksa of the Crown Solicitor's Office sent a fax to the Department of Treasury and Finance and Mr Fletcher of the Department of Recreation and Sport inquiring as to the status of satisfaction of the conditions precedent to the Funding Deed and the Stage 1 Loan Agreement. The second condition precedent to the Floating Rate Bill Facility required satisfaction or waiver of the conditions precedent to the Deed of Guarantee which included satisfaction or waiver of the conditions precedent to the Funding Deed. Mr Jaksa drafted pro forma notices of waiver for both deeds.

On 7 April 1997, Mr Scott wrote to Mr Farrugia of the Soccer Federation for the purpose of ensuring that all the conditions precedent had been satisfied. Mr Scott confirmed that the Crown Solicitor's Office was currently drafting a mortgage of the lease of the stadium, a charge over the bank account for the levy and a facilitation deed between the Council and the Minister for Recreation and Sport as to the enforcement of the Council's rights under the lease.

On 17 April 1997, Ms Freeman of Services SA faxed Mr Bollen in the Department of Recreation and Sport advice that in the context of a fast track construction managed project, the conditions precedent

were met by progressive approvals as the trade packages came into existence. *"In view of the fact that a clear project management strategy was agreed and in place to ensure that the approvals were achieved I advise that the spirit of the condition precedent was achieved at the time of construction commencement"*.

On 12 May 1997, Mr Jaksa sent a fax to the Department of Treasury and Finance asking whether the Soccer Federation had satisfied the conditions precedent as draw down by the Soccer Federation on the interim facility was imminent.

On 29 May 1997, Mr Fletcher of the Department of Recreation and Sport wrote to Mr Farrugia confirming the status of satisfaction or waiver of the various conditions precedent to the Funding Deed. Clauses 3.1.6,<sup>207</sup> 3.1.7<sup>208</sup> and 3.1.10<sup>209</sup> were outstanding.

On 8 July 1997, Mr Fletcher of the Department of Recreation and Sport wrote to Mr Farrugia in response to his letter of 26 June and confirmed that all conditions precedent to the Funding Deed for the benefit of the Minister except Clauses 3.1.10, had been satisfied.

On 8 August 1997, the Treasurer wrote to the National Australia Bank Limited notifying it that all of the conditions precedent to the Guarantee Deed had been satisfied or to the extent not satisfied, were thereby waived.

On 29 August 1997, the Treasurer, Mr Ashenden as Minister for Recreation and Sport and Mr Dean Brown as Minister for Information and Contract Services signed a notice of waiver addressed to the Soccer Federation that had been prepared by the Crown Solicitor's Office. This notice effectively stated that all conditions precedent to the Funding Deed and the Guarantee Deed had been satisfied and to the extent any had not, they were waived.

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<sup>207</sup> Clause 3.1.6 provides: *"The Minister is satisfied that the Federation has procured a legally binding and enforceable written contractual obligation from Adelaide Juventus Sports and Social Club Inc. that the national league soccer team known as the 'Adelaide City Zebras' as at the date of this Deed shall play all of its national league matches to be played in South Australia at Hindmarsh Stadium for a period of at least twenty (20) years commencing on the date of this Deed."*

<sup>208</sup> Clause 3.1.7 provides: *"The Minister is satisfied that the Federation has procured a legally binding and enforceable written contractual obligation from Hellenic Athletic and Soccer Club of South Australia Inc. that the national league soccer team known as the 'West Adelaide Sharks' as at the date of this Deed shall play all of its national league matches to be played in South Australia at Hindmarsh Stadium for a period of at least twenty (20) years commencing on the date of this Deed."*

<sup>209</sup> Clause 3.1.9 provides: *"The Minister is satisfied that the Federation has procured a letter from Soccer Australia Ltd (ACN 008 540 770) addressed to the Federation and the Minister that all national league, international or any other matches to be played in South Australia under the jurisdiction or auspices of or otherwise sponsored or promoted by Soccer Australia Ltd shall be played at Hindmarsh Stadium for a period of at least twenty (20) years commencing on the date of this Deed."*

## **25 MARCH 1997 - BRIEFING OF ATTORNEY- GENERAL ON STAGE 2 CABINET SUBMISSION**

On 25 March 1997, the Crown Solicitor sent the Attorney-General a minute briefing him on the submission considered by Cabinet on 24 March 1997. It stated:

*"One issue which the Cabinet Submission does not address is the ultimate ownership and operation of the stadium. The Stadium is owned by the Charles Sturt Council and leased to the Soccer Federation. If Stage II is pursued in either option, the stadium will be partially owned by the Council and the State. Given that the State will have expended over \$30 million, this is an unsatisfactory state of affairs. In the normal course I would suggest that some hard negotiation with the Council and the Soccer Federation is required before the government should be firmly committed to this project.*

*The difficulty is that S.A.'s right to hold some soccer matches of the 2000 Olympics is dependent upon the redevelopment of the stadium beyond which the Government has already committed. The letter from the Minister for Recreation, Sport and Racing has in effect incorporated the redevelopment into the State's bid for matches (copy attached)."*

## **25 MARCH 1997 - SOCOG MEETING**

On 25 March 1997, Adelaide's Olympic Soccer Task Force met with SOCOG's Soccer Negotiating Committee. The minutes of that meeting include the following passage:

### *"COST RECOVERY FEE*

*As has already been reported SOCOG is seeking a cost recovery fee of \$5.59 m (1997 dollars) from the State to host the games.*

*This cost is based on the number of items outlined in the MOU which are arranged by SOCOG and charged on to the State. The reason for this is buying power and negotiation.*

*There may be some opportunities in the items as "Fees", to be converted to direct State Responsibility costs ("Base Costs") and these would have to be determined so as not conflict with SOCOG arrangements in place, in particular Value in Kind (VIK) and other Sponsorship arrangements entered into by SOCOG.*

*It was even suggested that we should consult with SOCOG in regard to permanent facilities being undertaken as there may be an opportunity of savings of up to 15 percent on necessary requirements for the Hindmarsh Stadium upgrade (seats?).*

*The question was asked if our \$5.59 m requested, included an "opportunity fee" for SOCOG, given that the capacity of ticket sales in Adelaide was less than those in other States.*

Mr Elphinston advised this was NOT the case and the additional charges being placed on South Australia was due to:

- requirement of placing additional Temporary Seating as compared with other venues.
- the additional infrastructure required at Hindmarsh Stadium in setting up the site (security etc.).

The recovery fee is based, by SOCOG, on the submission made by South Australia including letter from Minister Ingerson. Should there be a variation, the fee would be adjusted accordingly.

*Clearly, should there be more permanent seats provided than indicated in our original submission, the "Fee Charges" made by SOCOG could be reduced given that there will not be a requirement for as much temporary seating to be erected."*<sup>210</sup> [original emphasis]

In discussing the additional cost associated with the temporary facilities, SOCOG did not express any view that from SOCOG's point of view it preferred the content of Stage 2 to be permanent seats rather than land acquisition.

## **27 MARCH 1997 - WOODS BAGOT UPDATE COMPLIANCE MATRIX**

On 27 March 1997, Mr Hoare of Woods Bagot sent to Mr Scott in the Department of Recreation and Sport an updated "*Compliance Matrix for Olympics 2000 Requirements*" for Stages 1 and 2.

## **17 APRIL 1997 - DRAFT 2 OF SOCOG MEMORANDUM OF UNDERSTANDING**

The second draft of the SOCOG Memorandum of Understanding was provided by SOCOG with a letter from Mr Elphinston dated 17 April 1997.

With that letter, SOCOG provided a number of documents including a budget outlining the calculation of the Cost Recovery Fee. The budget totalled \$6,319,333. This was significantly more than the previously estimated \$5.59 million. Notably that budget included \$2 million for provision of temporary seats. That line item had the comment:

*"Not required under current Stadium proposal".*

It may be inferred that SOCOG had been told about the proposed Option 2.

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<sup>210</sup> Page 3.

After receipt of Draft 2 of the Memorandum of Understanding there was a meeting of the Olympic 2000 Football Task Force held on 22 April 1997. It discussed the new draft. The minutes of that meeting record the following discussion:

- *"The single biggest cost for the stadium and Olympic fitout is temporary seating (\$2 million). Discussion followed on whether the figures are based on the original bid document which indicated the requirement of 10,800 temporary seats. If so, SOCOG has costed seats at approx \$200 per seat. It is considered that this figure could be adjusted and reduced by increasing the permanent number of seats (Stage 2) at the Hindmarsh Stadium."*<sup>211</sup>
- *"Mr Lawrence advised that Cabinet had not yet received a final submission from the Minister as to which Stage 2 redevelopment option would be recommended. The Minister is awaiting further advice regarding an associated issue before he is able to deliberate on which option he wishes to put to Cabinet."*

*Mr Lawrence suggested that the assessment, recommendation and decision-making process could take up to as long as six weeks.*

*Mr Ciccarello advised that it is not possible to test and verify the "Recovery Fee" and "Base Costs" estimates until Cabinet had decided on which option it would pursue (especially with regard to the major cost components of the "Recovery Fee" being temporary seats @ \$2 million).*

*Mr Lawrence advised that we will have to work on the original bid document until Cabinet approval is obtained.*

*Mr Lawrence advised Messrs Scott and Ciccarello to meet with the Minister to receive direction of which option to use.*

*Ms Hart advised that notwithstanding that Cabinet still have to further consider, and determine which redevelopment option would get up, Treasury has included an amount of \$16.2 m into the Department of Recreation and Sport's Forward Estimates."*<sup>212</sup>

Those passages establish that instead of the selection between options being driven by negotiations with SOCOG, in fact the negotiations had to wait on a decision from Cabinet.

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<sup>211</sup> Page 2.

<sup>212</sup> Page 3.

## **14 APRIL 1997 - WOODS BAGOT LETTER ABOUT SPECULATIVE WORK**

On 14 April 1997, Mr Ford of Woods Bagot wrote a letter to Mr Scott as Chief Executive of the Department of Recreation and Sport stating:

*"As you will remember, in 1997 Woods Bagot were requested by the Government to invest some design expertise into the feasibility of extending the Hindmarsh Soccer Stadium to a Stage 2 development.*

*These drawings were to be used as part of a submission to Cabinet.*

*It was understood that Woods Bagot were to undertake this work on a speculative basis and that should the project be receptive to Cabinet, the cost of same would be incorporated within the overall fee for the total development.*

*As you are aware, the project was well received by Cabinet and consequently, considerable development work to the project has since occurred.*

*This has included many options to fine tune the scope and cost to the requirements of all the stakeholders.*

*We are very committed to this project, but the extended delays in its announcement and approval to initiate the remainder of the process is of some concern, particularly with the end of the financial year looming.*

*Would it be possible for the Department to confirm our arrangement and consider that if the project start is say, delayed past 30th June, 1997, or otherwise not proceed, that the costs incurred to date be reimbursed."*

## **APRIL 1997 - EXTENSION OF OPTIONS FOR LAND ACQUISITION**

On 23 April 1997, Mr Scott sent a minute to Mr Ashenden as Minister for Recreation and Sport requesting approval to extend the options on land in Hindmarsh Place secured by National Portfolio Strategies on behalf of the Government.

## **1 MAY 1997 - CROWN SOLICITOR'S RESPONSE TO INTERIM REPORT OF PUBLIC WORKS COMMITTEE**

On 1 May 1997, the Crown Solicitor instructed Mr Jaksa to look at the Interim Report of the Public Works Committee and consider:

- "1. What if we spit the dummy and tell SOCOG we can't hold the Olympic Soccer Matches.*
- 2. Can we not do Stage 2 and still hold them.*
- 3. Page 27 last dot point. Do we have anything?"*

There is no record within Government that these options were considered.

## 9 MAY 1997 - MEETING WITH SOCOG

Prior to a meeting with SOCOG scheduled for 9 May 1997, Mr Ciccarello prepared a list of requests for changes to the Memorandum of Understanding.

Significantly that list included the following:

"30. *Re 2 Stadium Fitout: Temporary seating:*

*I advise that in all 'Stage 2 Redevelopment' options being considered by the SA Government, the minimum permanent seating (per SOCOG and FIFA standards) will be a minimum of 15,000.*

In our original bid document we proposed 9200 permanent seats with 10,800 temporary seats.

*For the purposes of calculating cost estimate of temporary seating, we have revised down to 5,000 seats.*

(a) *We request that this item be transferred from 'Recovery Fee' to 'Base Cost'.*

This was a definitive request to change the temporary seats to permanent. It shows that the decision to pursue a stadium option involving permanent seats was taken by the Government and not by SOCOG.

SOCOG agreed at a meeting on 22 May 1997 to consider that request.

On 6 June 1997, Mr Ciccarello sent a letter to Mr Simmonds of SOCOG enclosing a set of questions and requests. It repeated the request for temporary seats to be transferred from "Recovery fee" to "Base Cost".

## 27 MAY 1997 - AGREEMENT BETWEEN SOCCER FEDERATION AND NSL CLUBS AS TO FUNDING OF FIT OUT

On 27 May 1997, representatives of the NSL Clubs and the Soccer Federation met to negotiate the terms of the licence agreement between them. They had been negotiating since January 1997, when Mr Pickard of Adelaide City first complained to the Soccer Federation about the cost of playing at Hindmarsh Stadium.<sup>213</sup> Since then, there had been numerous meetings including several chaired by Mrs Hall in an effort to resolve outstanding issues.

On 28 May 1997, Mr Farrugia of the Soccer Federation sent a draft of the agreed terms to the NSL Clubs. His letter stated that:

*"As advised previously, the Premier and the Minister for Recreation and Sport are anxious that all matters related between the Federation and the Clubs should be finalised to enable works to be completed on time."*

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<sup>213</sup> See the section above under the heading "22 January 1997 - Complaint by the NSL Clubs about Financial Arrangements for Stage 1" at page 140.

The enclosed draft terms provided that:

- The fit out of the western grandstand (including the corporate boxes and the clubrooms) would cost no more than \$2 million.
- The fit out works would be built to the specification of the Hindmarsh Redevelopment Committee in consultation with the Clubs.
- A submission would be made to Government for it would be funded by a loan taken out by the Soccer Federation, guaranteed by the Government with a \$2 levy on anyone attending the stadium during a match under the control of the NSL Clubs or the Soccer Federation.

#### **4 JUNE 1997 - SERVICES SA REPORT ON RISK MANAGEMENT ISSUES**

On 4 June 1997, Ms Anne Howe, Chief Executive of Services SA, sent to Mr Dean Brown as Minister for Information and Contract Services a report on the risk management issues arising from Stage 1.<sup>214</sup>

It included the following comments about Services SA's role in the project: <sup>215</sup>

*"The main point to note about this organisation chart is the complex role of Services SA which in the one hand is the Risk Manager protecting the Government [sic] interests on a complex project and directing the clients on certain aspects of the project while on the other hand, the Project and Cost Manager considered to be providing a service to the clients and accepting direction from them."*

The difficulties associated with the committee structure were recognised: <sup>216</sup>

*"The Executive Committee has consistently attempted to manage the overall budget for the project within the agreed limits but has often found that there is an inconsistent understanding between the parties of the actual agreed scope of the project."*

*"Pressure applied by the two club tenants with expectations that their full requirements have been incorporated into the project when often it was anticipated that the clubs would fund such requirements have consistently caused difficulty in managing the budget [sic]."*

#### **13 JUNE 1997 - START OF SERVICES SA'S INVOLVEMENT IN STAGE 2**

On 13 June 1997, Mr Bollen of the Department of Recreation and Sport, sent a minute to Mr Dean Millard, Manager, Design Management in Services SA seeking Services SA's involvement in Stage 2. He specifically asked if Mr Browne could attend a programming meeting at Woods Bagot on 16 June 1997 to discuss all facets of the project from this point on. He stated that the preliminary program

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<sup>214</sup> "Report on Risk Management Issues" dated 4 June 1997 for the Minister for Information and Contract Services.

<sup>215</sup> Page 3.

<sup>216</sup> Page 4.



involving completion by September 1999 had already been developed by Woods Bagot and was then four months behind for reasons outside his agency's control.

This minute set out the background to Stage 2. It stated that *"funds of \$7.7M have been allocated for the Hindmarsh Stadium-Stage II development"* in the State Government's budget for 1997/98 and that *"document had been released publicly"*.

It continued:

*"It is proposed a submission will be forwarded to Cabinet for consideration within weeks, seeking among other things, approval for the project to proceed and funds for the documentation.*

*As you are aware, Services SA have a mandate to provide risk management services to agencies for proposed capital works in excess of \$150,000. As the Stage II project is now public [sic] essential that a project manager and cost manager be appointed. This agency and Joan Hall MP are happy for Jeff Browne to continue as project manager for Stage II. With his knowledge of the current project it would seem logical for him to continue. Similarly, as discussed with yourself and Judith Freeman earlier this year, it is proposed that Woods Bagot's consultancy for Stage 1 be extended for Stage II. However we advise the project is and will continue to be politically sensitive and therefore will require Jeff Browne's virtual full time attention."*

## **16 JUNE 1997 - CABINET APPROVAL FOR THE PURCHASE OF LAND IN HINDMARSH PLACE**

On 16 June 1997, Cabinet considered a submission seeking approval for the purchase of three properties in Hindmarsh Place south of the stadium. Cabinet approved that a Cabinet Sub-committee comprising the Attorney-General, the Treasurer and the Minister for Recreation and Sport meet and have authorisation to approve funds to enable that purchase.

On 16 June 1997, that Sub-committee approved the expenditure of \$851,000 to acquire land in Hindmarsh Place. The Sub-committee sent a minute to the Premier that stated:

*"The Sub-Committee agreed that on the advice available the three options to purchase should be exercised but this should not be regarded as an indication that the stadium project is now fully approved. The 3 properties are, we were told, necessary for either option for development of the stadium.*

*The Sub-Committee also agreed that a working group comprising representatives from Treasury and Finance, Crown Solicitor's, Recreation and Sport, Services SA and Department for Housing and Urban Development should meet urgently to begin to work through the issues relating to the stadium and sort out potential problems now, prior to presentation of a Submission relating to the project to Cabinet. Department of Recreation and Sport to convene."*

The acquisition went ahead. The Department of Recreation and Sport wished to use National Portfolio Strategies' solicitors for the conveyancing work and sought Crown Solicitor's approval to do so. The attitude of the Crown Solicitor's Office was:

*"If they want to pay for something that we can do for nothing why should we stop them."*

Later, when the firm's fees came to be certified by the Crown Solicitor, he made the point that his office would have done the work for free.

## **23 JUNE 1997 - NSL CLUBS LICENCE AGREEMENT**

Negotiations between the Soccer Federation and the NSL Clubs resulted in the execution of a binding licence agreement on 23 June 1997.<sup>217</sup>

The Soccer Federation sent the Department of Recreation and Sport a draft of the licence agreement as part of the "satisfaction of conditions precedent process" under the Funding Deed. Mr Scott responded by letter dated 25 June 1997, after the execution of the agreement stating:

*"Thank you fer [sic] sending me a facsimile of the draft licence agreement with the Soccer Clubs. Much of it is not relevant to the Department but I do have a couple of comments.*

*First, I note that clause 3.4 binds the Clubs to play all their National Competition Matches at the stadium. Once this is signed it will fulfil two further conditions precedent under the Funding Deed between the Federation and the Government.*

*Second, I note that the agreement provides for the flow on of up to \$1 in the increase of the levy. However, while the Funding Deed gives the Minister the right to insist on increases up to this amount, there is scope to negotiate a higher amount if circumstances warrant. I would suggest the licence agreement should reflect this.*

*My other comments relate to the proposal to borrow \$2 million for further works at the stadium. I note that it is contemplated that you will seek a Treasurer's Guarantee for this loan. If you do seek a guarantee, I would anticipate that the Government would raise concerns about:*

- *catering rights being provided exclusively to the Clubs, including for non-soccer events;*
- *any surpluses from the proposed \$2 levy after meeting loan repayments being returned to the Federation and the Clubs.*

*In the latter case I would anticipate the Government would seek to have such surpluses available to meet shortfalls on the loan covered by the Funding Deed. Part of the rationale for this would be that the imposition of the \$2 levy would limit the scope to increase the (\$3) grandstand levy to cover shortfall in meeting those loan repayments.*

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<sup>217</sup> In this Report, this agreement is referred to as the 1997 Licence Agreement.

*You may wish to take these issues on board in future discussion with the Clubs."*

## **25 JUNE 1997 - FIFA APPROVAL OF FIVE VENUE PLAN**

On 10 June 1997, SOCOG had a meeting with the different venues' representatives about the commercial arrangements. Mr Graham Richardson of SOCOG chaired the meeting. Mr Ciccarello attended for Adelaide. SOCOG told the venue representatives that there was some doubt about FIFA's support for the use of four interstate venues. That must have come as something of a surprise to them since they had believed that Adelaide was selected as a venue from the time of receipt of the December 1996 letter from Mr Michael Knight.<sup>218</sup>

On 25 June 1997, Mr Sandy Holloway, the new Chief Executive of SOCOG, wrote two letters to Premier Olsen. One began: *"I am writing in relation to the possible participation of Adelaide in the Olympic Football Tournament."*<sup>219</sup> The letters went on to confirm that FIFA had now approved the use of five rather than four venues.

## **25 JUNE 1997 - DRAFT 3 OF SOCOG MEMORANDUM OF UNDERSTANDING**

Draft 3 of the SOCOG Memorandum of Understanding was sent to Mr Ciccarello under cover of a letter dated 26 June 1997.

Mr Simmonds of SOCOG sent a fax to Mr Ciccarello dated 26 June 1997 responding to Mr Ciccarello's questions of 6 June 1997. In particular, Mr Simmonds stated that SOCOG agreed to the transfer of the temporary seats to "Base Cost":

*"Noted - very pleasing to see enhanced legacy."*

Draft 3 introduced the concept of a cap on the fee cost that the State would have to pay to SOCOG.<sup>220</sup> This was incorporated in a new Clause 12.2 and was capped at \$3.71 million.

That must be compared with SOCOG's estimated recovery fee stated at the outset of the negotiations, ie \$5.59 million. The difference is accounted for in part by the fact that by this time what had previously been identified as the largest single item that SOCOG was to provide (ie, temporary seating) had been removed from the fee cost. SOCOG had stated that the temporary seating accounted for \$2 million of the \$5.59 million. Ultimately that cost was covered as follows:

- 5,000 seats were provided as temporary seats. Adelaide took over responsibility for providing those seats.
- 10,000 seats were provided as permanent seats. Adelaide bore that cost.

