Towards a New Convention & Exhibition Centre Project for New South Wales

A Report to the Leader of the NSW Opposition
Acknowledgements

We would like to thank the following people and organisations for their generous contributions and support to this panel. They are:

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About the Panel

The Hon. Warwick Smith - Panel Chair
Chairman NSW & ACT
ANZ

Warwick Smith is the NSW and ACT Chairman of ANZ Bank.

Prior to joining ANZ, Warwick was an Executive Director of Macquarie Bank where he chaired the Bank’s telecommunications, media, entertainment and technology (TMET) Group and served as the global head of corporate communications. Following a legal career in Tasmania, Warwick spent 15 years in Federal Parliament and served in the Cabinet as the Minister for Family Services, Sport, Territories and Local Government, and Minister Assisting the Prime Minister for the Sydney 2000 Olympics.

Warwick is also Chairman of the Advisory Board of Australian Capital Equity Pty Ltd (ACE), the private holding company of Seven Group Holdings Ltd and is Chairman of E*TRADE Limited. Warwick serves as the Deputy Chair of the Asia Society of Australia, is the inaugural Australian Business Member for BOAO Forum for Asia. Warwick previously served as Australia’s first Telecommunications Ombudsman, as National President of the Australia China Business Council and Chairman of The Global Foundation.

Penny Bingham-Hall
Chair
Advocacy Services Australia

Penny Bingham-Hall was appointed inaugural Chairman of Advocacy Services Australia on 30 May 2008 after 8 years as a director of the Tourism and Transport Forum and 2 years on the board of Infrastructure Partnerships Australia.

Prior to her retirement from the Leighton Group in December 2009, Penny was Executive General Manager, Strategy at Leighton Holdings and played a pivotal role in the Group’s expansion over recent years both in Australia and offshore. This expansion included acquisitions in residential property as well as the Middle East and organic growth of mining operations into Mongolia and India. She has over 20 years experience in procuring major infrastructure projects in Australia and Asia and was part of the winning bid teams for Sydney’s Star City Casino development and the Eastern Distributor motorway. Penny also headed up Leighton Holdings Corporate Affairs team for 10 years and was responsible for government, media and investor relations.

Penny is a Fellow of the Australian Institute of Company Directors; a Member of the Financial Services Institute of Australia and a Director of the Global Foundation.
Bruce McKenzie

Chief Operating Officer - Australasia
InterContinental Hotels Group

Based in Australia since January 2009, Bruce oversees the operations of IHG-managed, owned and franchised hotels across Australasia.

Bruce joined IHG as the Regional Senior Vice President, Operations for Greater China in 2004. In that role, Bruce led the China Operations team in driving successful business performance across the expanding hotel portfolio, which grew by more than 70 hotels during his tenure. Bruce was the recipient of the Outstanding Multi Unit Leadership Award at IHG’s 2007 Asia Pacific Leadership Conference. He was also named on the Top 10 Hoteliers list in China by China Tourism Hotel Association in 2008.

A chartered accountant by profession, Bruce has more than 25 years of experience across three global hotel groups. Prior to joining IHG, he served as Director of Operations for Mirvac Hotels Pty Ltd, Vice President Asia Pacific for Choice Hotels International, and Managing Director, Indonesia for Starwood Hotels and Resorts.
Dear Mr O’Farrell,

We appreciate the opportunity to review and consult with industry on your plan for new convention facilities in Sydney.

In particular, we note the NSW Liberals & Nationals’ five point plan to restore productivity growth in New South Wales. We believe your commitment to a new convention and exhibition facility accords with these principles and would represent an important addition to the State’s productive infrastructure base.

As requested, our panel has met several times with industry and some government leaders to inquire into the options that are available to you; and to make recommendations about further refinements that will make this project the most suitable to achieve the State’s aims.

Our principal finding is that the case for the proposed investment in new convention space in Sydney is compelling and in the best interests of the State, and that it should be progressed with appropriate vigour, if you are elected in March.

We believe that the State should pursue a new facility that is of a global standard, equipping New South Wales to be a world leader in business events.

