

**LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY****WRITTEN QUESTION**

Ms J Carney

to Minister for Infrastructure and Transport

**Darwin City Waterfront - Performance Criteria for Operators**

1. Please detail the performance criteria set for the operators of the Convention Centre.
2. What happens to payments to the operators if these criteria are not met?
3. Will the \$3 million annual payment to the DCEC be paid even if performance measures are not met?
4. For how long is the annual \$3m to be paid to the operators?
5. What does incentivised mean?

**ANSWER**

Q1& 2 Performance criteria apply in four ways:

- (1) To the Concession Holder through asset availability criteria. All major functional spaces must be available for use by the Convention Centre. These are defined in the Concession Deed and if a functional space becomes unavailable due to failure of plant and equipment or other maintenance related causes the Concession Holders Availability payment (the amount of Principal and Interest the Territory repays each quarter) can be abated according to set percentages ranging from 10% to 40% for individual items up to an aggregated abatement of 75%.

A functional space is either available or not available. There is no subjective measure.

- (2) To the Convention Centre Operator through operational KPI's which relate to how well the operator is performing its obligations under the operating agreement. These include provision of reports, compliance with the local industry participation plan, results of Territory audits of the asset management plan, results of Territory audits of the business plan and insolvency.

Failure to meet these KPI's can result in an abatement of the operators fixed fee of between 10% and 100% depending on the particular KPI.

- (3) To the Convention Centre Operator through a bonus scheme for out performance of its KPI's particularly those relating to Operating budgets and numbers of international and national delegates.

- (4) Jointly to the Concession Holder and Convention Centre Operator through a reduction to the Territory incentive payment (TIP). The TIP is based on realising a minimum number of international and national delegates measured against the initial business case.

The TIP represents a portion of the total equity the Concession Holder has invested in the Convention Centre and therefore the expected return on equity plus a portion of the fixed operator fee. Thus if the number of delegates falls below the base case the Concession Holder does not achieve its maximum return and if delegate numbers were to fall to zero, the return to equity is zero.

- Q3 The operating payment (forecast to be \$2.5m in the first stabilised year of operation) is based on actual vs. forecast performance. Therefore the Territory only pays the actual amount of any operating deficit. If the operating performance is better than forecast the Territory operating payment will reduce.

If the performance criteria in relation to delegate numbers falls to less than 40% of the base case in three consecutive delegate years or the operator fails to achieve all of its operating KPI's in any one delegate year the Territory may request and the Concession Holder must replace the operator on the same terms and conditions and at its cost.

- Q4 The annual operating contribution is paid for the duration of the Concession Period (i.e. 25 years).

- Q5 Incentivised means there are a number of measures which impact in a positive or negative way to encourage high performance from the Concession Holder and Operator.

The positive incentives are the TIP and the operating bonus. In both cases the relevant party can improve on its base return.

The negative incentives are the abatement regime for asset management and the Operating KPI's which can result in an abatement of the fixed operating fee. These abatements are substantial (up to 75% of the Territory Availability Payment and up to 100% of the Operator fixed management fee).