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<sup>218</sup> See page 138 above.

<sup>219</sup> Emphasis supplied.

<sup>220</sup> "Fee costs" described the reimbursement the State was obliged to make to SOCOG for certain services and facilities provided by SOCOG.

Adelaide still bore the cost for both. However, the cost was removed from the calculation of the SOCOG Fee Cost and became part of the cost of the Stage 2 project costs. It appeared that the negotiating team had succeeded in substantially reducing the fee paid to Sydney. It had, but it had not reduced the overall cost to South Australia in redeveloping Hindmarsh Stadium and hosting Olympic soccer.

Draft 3 included a change to Schedule 2B that recorded the allocation of the cost of facilities between SOCOG and the Government. Whereas previously temporary seating had been a SOCOG fee cost (ie, to be provided by SOCOG at the State's cost) it became a base cost (ie, to be provided by the State at the State's cost).

## **25 JUNE 1997 - WORKING PARTY FOR DRAFT CABINET SUBMISSION**

A working party meeting was held by the Department of Recreation and Sport on 25 June 1997 to consider a draft Cabinet submission for Stage 2.

## **26 JUNE 1997 - SERVICES SA COMMENT ON MARCH 1997 COST ESTIMATE**

On 26 June 1997, Services SA prepared a report on the cost estimate produced by Rider Hunt in March 1997 which had founded the March 1997 Cabinet submission. The report included the following statement:

*"The total project budget appears tight in a number of areas and contains a number of high risk elements."*

## **30 JUNE 1997 - SERVICES SA QUERY OF \$16.205 MILLION BUDGET**

On 30 June 1997, Ms Anne Howe sent a memorandum to the Chief Executive of the Department of Recreation and Sport stating that Services SA had difficulty in accepting that Stage 2 of the project could be kept within \$16.205 million budget given the level of uncertainty of the project.

*"At recent briefing sessions and as noted in the draft Cabinet submission it is clear that a number of complex issues associated with the project cannot be resolved until negotiations are held with relevant parties. Given the confidential nature of these issues it is understood that consultation cannot occur prior to Cabinet approval. Accordingly, there is a level of risk with the detail provided in the submission given that it is based on a number of assumptions and untested briefing.*

*The most significant issues appear to be:*

- *specific project investigation related to issues such as geotechnical and soil contamination and diversion of street services*
- *Byelorussion [sic] Church relocation*
- *finalisation of brief and sign off by affected parties*
- *ability to effect a road closure in the timeframe set*
- *the dependencies on other funding sources for land*
- *co-operation of the City of Charles Sturt*

- *Development Approval method*
- *final ownership of the land*

*These issues could have a major impact on project costings and Cabinet should be alerted to the sensitivity of the timeframes and the decisions related to the resolution of these matters.*

*The draft Cabinet submission seeks approval for the project to proceed to the end of documentation phase [sic] (recommendation 4.1) although there has been limited investigation of what the estimate of \$16.205M can provide. Therefore it is suggested that Cabinet approval may be sought as a staged process limited in this instance to funding for project work up to the end of the design development phase.*

*As the project is still in the embryonic stages the proposal for a value management study to be carried out to substantiate the assumptions and quantify and verify the needs for Option 3 is supported. This will enable finalisation of a brief and the impact of land and Council negotiations to be incorporated into project parameters. As a result Government will then be able to be provided with a much clearer view of all program and cost issues including the capacity of the estimate to provide stakeholders project expectations. It is therefore proposed that recommendation 4.1 be altered accordingly.*

*If approval for up to design development is sought at this stage funding in the order of \$400,000 is now required in lieu of the \$1.188M nominated in the draft submission.*

*Services SA would have difficulty in accepting the project could be contained within the \$16.205M budget given the current level of uncertainty associated with the preliminary work done to date. This advice will form part of Services SA briefing to the Minister of Information and Contract Services.*

...

*Services SA accepts that it is logical that Woods Bagot undertake the primary consultancy role for the project given their engagement for Stage 1. However, in regard to Recommendation 4.6, it is suggested that Cabinets endorsement [sic] should be subject to successful negotiation of an acceptable fee.*

*The circumstances of Woods Bagots involvement to date is understood. However, it is suggested that the detail included in 3.29 to 3.35 need not be incorporated in the Cabinet submission as it attracts too much attention to an issue that has not been dealt with in accordance with government process and as a result it may invite criticism of your Agency. If pressured for comment Services SA would be compelled to state that our involvement should have been sought earlier.*

*In addition to the issue of negotiating a satisfactory fee, Services SA propose that you advise Cabinet of the logical reason to continue to utilise Woods Bagot and that in the event that Stage 2 does not proceed it will be necessary to seek funding reimbursement for costs incurred."*

## CHAPTER 13 - JULY TO NOVEMBER 1997

### 7 JULY 1997 - CABINET APPROVAL OF LETTER OF AGREEMENT WITH SOCOG

On 7 July 1997, Cabinet gave approval to a request to sign a letter of agreement with SOCOG setting out the financial basis for the hosting of matches in the 2000 Olympic Soccer Tournament in Adelaide.

On 11 July 1997, the Premier signed the letter of agreement with SOCOG agreeing to Stage Olympic soccer matches in Adelaide. The letter included a commitment to provide an adequate stadium. That concept was not defined.

At this time the content of Stage 2 had not been finalised within Government.

### 8 JULY 1997 - BRIEFING BY WOODS BAGOT OF MINISTER FOR INFORMATION AND CONTRACT SERVICES

As a result of the concerns expressed to Mr Dean Brown as Minister for Information and Contract Services by Ms Howe as Chief Executive of Services SA, Mr Dean Brown sought a briefing from Woods Bagot on the proposed Stage 2 project in July 1997. After the briefing, Woods Bagot sent Mr Dean Brown a bound package of drawings of the project dated from May 1996 to June 1997.<sup>221</sup> Woods Bagot informed Mr Dean Brown that the cost of the various options investigated ranged from \$11.4 to \$29.81 million.

### 9 JULY 1997 - FIT OUT GUARANTEE

The licence agreement executed by the NSL Clubs in June 1997 included a proposal that the Soccer Federation would obtain a loan of \$2 million to be guaranteed by the Government.

The purpose of the \$2 million loan was for the fit out of the corporate and clubroom facilities in the redeveloped western grandstand. Of that \$2 million, \$300,000 was to be paid by the NSL Clubs for the commercial kitchen to service the corporate boxes and the clubrooms.

On 9 July 1997, Mr Ashenden as Minister for Recreation and Sport signed a Cabinet submission seeking approval for a Treasurer's Guarantee for a loan of \$2 million by the Soccer Federation for the fit out of the western grandstand.

The Cabinet submission set out the following as justifications for the granting of the Fit Out Guarantee:

- It was necessary to make the Soccer Federation legally responsible for the fit out to ensure it was completed in a timely and consistent fashion.

*"3.2 On review of the proposition that the SASF and the Adelaide City and West Adelaide Soccer Clubs each prepare separate briefs and enter into individual*

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<sup>221</sup> This volume of drawings was not produced to this Examination.

*arrangements for the development of their relevant areas, several issues were identified as creating potential problems regarding the proper and timely completion of the M&ES [mechanical and engineering services] and fit-out.*

*These issues include:*

- *the expeditious completion of the works*
- *the required synchronisation of the M&ES works*
- *conformity to fit-out uniform quality standards*
- *maximising cost efficiencies*
- *the presentation of a co-ordinated high standard, completed stadium for use at international events such as the Olympic Football Tournament in year 2000.*

*3.2.1 To resolve these issues it is recommended the SASF co-ordinate and accept on behalf of the three entities, the principal legal and commercial responsibility for the M&ES and fit-out requirements."*

- The Soccer Federation could not afford the fit out from its own assets and so needed the guarantee to be able to borrow the money.

*"3.5 Detailed costings have been carried out for the provision of mechanical and electrical services and the fit-out as described above and have been estimated at \$2 million. (Refer to Attachment A)*

*3.6 The SA Soccer Federation is unable to raise funds of this magnitude for this purpose, as it is not the proprietor of the Hindmarsh Stadium title deed, and therefore is seeking a Government guarantee for the loan as required by its loading [sic] facility."*

- The works were necessary for the hosting of matches in the 2000 Olympic Soccer Tournament. If those works were done on a temporary basis it would cost \$250,000.

*"3.9 The Executive Director of the SA Olympic Football Task Force has estimated that it would cost the Government approximately \$250,000 extra to temporarily facilitate the M&ES and fit-out for Adelaide's rounds of the Olympic Football Tournament if not completed during this stage of the stadium redevelopment."*

- The Soccer Federation could afford to service the loan from an additional levy because market research had shown that there was room for growth in the soccer market and attendances at soccer matches continued to grow.

*"3.12 Market research has been carried out by the SASF in regard to the proposed levy and specialist marketing advice regarding ticket pricing has been provided by Marketing consultants, Hamra Management.*

*Hamra Management has concluded that the existing aggregate level of attendances at Hindmarsh Stadium National Soccer League matches represents the 'hard core' of soccer enthusiasts in Adelaide, and the proposed ticket price increase should not affect the demand for tickets.*

...

*3.13.1 The Hamra Management report also concludes there is considerable scope for the SASF to improve attendances and greater utilisation of the stadium generally."*

On 14 July 1997, Cabinet did not decide on whether to approve the granting of the guarantee immediately. Instead, it referred the matter to be investigated by Mr Ian Kowalick, then Chief Executive of the Department of Premier and Cabinet. Mr Kowalick produced a minute recording his investigations. That minute showed that Mr Kowalick's investigations comprised speaking with various banks about whether they would be prepared to lend without the benefit of the Government guarantee.

The conclusion of the minute dated 7 August 1997 was:

*"If Cabinet believes that the development of services and fitout at Hindmarsh warrants a guarantee, then the guarantee should be provided under the same general terms as the existing guarantee except that the Federation and the clubs must in this case accept that the Treasurer will have recourse in the first instance to an increase in the levy beyond the \$1 currently provided (say \$3) and failing that after a period of 12 months, to all revenues of the Federation and clubs to recover any calls upon the guarantee."*  
*[original emphasis]*

The Department of Treasury and Finance did not support the provision of a Government Guarantee on grounds that there was a possibility that repayment shortfalls would arise on the \$4.0625 million loan guarantee, not to mention an additional loan of \$2 million.

On 11 August 1997, Cabinet approved the granting of the Treasurer's Guarantee for the fit out loan subject to:

- the Soccer Federation providing a business plan detailing the source of loan repayments;
- a change in the documentation for the existing and new guarantees so that there is a provision to increase the \$3 levy by more than \$1 over the 20 year period and to allow for the levy to be increased in line with inflation;
- the terms and conditions of the guarantee should be consistent with the existing guarantee which includes the application of a guarantee fee and the new guarantee must be in place before work proceeds.



This changed a key feature of the Funding Deed in that the ultimate risk of the cost of the fit out was now the responsibility of the Government.<sup>222</sup>

## **14 JULY 1997 - FURTHER CABINET CONSIDERATION OF STAGE 2**

### **Preparation of Submission**

The Cabinet submission signed by Mr Ashenden as Minister for Recreation and Sport on 9 July 1997 was the subject of discussion by a working party including representatives of the Department of Treasury and Finance, Services SA, the Crown Solicitor's Office and the Department of Recreation and Sport.

Services SA reviewed a draft of the submission. On 3 July 1997, Ms Howe of Services SA signed a minute prepared by Ms Mary Marsland, Director of Client Services, Services SA to Mr Dean Brown, as Minister for Information and Contract Services, briefing him on the submission. Services SA supported the submission but noted significant risks and unresolved issues. Those risks were identified in the submission but not the strategy to manage them. Key issues that remained unresolved included future ownership of the site and the costs of temporary requirements for the Olympics.

This was not the first time that the ongoing management of the stadium had been raised and it was not the last. Even so, the issue is still not resolved as at the time of this report, over four years later.

### **Content of the Submission**

On 9 July 1997, Mr Ashenden as Minister for Recreation and Sport signed a Cabinet submission presenting a revised concept plan for Stage 2 called "Option 3". The key difference between it and "Option 2" as considered in March 1997 was that Option 2 included a covered two tier grandstand on the eastern side of almost identical size and design to the Stage 1 upgraded western stand, whereas Option 3 was for an unroofed single-tier terrace. That brought the cost within the \$16.205 million budget.

The 9 July 1997 Cabinet submission identified a number of potential problems for the Stage 2 project caused by building on land that was not the subject of the existing lease from the Council to the Soccer Federation. In respect of the additional land, the submission set out possible solutions to the issues relating to each piece of land:

- It was assumed that Council would contribute land it owned to the Government at the end of the project.
- \$100,000 had been allowed in the budget for the relocation of the Hindmarsh Bowling Club.
- A budget of \$369,000 for compulsory acquisition of the land occupied by the Byelorussian Church was included.

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<sup>222</sup> See footnote 188.

- A budget of \$279,000 was allowed for the cost of relocating Meals on Wheels.
- A budget of \$810,000 was allowed for making fit seven heritage buildings.

The submission did not refer to the existing problem created by the main stadium site being upon land over which the Government had no control.

The Cabinet submission noted that both Canberra and Melbourne had announced significant ground upgrades.

### **Cabinet Resolution to Refer to Inter-Departmental Working Group**

On 14 July 1997, Cabinet considered the scope of Stage 2. Cabinet again approved the pursuit of Stage 2 *"in principle"*. Cabinet resolved that the Chief Executive of the Department of Premier and Cabinet should form and Chair an inter-departmental working group. The group was required by Cabinet to report to Cabinet in two weeks with the process for resolution of issues and a recommendation of a Project Manager.

### **14 JULY 1997 - MEETING TO DISCUSS CABINET'S CONCERNS OVER STAGE 2 PROPOSAL**

On 14 July 1997, a meeting was convened at the request of the Chief Executive of the Department of Premier and Cabinet to discuss concerns raised at the Cabinet meeting earlier that day. The meeting was attended by the chief executives and officers of the Department of Recreation and Sport, the Department for Housing and Urban Development, Services SA, the Crown Solicitor's Office, the Department for the Environment and Natural Resources and the Department of Treasury and Finance.

Mr Kowalick requested that a Sub-committee of the Departments report back by 18 July 1997. A risk management plan was prepared by the Department of Recreation and Sport that discussed and identified risks and strategies for their management. The plan included two models for project management said to provide clear accountability. Both models designated accountability with the Chief Executives of the Department of Recreation and Sport and Services SA and their responsible Ministers. Both models included a project control group headed by a Project Manager from Services SA. The model which included a project steering committee similar to Stage 1 was not recommended *"due to the watering down of direct accountabilities and the blurring of the decision-making responsibilities"*.

### **21 JULY 1997 - CABINET APPROVAL FOR CABINET COMMITTEE AND PROJECT DIRECTOR FOR STAGE 2**

On 21 July 1997, Cabinet approved the establishment of a Cabinet Committee comprising Mr Ingerson as the Deputy Premier and Chair, the Attorney-General, Mr Dean Brown as Minister for Information and Contract Services and Mr Ashenden as the Minister for Recreation and Sport. Cabinet also approved the appointment of Mr Ian Dixon, Chief Executive of the Office of Local Government as the Project Director for Stage 2.

The Cabinet Committee was not given any formal written terms of reference as to its function although it was later stated in the Cabinet submission dated 15 August 1997 that it was proposed that the Cabinet Committee be responsible for monitoring the progress of the Stage 2 development and interface with the staging of the Olympic mode. A diagram of the project management structure for Stage 2 showed the Cabinet Committee as the "Client" meeting monthly. Project Control comprised the Project Director, Mr Dixon and a Project Reference Group comprising representatives of Government agencies and stakeholders.

Cabinet referred the 9 July 1997 submission back to Minister Ashenden without approving it.

### **30 JULY 1997 - PUBLIC WORKS COMMITTEE ATTENTION TO STAGE 2**

On 30 July 1997, Mr Oswald as Chair of the Public Works Committee, wrote to Mr Ashenden as Minister for Recreation and Sport highlighting that page 40 of the Capital Works Program 1997-98 gave details of a second stage in the redevelopment of Hindmarsh Soccer Stadium to the value of \$16.2 million to commence in September 1997.

Stage 2 was stated in the Capital Works Program to be necessary in order to provide a facility with all the amenities necessary for the preliminary round of competition for the Sydney 2000 Olympics that are to be played in Adelaide. The Public Works Committee sought an explanation since this was at variance with the evidence presented to the Public Works Committee in 1996. The Public Works Committee also asked Minister Ashenden whether the Council would be approached for a financial contribution.

### **5 AUGUST 1997 - DRAFT 4 OF SOCOG MEMORANDUM OF UNDERSTANDING**

In Draft 4 of the SOCOG Memorandum of Understanding, the cap on the fee cost to be paid to SOCOG was reduced to \$3.309 million.

The time frame for construction of the stadium was set out in more detail:

- By 31 December 1999, the major works for the stadium (to be set out in a new Schedule 2C) had to be completed.
- By 1 August 2000, the stadium had to be completed to the Schedule 3 standard except for certain agreed excluded works such as the temporary seating.
- By 25 August 2000, if the stadium had not been completed SOCOG had the right to terminate.

The concept of Schedule 2C and the work contained in it was introduced in this draft. Schedule 2C was included with the draft sent by SOCOG. It was entitled "*Works to be Completed at the stadium*". The body of it was blank except for the phrase: "[*To be completed by the State*]".

## **6 AUGUST 1997 - LETTER FROM COUNCIL ABOUT STAGE 2**

On 6 August 1997, the Council sent a letter to Mr Ingerson as Deputy Premier, expressing the Council's support for the project. The letter continued:

*"Obviously, we are not in a position to sign off on the project at this stage as we have all recognised there are a number of issues requiring careful negotiation. We are already in the process of constructively working through these issues with Mr Ian Dixon, the newly appointed Project Director, and are confident and optimistic of a successful resolution. To this end, you will already be aware that Council, in anticipation of these issues, has already established an Advisory Committee ... "*

## **6 AUGUST 1997 - STAGE 2 SCOPE AND BUDGET WORKSHOP**

On 6 August 1997, a half day workshop was held at the offices of the Department of Recreation and Sport. The workshop was led by Mr Dixon as Project Director. Mrs Hall as Chair of the Stage 1 Redevelopment Committee, Mr Ciccarello as leader of the Olympic Task Force, officers from the Department of Recreation and Sport and Services SA attended as well as Mr Farrugia of the Soccer Federation and officers of Woods Bagot, Connell Wagner and Rider Hunt.

The minutes of this workshop record that Mr Dixon highlighted the complex issues involved. The organisational structure for the project was described to the meeting and that Mr Ingerson as Deputy Premier is the Chair of the Cabinet Committee for the project. The client was stated to be the Cabinet Committee.

Confidentiality issues were stressed by Mr Dixon and Mrs Hall. The minutes further record that:<sup>223</sup>

*"...this was not a traditional Value Management Workshop but rather a review of the budget and scope of works for Stage 2 to ensure that there was agreement on the scope and that it would meet the expectations of the various parties present."*

## **11 AUGUST 1997 - DRAFT 5 OF SOCOG MEMORANDUM OF UNDERSTANDING**

This draft was sent by fax by SOCOG to Mr Ciccarello on 11 August 1997.

Draft 5 added the concept of Schedule 2D. It was entitled *"Works Not Included in Final Completion Standard"*. The list of works included only one item, *"the installation of temporary seating at the stadium"*. The balance of the list contained the following phrase: *"[\*The State to Complete - Further Works]"*.

After receiving Draft 5, Mr Ciccarello prepared drafts of Schedules 2C, the list of major works to be completed by the Government, and Schedule 2D.

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<sup>223</sup> Page 3.

## **11 AUGUST 1997 - FIRST MEETING OF HINDMARSH SOCCER STADIUM CABINET COMMITTEE**

On 11 August 1997, the first meeting of the Hindmarsh Soccer Stadium Cabinet Committee was held. In attendance were Mr Ingerson as Deputy Premier and Chair of the meeting, the Attorney-General, Mr Dean Brown as Minister for Information and Contract Services, Mr Ashenden as Minister for Recreation and Sport, Mr Kowalick, Mr Dixon, Mr Ciccarello, the Crown Solicitor, Ms Marsland of Services SA, Mr Jaksa from the Crown Solicitor's Office and Ms Anne Westley of Strategic Policy and Cabinet Division.

Mr Dixon, made a presentation on the status of the Hindmarsh Stadium project. Mr Dixon said that the issue of ownership needed to be resolved given that the Council owned the land and Government and the Soccer Federation were funding the new buildings. He further stated that the issue of stadium management had to be addressed to ensure all interests were taken into account in the long run. The minutes record that Mr Dixon as Project Director and the Crown Solicitor were to report on land ownership and/or transfer options.

## **15 AUGUST 1997 - FINAL SOCOG MEMORANDUM OF UNDERSTANDING**

The final version of the SOCOG Memorandum of Understanding was executed by Premier Olsen on 15 August 1997.

The final figure for Total Fee Cost included in the final Memorandum of Understanding was \$3,309,000. SOCOG provided a breakdown of the calculation of that item on 8 July 1997. That breakdown totalled \$3,308,862. No explanation was given by SOCOG for the difference between those two figures but it may reasonably be inferred that it was simply rounded up.

This Examination has also examined two other more detailed breakdowns of the Total Fee Cost:

- The first detailed estimate provided by SOCOG in April 1997 totalling \$6,319,333.
- The detailed estimate in July 1997 placed before Cabinet totalling \$3,328,640

The final figure was a further \$19,640 less than the July figure placed before Cabinet.