This project is not only about competing with Melbourne or other Australian cities – it’s about equipping Sydney to regain its rightful place as Australia’s global city – competing for lucrative, high yield international events against regional centres like Shanghai, Kuala Lumpur and Singapore.

For this reason, we confirm that Darling Harbour is the best site. Darling Harbour is an existing tourism precinct which offers the greatest opportunities for integration with the existing facility, proximity to Sydney’s CBD and an integral connection to the Harbour.

To be truly world’s best, a new convention centre in Sydney needs to have easy access to Sydney Harbour, Chinatown and the Central Business District. Darling Harbour offers all of these traits.

It is clear that a Public Private Partnership (PPP) represents the best procurement model, because it will deliver cost certainty and allow the best scope for private sector innovation and design excellence.

The use of a Public Private Partnership will also allow the State to maximise the potential for complementary revenue streams from the project, through commercial aspects like a major new hotel, retail space and car parking. Maximising these opportunities offers an important opportunity to reduce the overall cost to the State.

We also believe that the public sector needs to retain control of bookings, managing demand for the existing and new facilities, and also ensuring appropriate use of Sydney Olympic Park and other facilities – particularly for domestic exhibitions.
It is not in the public interest to have these facilities – some public and some private – competing against one another without a uniting strategy. Retaining public control over bookings and use of the facilities will allow for the development of a cogent hierarchy to be developed, maximising the wider economic return and efficiencies available to the State – and allowing the new facility to be principally employed for high yield, global events.

The success of this project will be an important step in restoring integrity to New South Wales’ infrastructure programme – and for that reason, we believe that a small, dedicated public sector body should be established to oversee the inception and delivery of this important project.

We note you have committed to the formation of Infrastructure NSW, and believe that in due course, this authority or agency would become part of this new body.

As you are aware, the NSW Government has now echoed your intent to deliver a new convention centre at Darling Harbour. We believe that Labor’s commitment further confirms the direction, aspiration and commitment the Shadow Cabinet has made to a new facility.

We can confirm there is a deep and genuine appetite from the private sector to invest and operate this project – and advise that you should have confidence in bringing it to market promptly, once necessary project definition has taken place, if you are elected in March.

In summation, we commend you on your excellent policy commitment to restoring growth and integrity to New South Wales and believe that this project will be an important step in achieving these aims.

Yours faithfully,

The Hon Warwick Smith AM
Panel Chairman
Chairman NSW & ACT ANZ

Ms Penny Bingham-Hall
Chairman
Advocacy Services Australia

Mr Bruce McKenzie
Chief Operating Officer
InterContinental Hotels Group
1. Recommendations

1. A new convention centre should be brought to market within six months of obtaining government, allowing a new facility to be commissioned by 2015.

2. The new convention centre should be truly world class, allowing New South Wales to compete against global cities for lucrative international business events.

3. This project should be located at Darling Harbour and involve the largest possible site identified in the pre-feasibility study – replacing the existing Sydney Entertainment Centre and Entertainment Centre Car Park.

4. The development of at least one new premium hotel should be a key output of the project.

5. Another key output of the project should be a new facility to replace the outdated Sydney Entertainment Centre, with capacity for at least 10,000 people. This new, multi-function facility should be integrated to the convention facility and hotel – providing a new, premium concert and entertainment venue for Sydney.

6. The project should be managed in the early stages by a small, professional and dedicated public sector agency, team or unit. This agency would likely, in due course, be absorbed into Infrastructure NSW.

7. This agency should be armed with appropriate planning and other powers to ensure the timely procurement and delivery of the project.

8. Planning risk should not be transferred to the private sector, but should be managed by this agency.

9. A period of six months from April 2011 should be dedicated to project definition and further market sounding – allowing for the best possible value for money to taxpayers and a clear EOI document that can clearly articulate the desired outcomes.

10. This project should be delivered under a Public Private Partnership model, like the extremely successful Melbourne Convention & Exhibition Centre project.

11. The Government should retain control over bookings and uses of the new and existing facilities, allowing for a joined up approach to business events in Sydney.

12. The PPP should be based around an availability payment – with appropriate upside opportunities from related development.

