

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

Ms J Carney

to Minister for Infrastructure and Transport

Darwin City Waterfront - Convention Centre

1. So, the total costs for Territorians to run and maintain the Convention Centre will be at least \$75 million?
2. What will the Territory have to pay to get the Convention Centre back into our control after 25 years?
3. What is the proposed operational life of the Convention Centre? More than Twenty five years?
4. Are there any standards as to what condition the convention Centre has to be in for the Territory to take back control of it?

ANSWER**Q1 DCEC Operations**

Costs to Territorians to operate the Convention Centre are based on actual performance against budgeted performance. The budget is set by the Territory in conjunction with the operator. The Territory is not obligated to budget any more than the base case business model.

From the first stabilised year of operation onwards (2012) the budgeted operational contribution is estimated to be in the order of \$2.5M per annum.

Both the Concession Holder and the Operator are highly motivated to outperform by way of incentives and deductions based upon (1) Base case threshold numbers for international and national delegates, and (2) achievement of operating KPI's. The Concession Holder's equity is at risk for delegate performance and the operators management fee is at risk for achieving operating KPI's.

Both the operator and the Concession Holder are incentivised to outperform through an incentive payment based on minimum delegate numbers.

DCEC Maintenance

The cost to maintain the Convention Centre asset is built into the Territory Payment and is based on a fixed sum (indexed) for maintenance and capital replacement.

- Q2** The Territory pays \$1 at the end of the 25 year Concession period. The asset then reverts to Territory ownership and control.

- Q3** The DCEC is designed to have an operational life in excess of the 25 yr Concession Period. Subject to market requirements at the time, it is to be expected the DCEC will

be operational far in excess of this timeframe. The asset when handed back to the Territory in year 25 for \$1 will be “as new”.

Q4 There are stringent standards by way of an integrated and comprehensive asset maintenance plan.

The Concession Holder is required to maintain the total asset including replacement of major capital plant and equipment at regular planned intervals.

Under the Concession Deed, the Concession Holder must also replace at its risk any major plant and equipment items which fail before their planned replacement date.

The Concession Holder is highly motivated to maintain the asset by way of severe deductions to its daily payment if a functional space is not available for normal use. This can be as high as 75% of the total payment due.

As a further control, the Territory will conduct an asset audit 3 years prior to the expiry of the Concession Period. The Concession holder is obliged to rectify any plant and equipment assessed as not being to the required standard and is also required to provide a Bank Guarantee to the value of the outstanding items from the asset audit. Should the Concession Holder not rectify outstanding items the Bank Guarantee is available to the Territory to undertake the works.