The difference of \$3,010,471 between the April 1997 and July 1997 figures provided by SOCOG is accounted for by the following changes:

Description	April \$	July \$	Change \$	Explanation
Athlete's village	806,375	780,000	(26,375)	SOCOG revised estimate
Official Hotel	170,625	181,250	10,625	SOCOG revised estimate
Athlete's travel	-	83,333	83,333	Not known
Accreditation Centre	75,000	75,000	-	
Advertising	100,000	100,000	-	
Airport Services	-	-	-	
Catering	-	-	-	
Olympic Football Task Force	17,000	-	(17,000)	SOCOG agreed to bear
Information Centre	-	-	-	
Host broadcaster	947,333	-	(947,333)	SOCOG agreed to bear
Language Services	40,000	40,000	-	
Look of the Games	250,000	250,000	-	
Olympic Family	-	-	-	
Public Relations	50,000	50,000	-	
Publications and Programs	-	-	-	
Technology: Cabling services	500,000	120,000	(380,000)	Included in permanent work as part of Stage 2
Technology: magnetometer	60,000	60,000	-	
Technology: x-ray machines	160,000	160,000	-	
Ticketing	50,000	50,000	-	
Transport	-	-	-	
Volunteers	143,000	66,000	(77,000)	SOCOG revised estimate
Training sites	-	-	-	
Stadium: security fencing	400,000	400,000	-	
Stadium: media centre	550,000	550,000	-	
Temporary seating	2,000,000	-	(2,000,000)	Partly Included in permanent work as part of Stage 2; Temporary seating cost transferred to base cost.
Stadium operations	-	-	-	
Contingency	-	343,279	343,279	
<b>Total</b>	<b>6,319,333</b>	<b>3,308,862</b>	<b>(3,010,471)</b>	

In summary, \$2.38 million of the reduction in the fee payable to SOCOG was achieved by the State bearing the cost in another way. In the case of the replacement of temporary seating by permanent seating the reduction was achieved only by a very substantial increase in the cost of provision of the seating.

The Memorandum of Understanding entered into with SOCOG contained two schedules relevant to the additional construction work Adelaide had to do. Schedule 2C recorded "*Works to be Completed at the stadium*". The first and only draft of that schedule was produced on 12 August 1997 by Mr Ciccarello, after Cabinet had already decided in principle that the option containing 15,000 permanent seats should be preferred. Schedule 3 to the SOCOG Memorandum of Understanding was in substance a repetition of the "*minimum stadium requirements*" sent to Premier Dean Brown in July 1996.

It included the requirement of a minimum of 15,000 seats. The schedule specifically envisaged that temporary seating would be permitted subject to specific approval.

The Memorandum of Understanding required the contract documentation for the stadium construction to be submitted to SOCOG for final approval. The plans were later provided to SOCOG. However, ultimately, SOCOG waived the requirement for it to approve formally the final construction contract.

## **18 AUGUST 1997 - CABINET SUBMISSION FOR STAGE 2**

On 18 August 1997, Deputy Premier Ingerson signed a further Cabinet submission for Stage 2. Its key recommendations were that Cabinet endorse:

- new concept plan for Stage 2;
- the Project Management Structure for Stage 2;
- the budget range for Stage 2 to be between \$15.95 million and \$18.12 million;
- the engagement of Woods Bagot as primary consultant.

It also recommended that Cabinet note that a proposal on stadium ownership and management would be developed as a matter of urgency.

On 18 August 1997, Cabinet approved all of the recommendations except:

- it "noted" rather than endorsed the new concept plan;
- it did not endorse the budget range.

The new concept plan was very similar to that in the previous submission considered by Cabinet on 9 and 21 July 1997. The key differences were:

- an altered configuration for the eastern grandstand;
- a different layout for the practice pitch and carpark south of the stadium.

## **25 AUGUST 1997 - CABINET APPROVAL OF FURTHER INCREASE IN EXPENDITURE FOR STAGE 1**

On 25 August 1997, Cabinet approved increased expenditure for Stage 1 to \$9.13 million. Cabinet also approved the Government waiving the Soccer Federation's obligation under the Funding Deed to contribute 50 percent of the extra Project Costs. The Cabinet submission signed by Mr Ingerson as Deputy Premier seeking this approval stated: <sup>224</sup>

*"...it is clear from the recent negotiations in relation to the fitout of Stage 1 that there is no point in seeking a capital contribution from the Federation. Accordingly it is proposed that the requirement of clause 6.2 be waived."*

Construction of the Stage 1 works was reported to be 75 percent complete by this time.

## **2 SEPTEMBER 1997 - SECOND MEETING OF HINDMARSH SOCCER STADIUM CABINET COMMITTEE**

On 28 August 1997, Mr Dixon provided a draft paper on ownership and management to the Crown Solicitor's Office and the Department of Treasury and Finance for comment. The draft paper contained an analysis of different arrangements including an independent trust.

At the second meeting of the Hindmarsh Soccer Stadium Cabinet Committee held on 2 September 1997, Mr Dixon's draft paper on stadium ownership and management was considered. It was resolved that a more detailed paper be prepared by Mr Dixon as Project Director and the Crown Solicitor. The Committee did not meet again until 16 March 1998.

## **4 SEPTEMBER 1997 - SOCCER FEDERATION BUSINESS PLAN**

On 4 September 1997, the Soccer Federation prepared an extended business plan in support of their proposal to the Government for the guarantee of the \$2 million Fit Out Loan.

The business plan was considered by the Department of Treasury and Finance. The Department described the business plan as containing the minimum information acceptable. It was noted that the assumptions to the forecasts were critical and that there was no risk assessment of unfavourable changes which might affect those assumptions.

## **8 SEPTEMBER 1997 - CABINET ENDORSEMENT OF FORMAL SUBMISSION OF STAGE 2**

On 4 September 1997, Mr Ingerson signed a Cabinet Submission seeking Cabinet's approval of the budget for Stage 2 and the pursuit of Option 3 involving new permanent stands on each of the northern, southern and eastern sides of the pitch.

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<sup>224</sup> Paragraph 3.6.



As had the 18 August 1997 Cabinet submission, this Cabinet submission added \$1.92 million of "variable and discretionary works" to the \$16.205 million budget that had been previously approved. It comprised:

Work	Cost \$
Bowling Club relocation *	100,000
Byelorussian Church relocation *	370,000
Meals On Wheels relocation *	135,000
Scoreboard	100,000
Western Grandstand Players Race	100,000
Upgrade to Surrounding Streets *	500,000
Alter Change Rooms In Western Grandstand	440,000
Loose Furniture And Equipment	75,000
Signature signage	100,000
	1,920,000

The works marked with an asterisk above totalling \$1.105 million had, in the November 1996 Cabinet submission, been included within the budget of \$16.205 million. This Cabinet submission put forward a wholly different concept for the Stage 2 development.

On 8 September 1997, Cabinet endorsed the budget estimate of \$16.205 million for Stage 2. Cabinet qualified its approval with the statement that, *"Every attempt must be made to keep the project within \$16.2 m budget."*

## **10 SEPTEMBER 1997 - SOCOG MEMORANDUM OF UNDERSTANDING SIGNED**

In early September 1997, SOCOG and the IOC signed the SOCOG Memorandum of Understanding. This was after the Premier had signed it on 15 August 1997. The document was dated 10 September 1997.

## **17 SEPTEMBER 1997 - RETAINER OF WOODS BAGOT FOR STAGE 2**

Woods Bagot had been appointed for Stage 1 on the basis of a selection process where six candidates had been considered. In Stage 2, no other candidates were considered. The Department of Recreation and Sport simply retained Woods Bagot. The justification for that was set out in a draft of the 9 July 1997 Cabinet submission as follows:

*"3.29 The firm of Woods Bagot were selected in an open competition as the primary consultant for the Western Grandstand project presently under construction.*

*3.30 As part of the development bid to secure a preliminary round of the Sydney 2000 Olympic Games Soccer Tournament, there was a need to engage consultants to undertake conceptual and feasibility work in regard to design, land acquisition, planning issues and brief development.*

- 3.31 *The Department of Recreation and Sport concluded that, in view of Woods Bagot's knowledge of the site, it would be sensible for Woods Bagot to continue. This was subsequently agreed by Services SA.*
- 3.32 *To date, Woods Bagot have undertaken a considerable amount of work on the Stage II project for no payment. This includes a degree of sub-consulting work with other firms whom Woods Bagot would be obliged to pay. It is estimated that the costs incurred by Woods Bagot would be in the order of \$60,000.*
- 3.33 *These costs are built into the Stage II project. Accordingly, if the project proceeds, Woods Bagot will be reimbursed for these expenses.*
- 3.34 *However, at this stage, Woods Bagot have no commitment from the Government in relation to reimbursement of their costs should the project not proceed. While they are not seeking payment at this stage, they are anxious about their position from an audit perspective.*
- 3.35 *It is considered that it would be unreasonable for Woods Bagot to carry these costs if the project does not proceed. Under these circumstances additional funds would need to be provided to the Department of Recreation and Sport to enable it to reimburse Woods Bagot."*

Services SA informed the Department of Recreation and Sport that the process adopted was not appropriate.

*"The circumstances of Woods Bagot's involvement to date is understood. However, it is suggested that the detail in 3.29 to 3.35 need not be incorporated in the Cabinet submission as it attracts too much attention to an issue that has not been dealt with in accordance with the government process and as a result it may invite criticism of your Agency. If pressured for comment Services SA would be compelled to state that our involvement should have been sought earlier." <sup>225</sup>*

This topic was dealt with in the final July Cabinet submission as follows:

- "3.31 The firm of Woods Bagot was initially selected as the preferred consultant for Stage 1 of the Hindmarsh Stadium Redevelopment in competition with a selected field of consultants.*
- 3.32 As part of the bid to secure rounds of the 2000 Olympic Football Tournament, there was a need to utilise the services of Woods Bagot, in view of their knowledge of the site, to undertake conceptual and feasibility work in regard to design, land acquisition, planning issues and brief development for this proposal.*
- 3.33 Given its background and involvement in investigating the feasibility of the expanded project, it is proposed Woods Bagot be further engaged for Stage 2 subject to a satisfactory fee being negotiated by Services SA."*

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<sup>225</sup> Minute dated 30 June 1997 from Howe, Services SA to Mr Bollen the Department of Recreation and Sport.

Woods Bagots Primary Consultancy Services and Fee Offer document produced in August 1997 stated:<sup>226</sup>

*"Woods Bagot and Connell Wagner have been undertaking a feasibility consultancy for the Department of Recreation & Sport on the Hindmarsh Stadium Stage 2 project for approximately 18 months.*

*The scope of work for the consultancy included:*

- *Attendance at briefing meetings*
- *Preparation of presentations to government ministers*
- *Preparation of concept design options*
- *Assistance in the preparation of cabinet submissions*
- *Preparation of budget/scope documents*
- *Preparation of engineering solutions, options and costings*
- *Assistance in the preparation of budgets*
- *Assessment of existing site services*
- *Assessment of external site services*
- *Review of pitch lighting and structure*
- *Attendance at value management session*
- *Preparation of geotechnical survey*

*The reimbursements for the consultancy is on a time incurred basis. The cost incurred to the 24th August 1997 is as follows:*

<b>Consultant</b>	<b>Cost \$</b>
Woods Bagot	96,733
Connell Wagner	41,440
<b>Total</b>	<b>138,173 "</b>

Woods Bagot were formally retained for Stage 2 by execution of a formal contract document dated 17 September 1997 prepared under the direction of Services SA.

The services to be provided by Woods Bagot were defined by reference to the Budget/Scope Document for Stage 2 dated 12 August 1997, prepared by Woods Bagot before their formal appointment.

A total lump sum fixed fee of \$453,059<sup>227</sup> was payable for consultancy services to the completion of the design development phase. A fixed upper limit for disbursements was set at \$107,355.<sup>228</sup>

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<sup>226</sup> Page 10.

<sup>227</sup> Comprising concept development \$138,173; phase 1 schematic \$145,332; phase 2 design development \$169,554.

<sup>228</sup> Schedule 2.

## **26 SEPTEMBER 1997 - FIT OUT GUARANTEE DEED**

On 26 September 1997, the Treasurer executed the Fit Out Guarantee. By that guarantee the Government guaranteed borrowings by the Soccer Federation for the fit out of the clubrooms and corporate facilities in the western grandstand the subject of the Stage 1 upgrade. In return for the Government agreeing to guarantee a \$2 million loan to the Soccer Federation to undertake the fit out, the Soccer Federation promised to spend \$100,000 on the marketing of soccer.

Thus, one of the key features of the Funding Deed was changed and the Government now bore the risk of the cost of the fit out.

## **30 SEPTEMBER 1997 - DRAW DOWN OF STAGE 1 LOAN**

On 30 September 1997, commercial bills were discounted for the Soccer Federation yielding net proceeds of \$4,061,999.<sup>229</sup> The net proceeds were then available to meet progressive payments for the Stage 1 redevelopment works.

## **7 OCTOBER 1997 - AMENDMENT DEED AND FIT OUT GUARANTEE DEED**

On 7 October 1997 the Treasurer, Minister for Recreation and Sport, Minister for Information and Contract Services and the Soccer Federation entered into the Amendment Deed and the Fit Out Guarantee Deed. These documents amended the Funding Deed to take account of the changes required by Cabinet as a precondition to provision of the Treasurer's Guarantee.

## **13 OCTOBER 1997 - COUNCIL CONCERNS ABOUT TENURE**

On 13 October 1997, the Council resolved:

- "1. That Council give in principle endorsement for the concept plans and road closure attached to the letter from the Hindmarsh Stadium Project Director of 19 September 1997 and agrees to the State undertaking improvements on Council owned land, subject to achievement of the required development approvals.*
- 2. That Council seek legal advice regarding the proposal for the [Soccer Federation] to grant a licence to the State for the purpose of allowing Olympic soccer competition.*
- 3. That further reports be brought forward once options have [sic] clarified for relocation of the occupants and tenants on Council owned land.*
- 4. That a further report be brought forward to the most favourable tenure, ownership and management arrangements as an outcome of current investigations.*
- 5. That Council advise of its commitment to working with the Government to achieve a successful outcome for all parties affected by the project and the general community."*

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<sup>229</sup> This was less than the loan amount of \$4.0625 million agreed between the Soccer Federation and the Government under the Funding Deed.

The Council wrote to Mr Dixon as the Government's representative for the Hindmarsh Soccer Stadium project to inform it of that resolution. Again, the Government had placed before it the need to address the issues of tenure, ownership and management.

## **20 OCTOBER 1997 - MINISTERIAL REARRANGEMENT**

After losing his seat in the State election, Mr Ashenden resigned as Minister for Tourism, Minister for Local Government and Minister for Recreation and Sport on 20 October 1997. Mr Ingerson resigned as Minister for Infrastructure,<sup>230</sup> Minister for Police, Minister for Emergency Services and Minister for Racing and was appointed Minister for Industry, Trade and Tourism and Minister for Local Government, Recreation and Sport.

Mr Dean Brown resigned as Minister for Information and Contract Services. The Hon. Dr Michael Armitage MP was appointed Minister for Administrative and Information Services.

## **23 OCTOBER 1997 - ESTABLISHMENT OF THE DEPARTMENT OF INDUSTRY AND TRADE**

On 23 October 1997, the Department of Industry and Trade was established as a new administrative unit under the Public Sector Management Act 1995. It incorporated the activities of several administrative units that were abolished on 23 October 1997 including the Department of Recreation and Sport. The activities of the former Department of Recreation and Sport were then carried on by a division of the Department of Industry and Trade named the Office for Recreation and Sport.

The Executive Director of the Office for Recreation and Sport was responsible to and subject to the direction of the Chief Executive Officer of the Department of Industry and Trade. Mr Ingerson was the responsible Minister as the Minister for Local Government, Recreation, and Sport and the Minister for Industry, Trade and Tourism.

Mr Dixon, the Project Director for Stage 2 was appointed Chief Executive of the Department of Industry and Trade. As Chief Executive of that department, he had significantly increased responsibilities. Several days after this appointment, Mr Dixon asked Mr Andrew Scott to take over his responsibilities as Project Director from November 1997. Mr Dixon was to continue to have oversight for the project and be involved in key issues, as Chief Executive of the Department of Industry and Trade.

Mr Andrew Scott distributed a revised diagram of the Stage 2 Project Management Structure to members of the Stage 2 Project Reference Group. It showed Mr Andrew Scott as the Project Director reporting to the Client Group comprising Deputy Premier Ingerson and Mr Dixon as Chief Executive of the Department of Industry and Trade. There was no further formality to Mr Andrew Scott assuming the role of Project Director.

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<sup>230</sup> The body corporate, the Minister for Infrastructure, was dissolved on 20 October 1997 and a new body corporate incorporated, the Minister for Government Enterprises. The assets, rights and liabilities of the dissolved body corporate were vested and attached in the new body corporate.

## 23 OCTOBER 1997 - ESTABLISHMENT OF THE DEPARTMENT OF ADMINISTRATIVE AND INFORMATION SERVICES

On 23 October 1997, the Department of Administrative and Information Services was established, incorporating the activities of a number of administrative units including the former Department for State Government Services. The new department became the portfolio based agency for the Ministerial Portfolio of Administrative and Information Services. Its responsibilities as relevant to this Report included project risk management, building asset management, procurement and contract services, capital building works and major projects delivery.<sup>231</sup>

## 27 OCTOBER 1997 - STRATEGIC VALUE MANAGEMENT STUDY

On 27 October 1997 a meeting referred to as a "Value Management Study" was held. The meeting was presided over by Mr John Tapper of Tapper Communication Pty Ltd.

The purpose of the meeting was defined in a letter from Mr Tapper sent on 21 October 1997 to each of the participants:

*"A Design Cost Value Management Workshop is to be held ... to finalise the design direction for the Hindmarsh Soccer Stadium - Stage 2.*

...

*Value Management is the process of examining the project from a needs and best function basis. The essence of Value Management is to ask 'why?' in order that the real needs are addressed and that every cost meets a function."*

The meeting was attended by:

Organisation	Representative
Woods Bagot	Ms Anne Clisby Mr Materne
Office for Recreation and Sport	Mr Bollen Mr Forrest
Connell Wagner	Mr Ron Ely Mr Adrian Jones Mr Mitchell Mr Ian Ide
The Soccer Federation	Mr Farrugia
Murray Young & Associates	Mr John Hadaway
Services SA	Ms Freeman Mr Browne
Department of Treasury and Finance	Mr Nosworthy
Bruce Harry & Associates	Mr Bruce Harry

<sup>231</sup> See my Annual Report for the financial year ended 30 June 1998.

Organisation	Representative
Olympic Football Task Force	Mr Ciccarello
Rider Hunt	Mr John Popplewell Mr Chris White
Council	Mr Paul Perry

A notable absentee was the Project Director. Mr Dixon has submitted to this Examination that he was absent because he had been recently appointed Chief Executive of the new Department of Industry and Trade and had significantly increased responsibilities. He considered his role as Project Director at this time as nominal. Either Mr Dixon or Mr Andrew Scott as the newly proposed Project Director should have attended this meeting.

After the meeting Mr Tapper produced a report entitled "*Strategic Value Management Study*".

That report recorded that the meeting had proceeded on the basis that some elements of the project were essential. These were the answers to the question "What MUST it do?":

1. *Provide a stadium to FIFA standards that enables further and minimal development for Olympic qualifier soccer matches as part of Sydney 2000 Olympics.[sic]*
2. *Build a stadium that meets the ongoing needs and outlook of Soccer SA and third parties for at least 15 years (realistically 30 years).*
3. *Provide level of comfort and value for money for spectators at all levels of the sport including international.*
4. *Provide fifteen thousand permanent seats, in a comfort that is as good as any stadium in Australia for the six month soccer season."*

The report drew a distinction between FIFA requirements and SOCOG requirements. As appears in item 1 above, compliance with FIFA standards was something that the project "MUST" do. The SOCOG requirements were not in the same category:

*"The Stage 2 project has three components:*

1. *Building new terraces.*
2. *Increase of pitch and facilities upgrade to FIFA requirements.*
3. *Creation of precinct and landscaping with adequate access, circulation, amenities.*

*The requirements of SOCOG are not the priority but obviously all allowances, considerations that can enable the SOCOG upgrade are to be sought without adding to project cost."*

The report did not define what were FIFA requirements and what were SOCOG requirements.

The meeting did not conclude with a final list of items to be included in the final design. Mr Tapper's report concluded with a list headed "Action Plan":

<b>"Action</b>		<b>By Whom?</b>	<b>By When?</b>
1.	<i>Provisions for later construction of eastern stand roof.</i>	<i>Vaughan [sic] Mr Bollen</i>	<i>21/11/97</i>
2.	<i>Disabled needs, specifications paper.</i>	<i>Woods Bagot</i>	<i>14/11/97</i>
3.	<i>Transport interpretation.</i>	<i>John Hadaway Woods Bagot or Murray Young</i>	<i>14/11/97</i>
4.	<i>Settle Byelorussian Church</i>	<i>Project Director paper</i>	<i>14/11/97</i>
5.	<i>M on W solution</i>	<i>Project Director paper</i>	<i>14/11/97</i>
6.	<i>Community PR plan and internal.</i>	<i>Project Director paper</i>	<i>1/12/97</i>
7.	<i>Notional fitout / concessions.</i>	<i>Project Director paper</i>	
8.	<i>Services specification.</i>	<i>Chris White, Rider Hunt</i>	<i>14/11/97</i>
9.	<i>Minister briefing process/information train.</i>		<i>21/11/97</i>
10.	<i>Bowling club treatment, action.</i>	<i>Council, Paul Perry</i>	<i>15/12/97</i>
11.	<i>Issues/service change interpretation of VM needs into discussion paper for Ian Dixon</i>	<i>Project Team Woods Bagot</i>	<i>24/11/97</i>
12.	<i>QS report/finalise cost plan and budget.</i>	<i>John Popplewell</i>	<i>10/12/97</i>
13.	<i>Development process - lock in a brief process, decision tree and project leadership.</i>	<i>Project Director</i>	<i>1/12/97"</i>

Mr Tapper described the outcomes of the meeting as follows:

*"The outcomes of the study as identified by the facilitator are:*

1. *With firm project direction and control of design development process there is no reason why the project cannot be produced and meet most brief / expectations for the budget of \$16.2M.*
2. *Two items could derail this result and the project:*
  - *Escalation through slippage in contractual commitments and early purchasing of fitout items. Contractual pricing past June 98 is a threat to the budget.*
  - *Lack of clear decision process and stakeholder responsibility could allow interest groups with no financial pressure to escalate needs, promote wish lists or promote vague lockup at milestone points.*



*While workshop participants felt responsible for achieving the best result and working as a team, an unwillingness to take some of the tough brief decisions due to unclear accountability was evident and needs addressing.*

1. *Decisions could be made to finalise the design brief, in particular specify the allowances for SOCOG needs and possible future uses / additional staged improvement (roof to East stand) likely.*

*At the moment the project brief in some areas (Meals on Wheels, Bowling Club, etc.) is not clearly defined and subject to continued review which proposes [sic] significant risk to the project.*

*The discussion paper to be produced for the Project Director will be a determining document on key items in / out of project, with a resultant budget and design strategy.*

2. *All parties require strong project direction and management of decisions and timelines, including some authority over who owns what, who contributes to, gains benefit from, in order that the project development process is not exploited. Item 2 above refers strongly to this.*
3. *The heritage buildings precinct can be staged or excluded from the project as long as the stadium precinct area is not reduced by restricted access to the Northern end."*

## **28 OCTOBER 1997 - NSL CLUBS UNABLE TO CONTRIBUTE TO FIT OUT**

In October 1997, the Soccer Federation informed the Government that the two NSL clubs could only contribute \$130,000 to the cost of the commercial kitchen.