13. The project definition and bid phase should be flexible and encourage the private sector to be innovative about additional revenue streams that can be used to lower the overall cost of the project, including car parking, at least one new premium hotel and complementary retail development.

14. The project should be brought forward in the context of a uniting precinct plan that considers adjacent developments and opportunities from projects including Barangaroo, the existing convention facilities, Darling Harbour and the precinct through to Broadway.
Business events are a key driver of the New South Wales economy. Business events contribute more than $7 billion to the State’s economy each year.

Our interviews with industry and public sector leaders confirm the view that without new investment, the ability of New South Wales to maintain and expand its share and value of regional and global events will decline. Simply put, New South Wales no longer has the quality convention and exhibition facilities that are required to compete with other cities in the Asia Pacific and across the globe.

Through our consultations, we have identified a range of reasons why New South Wales has suffered an accelerating decline in business events.

They include:

- The current facilities are tired and ageing;
- The current facilities have design flaws which lower the efficiency and flexibility for different types of business events; and
- New state of the art facilities in regional centres like Singapore and Kuala Lumpur are increasing global competition.

The lack of investment in new, state of the art facilities has seen New South Wales lose more than 220 business events to domestic competitors, draining $65 million or more each year from Gross State Product. But it is the dwindling of the State’s share of high yield international business events that is the cause for greatest concern – potentially costing the State $3.4 billion in lost earnings to 2040.

Our interviews and industry workshops have also pointed to a range of other supply side considerations that have been identified as contributing to the State’s declining share of business events. These include a lack of 4 and 5 star hotel accommodation; as well as the shortfalls of the Sydney Entertainment Centre as an entertainment venue – and its ability to complement and provide a flexible venue for business events.

For these reasons and others besides, the principal recommendation of this paper is that the NSW Liberals and Nationals proceed with the delivery of a new, world class convention and exhibition centre to restore the State’s competitiveness in world events.

This document also makes other recommendations and refinements for your consideration. These are largely concerned with matters of context and overarching strategy – as well as the procurement process and project definition.
3. Sydney now requires a new convention facility

It is almost 23 years since the Sydney Convention and Exhibition Centre opened in Darling Harbour in advance of Australia’s Bicentenary. When it opened, this $287 million facility was state of the art; but in the intervening years domestic and regional competitors have delivered newer facilities which exceed the capacities of Sydney’s now-ageing centre.

A recent extensive survey of Sydney accommodation owners and operators concluded that:

“Overwhelmingly, stakeholders thought that Sydney convention infrastructure was undersupplied, with current facilities too small and sub-standard - particularly when compared with Melbourne and Asia.”

Meanwhile, Sydney’s global ranking in international conferences went from 4th in the world in 1997 to 27th in the world in 2009.

Between 1999 and 2008, the number of international association conference participants visiting Sydney fell by 16,000 people. This disappointing performance cannot be attributed to national performance, because over the past decade overall international business event visitation to Australia grew more quickly than holiday or other business travel to Australia. In the year ending September 2010, conference and convention visitors to Australia increased by 18%.

Business events provide significant economic benefits which extend across the whole State. Business event visitors stay in hotels, eat in restaurants and typically undertake pre and post event touring in regional New South Wales and indeed – across other states. Typically, business event participants will intend to return for a leisure trip within five years of their visit for a business event.

Industry and public sector leaders interviewed in the context of this report confirm the view that increased international competition is reducing New South Wales’ share of lucrative international business events. This increased competition and reduction in economic activity means that doing nothing is no longer an option.

“I is the primary objective a world class convention centre? If so, let’s get on and do it.”

Industry consultation transcript, Sydney, 29 November 2010

“Melbourne should be the leader for domestic events; with this project, Sydney has the opportunity to be Australia’s global competitor.”

Industry consultation transcript, Sydney, 29 November 2010

1 Source: Jones, Lang LaSalle Hotels (2010), ‘Sydney Accommodation Supply and Demand Study to 2020 for Tourism NSW’, Part 2 - Executive Summary page 2. The quote references the results from survey responses from 47 investor and corporate tourist accommodation operator contacts, representing nearly 10,000 rooms or around 30% of Sydney’s tourist accommodation stock.

