Strategic Business Case Summary: Stadium Australia Redevelopment

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Infrastructure New South Wales

Stadia investment

In November 2017, the Government announced the redevelopment of both the Sydney Football Stadium and Stadium Australia as the next step in its investment in NSW's Stadia Network. This built on the investment made in a new Western Sydney Stadium at Parramatta, which is scheduled to be completed in the first half of 2019.

As part of the November decision, Infrastructure NSW was asked to produce a Final Business Case for the redevelopment of the Sydney Football Stadium and a Strategic Business Case for the redevelopment of Stadium Australia.

A Strategic Business Case is a document which assesses the service need for a proposed investment and demonstrates that a range of options to address the service need have been thoroughly analysed. The key points from the evaluation of the Stadium Australia proposal are summarised in this document.

The Stadium Australia Strategic Business Case

In producing the Strategic Business Case during the period January to March 2018, Infrastructure NSW worked with consultants KPMG and sought advice from independent experts in design, engineering, construction costing and scheduling. The Strategic Business Case was completed in late March 2018 and was the subject of an independent Gate 1 Review in accordance with the NSW Government's Infrastructure Investor Assurance Framework.

The Gate 1 Review was undertaken by external experts in stadium design, construction and operation and overseen independently by NSW Treasury. A Gate 1 Review investigates the readiness to proceed to preparing a Final Business Case for the Project. The Review assessed the robustness and accuracy of the Strategic Business Case and found that in all areas it was satisfactory.

Developing the options

Research and operational experience demonstrate that the fan experience is a key driver of the financial and economic outcomes delivered by major venues and events. While there are many different ways in which people experience a venue, stakeholders at Stadium Australia comment particularly on the lack of proximity to the field of play, and the impact this has on their match day experience and the general atmosphere within the venue.

The Stadium is a key piece of the State's sporting and entertainment infrastructure. It not only delivers significant benefit to the visitor economy in NSW but features in the Government's Greater Parramatta to Sydney Olympic Peninsula (GPOP) area strategies, particularly the Sydney Olympic Park Masterplan and planned transport investment, including light rail and Metro West.

The Government's purpose in redeveloping Stadium Australia, therefore, is to secure its future as a generator of economic activity by reconfiguring the venue for rectangular sports - by reducing the viewing distance to the field of play, thereby addressing one of the Stadium's key shortcomings. The Strategic Business Case examines three options for achieving this outcome. These options deliver a range of improvements and benefits, but the creation of a permanent rectangular stadium is the key feature of each.

The Strategic Business Case analyses three upgrade options for their strategic fit and their economic performance. The initial step was to define The Base Case, or the "do nothing" option. For Stadium

Australia, the base case involves maintaining and operating the existing Stadium in its current form for the next 30 years. This is the benchmark against which the other options have been evaluated. Under the Base Case, there is no interruption to the Stadium's operations.

Option 1 involves remodelling the Stadium to reposition the seats in the lower and middle tiers and the corporate suites. This option emerged from preliminary work undertaken in 2017 which examined the possibility of repositioning seating from various sections of the venue.

Option 1 moves all seating in the current lower and middle tiers of the Stadium. The resulting Stadium contains 70,000 seats, 46,000 of which would be closer to the field of play. At the northern and southern ends of the venue, seating moves forward by an average of 25 metres. The 24,000 seats in the upper tier would be retained for major events. This option is estimated to cost $810m.

Option 2 is to rebuild the stadium with 70,000 seats. The current Stadium would be demolished and replaced with a contemporary design which would allow best practice to be realised in terms of sightlines, proximity to the pitch, amenity and back-of-house facilities. The estimated cost of this option is $1.292 billion.

Option 3 is to rebuild the Stadium with the same range of facilities and features as option 2, but with a capacity of 75,000 seats for a cost of $1.33 billion.

The rebuilding options (Options 2 and 3) are forecast to be completed by September 2023. The refurbishment option (Option 1) is expected to be completed by July 2021. The rebuild options include a period of decommissioning, demolition and construction. The refurbishment option avoids full decommissioning, involves limited demolition and a shorter construction phase.

Evaluating the options

The financial and economic performance of each option was evaluated on the basis of forecasts and assumptions which included the capital cost involved, and the event schedule and attendances each option would attract.

- Capital costs were developed to include escalation and a level of contingency that reflected the risk profile of the project.
- Attendance levels were based on historical data, trends in sporting and entertainment audiences and research on the impact venue redevelopment has on attendance levels.
- Event schedules were forecast, informed primarily by existing commitments and undertakings, but with some additional content that could reasonably be expected in an improved venue
- "Sensitivity tests" were undertaken which analysed the impact on the economic and financial appraisal of changes to key underlying assumptions.

While there are various indicators of a project's worth, not all of them quantifiable, the Benefit Cost Ratios provide decision-makers with a quantified view of the net socio-economic impact of a proposal. It also allows alternative options to be compared.

As the table below makes clear, the three options for upgrading Stadium Australia produced Benefit Cost Ratios in a range between 0.80 and 0.91.

Options analysis summary				
$FY18	**Base Case**	**Option 1: Refurbishment**	**Option 2: Rebuild with 70,000 seats**	**Option 3: Rebuild with 75,000 seats**
Design elements				
Total capacity	83,500	70,000	70,000	75,000
Remaining useful life	30 years	40 years	50 years	50 years
Construction				
Capital expenditure (incl. escalation)	n/a	$810.1m	$1,292m	$1,330m
Duration of construction	n/a	22 months	44 months	44 months
Opening date	n/a	July 2021	Sep 2023	Sep 2023
Demand				
Total annual attendance (average year)	0.95m	1.40m	1.56m	1.58m
Annual event calendar	34-37	45-49	49-51	49-51
Cost-benefit analysis ($m, Incremental NPV, 7% discount rate)				
BCR	-	0.80	0.91	0.89

The Benefit Cost Ratios were particularly sensitive to assumptions about a handful of "blockbuster" fixtures such as the NRL Grand Final and the Bledisloe Cup. The table above shows that the event schedules for the two rebuild options were the same, while the event program for the refurbishment option was reduced.

The Gateway Panel considered that the event assumptions associated with the refurbishment option were overly conservative. On that basis, further analysis was undertaken assuming that that blockbuster fixtures would be retained at Stadium Australia under the both the rebuild and refurbishment options. In this scenario, the Benefit Cost Ratio of the refurbishment option improved and the range of Benefit Cost Ratios becomes narrower – 0.87 to 0.91.

Options analysis summary: with event calendars assumed to be the same			
$FY18	**Option 1: Refurbishment**	**Option 2: Rebuild with 70,000 seats**	**Option 3: Rebuild with 75,000 seats**
BCR	0.87	0.91	0.89

Infrastructure NSW's view

As noted in the data provided above, despite the similarities in their Benefit Cost Ratios, the options vary significantly in terms of their cost and build time. In particular, the refurbishment option is more than $500 million cheaper than the 75,000 seat "knock down and rebuild" option and could be delivered some 24 months earlier.

The next step is for the Government to decide, on the basis of analysis contained in the Strategic Business Case, which of the above options it now wishes to progress for inclusion in a Final Business Case. The Final Business Case should examine in more detail the project's costs, benefits and timeframes, as a basis for final, detailed investment decisions by Government.