On 28 October 1997, the Soccer Federation proposed to the Government that the \$170,000 shortfall in the \$300,000 cost of the commercial kitchen should be met from the \$2 million loan that the Federation was to procure for the fit out.

As a result of this change, Woods Bagot were required to undertake additional work on changing the functional design brief so that the completion of the commercial kitchen could still take place within the \$2 million budget for the fit out.

## **30 OCTOBER 1997 - RENAMING OF THE DEPARTMENT OF ADMINISTRATIVE AND INFORMATION SERVICES**

On 30 October 1997, the title of the Department of Administrative and Information Services was altered to the Department for Administrative and Information Services.<sup>232</sup>

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<sup>232</sup> This Department will continue to be referred to as "DAIS" in this Report despite the alteration to its title.

## NOVEMBER 1997 – AUDITOR-GENERAL’S 1996/97 ANNUAL REPORT

The Auditor-General's Report for the financial year ended 30 June 1997 sets out my concerns about the refinancing of the Soccer Federation's office by a payment of \$300,000 after the works had been undertaken. At that time I said:

*"The Soccer Federation had every right to request such an arrangement in its negotiations with the Government and there can be, and is, no criticism of the Soccer Federation in this matter. It would, however, be expected that, on the part of the Government, there would be evidence of a proper analysis and justification of such an arrangement that is consistent with the current policy regarding these matters. In the absence of proper process and analysis for the purpose of decision-making there is the potential to inappropriately confer private ie non-public benefits with public monies and to expend public monies without regard to principles of economy and efficiency.*

*The original financing of the Office Administration Facility of the Soccer Federation was a private matter undertaken by the Soccer Federation and is, prima facie, not a matter associated with a 'public work' to be constructed. In fact, as acknowledged in the Memorandum of Understanding it is a facility that 'has been completed'. There is no evidence that this office facility is to be demolished or in any other way modified as part of the proposed upgrade of the western grandstand of the Hindmarsh Soccer Stadium as proposed in the Public Works Committee Report and the Executive Government approval."*

## **CHAPTER 14 - DECEMBER 1997 TO SEPTEMBER 1998**

### **6 DECEMBER 1997 - PRACTICAL COMPLETION OF STAGE 1 WORKS**

On 8 December 1997, Services SA certified that the Stage 1 project works had reached the stage of Practical Completion (as defined under the Construction Management Agreement) on 6 December 1997.

### **17 DECEMBER 1997 - MINISTERIAL REARRANGEMENT**

On 17 December 1997:

- Mr Ingerson resigned as Minister for Local Government, Recreation and Sport. The Hon. Iain Evans MP was appointed Minister for Recreation and Sport and Minister for Police, Correctional Services and Emergency Services.
- Minister Evans did not have any responsibility for Hindmarsh Stadium until 8 October 1998 when he was appointed Minister for Industry and Trade and Minister for Recreation, Sport and Racing. Mr Ingerson continued to be responsible for the redevelopment and the staging of the Olympic Soccer Tournament as Deputy Premier and Minister for Industry and Trade.
- Mr Armitage resigned as Minister for Administrative and Information Services and the Hon. Wayne Matthew MP was appointed Minister for Administrative Services and Minister for Information Services.
- On Cabinet's recommendation, the Governor revoked the appointments of four Parliamentary Secretaries including Mrs Hall's appointment as Parliamentary Secretary to the Minister for Infrastructure.
- Mrs Hall was appointed Minister for Youth and Minister for Employment.

### **JANUARY 1998 - COUNCIL COMPLAINT ABOUT USE OF STADIUM FOR RUGBY**

By letter dated 23 January 1998, the Council complained to the Soccer Federation about use of the stadium contrary to the express terms of its lease. The Council's consent had not been sought to use the stadium for rugby or for concerts.

### **FEBRUARY 1998 - NSL CLUBS DIFFICULTIES IN PAYING LEVIES**

In February 1998, after the 97/98 soccer season was underway, representatives of Adelaide City expressed concern to the Soccer Federation about Adelaide City's ability to meet payments of levies under the funding arrangements entered into with the Government.

## 23 FEBRUARY 1998 - CABINET APPROVAL OF REFERRAL OF STAGE 2 TO PUBLIC WORKS COMMITTEE

On 23 February 1998, Cabinet approved:

- an increase in the funding of the redevelopment of the western grandstand to \$9.26 million; and
- the referral of Stage 2 to the Public Works Committee at an estimated cost of \$18.5 million.

The Cabinet submission noted that the Government was to enter into discussions with the Council and the Soccer Federation regarding management of the stadium.

The Cabinet submission was marked with the traditional Premier's handwritten note of approval and the following significant addition:

*"The Cabinet sub-committee to as a matter of urgency resolve ownership and public access questions, site decontamination and planning issues."*

The submission had been made available for comment by Treasury and Finance and the Crown Solicitor's Office. Mr Jaksa of the Crown Solicitor's Office sent his comments to Mr Bollen in the Office for Recreation and Sport on 12 February 1998. Mr Jaksa advised:

- He disagreed with the statement that a "precedent" had been set with respect to increases in project costs:

*"These should be determined on a case by case basis. Whether the State should agree to assume such escalations depends on the particular circumstances. The reference in the last sentence of this section to a precedent being set should be deleted and the passage rewritten in order that it justifies a decision that the State bear the entire amount of the cost escalation."*

- He considered one of the most important sections dealing with the setting up of a management group for the stadium should be expanded. In particular, the submission should discuss:

*"7.1 What will the functions of the management committee be?"*

*7.2 How will the committee operate?"*

*7.3 Why is it proposed that the Council be represented on the committee given that until now it has not been involved, in an operational sense, in the management of the stadium?"*

*7.4 Have these matters been discussed with the Federation?"*

*7.5 What is the Federation's attitude to this co-operative management arrangement?"*

*7.6 Who will effectively 'control' the management of the stadium, ie., will this be ceded from the Federation to possibly an alliance between the State and the Council?"*

*7.7 Who will be entitled to revenue derived from the operation and use of the stadium?"*

7.8 *Who will be responsible for the maintenance of the stadium? Is the State to have any residual liability in relation to this matter given the magnitude of its investment? What obligations in this respect are to be imposed on the Federation and possibly also the Council?"*

These issues were not addressed in the submission put before Cabinet.

On 19 February 1998, the Department of Treasury and Finance sent a minute to the Treasurer about the proposed increase in the budget for Stage 2 to \$18.5 million. They expressed the view that the project could proceed at a lower cost without affecting the functional requirements.

However, the submission blandly stated that:

*"While further savings could be made, it is believed that these would compromise the project to the point where they are unacceptable."*

## **25 FEBRUARY 1998 - DEFINITION OF STAGE 2 WORKS**

On 25 February 1998, after Cabinet's approval of the referral of the Stage 2 works to the Public Works Committee, Woods Bagot circulated a 'Design Report and Return Brief' for Stage 2. This recorded what was to be the design definition of Stage 2.

## **26 FEBRUARY 1998 - SUBMISSION TO PUBLIC WORKS COMMITTEE OF STAGE 2**

Stage 2 was referred to the Public Works Committee by a submission dated 26 February 1998. Mr Ingerson, as Deputy Premier, had made comments on a draft that were incorporated in the final submission.

The submission to the Public Works Committee said:<sup>233</sup>

*"Discussions with the Sydney Organising Committee for the Olympic Games (SOCOG) delegation during their visit to Adelaide on 29 October 1996, confirmed the two key criteria that would be utilised in awarding cities the rights to stage rounds of the 2000 Olympic Soccer Tournament were:*

- *The adequacy of the site and facilities to stage the event to Federation Internationale De Football Association (FIFA) standards.*
- *The legacy that would be provided to the sport as a result of hosting a round of the Olympic Soccer Tournament.*

*The SOCOG delegation also confirmed the stadium was inadequate, even after the completion of the western grandstand redevelopment. It was made clear that further substantial enhancement would be needed if Adelaide was to secure a round of the Olympic Soccer Tournament.*

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<sup>233</sup> Page 5.

*In response to SOCOG's comments a concept was developed for a Stage 2 redevelopment of the Master Plan for the Hindmarsh Soccer Stadium. In November 1996 Cabinet endorsed in principle the Stage 2 concept at an estimated cost of \$16.205 million and noted there are a range of variable and discretionary works that may form part of Stage 2 estimated to cost \$1.92 million."*

This passage of the submission gave the impression that the development of the concept for Stage 2 occurred only after the SOCOG visit. In fact, the key elements of Stage 2 were identified before the SOCOG visit and were presented to the SOCOG representatives during their visit. The submission should have disclosed that Mr Ingerson volunteered the Stage 2 concept on 29 October 1996.

The statement that "*variable and discretionary works ... estimated to cost \$1.92 million*" had been noted by Cabinet in November 1996 was incorrect.<sup>234</sup> That description of works first appeared in then Deputy Premier Ingerson's Cabinet submission dated 4 September 1997. As shown by the list in the discussion of the September 1997 Cabinet submission above, \$1.105 million of that work had been included within the budget of \$16.2 million in the November 1996 Cabinet submission.<sup>235</sup>

The submission stated that Attachment D to the submission was a summary of *the "strategy to apply [FIFA guidelines] at Hindmarsh Soccer Stadium"*. In fact, Annexure D was a copy of FIFA and UEFA's own technical report, with no specific reference or adjustment to Hindmarsh.

#### **4 MARCH 1998 - PUBLIC WORKS COMMITTEE HEARINGS FOR STAGE 2**

The hearings of the Public Works Committee in relation to the Stage 2 of the Hindmarsh project commenced on 4 March 1998 and continued on 18 March 1998.

The Committee's hearings focused on the reason why the necessity for an expanded project had arisen when the original western grandstand redevelopment had been intended to meet SOCOG requirements.

The hearing on 18 March 1998 particularly focused on the process by which Stage 1 had been approved on the basis that it would satisfy SOCOG. The evidence given to the Committee on this point was that:

- It was not until SOCOG's 29 October 1996 visit that it became clear that Stage 1 was not adequate.<sup>236</sup>
- The only liaison between the project planner and SOCOG prior to submission of Stage 1 to the Public Works Committee in 1996 was through Adelaide Major Events and the Soccer Federation.<sup>237</sup>

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<sup>234</sup> Mr Dixon informed the Public Works Committee on 4 March 1998 that this statement should be deleted. He described it as a "transposition error".

<sup>235</sup> See the section headed "8 September 1997 - Cabinet Endorsement of Formal Submission of Stage 2" at page 174.

<sup>236</sup> Hansard page 72 para 266.

<sup>237</sup> Hansard page 71 para 261.

## 6 MARCH 1998 - COUNCIL CONCERNS ABOUT OWNERSHIP ISSUES

On 6 March 1998 Mr Whitbread, of the Council, wrote to Mr Dixon to express concern about the failure to address issues of ownership, management and tenancy arrangements for the stadium.

Mr Whitbread noted that the existing arrangements, including the lease to the Soccer Federation, had been rendered outdated by the physical changes such as use of a mix of some land leased to other parties, some Council land and some Crown land.

On 10 March 1998 the solicitors for the Council sent a letter to the Crown Solicitor's Office repeating the Council's concerns about the inappropriateness of the existing ownership and tenure arrangements following the redevelopment and the absence of a long term management strategy for the facility.

The letter observed that:

*"We understand that the current lease to the SA Soccer Federation is important to give the State Government security for the financial obligations the SA Soccer Federation has to the State government for those improvements which have occurred and those which are contemplated."*

The letters may have prompted some action. On 13 March 1998, Mr Dixon signed a two page minute addressed to the Hindmarsh Soccer Stadium Cabinet Committee. The minute did not set out any firm proposal but sought that Committee's approval to enter into formal discussions. It was less detailed than Mr Dixon's earlier minute drafted on 28 August 1997. In his evidence before this Examination, Mr Dixon was unable to recall specifically why the matter had not advanced since the 1997 minute, although he could recall that as Chief Executive of the Department of Industry and Trade he had a very heavy workload. Mr Dixon later submitted that there was uncertainty at the time as to where responsibility for the project would lie within Government

On 13 March 1998, Mr Jaksa from the Crown Solicitor's Office met with Mr Ted Byrt, Mr Steve Aitchison and Mr Paul Perry, all representing the Council and Mr Bollen and Mr Andrew Scott of the Department of Industry and Trade. Mr Perry raised concerns about ownership and management issues. The Council's position was that if these issues were not resolved by July, then the Council might impede the development because the matter had been left for too long. This was the Council's legal advice. Mr Jaksa's file note of this meeting recorded that Mr Perry also said *"this won't occur"*. On 6 April 1998, Mr Jaksa faxed Mr Andrew Scott and Mr Bollen his summary of matters discussed at the meeting on 24 February 1998 on the future ownership and management arrangements of Hindmarsh Stadium after the completion of Stage 2 of the development.

## **16 MARCH 1998 - THIRD MEETING OF HINDMARSH SOCCER STADIUM CABINET COMMITTEE**

On 16 March 1998, the third meeting of the Hindmarsh Soccer Stadium Cabinet Committee was held. Deputy Premier Ingerson chaired the meeting. The Committee now comprised the Attorney-General, the Hon. Iain Evans MP as Minister for Recreation and Sport <sup>238</sup> and the Hon. Wayne Matthew MP as Minister for Administrative Services <sup>239</sup>.

The minutes record that the Committee discussed the current status of Public Works Committee's consideration of the project. Further:

*"The Deputy Premier advised that the Public Works Committee may have misinterpreted the sequence of events whereby Cabinet determined that, by the expenditure of additional funds to make the project permanent rather than temporary, the project should move from Stage 1 to Stage 2."*

As to ownership and management issues for the project, the Committee discussed the paper prepared by Mr Dixon and resolved that the Department of Industry and Trade is:

*"to discuss ownership and management issues, on a non-committal basis, with the relevant parties and is to revert to the Committee with a paper discussing options for the Government."*

## **23 MARCH 1998 - MR DIXON'S LETTER TO THE PUBLIC WORKS COMMITTEE**

On 23 March 1998 Mr Dixon, Chief Executive of the Department of Industry and Trade, prepared a letter answering some of the questions raised by the Public Works Committee, but not the central question that concerned the Committee ie how the content of Stage 2 had been determined. The substance of some of the answers given in the letter must be noted, given the correspondence that was to follow.

- The cost of maintenance of the stadium would be borne by the Soccer Federation under its lease from the Council.
- The net present value of the project had been assessed by SACES as negative. Cabinet had decided that the project was justified by a wide range of broader community benefits which could not be adequately captured by economic modelling.
- It was not economic to build an additional 5,000 permanent seats. The 5,000 temporary seats used for the 2000 Olympic Soccer Tournament would cause blockage in surrounding roads which would only be undertaken for a very major event. Crowds of that magnitude would be rare. The estimated cost of providing 5,000 additional seats by increasing the size of the eastern grandstand would conservatively be \$10 million. The cost of providing 5,000 temporary seats on a once-off basis was approximately \$150,000. The additional permanent seats would need to be used at least six times a year to warrant the expense.

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<sup>238</sup> Instead of former Minister Ashenden.

<sup>239</sup> Instead of Mr Dean Brown as the former Minister for Information and Contract Services.



## **MARCH 1998 - MS WHITE'S FOI REQUEST**

In parallel with the Public Works Committee's investigations, Ms Trish White MP, during 1998 conducted her own investigation of the Hindmarsh redevelopment. Ms White issued a Freedom of Information Act request seeking documents relevant to SOCOG's requirements for the Olympic Games.

Production of those documents pursuant to the FOI request was resisted on the principal ground that they were confidential to SOCOG. SOCOG wrote stating that it did not wish the documents to be released.

There is nothing commercially sensitive about FIFA and SOCOG's statement of minimum criteria for football stadia. It is a bland document setting out functional requirements. It does not contain trade secrets about the running of soccer venues. It does not mention pricing or revenue arrangements. Theoretically, the information in the statement might assist someone who was building a stadium to get a commercial advantage in the form of a list of the necessary facilities. The fact that Woods Bagot had largely anticipated the elements of the statement before it was received from SOCOG, even taking into account Woods Bagot's considerable ability, shows that it was not a unique repository of knowledge.

In my opinion, disclosure of that document alone may have led to questions being asked as to necessity for a \$18.5 million redevelopment. It might have also dispelled the suspicion that the Government's approach to the FOI application had engendered.

## **1 APRIL 1998 - PUBLIC WORKS COMMITTEE REQUEST FOR FURTHER INFORMATION**

The Public Works Committee convened again on 1 April 1998. Prior to that hearing the secretary to the Public Works Committee asked the Department of Industry and Trade to provide:

- Copies of all correspondence between SOCOG and any of the Soccer Federation, the Department of Industry and Trade, the Office for Recreation and Sport and the Hindmarsh Soccer Stadium Executive Committee.
- Details of attendances at matches since completion of Stage 1.
- Details of attendances at matches for the previous three years.

In reporting that to then Deputy Premier Ingerson, Mr Dixon stated:

*"There is no significant correspondence between SOCOG and the Department of Industry and Trade, including the former Office for Recreation and Sport, in the files. I believe SOCOG may have corresponded with Australian Major Events very early on when the Government was preparing its bid for the preliminary rounds of the 2000 Football Tournament to be held at the Hindmarsh Soccer Stadium but this is not covered under the request. In March 1997, the 2000 Football Task Force was established to take over the bid from Australian Major Events. It is understood all correspondence by SOCOG from that time on was with the Task Force.*

*The evidence given to the Committee to date by officers of this agency has been that decisions on the scope of works and funding for the Hindmarsh Soccer Stadium re-development were made by the executive arm of Government and not by the Department of Industry and Trade. Hence, we are unable to assist the Committee on such issues. This stance will be maintained."*

## **2 APRIL 1998 - MR INGERSON'S REQUEST TO MR CICCARELLO FOR INFORMATION ABOUT THE BID**

On 2 April 1998, Deputy Premier Ingerson asked Mr Ciccarello to provide him with information relating to the State's bid for the Olympic Soccer Tournament and the need to redevelop and upgrade Hindmarsh Stadium to meet SOCOG, IOC and FIFA requirements.

On 6 April 1998, Mr Ciccarello sent Deputy Premier Ingerson a chronology and some supporting documents. He said he had provided this information to the best of his knowledge and that he had not taken any copies of documents from the Government files that had been kept up to 17 March 1997. Those files had been handed back to Minister Ashenden in July 1997 when Mr Ciccarello's consultancy with him finished.

Mr Ciccarello's minute stated in relation to SOCOG's 9 July 1996 letter inviting a bid:

*"The fact is that the (initial) upgrade of Hindmarsh Stadium never did meet SOCOG/FIFA requirements and that on receipt of the 9<sup>th</sup> July 1996 letter, along with the "FIFA/SOCOG requirements" documents, AME was probably directed to complete the technical questionnaire on the basis that it would comply with such FIFA/SOCOG requirements if it was successful in being selected as an Olympic Football host city and subject to mutually satisfactory commercial negotiations.*

*It is not known if Cabinet was formally advised of the non compliance of the stadium (post proposed upgrade), but it would certainly be expected that there would be written correspondence to the then Minister regarding this matter and seeking his directions (that correspondence may be in AME's pre March 1997 files, or in the Dept of Rec and Sports' file)." [original emphasis]*

Cabinet was first informed formally in writing that Stage 1 would not meet SOCOG or FIFA requirements by Minister Ingerson's 13 November 1996 submission that proposed the concept for Stage 2.

## **22 APRIL 1998 - MR INGERSON'S LETTER TO PUBLIC WORKS COMMITTEE ABOUT STAGE 2**

On 22 April 1998, Mr Ingerson wrote as Deputy Premier to the Presiding Member of the Public Works Committee.

After setting out a brief chronological account of the history of the Hindmarsh Stadium redevelopment, the letter set out the following explanation for the decision to undertake Stage 2.

*"It appears the [sic] some of the main concerns of the Committee during its examination of the soccer project are the number of seats required and whether they should be temporary or permanent. With regard [sic] the former, it has been quite clear from the*

*first documentation produced by SOCOG that the requirement for Adelaide would be to provide a minimum capacity of 15,000 seats. Whether temporary or permanent seating should be supplied was easily determined by comparing the cost to install temporary infrastructure for the Adelaide Grand Prix which was \$10.0 million each year. The cost over the eleven year period of the Grand Prix was therefore \$110.0 million with no infrastructure left behind for this expenditure. The Government decided permanent seats was the option it required.*

*Prior to the visit by SOCOG in October 1996 there was an impression at that time that Stage 1 was sufficient to secure the preliminary rounds of the 2000 Olympic Football Tournament. This changed after that visit by the SOCOG delegation when it became clear that Adelaide's bid was inadequate compared to other possible venues which had submitted bids.*

*The decision by Cabinet to proceed with Stage 2 was based on a social and sporting benefit to the State. The fact that the project has a negative Net Present Value and a benefit - cost ratio of less than 1 was considered by Cabinet as part of its decision to proceed with this project. Cabinet has known from the beginning that the upgrade of the Hindmarsh Stadium is to have a minimum capacity of 15,000. It has made a conscious decision to be involved in the Olympics and therefore to redevelop the stadium to a standard that provides a legacy for the sport afterwards. Attached is Schedule 3 of the Memorandum of Understanding between the State Government and SOCOG, which sets out the physical requirements for the Olympics which clearly states that a minimum of 15,000 seats are required." [emphasis supplied]*

A later Cabinet submission dated 2 July 1997 estimated the cost of hire of 5,000 temporary seats at \$100 per seat ie \$500,000 in total. If 15,000 seats had been hired the cost would be expected to be roughly three times that, ie \$1.5 million.