2 ICCA data.

3 IVS data analysis by Decisive Consulting Pty Ltd and Business Event Australia report by Tourism Australia.
Sydney’s problem is not domestic competition. Even before the 2009 opening of new Melbourne facilities, the Sydney Harbour Foreshore Authority estimated that the economic contribution from the Sydney Convention and Exhibition Centre (SCEC) declined from $478 million in 2006/07 to $474 million in 2007/08; and again declined to $466 million in 2008/09.  

Sydney’s existing convention facility is 30 per cent smaller than both Singapore’s SUNTEC facility and Hong Kong’s CEC. It is 70 per cent smaller than the Kuala Lumpur Convention Centre. These new, state of the art regional facilities now provide the type of versatile, multi-functional spaces that can be used to convene and simultaneously host a wide range of business events.

Under a do nothing scenario, New South Wales will imperil potential wider economic benefit increases of between $160 and $270 million per annum. That means that over the next 30 years, New South Wales will miss out on between $2 billion and $3.4 billion in current dollars, unless a new facility is developed.

These estimates are supported by the experience of the Melbourne Convention Centre’s redevelopment, which has driven additional economic activity of around $200 million per year, equating to $5 billion over the coming 25 years. This development was estimated to create 2,500 ongoing jobs, after 1,800 jobs were created during the construction phase.

Deloitte estimated that a $500 million investment in new convention and exhibition facilities in Sydney would produce a return on investment to the State of 41 per cent over the 30 year life of a new facility.

Our consultation with tourism and events leaders confirms the view that new investment is required as a priority.

Industry was also of the view that a new Sydney convention centre should be aimed at the lucrative international events market – rather than domestic business events. To achieve this aim, the facility must be globally competitive and amongst the world’s best. After all, this investment is not intended to compete with Melbourne, Brisbane or Adelaide – although this will undeniably occur – but rather to equip Sydney to better compete with Shanghai, Kuala Lumpur and Singapore – ensuring Sydney regains its position as one of the world’s leading destinations for business events - and business investment.

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5 PwC (2010), ibid, page 12.
6 PwC (2010), ibid, page 22. This calculation inevitably depends on a number of assumptions. One critical assumption is that Sydney’s loss of market share under a do-nothing option is slow, rather than sudden.
7 PwC (2010), ibid, page 23. Similarly the Perth Convention Centre’s economic benefits were estimated at $2.2 billion over the life of the centre.
4. A new convention centre should be multi functional... and include a hotel

According to our inquiries and our consultations with industry, key competitive disadvantages facing the current Sydney facility include:

- Inadequate exhibition space for some major domestic consumer and trade exhibitions and some international conventions;
- Inadequate space for larger international conventions;
- Lack of flexibility in the size of rooms as event organisers increasingly demand flexible and functional exhibition space and a mix of plenary, breakout and exhibition space;
- Inadequate IT quality, especially audio-visual;
- Limited kitchen capacity; and
- Ageing facilities, which are less visually appealing to event planners and which require high maintenance expenditures.9

On top of this, there is an increasing recognition of the benefits that are delivered when a convention centre is linked to a much larger auditorium that can host major events and larger plenary and dinner sessions. With the recent availability of the Entertainment Centre site for redevelopment, there is now a significant opportunity to deliver a high capacity, modern auditorium linked directly to the core of the upgraded convention and exhibition centre.

We therefore advise that the best option to ensure a world class convention facility for Sydney will involve the demolition of the existing Sydney Entertainment Centre and its replacement with a large multi-function facility with capacity for at least 10,000 people. The new facility would be integrally linked to the new convention facility – offering all the facilities currently provided by the Sydney Entertainment Centre – but with a range of other potential uses as well.

PricewaterhouseCoopers concluded after reviewing world class facilities offshore that there does not appear to be any particular mix of types of space that define a world class event facility. Rather, best practice is to provide flexible, multi-function spaces that can be divided or combined to suit a range of events and host a number of events simultaneously. Key inclusions of world class facilities include ballrooms, theatres, meeting rooms, restaurants and hotels.10

It is therefore of singular importance that a new convention centre also features an integrated hotel development. The development of events facilities in Melbourne has been strongly supported by the opening of new hotels in this precinct. The new Melbourne Hilton was integrated in the upgraded centre and introduced 396 new rooms to Melbourne. In addition, further hotel capacity including the Crown Metropol with 600 rooms has been added in this precinct, prompted by the additional business produced by the upgraded events centre.