Mr Ingerson's letter enclosed two documents:

- The letter from SOCOG dated 9 July 1996 enclosing the minimum requirements for the stadium.
- Schedule 3 to the Memorandum of Understanding with SOCOG that was substantially the same as the earlier statement of minimum requirements.

Given that Mr Ingerson's letter enclosed Schedule 3 from the SOCOG Memorandum of Understanding, it is notable that it did not also enclose Schedule 2C. That schedule set out a very abbreviated note form description of the content of Stages 1 and 2.

### **30 APRIL 1998 - PUBLIC WORKS COMMITTEE INTERIM REPORT ON STAGE 2**

After receipt of Mr Ingerson's letter and its hearings in March and April 1998, the Public Works Committee had not received evidence from which it could make a finding about how the content of Stage 2 had been determined. Hence the Public Works Committee could not determine that the entirety of Stage 2 was necessary to meet SOCOG's requirements.

Accordingly, on 30 April 1998, the Public Works Committee published an Interim Report, the 67<sup>th</sup> Report of the Committee, entitled "*Hindmarsh Soccer Stadium Upgrade - Stage 2*". The key finding of that report was as follows.

*"As reported in the Public Works Committee report to Parliament for Stage 1 of the Hindmarsh Soccer Stadium Redevelopment, the upgrade of the Hindmarsh Stadium was seen as a major opportunity to establish the stadium and soccer in general, as a viable alternative family sport.*

*In particular the Committee reported that the proposed project will:*

- provide an international standard facility capable of expansion in the future,*
- enable an additional 3,000 spectators to clearly see matches in comfort by providing good site [sic] lines, comfortable seating, corporate facilities, approved amenities and clubrooms,*
- minimise capital and operational costs by designing a low maintenance structure with minimum energy usage,*
- establish the Hindmarsh Soccer Stadium as the only premier facility in South Australia, dedicated to soccer and capable of holding international matches, and*
- provide an improved, long term facility for the West Adelaide and Adelaide City Soccer Clubs.*

*While the Committee acknowledges these benefits to be applicable to Stage 1 of the redevelopment, the Committee understands that works already completed for Stage 1 will generally enable the state to attract most sporting, recreational, entertainment or cultural events on a local, state, national or international level. The Committee believes that Stage 2 will not significantly increase the stadium's "attractiveness" in this regard.*

*Furthermore, the Committee considers that on the evidence presented so far, the Stage 1 work already completed, coupled with temporary seating to increase the seating capacity of the ground to 20,000+, would be sufficient to meet SOCOG's requirements which means that Adelaide would be able to host the preliminary rounds of the 2000 Olympic soccer competition. On the evidence presented so far, the Committee considers the expenditure of a further \$18.5m will render the venue over capitalised.*

*After examination of both written and oral evidence, the Public Works Committee finds that at this stage it cannot endorse the proposal to undertake Stage 2 of the Hindmarsh Soccer Stadium Upgrade as it cannot ensure that the project meets the criteria as set out in the Parliamentary Committees Act 1991.*

*The Committee is concerned that after consideration of evidence presented to date it has been unable to clearly determine how Stage 2 evolved. Members have been given hearsay opinion and verbal reports indicating that SOCOG advised further substantial enhancement of the stadium's seating capacity and associated amenities would be needed over and above Stage 1 if Adelaide was to secure a round of the Olympic Soccer Tournament.*

However, even though the Committee has requested the documentation to substantiate this view, Members are yet to be presented with any hard evidence. To date the evidence that has been requested and not provided includes:

- *The benefit/cost study carried out by the SA Centre for Economic Studies on the economic viability of the additional works;*
- *The Ernst and Young report prepared in 1996 assessing SASF's capability to service a loan;*
- *The Memorandum of Understanding between the SASF and the State Government signed and sealed in May 1995;*
- *The Memorandum of Understanding between the SOCOG/FIFA/Australian Soccer and the State Government signed August 1997;*
- *Acquittals from the Department of Premier and Cabinet, Attorney-General and Treasury and Finance, and*
- *Evidence of correspondence between SOCOG and the South Australian Government which details the need for, and specifications of, additional work at the Hindmarsh Soccer Stadium.*

*The Committee is of the opinion that at this time, as crucial information has not been provided it cannot fulfil its obligations pursuant to Section 12C of the Parliamentary Committees Act 1991.*

*As such, the Committee is as yet unable to endorse Stage 2 of the works or lodge its final report to Parliament. The Committee must be given all material evidence needed for the proper evaluation of the project according to law.*<sup>240</sup> *[original emphasis]*

## **25 MAY 1998 - MR INGERSON'S RESPONSE TO PUBLIC WORKS COMMITTEE INTERIM REPORT**

After the Public Works Committee's Interim Report was delivered, Mr Ingerson wrote on 25 May 1998 to the Presiding Member to address the issue of the inability of the Department of Industry of Trade to release Cabinet documents. The letter said this in relation to the issue of Cabinet confidentiality:

*"I have discussed your request for documents with the Premier and Attorney-General. Release of Cabinet documents would undermine Cabinet confidentiality, however, I believe the Committee can be adequately accommodated without releasing such material."*

The letter then referred to a number of documents that it enclosed, including the following:

*Memorandum of Understanding with SOCOG* - Mr Ingerson's letter enclosed a summary of this document prepared by the Crown Solicitors Office. As did Mr Ingerson's letter dated 22 April 1998, the list of schedules to the Memorandum of Understanding the Crown Solicitors Office omitted Schedule 2C.

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<sup>240</sup> Page 26-27

Correspondence from SOCOG - Mr Ingerson's letter enclosed the following correspondence with SOCOG:

*The completed questionnaire submitted to SOCOG in September 1996.*

Mr Ingerson's letter to SOCOG dated 20 November 1996 and its attached plan – showing, as Mr Ingerson's letter to the Public Works Committee described it:

*"...this plan involved acquiring land extending from Hindmarsh Place to Richard Street and from Holden Street to Manton Street. This was to provide practice pitches and other support facilities, which had been raised as issues in the questionnaire."*

Mr Ingerson's letter did not include any communication from SOCOG that said that the content of Stage 2 must be provided by permanent facilities, nor any file note made by the Government of any discussions with SOCOG that led to the fixing of the content of Stage 2.

Mr Ingerson's letter contained the following summary of the discussions with SOCOG that led to the change in the content of Stage 2 after the 20 November 1996 letter:

*"During the negotiations, SOCOG staff verbally agreed that practice pitches were no longer essential since all matches would be 'single-headers'. The proposal was therefore modified to reduce the land content and increase the percentage of permanent seats".*

SOCOG had informed representatives of Adelaide's Olympic Bid Committee on 9 September 1996 that the practice pitches were not essential.

*Letter from David Hill of Soccer Australia dated 18 May 1998* - This letter was written well after the event, after the Public Works Committee had commenced its investigation of Stage 2. It contained no more detail about the process by which the content of Stage 2 had been determined than Mr Ingerson's letter.

The letter did not enclose the South Australian Centre for Economic Studies Report or the Ernst & Young Report that the Public Works Committee had requested.

## **25 MAY 1998 - MR KOWALICK'S RESPONSE TO THE PUBLIC WORKS COMMITTEE INTERIM REPORT**

On 25 May 1998, Mr Kowalick as Chief Executive of the Department of Premier and Cabinet wrote to the Presiding Member of the Public Works Committee about the concerns that the Committee had about not being able to establish from documents whether the proper prudential processes had been followed. Mr Kowalick's letter stated that he wrote as a member (and former Chair) of the Prudential Management Group whose task is "to look at the adequacy of contractual processes" and because he had been involved in bringing about changes to the project management following Stage 1.

The letter continued:

*"The Cabinet records indicate that Cabinet considered the Stage 2 proposals, or some of its elements, on a number of occasions. The decision-making processes were obviously complicated because the requirements of the project (both technical and in respect of the requirements for staging of Olympic events) changed significantly over time.*

*In has been long standing practice under successive South Australian governments not to release Cabinet decisions, and it is not within my gift to make them available, so if you require more detail that is a matter for you to discuss with the Premier. In any case in isolation a listing of Cabinet decisions does not of itself fully illustrate the prudential processes involved so I wish to provide the following comments in clarification.*

*On 14/7/97 Scott Ashenden, then Minister for Recreation and Sport submitted a master plan with various options for Stage 2. The recommendations (as submitted) were not approved at that time. Rather Cabinet approved the project in principle only and referred the matter to me as CEO of DPC. The terms of the referral were:*

*"CEO of DPC to Chair an interdepartmental working group and report to Cabinet within 2 weeks with the process for resolution of issues and recommendation of a Project Manager."*

*That working group included the members of the Prudential Management Group so as to ensure that proper contractual processes were put in place. Thus in a very real sense the PMG were involved in ensuring that appropriate processes were in place for Stage 2. The key outcomes of my verbal report to Cabinet were:*

- 1. The appointment of a dedicated Cabinet sub committee made up of the Attorney-General (Chair) Treasurer, Minister for Recreation and Sport and Minister for the Environment to resolve a number of outstanding issues about the various development options;*
- 2. The appointment of Ian Dixon as Project Manager because he had extensive project management experience;*
- 3. The greater involvement of Services SA staff in the technical/ construction aspects of the project and a more narrowly defined role for Recreation and Sport staff;*
- 4. An agreed project management process between the various parties.*

*It may not be apparent from the evidence you have received, but I can assure your Committee that the appropriate senior officers from DPC, Treasury and Crown Law took a very active part in putting in place appropriate processes for the construction project. Whilst the matter was not formally considered by the PMG it was subjected to close scrutiny by the officers that make up the PMG." [original emphasis]*

## **16 JUNE 1998 - THE PUBLIC WORKS COMMITTEE FINAL REPORT ON STAGE 2**

The Public Works Committee scheduled further hearings for 10 June 1998.

On 4 June 1998 Mr Ingerson moved the following resolution in the House of Assembly:

*"That this house remits the interim report of the Public Works Committee on the Hindmarsh Soccer Stadium Upgrade - Stage 2 to the Committee and instructs it to present a final report to the Speaker by 16 June 1998."*

As a consequence, the Public Works Committee did not proceed with further hearings but instead delivered its final report, its 70<sup>th</sup>, on 16 June 1998.

The Public Works Committee's conclusion was that:

*"The Government's decision to withhold vital information and direct the Committee to report, through the vote of the Parliament, means that the Committee has been denied the opportunity to resolve those matters it considers to be in the public interest."*

*Given the above concerns, and those outlined in the Committee's interim report to Parliament, the Public Works Committee is unable to recommend that the proposed Stage 2 Redevelopment of the Hindmarsh Soccer Stadium proceed."*

## **19 JUNE 1998 - BRIEFING OF ATTORNEY-GENERAL ON LAND OWNERSHIP AND MANAGEMENT ISSUES**

On 19 June 1998, Mr Jaksa of the Crown Solicitor's Office sent the Attorney-General copies of the following documents:

- *Mr Jaksa's minute dated 6 April 1998* - and an associated minute about ownership and management issues.
- *Draft Deed of Charge* - Mr Jaksa said that this document was provided to the Department of Recreation and Sport, Treasury and Finance and the Soccer Federation but that he had not had any discussions in relation to it.
- *Draft Facilitation Deed* - Mr Jaksa said that he had not yet distributed this document because it involved ownership and management issues which it was proposed would be discussed with Council and the Soccer Federation.
- *Minute dated 29 August 1997* - It was from the Under Treasurer to Mr Dixon discussing ownership and management issues.

Mr Jaksa wrote in his covering minute to the Attorney-General:

*"I note that I have not drafted the proposed mortgage of the Federation's lease which is to be granted to the State pursuant to the first Funding Deed. Again, this was an issue which was overtaken by the decision to proceed to Stage II and the consequent need to consider ownership and management issues more broadly."*



## **24 JUNE 1998 - PAYMENT OF SHORTFALL ON 30 JUNE 1998 LOAN INSTALMENT**

By 24 June 1998, it was apparent that the Soccer Federation would not be able to pay the instalment of \$105,744 due on 30 June 1998. Minister Ingerson approved the departmental recommendation that the instalment be met by transferring the surplus of \$20,408 in the Fit Out levy account to the Grandstand levy account and the shortfall of \$52,825 be paid from the State facilities program of the Sport and Recreation Fund.

## **29 JUNE 1998 - COUNCIL COMPLAINT OVER USE OF STADIUM FOR RUGBY**

On 29 June 1998, Mr Perry of the Council sought an urgent meeting with Mr Farrugia of the Soccer Federation to discuss the use of the stadium for rugby contrary to the express terms of its lease from the Council. The Council's approval had not been sought to hold rugby at the stadium although the matches had been advertised. Although the Soccer Federation claims that the Mayor had been informed, the Council's formal approval had not been sought.

## **21 JULY 1998 - NEGOTIATIONS WITH SOCCER FEDERATION ABOUT OWNERSHIP OF THE STADIUM**

Although the issue of ownership and management of the stadium had been repeatedly referred to in Cabinet submissions, working papers and correspondence from the Council, the first serious attempt to address the issues with the Soccer Federation was on 21 July 1998.

On 21 July 1998 Mr Andrew Scott and Mr Bollen on behalf of the Government met with Mr Scarsella, Mr Farrugia and Mr Avory of the Soccer Federation to discuss ownership and management of the stadium. The Soccer Federation representatives were happy for the Government to take over ownership but they wished to continue to manage the stadium. They were not happy with a trust or board model.

## **27 JULY 1998 - BOWLING CLUB RELOCATION**

From November 1997, extensive negotiations occurred between representatives of the Bowling Club, the Council and the Department of Industry and Trade and the City of West Torrens.

In July 1998, after seeking the Crown Solicitor's advice as to how the payment could be legally transferred from the State to the Club it was agreed that:

- the Department of Industry and Trade would make a grant of \$155,000 from the Project Budget for Stage 2 to the City of West Torrens to contribute to the upgrade of the former Thebarton Bowling Club;
- that the City of West Torrens would grant the Hindmarsh Bowling Club a 14 year lease; and
- the Hindmarsh Bowling Club would vacate the Manton Street premises by 7 September 1998 so that it could be used as a site office during construction of the Stage 2 works.

An agreement on these terms was recorded in a letter dated 27 July 1998 sent by Mr Ingerson as Minister for Industry, Trade and Tourism to the City of West Torrens.<sup>241</sup>

### **31 JULY 1998 - FOURTH MEETING OF HINDMARSH SOCCER STADIUM CABINET COMMITTEE**

On 31 July 1998, Mr Ingerson as Minister for Industry, Trade and Tourism chaired the fourth meeting of the Hindmarsh Soccer Stadium Cabinet Committee. The minutes record that the Committee discussed a paper titled "*Ownership and Management of Hindmarsh Stadium*" which was tabled at the meeting. The Committee approved Mr Ingerson as Minister for Industry, Trade and Tourism negotiating with other interested parties on ownership and management of the stadium for the "*long terms [sic] benefit to the State at the lowest cost*". The Minister was to bring a proposal back to the Committee for ratification.

On 6 August 1998, the Cabinet Office referred the typed minutes of the meeting to the Attorney-General as the most senior member of the Committee given Mr Ingerson's resignation on 3 August. As the Attorney-General was not present at the meeting, he sent them to Mr Iain Evans, the next most senior member present, for endorsement as a correct record.

The next meeting of the Hindmarsh Soccer Stadium Cabinet Committee was held over a year later on 19 August 1999. There had been no resolution of the ownership and management issues by this time.

### **3 AUGUST 1998 - RESIGNATION OF MR INGERSON AS MINISTER FOR INDUSTRY, TRADE AND TOURISM**

On 3 August 1998, Mr Ingerson resigned as the Minister for Industry, Trade and Tourism and was replaced by Premier Olsen. Mr Ingerson had resigned as Deputy Premier on 7 July 1998 and was replaced by Deputy Premier Kerin. Premier Olsen assumed ministerial responsibility for the Hindmarsh Stadium Redevelopment Project temporarily until 8 October 1998 when Minister Evans assumed responsibility.

### **13 AUGUST 1998 - ADELAIDE CITY'S FURTHER COMPLAINT ABOUT THE COST OF PLAYING AT HINDMARSH**

By letter dated 13 August 1998, Mr Brett Graham of Adelaide City wrote to Mr Farrugia of the Soccer Federation to thank him for "*agreeing to talk to the Government about providing some relief against the prohibitive cost of playing at the stadium.*"

His letter continued:

*"As mentioned at the meeting we have been concerned that no feasibility was ever produced to substantiate the ability of soccer to fund the new grandstand. During today's meeting you and Basil advised that one had indeed been prepared and that you would send us a copy. If you could do that at the earliest time we would be grateful."*

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<sup>241</sup> The letter dated 27 July 1998.

That same day, Mr Pickard, patron of Adelaide City sent a letter to the Soccer Federation complaining that the Soccer Federation was in breach of the licence agreement because it had approached Adelaide City's sponsors. The Soccer Federation wrote back refuting Mr Pickard's allegations.

On 14 August 1998, Mr Pickard wrote to Mrs Hall as Ambassador for Soccer: His letter complained that:

- The impost of a further levy of \$2 for the fit out had *made "the situation of the NSL Clubs worse to the point where their survival is in jeopardy"*.
- Again, there had been no feasibility study on the ability of the NSL Clubs to pay the levy.
- The cost of the fit out was excessive.
- *"By forcing the clubs into a joint tenancy at the last moment you have placed Adelaide City in a vulnerable position by chaining it to a potentially insolvent club."*
- At a meeting last year with Mr Avory and Mr Farrugia of the Soccer Federation and Mr Brett Graham and Mr Joe Tripodi of Adelaide City, Mr Avory had:

*"... told us not to worry about the clubs [sic] liability for the SASF loans because in a few years the State Government would pay off the SASF loan.*

*I have been told by Adelaide City people – prepared to sign statutory declarations- that during negotiations, Basil Scarcella [sic] advised that plans existed for one or potentially both loans to be paid out by the Government. Funds earmarked for the Hindmarsh second Stage to be built for the Olympic Games would be utilised. In other words, don't worry about the club's liabilities under the loans it would soon be fixed by the State Government to everyone's benefit.<sup>242</sup>"*

His letter finished *"You got the clubs into this mess, now help them get out of it."*

On 18 August 1998, Mrs Hall replied by acknowledging receipt of the letter and stating that it had been forwarded to the General Manager of the Soccer Federation for a detailed response:

*"As you would be aware, as Ambassador for Soccer South Australia, like my predecessor, the Hon. Mick Young, I am not involved in the administration nor day to day management of Soccer in this State..."*

The Soccer Federation did not respond to that letter in writing. Mr Farrugia has informed that a letter was not sent because a meeting was arranged for 20 August that was later cancelled by Mr Pickard.

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<sup>242</sup> Mr Scarsella has informed this Examination that he never advised that "plans existed", although he would have commented that it was in the best interest of the sport for it to negotiate with the Government to have the loans extinguished in the long term.

Mr Pickard wrote to Mrs Hall again in October 1999 and apologised for the accusing tone and harshness of his previous letters to Mrs Hall.<sup>243</sup>

## **7 SEPTEMBER 1998 - ADELAIDE CITY PROPOSAL FOR DEFERRAL OF LEVIES OR FIXED FEE**

By letter dated 7 September 1998 to the Soccer Federation, Adelaide City proposed that there be either a moratorium on the levies payable or there be a fixed rental of \$12-13,000 per game instead. Or, the Soccer Federation could pay the NSL Clubs a rebate of \$10,000 per game if the existing financial arrangements were not changed. The letter referred to a meeting on 10 September "to organise a joint deputation to approach the Treasurer and the Minister for Sport."

## **10 SEPTEMBER 1998 – SOCCER FEDERATION MATCH COSTS CAP AT \$13,000**

By letter dated 10 September 1998 to the NSL Clubs, the Soccer Federation agreed to cap costs for matches played by the clubs at \$13,000 per match until the earlier of 31 October 1998 or until a formal response had been received from the Government to suspend the levies. It was later confirmed that the fixed rental fee would apply until the Government's response was received.

Mr Evans as the Minister for Recreation, Sport and Racing was not informed of this agreement until 5 November 1998.

## **15 SEPTEMBER 1998 - VACATION OF BOWLING CLUB FOR USE AS SITE OFFICE**

The Bowling Club site was vacated and the Bowling Club relocated in the week commencing 7 September 1998. From about 6 October 1998, the former clubrooms were used as a site office for the construction of the Stage 2 works. Construction commenced at the different components of the site on a staggered basis over the ensuing weeks.

## **21 SEPTEMBER 1998 - CABINET APPROVAL OF BAULDERSTONE HORNIBROOK**

On 14 September 1998, Deputy Premier Kerin signed a Cabinet submission recommending approval of Baulderstone Hornibrook as construction manager for Stage 2 and total expenditure of \$17 million for the project. On 21 September 1998 Cabinet approved those recommendations.

## **29 SEPTEMBER 1998 - SOCCER FEDERATION PROPOSAL ON LEVIES**

On 29 September 1998, Mr Farrugia sent Mrs Hall, Mr Scarsella and Mr Avory the Soccer Federation's draft submission to Government seeking relief from the levies for their comment. The submission outlined three options:

- Government picking up the loan repayments for one year until October 2000 and suspending the Funding Deed during construction of Stage 2. Levies collected would be held in trust for future payments.

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<sup>243</sup> See the section below headed "8 October 1999 – Mr Pickard's Letter to Mrs Hall."

- As the first option save that the Government would suspend collections for two years until October 2001.
- The NSL Clubs pay a fixed match fee of \$13,000 of which \$5,000 would be directly attributed to repayments of the loan and \$8,000 to match and maintenance expenses.

## **29 SEPTEMBER 1998 - CONSTRUCTION AGREEMENT FOR STAGE 2**

On 29 September 1998, the Minister for Government Enterprises executed the Construction Agreement with Baulderstone Hornibrook for Stage 2.

This followed a tendering process conducted by DAIS in accordance with usual Government tendering guidelines.

## CHAPTER 15 - OCTOBER 1998 TO AUGUST 2000

### OCTOBER 1998 - CESSATION OF PAYMENT OF LEVIES

From October 1998, the Soccer Federation ceased imposing, collecting and banking any levies into the Levy Bank Accounts established under the Funding and Fit Out Deeds for Stage 1. Mr Evans as the Minister for Recreation, Sport and Racing was not informed of the agreement between the Soccer Federation and the NSL Clubs to cap match costs at \$13,000 and allocating \$5,000 per match for the levies until 5 November 1998.

### 8 OCTOBER 1998 - MINISTERIAL APPOINTMENTS OF MRS HALL AND MR EVANS

On 8 October 1998, Mr Olsen resigned as the Minister for Industry, Trade and Tourism.<sup>244</sup>

On 8 October 1998, Mrs Hall resigned as Minister for Youth and Minister for Employment and was appointed Minister for Tourism. Mr Evans resigned as Minister for Police, Correctional Services and Emergency Services, Minister for Recreation and Sport and Minister for Racing and was appointed Minister for Industry and Trade and Minister for Recreation, Sport and Racing.

On 8 October 1998, Minister Evans assumed responsibility for Hindmarsh Stadium as the Minister for Industry and Trade. In September 2001, responsibility for resolving ownership and management issues was transferred to Deputy Premier Kerin.

### 28 OCTOBER 1998 - MINISTER EVANS REQUEST FOR MEETING TO CONSIDER INCREASING LEVIES

On 28 October 1998, Mr Evans as Minister for Recreation, Sport and Racing wrote to the Soccer Federation. His letter stated:

*"I note that, to date, the Grandstand Levy has contributed less than one quarter of the loan repayments. Before considering exercising my right pursuant to clause 8.2.4 of the Deed to increase the Levy with the Federation I wish to meet to discuss the issue.*

*Please contact my Executive Assistant...to arrange a convenient time."*

Minister Evans was unaware of the agreement between the Soccer Federation and the NSL Clubs to vary the Levy System or of their intention to seek suspension of the levies. Mrs Hall had not informed him about the draft submission sent to her on 29 September 1998.

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<sup>244</sup> The body corporate, the Minister for Industry, Trade and Tourism was dissolved and two new body corporates formed, the Minister for Industry and Trade and the Minister for Tourism on 8 October 1998.

## 31 OCTOBER 1998 - AUDITOR- GENERAL'S 1997/98 ANNUAL REPORT

The Auditor-General's Annual Report for the year ended 30 June 1998, makes comment on the management of a number of sporting stadia, including the Hindmarsh Stadium. The report included the following:

### "Soccer and Netball Stadiums

*In relation to the Hindmarsh Soccer Stadium and the Mile End Netball Stadium the respective Funding Deeds include similar key accountability provisions, notably:*

- *the operations of the stadiums must be accounted for as separate profit centres;*
- *a separate management committee with Ministerial representation must be formed to oversee the operations of the stadiums. Key responsibilities of the committees include the establishment and maintenance of accounts and accounting records for the stadium profit centres, preparation of annual budgets and to seek to maximise use, and therefore revenue, of the stadiums;*
- *a five year business plan must be prepared and maintained for the stadium profit centre operations;*
- *separate financial statements must be prepared for the stadium profit centres;*
- *the accounts, accounting records or accounting systems or procedures, including those in relation to the stadium profit centre must be audited each financial year by an auditor approved by the Minister;*
- *the Treasurer, the Minister, or any duly authorised employee, agent or contractor may inspect the books, accounts or other documentation relating to the management, administration or affairs of the sporting associations, including those in relation to the stadium profit centres;*
- *for each financial year an annual report concerning the affairs of the stadium profit centres must be prepared and forwarded to the Minister;*
- *Ministerial or Treasurer's representatives can attend meetings of the sporting associations where issues relating to the management of the stadium are to be discussed.*
- *The parties including, the Minister, the Treasurer, the Minister's nominees to the management committees, the sporting associations and the Department of Industry and Trade (Office for Recreation and Sport) all play important roles in ensuring compliance with the overall accountability provisions of the Funding Deeds.*

*The Audit review identified that the Office for Recreation and Sport had prepared summaries of the respective Deed provisions and the status reports covering the key accountability provisions contained in the Deeds. The status reports reflected correspondence forwarded by the Office for Recreation and Sport to the sporting associations and the responding information provided by the associations.*

*The status reports indicated that a number of key provisions in both Deeds had not been sufficiently addressed by all parties since the Deeds were put in place. The following provides further information with respect to some of the matters noted by Audit and reported to the Department of Industry and Trade (Office for Recreation and Sport) on 27 August 1998 for advice of action proposed in relation to the matters.*

#### Management Committees

*At the time of the audit the soccer committee was yet to be formed and there was a vacancy for a Ministerial representative to the netball committee. In addition to representatives on the management committees the Deeds also provide for attendance of nominees of the Treasurer or Minister as observers at meetings of the sporting associations.*

*Audit raised with the Department the matters regarding the unsatisfactory position concerning the committees and sought advice of formal arrangements planned or implemented between the Minister, Minister's representative, Department and sporting associations with respect to communication of issues associated with the management of the stadium profit centres.*

#### Preparation of Business Plans for Stadium Profit Centres

*In the case of netball, a report prepared in August 1996, prior to approval for the construction of the stadium, has been used as the initial business plan. The Department wrote to SANA in January 1998 indicating the need to update the plan. SANA responded in April 1998 advising that updating of the plan could commence towards the end of the 1998 calendar year.*

*With respect to soccer, several documents have been provided but none satisfy the requirements set out in the Deed.*

#### Inspection of Operations, Books and Records

*At the time of the Audit review the provisions in each Deed for review of the operations and record keeping in relation to the stadiums had not been exercised. This was despite the fact that both stadiums had not been able to fully fund the sporting associations' loan repayments during the year thereby requiring the Government to meet the shortfall.*

*The repayment of the sporting association loans is limited by the Deeds to funds arising from defined activities. In both cases the quantum of these funds is dependant upon the operating performance of the stadium profit centres. The Deeds both contain requirements for the sporting association to promote the profitable use of the facilities.*

*Audit enquired of the Department as to whether an independent review of operations, accounting records and procedures was planned to ascertain compliance with the accountability arrangements set out in the Funding Deeds, including the integrity of attendance recording mechanisms (spectators for soccer and spectators and players for netball).*



### Approval of Auditor

*Both Deeds include a provision for the approval of the auditor of the sporting association and a requirement that the audit include the accounts, accounting records and systems or procedures maintained in relation to the respective facilities.*

*In both cases the nominated auditor has been approved without consideration of the scope of the audit to be performed. Audit suggested that the Department obtain a copy of the engagement letter to ensure that the scope of the audit includes the operations of the independent profit centre for the respective stadium. It was further suggested that the Department seek to have a clause inserted in the engagement letter that provides for copies of any findings by the auditor in relation to the operation of the stadiums to be provided to the Department.*

### Other Issues

*In addition to the common issues, the Audit review noted a number of unresolved matters specific to each Deed. For example, the Netball Deed has specific provisions requiring the collection of a levy for each player playing on the Edward Park courts. Correspondence sighted by Audit between the Department and SANA indicated that the levy was not being collected.*

The response from the Department was that those matters would be satisfactorily addressed.

## **5 NOVEMBER 1998 - SOCCER FEDERATION SUBMISSION SEEKING RELIEF FROM LEVIES**

On 5 November 1998 Mr Avory, Mr Scarsella and Mr Farrugia of Soccer Federation met Mr Evans as Minister for Recreation, Sport and Racing to discuss the Soccer Federation's submission for suspension of the levies.

At that meeting, Minister Evans was given the submission prepared by the Soccer Federation with Mrs Hall's assistance.

## **13 NOVEMBER 1998 - FIT OUT LOAN REPAYMENT**

On 10 November 1998, the Soccer Federation wrote to the Minister for Recreation, Sport and Racing and informed him that a Fit Out Loan repayment of \$48,801.28 was due on 13 November 1998, there was only \$601.51 in the Fit Out Levy Bank Account and only \$15,000 has been collected instead of the Levies. The letter asked the Minister what action he wished the Soccer Federation to take.

Mr Simon Forrest, the Executive Director of the Office for Recreation and Sport responded by letter also dated 10 November 1998. His letter stated that the Soccer Federation was in breach of the Fit Out Guarantee Deed for not collecting the Fit Out \$2 Levy. He advised that the Soccer Federation should meet its obligations under the various agreements and deposit an amount equal to the Fit Out Levy into the Fit Out Levy Bank Account. If there was still a shortfall between the amount of the next repayment and the balance of the Fit Out Levy Bank Account, then the Soccer Federation should send the necessary reconciliations and notices to the Minister for Recreation, Sport and Racing to enable payment of the shortfall.

On 12 November 1998, the Soccer Federation replied to the 10 November 1998 letter from Mr Forrest. The letter stated that:

*"We are well aware of our obligations under the funding deed and note that should the Minister reject any of our options or submissions made to him, we will be liable to make the payment due as if the levies were being collected."*

The Soccer Federation advised the amount of levies that should have been collected (Grandstand Levies of \$14,199; Fit Out Levies of \$23,242) and stated that \$20,000 that had been collected from the NSL Clubs had been paid into the Fit Out Levy Bank Account that day.

Mr Forrest wrote back that same day. On the basis that the Fit Out Levies that should have been collected were \$23,242 and as there was \$600 already in the Fit Out Levy Bank Account, he would arrange for a cheque for \$25,000 to be deposited into the Fit Out Levy Bank Account for the shortfall between the loan repayment and the Fit Out Levies. The Soccer Federation would need to meet the difference between the \$20,000 collected from the NSL Clubs and the Fit Out Levies it should have collected and deposit those monies into the Fit Out Levy Bank Account by close of business the next day.

The Soccer Federation deposited a further \$3,201 into the Fit Out Levy Bank Account on 12 November 1998. The Minister for Recreation, Sport and Racing paid \$25,000 of the Fit Out Loan repayment made on 13 November 1998.<sup>245</sup>

## **27 NOVEMBER 1998 - RECOGNITION THAT GOVERNMENT NOT ABLE TO ASSESS SOCCER'S CAPACITY TO PAY**

On 27 November 1998, Mr Forrest, Executive Director of the Office for Recreation and Sport in the Department of Industry and Trade, sent Mr Evans as Minister for Recreation, Sport and Racing a minute commenting on the issues raised at the 5 November 1998 meeting with the Soccer Federation. His minute stated:<sup>246</sup>

*"Essentially the issue is that the Clubs claim to be in financial difficulty because of the levy.*

### *Capacity to pay*

*This is probably the major issue. The Clubs maintain that they are in financial difficulty and that the need to fund the Levies aggravates this. However, I would suggest that the real issue is lack of attendances at national league games in Adelaide – ie poor off field and on field performance on the part of the Clubs. It is by no means evident that acceding to their request will solve the problem. Indeed, to do so might simply be to defer the inevitable.*

*However, we are also not in a position to form a proper judgement about the capacity of the Clubs to pay the levies. The only information provided by the Federation relates to gate takings and its cost to open the stadium. Before acceding to this request on its own*

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<sup>245</sup> See Table 6 of Appendix 1.

<sup>246</sup> Page 3.

*terms we would need to have additional information about the full operations of the Clubs. In particular, we have no information about:*

*Operations of the Corporate Suites Sponsorship Catering operations  
Other operating revenue and expense streams.*

*In addition, there are other issues that should be addressed that relate to the payment of the levy:*

- *No increase in ticket price was imposed in relation to the Grandstand Levy. Ticket prices are controlled by Soccer Australia and the Federation should be required seek [sic] approval to increase ticket prices.*
- *The deeds require the levies to be charged for all matches played under the auspices of the Clubs and the Federation. To date we have seen only evidence that levies are being charged for National League games, international soccer matches and Rugby matches. In particular there is no evidence that levies are being paid into the accounts for Premier League or State League games. For instance, the Ernst and Young report referred to the Homestart Top 4 Premiership play-off (two rounds plus final), Fairmont Challenge Cup (three rounds plus final) and the Johnnie Walker Cup (three games). The Funding Deed requires that at least fifteen Premier League games are played at the stadium each calendar year.*

*The Federation needs to provide advice on what is occurring in relation to these games."  
[emphasis supplied]*

## **17 DECEMBER 1998 - CHARGE OVER LEVY MONIES**

The Crown Solicitor's Office drafted the charge over the Levy monies in December 1997, 14 months after execution of the Funding Deed. Execution copies of the document were not prepared until November 1998, a year after the first levies had been collected and paid into the Levy Bank Accounts.

The executed charge was dated 17 December 1998.

## **31 DECEMBER 1998 - GRANDSTAND LOAN REPAYMENT DUE**

On 22 December 1998, the Soccer Federation wrote to the Office for Recreation and Sport about the repayment of the Grandstand Loan of \$105,763.82 due on 31 December 1998. The Soccer Federation asked if the Minister for Recreation, Sport and Racing would accept \$26,794, (being the balance of the \$50,000 collected from the NSL Clubs after payment of an amount equal to the Fit Out Levies on 12 November 1998) in lieu of the \$37,854 of Grandstand Levies due to 22 December 1998.

Mr Forrest, the Executive Director of the Office for Recreation and Sport responded by return letter requiring the Soccer Federation to deposit into the Grandstand Levy Account the total amount of the Grandstand Levies due. The Soccer Federation deposited \$37,896 into the Grandstand Levy

Account on 28 December 1998. The Minister for Recreation, Sport and Racing paid \$67,910 of the Grandstand Loan repayment made on 31 December 1998.<sup>247</sup>

In his letter to the Soccer Federation dated 22 December 1998, Mr Forrest directed the Soccer Federation to ensure that the Grandstand Levy on matches to be held before 31 December 1998 were banked in accordance with the Funding Deed. Grandstand Levies of \$13,071 for the match held on 27 December 1998 were not imposed, collected or deposited as required. Fit Out Levies of \$51,472 for matches held between 15 November and 27 December 1998 were not imposed, collected or deposited as required either.<sup>248</sup>

## **18 JANUARY 1999 - DIT LETTER TO COUNCIL**

On 18 January 1999, Mr Andrew Scott as Director, Project Coordination in the Department of Industry and Trade wrote to Ms Susan Law, Chief Executive of the Council. His letter informed the Council that Minister Evans had approved the Department of Industry and Trade entering into negotiations with the Council for the Government to take over the proprietary rights of the stadium. It asked that the full Council agree in principle to the transfer before any further negotiations occur.

## **22 JANUARY 1999 - MINISTER EVANS' AGREEMENT TO SUSPEND LOAN REPAYMENTS PENDING ARTHUR ANDERSEN REPORT**

On 20 January 1999, Mr Forrest sent a letter to the Soccer Federation informing it that before Minister Evans determined his response to the Soccer Federation's proposal for relief from the levies, the Minister proposed to retain independent consultants to review the finances and operations of the Soccer Federation, the stadium and the NSL Clubs. In the meantime, the Minister required that the *"terms of the deeds should be fully complied with."*

After a telephone discussion between Mr Farrugia and Mr Forrest and further discussions between Mr Forrest and Minister Evans, a letter dated 22 January 1999, was sent by Mr Forrest to the Soccer Federation. It confirmed Evans' agreement as Minister for Recreation, Sport and Racing to suspend the need for the Soccer Federation to meet future repayments of the Grandstand and Fit Out Loans pending receipt and consideration of a report by Arthur Andersen. That letter expressly stated that after consideration of the Arthur Andersen Report, the Soccer Federation may be required to pay the amounts that would have been due as levies.

## **25 MARCH 1999 - VOLUNTARY ADMINISTRATION OF WEST ADELAIDE**

On 25 March 1999, Mr Bruce Mulvaney was appointed voluntary administrator of West Adelaide. According to the report prepared by Mr Mulvaney in his capacity as voluntary administrator, West Adelaide had a long history of being in financial difficulties. The operations and management of the club were characterised by internal disputes between the club committee and a private sponsor of the club.

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<sup>247</sup> See Table 5 of Appendix 1.

<sup>248</sup> See Table 2 of Appendix 2.

Until the Arthur Andersen Report dated 31 March 1999 was delivered, the Government had no substantiated information about the financial position of the NSL Clubs. A minute dated 11 September 1998 from Mr Andrew Scott, Director Project Coordination in the Department of Industry and Trade to Mr Dixon records:

*"You mentioned that you had received a confidential query late last month concerning the financial status of the two NSL clubs viz, Adelaide City and West Adelaide soccer clubs.*

*Our investigations revealed there are two areas, the fit out of the western grandstand and the lease for the Thebarton oval which raise a question over the solvency of the West Adelaide Club. There was no evidence to suggest there is a problem with the solvency of Adelaide City.*

...

*It is well known that the West Adelaide soccer club is not in a strong financial position and therefore it was suggested that it was this club that was unable to make its payment to SASF. This information is only hearsay and cannot be substantiated with any documentation..."*

### **31 MARCH 1999 - ARTHUR ANDERSEN REPORT**

On 31 March 1999, Arthur Andersen delivered their report entitled *"Financial Review of Soccer in South Australia"* to the Office for Recreation and Sport.

One of the reasons given for commissioning the report was that the Minister for Recreation and Sport wished to have the finances and operations of the Soccer Federation and the stadium reviewed before responding to the Soccer Federation's request for relief from the payment of levies.<sup>249</sup>

In January 1999 Arthur Andersen had submitted to Office for Recreation and Sport a proposal to provide professional services. The Office for Recreation and Sport treated that proposal as the project definition for the work. The essence of that definition was:<sup>250</sup>

*"We understand the consultancy is to assess the current financial position of SASF and the Clubs, advise the Office of Recreation and Sport ("OR&S") on the extent of the financial difficulties facing SASF and the Clubs and, present suitable options for potential restructure of the existing arrangements."*

The work would include *"a review of ... operations of the Hindmarsh Stadium and the corporate facilities as separate cost/profit centres"*.<sup>251</sup>

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<sup>249</sup> Letter from Mr Forrest to Mr Farrugia dated 20 January 1999.

<sup>250</sup> Page 3.

<sup>251</sup> Ibid.

The Soccer Federation was given the opportunity to review the draft project definition.

The report was divided into six sections:

- Introduction;
- Review of the "external environment" for South Australian soccer encompassing international soccer and national soccer;
- Hindmarsh Stadium encompassing the redevelopment, the financing arrangements, attendances and levy collection;
- Review of the "internal environment" for South Australian soccer encompassing the Soccer Federation and the two NSL Clubs;
- Hindmarsh Stadium management structure including a comparison with other sporting bodies;
- Alternative re-financing options.

A review of any feasibility studies or capital works submissions in relation to Stage 2 was specifically excluded from the scope of Arthur Andersen's review.

The key findings in the final report were:

- The projected attendance levels upon which the Government based its assessment of the feasibility of the levies to fund the Soccer Federation's contribution to the Stage 1 and Fit Out Loans were too aggressive.<sup>252</sup> They should have considered the possibility that attendances might decrease.
- In the 1998/1999 season, the average attendance for each NSL team was 5,819. Perth Glory's average attendance was 14,965. South Australia NSL teams' average was 3,411.<sup>253</sup>
- The Federation had capped the expenses for the Clubs at \$13,000 per game without notifying the Minister in the first instance.<sup>254</sup> That cap was significantly lower than the actual expenses (including the levy expense) incurred by the Soccer Federation in operating the stadium during the 1997/98 season.<sup>255</sup> By comparison, the cost of playing a match at Norwood or Thebarton Ovals was between \$5,500 and \$6,500, excluding levies.<sup>256</sup>
- The Soccer Federation had not collected levies for the Premier and State League Grand Finals, J-League exhibition matches nor any for the Women's soccer games.<sup>257</sup>

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<sup>252</sup> Page 20.

<sup>253</sup> Page 6.

<sup>254</sup> Page 11.

<sup>255</sup> Page 27.

<sup>256</sup> Page 28.

<sup>257</sup> Page 11. The Soccer Federation has submitted that it did not collect these levies because there was insufficient attendances at J-League and Women's matches.

- Due to insufficient attendance levels at matches the levies collected by the NSL Clubs and the Soccer Federation were insufficient to service the Soccer Federation's loans for Stage 1 and the fit out. The Government had met the difference. At the date of the report the shortfall in required repayments for 1998/99 on the total bank bill facilities was \$247,829. The Soccer Federation had paid only \$61,060.
- The Hindmarsh Stadium Management Committee had only held one meeting at the time the Report was commissioned.<sup>258</sup>
- The Soccer Federation's Financial Report reported Hindmarsh Stadium's operations in a note to the Soccer Federation's accounts, not as a separate reporting entity with its own separate financial report.<sup>259</sup>
- The Soccer Federation had conducted a television and radio campaign in 1997/98 in partial compliance with its marketing obligations under the Funding Deed. The advertisements did not mention the NSL Clubs or when their matches were to be played.<sup>260</sup>

The key recommendations in the final report were:

- The Government should obtain through the Treasurer a mortgage over the Soccer Federation's lease from the Council, as it was entitled to do under the Stage 1 Funding Deed.<sup>261</sup>
- The stadium should be managed by an independent third party because of the lack of beneficial interdependence between the principal users of the stadium, the NSL Clubs, and the current manager, the Soccer Federation.<sup>262</sup>
- The Government should seek to acquire the stadium from the Council.<sup>263</sup>
- As guarantor of the Soccer Federation's debts, the Government should consider re-financing the Soccer Federation's debt to a level that it could service. This would involve forgiving part of the debt.<sup>264</sup>
- Consideration should be given to reducing the levies, that reduction to be reflected in a reduction in ticket prices.<sup>265</sup>

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<sup>258</sup> Page 10.

<sup>259</sup> Page 11.

<sup>260</sup> The Soccer Federation informed this Examination that it offered the NSL Clubs the opportunity to participate for a small share of the costs, but the NSL Clubs declined.

<sup>261</sup> Page 11.

<sup>262</sup> Page 67.

<sup>263</sup> Page 67.

<sup>264</sup> Page 69.

<sup>265</sup> Page 70.