Extensive research by Jones Lang LaSalle Hotels for the 2010 Sydney Accommodation

10 PwC (2010), ibid, page 17.
Industry consultation transcript, Sydney, 29 November 2010

“If there’s an opportunity to get more hotel rooms into Sydney, then this project is it.”

The PwC report recommends at least 200 rooms, but it should be as large as possible. The market is the way to determine the size.”

Industry consultation transcript, Sydney, 29 November 2010

Needs Study highlighted that:

- Inner Sydney faces a shortage of 942 hotel rooms by 2016, even in the absence of an upgraded events facility and with peak months of the year featuring significant turned away business; and

- Within city centres, non-tourism related uses are in most instances the highest and best use of land. Some exceptions include land near convention centres or casinos.

Jones Lang LaSalle Hotels concluded that the NSW Government needs to recognise that hotels are a necessary part of infrastructure to support long-term economic growth. However, as they typically service demand (not generate it), new hotel development will often only occur through effective planning. This conclusion was reinforced by a study by JBA Urban Planning Consultants of use of the planning system to encourage hotel development in Sydney, which emphasised the desirability of floor space ratio concessions to encourage hotel development in central Sydney.

The recent release of Tourism Australia targets for tourism in 2020, highlight the need for significant hotel development in the near term. Tourism Australia predicted a need for between 40,000 (an 18% increase) and 70,000 (31%) new hotel rooms in Australia by 2020, if the tourism target is to be achieved. Between June 2005 and June 2010, only 13,000 rooms were added across Australia (an 8% increase), with only 1,300 of these rooms added in Sydney (a 7% increase).

The overwhelming response from industry was that new hotel capacity is required in and around the Darling Harbour area, with some 1000 – 2000 beds indicated as the requirement for Sydney over the decade. It would be desirable to ensure that a large proportion of this new capacity is delivered in and around the Darling Harbour precinct. It is important to note that this capacity need not be part of the site – with much taken up in adjacent areas, but that a ‘Headquarters’ hotel of at least 200 rooms – is a required attribute and should be a key project outcome. The ultimate size of the premium Headquarters hotel should be left to the market to determine, with a preference for a larger hotel. Consideration should also be given to other sites that could be made available for complementary hotel developments, although these should be separate to this project, but form part of a joined up strategy for the precinct.

Obviously, there are significant efficiencies to be garnered from the co-location of a hotel, including the capacity for significant shared facilities, including kitchens, ballrooms and the like.

Industry pointed to the adjacent development of a hotel at Barangaroo South as a desirable outcome which reinforced the need for a precinct-wide strategy; but industry also believes that the size and scale of the hotel within the convention centre project should be as ‘large as is possible’. The industry consultations also suggested that the size of the hotel should, as far as is possible, be left to the market to determine during the procurement process.

The process of consultation has confirmed the findings of the PwC report and recommends the second, larger option. This ‘L’ shaped configuration would include the sites of the existing Sydney Entertainment Centre and the

12 JBA Urban Planning Consultants (2010), ‘Hotel development in Sydney CBD – use of the planning system to encourage hotel development’.
5. The convention centre should be located at Darling Harbour

Industry agreed with the PwC pre feasibility study that the most appropriate place for high yielding international conferences and exhibitions in Sydney is the South Darling Harbour site. This view is based on a range of reasons including its proximity to the CBD, the potential for Harbour and city views and its ability for the convention centre project to be integrated with other projects in adjacent areas – offering the opportunity for a precinct-wide strategy.