## **JUNE 1999 - ADELAIDE CITY ALLEGATION THAT LICENCE AGREEMENT VOID**

In June 1999, Adelaide City alleged that the Soccer Federation was in breach of the 1997 Licence Agreement, entitling Adelaide City to damages and to renegotiate its terms. During the course of negotiations in the following four months a formal Variation Agreement was prepared by Reynolds Prescott, the solicitors for the Soccer Federation. Adelaide City refused to sign it.

## **2 JUNE 1999 - PUBLIC WORKS COMMITTEE RECONVENE**

On 21 April 1999, Mr Dixon as Chief Executive of the Department of Industry and Trade sent a letter to the Public Works Committee reporting on progress of the Stage 2 redevelopment. He reported that Boulderstone Hornibrook had been the successful tenderer and that work had progressed well. 40 percent of the budget of \$17 million had been spent. He reported on the relocation of the Byelorussian Church, Meals on Wheels and the Hindmarsh Bowling Club.

The Public Works Committee reconvened on 2 June 1999 to clarify specifically the status of the financial arrangements for the project, the security of the Government's investment and responsibility for future maintenance costs. The Public Works Committee expressed major concern over these issues during its questioning of Mr Forrest and Mr Fletcher from the Office for Recreation and Sport, Mr Bollen from the Department of Industry and Trade, Mr Scarsella of Soccer Australia and Mr Farrugia of the Soccer Federation.

## **17 JUNE 1999 - COUNCIL LETTER ABOUT NAMING RIGHTS FOR STADIUM**

By letter dated 17 June 1999 to the Soccer Federation, the Council put the Soccer Federation on notice that the naming rights of the stadium vested in the Council as owner and any attempt by the Soccer Federation to deal with those rights would be seen as an interference with the Council's proprietary rights. If necessary, the Council would protect its position by taking legal action if required to protect its rights.

## **19 AUGUST 1999 - HINDMARSH SOCCER STADIUM CABINET COMMITTEE**

On 19 August 1999, Minister Evans reconvened the Hindmarsh Soccer Stadium Cabinet Committee for its first meeting in over a year.<sup>266</sup> The Cabinet Committee comprised Minister Evans as the Chair, the Attorney-General and the Hon. Robert Lawson QC MLC as Minister for Administrative Services.<sup>267</sup> However, the Attorney-General did not attend the meeting. The Treasurer, the Hon. Robert Lucas MLC attended by invitation.

The meeting considered the March 1999 Arthur Andersen's report. Minister Evans has informed this Examination that he reconvened the Committee to inform it of, and to seek its guidance as to the appropriateness of recommendations made in a briefing paper on the Arthur Andersen's report placed before the Committee by Minister Evans.

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<sup>266</sup> Its previous meeting was on 31 July 1998, see under the heading "31 July 1998 - Fourth Meeting of Hindmarsh Soccer Stadium Cabinet Committee" on page 200.

<sup>267</sup> Instead of Mr Matthew, the former Minister for Administrative Services.



The Committee decided to support a number of Minister Evans' recommendations. The key recommendations were:

- The Arthur Andersen Report should be treated as confidential. A summary of it should be prepared for public release.
- The Treasurer should acquire a mortgage over the Soccer Federation lease from the Council in accordance with the Funding Deed as Arthur Andersen had recommended.
- Mr Andrew Scott should continue negotiations with Council to establish a price for acquisition of the stadium. A final decision on whether the Government should prefer acquisition should await a report from Treasury and Finance and the Office for Recreation and Sport on the risks associated with ownership and operational control.
- A Sports Facility Management Trust should be established to manage the Hindmarsh Stadium and other major sports facilities.
- The amount to be paid by the Soccer Federation for the 1998/99 season should be fixed. For the period up to 31 December 1998 the Soccer Federation should pay the full levies required by the Funding Deed and Fit Out Guarantee Deed. From 1 January 1999 the amount should be fixed at a flat \$5,000 per game.

A Cabinet submission reflecting these decisions was to be prepared for the Cabinet meeting on 23 August 1999.

The Committee also deferred decision on the following recommendations pending presentation of reports from Treasury and Finance and the Crown Solicitor's Office:

- The recommendation that future loan repayments (ie the shortfall after collection of levies) be repaid from consolidated revenue rather than the Office for Recreation and Sport State Facility Fund.
- The recommendation that negotiations with the Soccer Federation to fix a flat amount for the levies be overseen by the Minister for Recreation and Sport.
- The recommendation that the Stage 1 and Fit Out Loans be paid out.
- The recommendation that the Government's preference be to own the stadium.

## **23 AUGUST 1999 - CABINET APPROVAL**

On 20 August 1999, Mr Evans as Minister for Industry and Trade and Minister for Recreation, Sport and Racing signed a Cabinet submission entitled "*Hindmarsh Stadium – Ownership and Management*".

The submission recommended that three issues identified by Arthur Andersen in its 31 March 1999 report be addressed urgently:

- Exercise by the Treasurer of his right for a mortgage over the lease between the Soccer Federation and the Council.
- Identification of an alternative basis for the NSL Clubs using the stadium as *"it is unlikely that there is capacity within the sport to meet about half of the debt-servicing requirement"*.
- Putting in place an independent management arrangement for the stadium because the Soccer Federation was not considered to have the capacity to manage the stadium effectively.

The submission informed Cabinet of the Hindmarsh Soccer Stadium Cabinet Committee's agreement:

- That the Department of Treasury and Finance and the Office for Recreation and Sport would prepare a statement of the risks and benefits of Government ownership or management of the stadium.
- To note ongoing negotiations with the Council over ownership of the site.
- That the Minister for Recreation, Sport and Racing would prepare a Cabinet submission on the establishment of a Sport Facilities Trust to manage a range of sporting stadia.
- That the Department of Treasury and Finance would prepare an advice on options for termination of the Soccer Federation's loans with the National Australia Bank Limited.
- That the Committee recommended that the Soccer Federation be required to pay:
  - levies as required under the Funding and Fit Out Deeds to 31 December 1998; and
  - \$5,000 per NSL match from 1 January 1999.

On 23 August 1999, Cabinet approved the recommendations of the Hindmarsh Soccer Stadium Cabinet Committee without any amendment.

### **3 SEPTEMBER 1999 - HINDMARSH SOCCER STADIUM CABINET COMMITTEE MEETING**

On 3 September 1999, the Hindmarsh Soccer Stadium Cabinet Committee convened again with Minister Evans as Chair. The minutes record that the Committee considered papers from the Crown Solicitor's Office on:

- Discussions with the Soccer Federation about varying the levy structure to a flat fee of \$5,000.
- Consideration of ownership and management options.

The Committee considered the following options for management and control of the stadium:

- A mortgage over the Soccer Federation's lease. The Committee reconsidered whether it was appropriate to seek a mortgage over the Soccer Federation's lease. The Committee decided

that it needed to have a clear outcome in mind before pursuing the mortgage over the lease because it considered that course of action might result in obligations which might limit the Government's ability to resolve other issues concerning the ownership and management of the stadium.

- A joint management structure with other stadia. The Committee noted that the different ownership of different portions of land upon which the stadium was sited made this difficult.
- Outsourcing of management of various sports stadia. Hindmarsh Stadium could be included in this proposal if the issue of ownership could be resolved.

Ultimately the Committee resolved that the Office for Recreation and Sport, the Department of Treasury and Finance and the Crown Solicitor's Office should:

- *Develop the objective*
- *Address how it is to be achieved (ownership and management control)."*

The minutes record no preference for one structure over any other.

## **7 SEPTEMBER 1999 - MORTGAGE OVER THE 1996 LEASE**

On 7 September 1999, the Department of Treasury and Finance instructed the Crown Solicitor's Office to *"commence action to register a first mortgage on the Federation's lease of Hindmarsh Stadium on behalf of the Treasurer as soon as possible."*

In mid October 1999, Minister Evans requested that the Soccer Federation execute a mortgage over the 1996 Lease at the Treasurer's request under Clause 23 of the Funding Deed. This was the first time the Soccer Federation had been requested to execute the mortgage, although the Funding Deed had been signed in October 1996.

By letter dated 22 October 1999, the Soccer Federation responded to the request for a mortgage over the lease, stating that before the Soccer Federation signed a mortgage it required an undertaking from the Government that any existing or potential breach of the lease would not prejudice its position with regard to management of the stadium or the lease.

On 5 November 1999, Reynolds Prescott, the Soccer Federation's solicitors, wrote to the Department of Treasury and Finance about the Soccer Federation's concerns with the terms of the proposed mortgage.

## **10 SEPTEMBER 1999 - TRANSFER OF RESPONSIBILITY FOR STAGING OLYMPIC SOCCER**

On 10 September 1999, the Chief Executive of the Department of Industry and Trade sent a minute to the Premier seeking his approval for the transfer of responsibility for staging the Olympic Soccer Tournament from the Department of Industry and Trade to the SA Tourism Commission. The justification given was that the SA Tourism Commission had both the expertise and experience through its Major Events group to ensure that the hosting of an Olympic event was flawless. The minute stated that the proposed change had been agreed by Mr Evans as Minister for Recreation, Sport and Racing and Mrs Hall as Minister for Tourism.

The Premier approved the transfer.

## **22 SEPTEMBER 1999 - WINDING UP OF WEST ADELAIDE**

On 22 September 1999, West Adelaide was placed in liquidation.

## **1 OCTOBER 1999 - MRS HALL'S RESIGNATION AS AMBASSADOR FOR SOCCER**

Mrs Hall formally resigned as Ambassador for Soccer on 1 October 1999.

Mrs Hall's letter of resignation to the Chairman of the Soccer Federation stated the reasons for her resignation as follows:

*"As my political responsibilities continue to grow, my personal time continues to decrease. As you know, the Soccer Olympics in Adelaide will be a very significant major event and I have now been given the ministerial responsibility for the Olympic tournament to be held just over 12 months from now.*

*This has significantly changed my non-political position with soccer. Therefore, to remove any possible credibility to the allegation of 'conflict of interest', whether mischievous or unintended, I have most regretfully decided to relinquish the position as Soccer Ambassador."*

## **7 OCTOBER 1999 - HINDMARSH SOCCER STADIUM CABINET COMMITTEE MEETING**

On 7 October 1999, the Hindmarsh Soccer Stadium Cabinet Committee convened again.

The Committee noted three significant events:

- West Adelaide had been placed in liquidation.
- Soccer Australia would not allow time for a consortium to put forward a proposal for a replacement second South Australian team.
- Adelaide City had announced its intention to play its next game at Norwood Oval.

The minutes noted that the effect of those events was that the Soccer Federation was in breach of its obligations to the Government under the Funding Deed.

The meeting discussed generally a draft of the submission to Cabinet discussed further below.

The Committee resolved that before that submission should be put to Cabinet. The Department for Industry and Trade, the Department of Treasury and Finance and the Crown Solicitor's Office should prepare a report that:

- *Reviews legal documents to determine the rights and obligations of the SA Government and the best way forward for the Government in pursuing ownership assignment of the lease and management control.*
- *Options for minimising costs associated with achieving these objectives.*

*The Committee noted that the SA Government's commitments to SOCOG should be considered as part of the review of legal obligations."*

## **8 OCTOBER 1999 - LETTER TO THE SOCCER FEDERATION**

On 8 October 1999, Minister Evans wrote to the Soccer Federation informing it that he would accept in lieu of levy payments due between 1 January and 30 September 1999, \$5,000 per NSL match plus the amount of the levies payable on other events held at the stadium.

His letter expressly stated that:

*"Nothing in this letter is to be construed as relieving the Federation of its obligations to collect and bank the levies under the Documents before and after the period 1 January 1999 to 30 September 1999."*

On 19 October 1999, the Soccer Federation wrote to Minister Evans:

*"We respectfully request that you reconsider your position regarding the payment of levies and consider a relief from levy payment for a defined period. Relief in this regard is a critical factor in preventing a complete breakdown of the situation, to where Lawyers and Courts determine formal outcomes,*

*We advise that if the levies are re-imposed the Club has confirmed that it will play its home matches elsewhere (see attached correspondence)."*

## 8 OCTOBER 1999 – MR PICKARD’S LETTER TO MRS HALL

On 8 October 1999, Mr Pickard wrote to Mrs Hall:

*"I'm writing to express my thanks for all the time and effort you gave to the game over many years. Those of us involved in soccer have greatly appreciated your dedication, support and forthright approach. Having dealt with all sorts of people I can instantly recognise someone who is genuinely and honestly trying to help the situation rather than merely looking for electoral support. I think the game will truly miss it's [sic] Ambassador and we will miss your bright personality around the club.*

...

*As I see it the current ruckus should focus more on soccer's inability to meet it's [sic] financial commitments than on the government. It seems to me that if the ABC news reporter knew the full background he would have been directing his questions to Basil Scarcella [sic] and the SA Soccer Federation. From my involvement as Patron of Adelaide City it is clear to me that the Government has been misled as to the financial ability of soccer to repay it's [sic] debts and that information came from those people. In my view their mishandling of the financial aspect of the project has caused difficulties that could have been avoided. It would be sad to think the flack surrounds you when the people who are genuinely responsible are in hiding.*

*In hindsight my previous letters to you regarding the grandstand were too harsh and I would like to apologise for their accusing tone. I know now that you were doing your best for soccer and for South Australia. Knowing what I know now I shouldn't have written to you at all. I only wrote to you because I was advised to by Les Avory and Tony Ferrugia [sic] who said that the SASF couldn't help the two NSL clubs – it was a government matter.*

*You may not be aware that Basil Scarcella [sic] told the clubs that, wink, wink, nudge, nudge, there was a 'good chance' the Government would pay out the SASF Hindmarsh loans when money was granted for the second stage of Hindmarsh. Scarcella [sic], who led the negotiating between the SASF and the clubs, said that while he couldn't promise it, if the money came through the club's [sic] would only have to pay the levies for one to two years. Scarcella [sic] effectively put the Sharks and Adelaide City in a position where they were crazy if they didn't sign the contract. We have people who will sign statutory declarations that this became a major factor in the clubs deciding to agree to such a difficult financial commitment. Later, when the money didn't come through Scarcella [sic] was nowhere to be seen.*

*At a subsequent meeting in 1998 Scarcella [sic] and Tony Ferrugia [sic] stated that the SASF had performed a feasibility study that showed the SASF and clubs could meet the repayments to the government. They promised to send me a copy but have not done so despite repeated requests. I believe it was either seriously flawed or did not exist. I expect you had relied on similar advice from these people. Incredibly, as Vice Chairman of Soccer Australia Scarcella [sic] knew how much financial trouble the Sharks were in yet he still tied the Government, the SASF and the two NSL clubs together in a fragile deal.*

*I believe the SASF people, who are responsible for the game, should be made accountable for a situation that has been unfairly blamed on the government.*

*In many ways you may be better off away from soccer. Unfortunately the game hasn't quite got it's [sic] act together, can't attract high calibre administrators and it's [sic] people always seem to end up fighting amongst themselves. This will change in time but first soccer needs to attract good young people. This will only happen when Australia consistently qualifies for the World Cup finals. Only then will we truly appreciate our great new soccer stadium." [original emphasis]*

## **15 OCTOBER 1999 - FURTHER REDUCTION IN MATCH FEE FOR 1999/2000**

An informal interim agreement was reached for Adelaide City to continue playing at Hindmarsh for the 1999/2000 season at a reduced fixed fee of \$11,000 per match for all costs and levies.<sup>268</sup> Since then, Adelaide City have claimed that the Soccer Federation has breached some of the terms of that interim agreement and that the 1997 Licence Agreement is null and void. The Soccer Federation has claimed that levies are payable by Adelaide City if the Minister later seeks reimbursement.

## **18 OCTOBER 1999 - THOMPSON TREGEAR REPORT**

On 18 October 1999, Thompson Tregear delivered a report to the Soccer Federation about the management of the redeveloped stadium. Thompson Tregear recorded their engagement as follows:<sup>269</sup>

*"In August 1999, the SASF engaged Thompson Tregear Pty Ltd, a firm of management consultants specialising in the leisure industry, to*

- provide advice on the future management of the stadium;*
- prepare a financial operating forecast and business plan; and*
- develop an implementation strategy to ensure a smooth transition from existing arrangements to any recommended arrangements."*

In preparing their report Thompson Tregear spoke to representatives of the Government, the two NSL Clubs, the Soccer Federation and the Council. The Government expressed concern that:<sup>270</sup>

*"... the SASF has not set up the management of the stadium as an independent cost centre and has not prepared a business plan as required under the deed arrangement. It has also had to exercise its guarantee on the SASF loans on the western grandstand due to insufficient funds being available through the collection of levies."*

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<sup>268</sup> Adelaide City letter dated 15 October 1999.

<sup>269</sup> Page 1.

<sup>270</sup> Page 10.

In relation to the levy arrangement Thompson Tregear found that: <sup>271</sup>

*"Having analysed the financial performance of the stadium, it is clearly apparent that the levies placed on admission fees have a negative effect on the current and recommended arrangements.*

*In simple terms, the levies have been introduced in order to ensure that some of the capital cost of the stadium (ie, the western grandstand) is repaid by the SASF. The fact is that the SASF cannot afford to repay the loan which is evidenced by the past and current financial performance of the stadium and also by the fact that the State Government has had to fund the shortfall in quarterly loan repayments under its guarantee arrangement, due to insufficient levies being collected."*

In relation to the Soccer Federation's obligation under the Fit Out Guarantee Deed to spend \$100,000 per year marketing Hindmarsh Stadium, Thompson Tregear found that: <sup>272</sup>

*"Whilst there will be a budget line within the stadium accounts for the promotion of the stadium, the stadium will also be promoted indirectly by the NSL Clubs and the SASF as regular users. It may not be necessary to spend \$100,000 on promoting the stadium in any one year in which case it places an unrealistic cost burden on the stadium operation."*

The report showed in diagram form the management structure for the stadium. Thompson Tregear identified a problem with that structure: <sup>273</sup>

*"The problems arising from the existing arrangements surrounding the operation of the stadium can be summarised as follows:*

- *the revenue and expenses streams associated with the stadium are confused with the revenue and expense streams of soccer;*
- *the real financial operating position of the stadium is not clearly or readily apparent;*
- *the 'stadium' is not in control of the revenue flows that logically relate to it;*
- *the SASF is both user and manager of the stadium;*
- *the users in the form of the SASF and the two NSL Clubs, are all represented on the stadium Management Committee and as a consequence have a conflict of interest; and*
- *the complex arrangements that have evolved in relation to the management and operation of the stadium contribute to the animosity between the various stakeholders."*

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<sup>271</sup> Page 22.

<sup>272</sup> Page 24

<sup>273</sup> Page 18.



Thompson Tregear recommended that a new legal entity be established to manage the stadium:

- It should be *"a completely separate entity from the SASF"*.<sup>274</sup>
- The entity *"would be owned and ultimately controlled by the SASF"*.<sup>275</sup>
- The members of the board of the new entity *"should not also be members of the SASF Commission"*.<sup>276</sup>
- The new entity should have control of revenues from catering and ticket sales (then controlled by the NSL Clubs).<sup>277</sup>

Thompson Tregear recognised that the stadium was unlikely to generate net revenue flows in the foreseeable future.

## **20 OCTOBER 1999 - MINISTER EVANS' MEETING WITH SOCCER FEDERATION**

Minister Evans meet with representatives of the Soccer Federation at Parliament House briefly on 20 October 1999 to discuss the Soccer Federation's request for some relief from the Levy System . It was agreed that these issues needed to be discussed further.

## **25 OCTOBER 1999 - CABINET COMMITTEE MEETING**

The Cabinet Committee reconvened on 25 October 1999 for 40 minutes. Minister Evans reported on his recent dealings with the Soccer Federation. After discussion of the legal and financial issues arising, the Committee resolved that a draft Cabinet submission be prepared including three options:

- Do nothing.
- Pay the Soccer Federation debt and the Government take over management of the stadium by vesting it in the Adelaide Entertainment Corporation.
- Forgive the debt and allow the Soccer Federation to manage the stadium on the basis that an independently audited amount be put aside each year for stadium maintenance.

The Cabinet submission should also consider the Soccer Federation's offer to restructure the Levy System.

The Committee resolved that the Soccer Federation should be pressed to sign the mortgage over the lease. The Crown Solicitor was to provide Minister Evans with advice on how the mortgage can be enforced by the Government.

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<sup>274</sup> Page 19.

<sup>275</sup> Page 19.

<sup>276</sup> Page 21.

<sup>277</sup> Page 22.

## **31 OCTOBER 1999 – AUDITOR-GENERAL’S 1998/99 ANNUAL REPORT**

The Auditor-General’s Annual Report for the year ended 30 June 1999 made the following comment:

*"In regard to the Hindmarsh Soccer Stadium, in response to problems being experienced by the SASF to meet loan repayment commitments, an external accounting firm was commissioned to undertake an independent review of the position. The review report was submitted to Cabinet in late August 1999. Cabinet approved, among other recommendations, a proposal to receive a comprehensive submission dealing with issues of the Hindmarsh Soccer Stadium debt and management of the stadium and other sports facilities.*

*The outcome of last year’s audit review of stadium management arrangements revealed deficiencies with respect to meeting adequate standards of accountability. The Department has implemented actions to address the issues, however, the nature and extent of some issues will require some long term resolution strategy. The Hindmarsh Soccer Stadium is a case in point."*

### **4 NOVEMBER 1999 - MINISTER EVANS’ MEETING WITH THE SOCCER FEDERATION**

The Soccer Federation requested an urgent meeting with Minister Evans on 4 November 1999. Minister Evans raised the possibility of removing the Levy System provided the stadium was maintained by the Soccer Federation adequately. The Soccer Federation was opposed to the Government taking over management of the stadium. The Soccer Federation had still not signed the mortgage over the lease.

### **5 NOVEMBER 1999 - CABINET COMMITTEE MEETING**

The Cabinet Committee reconvened on 5 November 1999 for just over an hour. The Committee considered a draft Cabinet submission proposing the ownership and management options resolved at its meeting of 25 October 1999. It was resolved that a further Cabinet submission would be prepared for Cabinet’s meeting on 8 November 1999. Specific direction was given as to the issues that the submission needed to address, but not how those issues would be resolved.