The South Darling Harbour site for the upgraded facility offers significant location advantages. This site is favoured by its proximity to the $860 million redevelopment of the Star City casino, the $560 million redevelopment of Darling Walk for commercial and leisure space, the $150 million UTS Business School and the Barangaroo precinct. Most importantly, Darling Harbour already has visitor facilities that attract 27 million visitors each year, which supports greater economic benefits to the State from this location for a new major events facility.¹³

For a new Sydney convention centre to be world’s best, it will require flexible space in terms of a plenary hall, break out rooms and large exhibition space that can be flexibly configured. To be truly world class, a new facility will also require state of the art audio visual and acoustic qualities.

The replacement of the ageing Sydney Entertainment Centre therefore offers a range of benefits to the State – both in terms of accommodating global business events, as well as providing a new premium CBD concert venue. Industry believes that to be globally competitive, the facility will require capacity for at least 10,000 patrons.

We are pleased to confirm that there is a very high level of interest from potential investors, constructors and operators for this project to be delivered under a Public Private Partnership (PPP) model.

At our consultation meeting, there were more than 80 participants. We are also aware that a number of very well credentialed and expert consortiums have already been formed by

¹³ PwC (2010), ibid, page 19.
6. The project should be delivered as a Public Private Partnership

industry to bid this project, should the NSW Liberals & Nationals be elected to govern in March 2011.

Victoria’s excellent convention centre has been delivered under a PPP arrangement, with $413 million invested by the private sector. This centre is the heart of a $750 million ‘mixed-use’ precinct which introduced an additional 30,000 square metres of convention centre space, with seating for 5,000 co-located with the existing Melbourne Exhibition Centre facility.¹⁴

The cost of providing a world class convention centre and supporting developments is too large to provide a commercial return from venue hire and catering yields alone. Beyond the revenues earned by the infrastructure, it is the benefits from direct spending by event visitors in other parts of the State’s economy - and the indirect benefits in terms of faster innovation and increased trade for State businesses – which justify a new events precinct for NSW.

As with Melbourne, this project lends itself to delivery as a PPP for a range of reasons. These include:

• Cost certainty for taxpayers;
• The enormous scope for design excellence and innovation;
• Value for money and cost savings;
• Whole of life asset management;
• The increased likelihood for early or on-time delivery by the private sector, compared to the likelihood of late delivery under traditional delivery models;
• The delivery of a better facility and better services; and
• The transfer of project and operating risks away from taxpayers.

While we recommend that a new convention centre should be funded, operated and maintained by the private sector, there are a range of reasons why the NSW Government should retain booking control over the centre.

A compelling reason is the need to integrate the management of events for the new facility with the existing Sydney Convention & Exhibition Centre. Obviously, it is not in the public interest that two co-located facilities, one publicly owned and one privately owned, are competing against one another. If New South Wales is truly going to compete for global (as

opposed to domestic events, there needs to be a hierarchy of bookings to ensure that much higher yield international events are not ‘crowded out’ by relatively low yield domestic events at the new facility; and that other facilities including the existing SCEC and Sydney Olympic Park are utilised on a best for event basis.

Therefore, an availability based PPP model, as used for the Melbourne facility, represents the most appropriate approach. Under this approach, the public sector can retain control over the use of the facility; while the private sector is responsible for the new centre’s operation, maintenance and importantly, its ongoing renewal.

However, consideration must be given to areas where additional revenue streams can be developed to reduce the burden on taxpayers – and the opportunity costs. The overall cost to government will be significantly reduced if the public sector is flexible in its approach to additional revenue streams.

These opportunities should be explored through further industry consultation in the project definition stage and should be included in the project EOI as appropriate.

“Demand management and bookings need to stay with the Government so they can allow for the best allocation of the best events.”

Industry consultation transcript, Sydney, 29 November 2010

“At the moment, international events are crowded out by regular low return domestic bookings. We need to settle on what this new centre is for, and if it is for international events, let’s make sure we’re getting international events... as well as major Australian ones.”

Industry consultation transcript, Sydney, 29 November 2010

“An availability based PPP is the most appropriate model for this project, but let’s also look at where there are opportunities for economic PPPs or where elements of demand risk can be introduced outside of the bookings, for things like car parking, retail space and hotel accommodation.”