### **8 NOVEMBER 1999 - CABINET AUTHORITY TO ACQUIRE OWNERSHIP OF THE STADIUM**

On 8 November 1999, Cabinet authorised Minister Evans to take all steps necessary to acquire ownership of Hindmarsh Stadium. Cabinet noted:

- It may be necessary for Minister Evans to purchase part of the site for up to \$865,000 but only as a last resort.
- Minister Evans may need to assume responsibility for the Grandstand and Fit Out Loans at debt servicing costs of \$620,000 per annum or a \$6 million pay out.
- The stadium may require an annual operating subsidy of \$150-200,000.

Minister Evans was authorised to pursue legal action or to appoint a receiver or liquidator to the Soccer Federation to achieve the outcome sought.

Cabinet agreed that for the period 1 January to 30 September 1999, the Soccer Federation be required to pay \$5,000 for each NSL game played at Hindmarsh and the lesser of \$5,000 or the levies for each other event.

### **9 NOVEMBER 1999 - SOCCER FEDERATION LETTER TO THE PREMIER**

On 9 November 1999, Mr Avory as Chairman of the Soccer Federation wrote to the Premier:

*"After a four year involvement in this exciting State investment in our Sport and tremendous working relationship with your Government, it is with great disappointment that I now find myself writing to you for the first time with regard to issues surrounding the future management and leaseholding of the Hindmarsh Soccer Stadium. Following a meeting attended by my General Manager with your Minister for Recreation and Sport, I believe it imperative to bring these issues to your notice in an effort to maintain the good relationship you have with the soccer fraternity."*

Premier Olsen has been the Patron of the Soccer Federation since early 1997.

### **10 NOVEMBER 1999 - TRANSFER OF LEASE**

By letter dated 10 November 1999 to the Soccer Federation, Minister Evans confirmed that he agreed to vary his earlier agreement for payment of levies during the period 1 January to 30 September 1999 to:

- \$5,000 per NSL match; and
- the lesser of \$5,000 or the equivalent of the levies payable for other events.

The letter also offered to suspend (not waive) payment of the levies until further notice if the Soccer Federation was prepared to enter into negotiations in good faith *"with the object of the Government acquiring the lease of the stadium from the Federation."*

A further letter offering to pay out the Stage 1 loans in return for a transfer of the lease was sent by Minister Evans to the Soccer Federation on 16 December 1999. The Soccer Federation refused to comply. Further discussions occurred between the Minister's office and the Soccer Federation. No resolution was reached.

### **3 DECEMBER 1999 - PRACTICAL COMPLETION OF STAGE 2 WORKS**

On 24 January 2000, DAIS certified that the Stage 2 project works had reached the stage of Practical Completion (as defined by the Construction Management Contract) on 3 December 1999.

### **13 DECEMBER 1999 - MINISTER EVANS' OFFER TO THE COUNCIL**

On 13 December 1999, Minister Evans wrote to Ms Law of the Council and offered \$865,000 for the Council's interest in Hindmarsh Stadium, based on the Valuer-General's January 1999 valuation.

Ms Law responded by letter dated 16 December 1999. She wrote that while the Council welcomed the opportunity to negotiate sale of the site, the sale needed to be at market price and site would be rateable on transfer of ownership. The offer was not considered to be market value.

## **16 DECEMBER 1999 - MINISTER EVANS' OFFER TO THE SOCCER FEDERATION**

On 16 December 1999, Minister Evans wrote to the Chairman of the Soccer Federation, Mr Avory enclosing a document outlining what he described as the Government's "*Best and Final Offer*" for transfer of the leasehold interest in the stadium to the Government in consideration of the Government taking over the Soccer Federation's liabilities for the Grandstand and Fit Out Loans and the operating and maintenance costs of the stadium. Minister Evans offered that the stadium be managed by a controlling body that would sub-contract management for an annual service fee of \$48,000. The Soccer Federation would be invited to tender for the management contract. The controlling body would own all revenue rights to the stadium such as catering, broadcasting, advertising, product endorsement etc. The Soccer Federation would be offered a sub-lease of its office area at no cost.

## **4 JANUARY 2000 - MINISTER EVANS' REQUIREMENT FOR A RESPONSE**

In the absence of a response from the Soccer Federation to his offer of 16 December, Minister Evans wrote to Mr Avory on 4 January 2000. Minister Evans reiterated that it was the Government's "*Best and Final Offer*" and he would revoke the offer by 12 January if not accepted or not recommended to the Council of Clubs for acceptance.

On the same day Mr Avory wrote to Minister Evans confirming the Soccer Federation's willingness to continue with fair and equitable negotiations to transfer the lease. While he considered agreement on most issues was in sight, the Soccer Federation required compensation for its goodwill in the stadium and the value of its lease. He proposed the Government transfer to the Soccer Federation the fee simple in the site of the Heritage buildings south of the stadium.

On 5 January 2000, Minister Evans wrote back stating that he would not improve the Government's offer by transferring the property requested.

## **14 FEBRUARY 2000 - TRANSFER OF OFFICE FOR RECREATION AND SPORT**

On 14 February 2000, the Office for Recreation and Sport was transferred from the Department of Industry and Trade to the Department for Environment and Heritage.

## **13 APRIL 2000 - CABINET COMMITTEE MEETING**

Minister Evans reconvened the Cabinet Committee on 13 April 2000. It has not met since 5 November 1999.

Minister Evans updated the Committee on the stalemate reached in negotiations with the Soccer Federation. The Soccer Federation asked for ownership of \$560,000 of property for goodwill for transferring the stadium lease to the Government. The Soccer Federation also wanted the term of the management contract from the controlling body for the stadium to run for the balance of the lease term – 37 years.

Minister Evans updated the Committee on the status of negotiations with the Council for the sale of the site. The Council had valued the site at \$3 million, whereas the Valuer-General's valuation was \$865,000. The Council had rejected the Government's offer of \$2.1 million.

The Committee resolved that another paper exploring options to purchase the site and to ensure the mortgage over the lease was signed would be prepared for the next meeting in consultation with officers from the Attorney-General's Department and Treasury. A meeting with the Council was to be held to discuss the lease of the land which was not subject to the Soccer Federation's lease.

## **10 MAY 2000 - CABINET COMMITTEE MEETING**

The Committee considered a paper prepared by Minister Evans that explored options for renegotiating the Government's existing arrangements with the Soccer Federation. The paper did not explore options to purchase the stadium as had been agreed at the last meeting. Minister Evans proposed a new arrangement be negotiated with the following key features:

- The Government would take over responsibility for the Grandstand and Fit Out Loans.
- The Government would forgive a range of the Soccer Federation's debts to it.
- The Soccer Federation would be required to establish the stadium as a separate profit centre on a basis acceptable to Government.
- The Soccer Federation would alter its constitution to establish a Board of Management for the stadium.
- The Government would provide an operating subsidy for the stadium for 5 years.
- The Soccer Federation would immediately enter into negotiations with the Council to extend its lease to the whole of the site.
- The Crown Solicitor would advise on whether the Government should hold a mortgage over the lease.
- A business plan would be developed for the stadium.

I note that none of these proposals were new. Terms requiring the stadium to operate as separate profit centre, a management board, a business plan and a mortgage over the lease were all included in the Stage 1 Funding Deed as terms intended to protect the Government's interests.

The Committee accepted Minister Evans recommendations and resolved that Cabinet be updated on the current status and the proposed course of action. Any negotiations would be subject to Cabinet approval.

## **24 MAY 2000 - REDUCTION IN MATCH FEE FOR 2000-2001 NSL SEASON**

By letter dated 24 May 2000 to the Soccer Federation, Adelaide City proposed new conditions for it to play at Hindmarsh for the 2000/01 season. That letter stated that it was at Minister Evans' request that Adelaide City was seeking to work out its arrangements for the up coming season and proposed a further reduction in the fixed fee to \$8,000 per match.

## **JUNE 2000 - ADELAIDE CITY RELOCATION TO RAMS PARK**

By June 2000, Adelaide City continued to assert that its licence agreement with the Soccer Federation in relation to occupation of Hindmarsh Stadium was null and void.

With the Olympic soccer matches due to start in September 2000, the SOCOG Memorandum of Understanding required the Government to ensure delivery up of the vacant stadium by 3 July 2000. Under its licence agreement with the Soccer Federation, Adelaide City was obliged to vacate Hindmarsh Stadium to allow the Olympic soccer to proceed.

Government was concerned that Adelaide City might rely on its allegation that the licence agreement was void to create difficulties in its vacating the stadium. By this time, Adelaide City was the only full-time occupant of any part of the stadium.

At the same time, Adelaide City wanted to relocate permanently to Rams Park.

On 3 July 2000, Cabinet approved the Chief Executive of the Department of Premier and Cabinet entering into discussions with Adelaide City to ensure that it vacated the stadium during the staging of the Olympic Soccer Tournament.

### **23 AND 27 JUNE 2000 - CABINET COMMITTEE MEETINGS**

On 23 June 2000, the Cabinet Committee considered a further paper prepared by Minister Evans proposing a process for meeting with the Soccer Federation representatives and a draft letter of offer on the terms discussed at the 10 May 2000 Cabinet Committee meeting. After discussion of the paper and the draft offer, the Committee resolved that both be revised and written with greater precision and detail and that they include:

- Options for the management committee and its structure; and
- The exact amount and terms under which the Grandstand and Fit Out loans are to be forgiven.

It was resolved that the Department of Treasury and Finance would undertake further analysis of how best to forgive the loans.

On 27 June 2000, the Committee reconvened to consider a revised options paper and letter of offer to the Soccer Federation. It was resolved to send the Soccer Federation an interim offer that match payments not be greater than last year for the 2000/2001 NSL season. The more detailed offer would be sent in about six weeks time.

### **30 JUNE 2000 - LETTER FROM COUNCIL TO SOCCER FEDERATION**

On 30 June 2000, the Council wrote to the Soccer Federation about issues relating to the lease. The Council required further information in order to consider the Soccer Federation's request for the Council's consent to the assignment of the Soccer Federation's lease to the Government. The Council requested that the Soccer Federation inform the Council of its intentions with regard to the substantial area of the site not covered by the existing lease.

## **1 AUGUST 2000 - NOTICE OF DEFAULT FOR UNPAID WATER**

The Soccer Federation was sent a notice of default dated 1 August 2000 by the Council demanding payment of unpaid water charges of \$9,211.90. Those charges were then paid.

## **10 AUGUST 2000 - CABINET COMMITTEE MEETING**

The Cabinet Committee met on 10 August 2000 to consider a revised offer to the Soccer Federation. The proposal differed from the last offer considered. Minister Evans now proposed that the management of the stadium be assigned to Government rather than be undertaken by a committee within the Soccer Federation's constitutional structure. A Ministerial advisory body would have oversight of the management. The day to day operations would be contracted out to an organisation with facility management experience.

It was noted that agreement still needed to be secured with Adelaide City to play its NSL matches at Hindmarsh Stadium.

The Committee suggested changes to the letter and resolved that it be sent to the Soccer Federation and a reply sought within 7 days.

The Cabinet Committee did not meet again.

## **11 AUGUST 2000 - MINISTER EVANS' FINAL OFFER TO THE SOCCER FEDERATION**

On 11 August 2000, Minister Evans sent Mr Avory, Chairman of the Soccer Federation the letter of offer approved by the Cabinet Committee. Broadly, the proposal was for the Soccer Federation to grant all rights to manage the stadium to the Government, during which period the Government would suspend operation of the Soccer Federation's obligations under the Funding and Fit Out Guarantee Deeds.

Acceptance was sought by 18 August 2000, failing which Minister Evans would take steps to enforce the Funding Deed.

The Soccer Federation made a counter-offer by letter dated 18 August 2000. The Soccer Federation proposed a number of variations as well as seeking \$1 million as compensation for goodwill and loss of commercial opportunities from transferring management of the stadium to the Government.

Minister Evans responded by letter dated 21 August 2000. He rejected the claim for \$1 million compensation and gave the Soccer Federation a further deadline of 23 August 2000 before he would take steps to enforce the Funding Deed.

Mr Avory responded by another lengthy letter on 22 August 2000. He sought a time to negotiate the outstanding issues to the satisfaction of all concerned. In response to the Minister's statement that he would enforce the Funding Deed, he said that then the Soccer Federation would reinstate the levy and insist that Adelaide City comply with the Licence Agreement.

## **25 AUGUST 2000 - CAVEAT OVER 1996 LEASE**

On 25 August 2000, the Treasurer lodged a caveat over the Soccer Federation's lease from the Council claiming an estate or interest as mortgagee pursuant to the clause in the Funding Deed containing the Soccer Federation's promise to grant a mortgage to the Treasurer, if requested.

## **31 AUGUST 2000 - MINISTER EVANS' MEETING WITH THE SOCCER FEDERATION**

Minister Evans met with the Board of Commissioners of the Soccer Federation on Sunday 27 August 2000 in an effort to resolve the outstanding issues for the transfer of management of the stadium to the Government. No agreement was reached on outstanding issues including the Soccer Federation's demand for compensation.

On 31 August 2000, Mr Avory wrote to the Minister again seeking the Minister's urgent attention. He complained that the Soccer Federation was frustrated by the lack of progress made due to the bureaucratic and indecisive approach by the Minister's office. He also pointed out that the unresolved issue with Adelaide City's tenancy was becoming pressing given the forthcoming NSL season.



## **CHAPTER 16 - FROM SEPTEMBER 2000**

### **6 SEPTEMBER 2000 - SOCCER FEDERATION REQUEST FOR PREMIER'S INTERVENTION**

Mr Avory wrote to Premier Olsen on 6 September 2000 requesting his intervention and involvement in meetings with all parties to resolve issues before the start of the new NSL season. Minister Evans and the Soccer Federation had reached an impasse over the Soccer Federation's claims for compensation in return for transferring management of the stadium to the Government. Negotiations with Adelaide City over its relocation to Rams Park had broken down over its claims for compensation for being relocated during the Olympic Tournament.

### **8 SEPTEMBER 2000 - REVISED PROPOSALS FOR THE SOCCER FEDERATION**

Following meetings between representatives of the Department of Premier and Cabinet and the Office for Recreation and Sport and the Soccer Federation held earlier in the week, Mr Fletcher of the Office for Recreation and Sport sent a "without prejudice" letter to the Soccer Federation on 8 September 2000. His letter proposed arrangements for two years to 30 June 2002 additional to Minister Evans' offer of 11 August 2000. For the first time, the proposed offer included compensation of \$250,000 stated to be in response to the Soccer Federation's claim for costs incurred in operating the new stadium.

Mr Avory wrote an emotive letter dated 11 September 2000 objecting to the proposal. Mr Fletcher reiterated the Government's offer of 8 September 2000 by letter dated 15 September and asked the Soccer Federation to reconsider its position. The Soccer Federation was intractable. Mr Avory's response on 18 September 2000 was that the outstanding issues required further negotiation.

### **SEPTEMBER 2000 - DEPUTY PREMIER KERIN'S ASSUMPTION OF RESPONSIBILITY FOR HINDMARSH STADIUM**

At Premier Olsen's direction, Deputy Premier Kerin assumed responsibility for resolving the difficult issues concerning ownership and management of Hindmarsh Stadium. Minister Evans has submitted to this Examination that the firmness of his resolve in dealing with the Soccer Federation may well have been the principal factor for him being relieved of responsibility for the stadium. He says that it was well known by early 2000, that relations between him and the Soccer Federation were strained, adding to his difficulties in negotiating a resolution of the outstanding issues of ownership and management.

Government representatives continued negotiations with the Soccer Federation, Adelaide City and the Council in an attempt to resolve ownership and management of the stadium.

## **13-30 SEPTEMBER 2000 - STAGING OF OLYMPIC MATCHES**

The 2000 Olympic Soccer Tournament was staged in Australia between 13 and 30 September 2000. Seven matches were played at Hindmarsh Stadium.

The stadium's seating capacity as finally configured was 18,066, comprising 14,623 permanent seats.<sup>278</sup> 3,395 temporary seats were erected at a final cost of \$598,202. 17 of the 21 available corporate suites provided 312 seats. The remaining four were used for SOCOG administration and media operations. Two suites were used by SOCOG (30 seats) and two by the Government (75 seats).

Two areas were put aside for non-ticketed seating: 80 seats as the Olympic Family Stand of Honour and 248 seats for the media and press.

Ticket revenue for the Tournament was \$1.254 million. Total revenue of \$1.793 million. Total expenses were \$7.499 million. The net cost to the State of hosting the Tournament was \$5.706 million.

## **20 NOVEMBER 2000 - FURTHER LETTER FROM COUNCIL**

On 20 November 2000, the Council sent the Soccer Federation a further letter addressing the key issues of lease area, building maintenance and site management for the Soccer Federation's lease of that part of the site on which the stadium is built.

Representatives of the Council and the Soccer Federation met subsequently on 29 November 1999 to discuss these issues. Mr Farrugia of the Soccer Federation informed representatives of the Council that the Soccer Federation intended that once an agreement had been finalised with the Government, the Government would pay for all expenses relating to the use of the stadium from 1 October 2000, including the water rates.

## **11 DECEMBER 2000 - PUBLIC ANNOUNCEMENT OF ADELAIDE CITY PLAN TO PURCHASE RAMS PARK**

On 11 December 2000, Adelaide City announced that its members had voted unanimously at a special general meeting to purchase Rams Park and look to playing all its NSL games there on Friday nights instead of Saturdays.

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<sup>278</sup> The stadium as constructed has 15,055 permanent seats. 432 seats were removed to accommodate camera platforms or press tribunes.

## **11 DECEMBER 2000 - CABINET APPROVAL FOR RESOLUTION OF OWNERSHIP AND MANAGEMENT**

On 11 December 2000, Cabinet approved a further approach to resolution of the ownership and management of the stadium. Approval was given to separate agreements between the Government and the Soccer Federation and Adelaide City that had been negotiated by Deputy Premier Kerin. The terms of the agreements reached were set out in draft letters to each of the Soccer Federation and Adelaide City that were attached to the Cabinet submission.

The key elements of the approved agreements were:

- The Government would take over management of the stadium but the Soccer Federation would continue to lease the stadium from the Council.
- The Government would continue not to require the Soccer Federation or Adelaide City to contribute to the funding of the redevelopment of the stadium. Loan repayments to be a debt to be off set against revenue from the operation of the stadium.
- Adelaide City must continue to play all its NSL games at the stadium.
- The Soccer Federation's allocation of free seats and corporate boxes would be reduced.
- The Soccer Federation would be allowed to nominate two members of the management body, but one must not be a member of the Soccer Federation Board of Commissioners or any of its constituent clubs or any of its affiliates.
- The Soccer Federation would have use of the stadium for 30 soccer related events each year. It would pay the marginal cost of opening the stadium for those events but otherwise will enjoy that use for free.
- The Soccer Federation would provide the mortgage of the lease it was already obliged to provide.
- As compensation for the disruption caused by the redevelopment of the stadium, the Government would pay the Soccer Federation \$599,000.
- The Government would offer Adelaide City a once off payment of \$354,000 for previous expenditure at the stadium.
- For trading losses suffered during the Olympics, the Government would pay the Soccer Federation and Adelaide City \$16,000 each.

## **21 DECEMBER 2000 – ESTABLISHMENT OF OFFICE OF VENUE MANAGEMENT**

On 21 December 2000, a new administrative unit was established and named the "*Office of Venue Management*".

### **3 JANUARY 2001 - NOTICE FROM COUNCIL NOT TO USE CERTAIN AREAS**

By letter dated 3 January 2001, the Council notified the Soccer Federation that it was not to use areas on which the stadium was sited that were not part of its lease without the prior written approval of the Council. At the date of that letter, the Council had not received any request from the Soccer Federation to use the unleased areas.

### **22 JANUARY 2001 - REQUEST FOR PAYMENT OF UNPAID WATER CHARGES**

By fax dated 22 January 2001, the Council requested payment of unpaid water charges of \$13,349.25. Those charges have since been paid.

### **29 MARCH 2001 - EXECUTION OF AGREEMENTS APPROVED ON 11 DECEMBER 2001**

Deeds reflecting the Cabinet decision of 11 December 2000 were prepared by the Crown Solicitor's Office and agreed with the Soccer Federation and Adelaide City. The deeds dated 29 March 2001 were signed by the Soccer Federation, Adelaide City and the Government.

Under the Deed between the Government and the Soccer Federation, the Soccer Federation, among other obligations:

- warranted that it was not in breach of the lease and undertook to provide to the Government a letter from the Council confirming that it was not in breach of the lease, within six months of being requested to do so; and
- undertook to execute in favour of the Treasurer, a mortgage over the lease and within six months of a request from the Government obtain the consent of the Council to the mortgage.

The Deed between the Soccer Federation and the Government was also subject to certain conditions precedent including:

- that Adelaide City enter into a binding commitment to play all its NSL matches at Hindmarsh Stadium at least until 30 June 2001; and
- that the Minister for Recreation, Sport and Racing be satisfied that the Soccer Federation has procured a letter from Soccer Australia to the Soccer Federation and the Minister undertaking that all matches (including NSL and international matches) played under its auspices in South Australia will be played at Hindmarsh Stadium for a period of 20 years.

### **30 APRIL 2001 - CABINET DECISION TO PURCHASE HINDMARSH STADIUM**

After Cabinet approved the agreement with the Soccer Federation on 11 December 2000, the Soccer Federation and the Government sought the Council's consent to a mortgage of the lease. However, on at least five occasions, the Council refused to consider this request without revisiting the lease and the "unleased" portions of land which comprise the site.

Subsequently, the Chief Executive of the Council approached the Government to ascertain whether the Government was interested in purchasing Hindmarsh Stadium.

On 30 April 2001, Deputy Premier Kerin sought and obtained Cabinet approval to purchase the stadium for up to \$1.7 million. The approval acknowledged that the purchase would be subject to the lease to the Soccer Federation and a licence agreement over part of the land to the Hindmarsh Historical Society and the issue of Trust Grants for open space purposes in the name of the Council over three blocks of land which comprised the former Croydon West School.

### **SEPTEMBER 2001 - NEGOTIATION OF PURCHASE CONTRACT**

After the Cabinet decision made on 30 April 2001, the Government commenced negotiations with the Council for the purchase of Hindmarsh Stadium. The negotiations have been successful in that an in principle agreement has been reached between the Government and the Council for the purchase of the stadium for \$1.7 million and the Trust Grants over the Croydon West School land. As at 3 September 2001, solicitors for the Government and the Council were negotiating the formal terms of the legal documents necessary to give effect to the sale.