Industry consultation transcript, Sydney, 29 November 2010
7. The project should start as soon as practicable... but let’s get the parameters right

“The best way to achieve an excellent outcome is to ask for the right output.”
Industry consultation transcript, Sydney, 29 November 2010

“Preconceived constraints might turn out to not be real constraints... with a bit of extra time to consult, define and scope the project.”
Industry consultation transcript, Sydney, 29 November 2010

“The best way to achieve an excellent outcome is to ask for the right output.”
Industry consultation transcript, Sydney, 29 November 2010

Early action by an incoming NSW Coalition Government is essential to reverse the leakage of business events from NSW. The long lead times for bidding for key business and other events means that a priority to deliver upgraded facilities will allow more competitive bids by Sydney. A prompt process to bring the project to market will also mean the facility can be commissioned in 2015.

However, industry were united in the view that an additional period of time to further consult and refine the project’s definition would give both the public and private sectors greater certainty about the outcomes that are to be achieved as part of this project. Further development of a functionality brief is required to determine the optimum operational needs of the venue. Further definitions are required around areas like the allowable height of development at the site; as well as allowable floor space ratios and the like.

It is therefore our view that the timeline in PwC’s pre-feasibility study should include an additional project definition and inception stage of around six months from April 2011. This will still allow the project to be brought online by 2015; but will ensure that the State is getting the right project, with the best possible economic returns at optimal value for money.

The lack of certainty around major projects in New South Wales has undoubtedly impacted on the confidence of business in contracting with the State.

8. The State should consider a dedicated delivery team to manage the project

“When the original convention centre was built, there was the Darling Harbour Authority and no planning risk.”
Industry consultation transcript, Sydney, 29 November 2010

The recent history of planned major projects including Sydney’s desalination plant – whose procurement was cancelled and then reinstated; the North West Metro - which was cancelled during the planning phase; the contracting out of Sydney Ferries – which was abandoned during the contract process, in spite of clear value for money gains under the reform model; and of course, the CBD Metro which was cancelled during a competitive bid phase, at huge cost to the public and private sectors; all mean that the convention centre project is an excellent opportunity to begin to restore confidence and integrity to the State’s capital programme.

The challenging pathway of the Barangaroo South development – with court challenges, local protest groups and planning risk on the private sector proponent – also means that a greater degree of certainty will be important to advance the new convention centre.

For that reason, it is important the project is delivered well – with a strong procurement process and a deep level of expertise on the government side of the table, providing for an informed and confident client to deal with the private sector.
We note the commitment to form Infrastructure NSW in Government. We also note that when fully operational, that body would provide the most appropriate forum for this project’s delivery. However, this project will be entering the market when Infrastructure NSW is only newly formed and will likely face a multiplicity of issues that absorb its focus.

It is therefore the recommendation of this paper that a small, expert procurement and planning body be established on obtaining government to have carriage of this project. We envisage that this body would contain some of the State’s most experienced procurement and planning experts – with appropriate private sector expertise contracted to it. We believe this small, highly skilled and single purpose body could be absorbed into Infrastructure NSW in due course.

Significant project execution and management skills are already available in agencies like the Department of Premier & Cabinet, NSW Treasury, the Department of Planning, the Coordinator General’s Office and the former Sydney Harbour Foreshore Authority.

This body would provide valuable advice to the Government in structuring the project, including considerations like the scope, scale and timing of the project; the linkages of the site with other developments and hotels including Barangaroo, CBD and UTS; the potential to include additional commercial revenue streams through complementary development; and clarification of the desirability of the role of operators or shadow operators in the procurement phase of the project for the convention centre and/or the hotel component.

We do not envisage that the dedicated body would require new staff, but would simply second existing public sector expertise and contract relevant private sector advisory skills; and last only as long as the project’s inception and approval.

Whatever its location within government, the body is desirable to drive the project through to its logical conclusion with appropriate efficiency. The sound execution of this project will be a critical step in rebuilding confidence in New South Wales and a small, dedicated body armed with the right powers to undertake the procurement and delivery – in concert with the appropriate departments – is an important signal to the public and private sectors about the requirement and focus that will be placed on this important project.
The Panel acknowledges the generous work of Mr Greg Crone, Managing Director of Crone Partners Architects, for these illustrations and other advice provided to the Panel during our inquiries.