

**REPORT TO DUNEDIN CITY COUNCIL AND  
OTAGO REGIONAL COUNCIL  
FROM STAKEHOLDERS GROUP  
2 FEBRUARY 2009**



## Contents

|                                                                             |    |
|-----------------------------------------------------------------------------|----|
| <b>PART A</b>                                                               | 6  |
| DCC Resolutions dated 17 March 2008 as amended 29 September 2008            | 6  |
| 1.0 Project Cost                                                            | 7  |
| 2.0 Land Acquisition                                                        | 11 |
| 3.0 Public Tender Process                                                   | 12 |
| 4.0 University of Otago                                                     | 13 |
| 5.0 Planning Process                                                        | 14 |
| 6.0 Service Level Agreement                                                 | 15 |
| 7.0 Otago Rugby Football Union                                              | 16 |
| 8.0 Private Sector Funding                                                  | 17 |
| 9.0 Operational Projections                                                 | 19 |
| <b>PART B</b>                                                               | 25 |
| ORC Resolutions dated 11 June 2008                                          | 25 |
| 1.0 Construction Tender                                                     | 26 |
| 2.0 Design Standards                                                        | 27 |
| 3.0 Roof                                                                    | 28 |
| 4.0 Certainty of Funding                                                    | 29 |
| <b>PART C</b>                                                               | 30 |
| Service Level Deed – Vision and Masterplan Update                           | 30 |
| Vision                                                                      | 31 |
| 1.0 Multipurpose Capability                                                 | 31 |
| 2.0 Spectator Facilities                                                    | 31 |
| 3.0 (a) Fully Roofed Stadium                                                | 31 |
| 3.0 (b) Inclusion of a Pitch Suitable for International Sporting Codes      | 31 |
| 4.0 Maximum Capacity of 30,000 Patrons to Meet NZRU Category B Requirements | 32 |
| 5.0 Minimum Permanent Seating Capacity of Approximately 18,000              | 32 |
| 6.0 Inclusion of a Public Plaza                                             | 32 |
| 7.0 Meets Quality Environmentally Sustainable Design Principles             | 32 |
| 8.0 (a) Design and Construction Budget of \$165.4m with Contingencies       | 32 |

|         |                                                            |    |
|---------|------------------------------------------------------------|----|
| 8.0 (b) | Completion Date of May 2011 .....                          | 32 |
| 9.0     | Inclusion of Corporate Members .....                       | 33 |
| 10.0    | Permanent Merchandise Outlets.....                         | 33 |
| 11.0    | Catering and Beverage Concessions .....                    | 33 |
| 12.0    | Stadium Design and Operations .....                        | 33 |
| 13.0    | Team, Officials and Venue Hire Facilities .....            | 34 |
| 14.0    | Media Facilities.....                                      | 34 |
|         | Masterplan.....                                            | 35 |
| 1.0     | Strategy to Procure the Land .....                         | 35 |
| 2.0     | Recommendation and Approval of Public Tender Process ..... | 35 |
| 3.0     | Strategies to Control Indirect Costs .....                 | 35 |
| 4.0     | Professional Fees.....                                     | 35 |
| 5.0     | Contractor Performance.....                                | 35 |
| 6.0     | Budget and Cashflow .....                                  | 35 |
| 7.0     | Health & Safety Plan .....                                 | 36 |
| 8.0     | Process for Variations .....                               | 36 |
| 9.0     | Commissioning Trials/Opening Ceremony .....                | 36 |
| 10.0    | Relationship with University .....                         | 36 |
| 11.0    | Relationship with ORFU .....                               | 36 |
| 12.0    | Project Management Structure .....                         | 36 |
| 13.0    | Procurement Plan.....                                      | 36 |
|         | <b>PART D</b> .....                                        | 37 |
|         | Potential Users And Endorsements .....                     | 37 |
|         | Summary .....                                              | 38 |
| 1.0     | Regional Organisations .....                               | 38 |
| 2.0     | National Organisations.....                                | 38 |
|         | Regional Organisations.....                                | 39 |
| 1.0     | Basketball Otago .....                                     | 39 |
| 2.0     | CCS Disability Action Southern Region .....                | 39 |

|      |                                                               |    |
|------|---------------------------------------------------------------|----|
| 3.0  | High Performance Athletes .....                               | 39 |
| 4.0  | New Zealand Academy of Sport South Island .....               | 39 |
| 5.0  | Marching Otago.....                                           | 40 |
| 6.0  | Netball Otago .....                                           | 40 |
| 7.0  | New Zealand Masters Games (Dunedin).....                      | 40 |
| 8.0  | Otago Area ESNZ Show Jumping Group .....                      | 41 |
| 9.0  | Otago Boxing Association .....                                | 41 |
| 10.0 | Otago Centre Royal New Zealand Pipe Bands Association .....   | 41 |
| 11.0 | Otago Touch.....                                              | 41 |
| 12.0 | Otago United Football Club.....                               | 41 |
| 13.0 | Soccersouth .....                                             | 42 |
| 14.0 | Softball Otago.....                                           | 42 |
| 15.0 | Sport Otago .....                                             | 42 |
| 16.0 | Vikings Futsal Dunedin .....                                  | 43 |
|      | National Organisations.....                                   | 44 |
| 1.0  | Brass Band Association New Zealand.....                       | 44 |
| 2.0  | Defence Force Bands .....                                     | 44 |
| 3.0  | Eyeworks New Zealand (producers of “Top Town” programme)..... | 44 |
| 4.0  | Netball New Zealand.....                                      | 44 |
| 5.0  | Marching New Zealand .....                                    | 45 |
| 6.0  | NZ Squash .....                                               | 45 |
| 7.0  | NZ Symphony Orchestra.....                                    | 45 |
| 8.0  | Petanque New Zealand.....                                     | 45 |
| 9.0  | Tennis New Zealand .....                                      | 46 |
| 10.0 | Touch New Zealand .....                                       | 46 |
| 11.0 | Warriors (Rugby League) .....                                 | 46 |
| 12.0 | Weber Bros Circus .....                                       | 47 |
| 13.0 | Wellington Phoenix (A-league soccer).....                     | 47 |
| 14.0 | Wrestling New Zealand.....                                    | 47 |

## **ATTACHMENTS**

- 1.0 Hawkins Construction Offer Covering Letter
- 2.0 Procurement Presentation to DCC 12 November 2008
- 3.0 Audit NZ Review of Procurement Process
- 4.0 Letter from University of Otago (Facilities)
- 5.0 Deloitte Contracted and Pending Private Sector Funding Audit Report
- 6.0 Project Scope Summary 15 December 2008
- 7.0 Summary of Conference, Seminar & Function Facilities
- 8.0 Photographic Summary of Stadium Benchmark Comparisons
- 9.0 Programme to Commencement
- 10.0 Horwath HTL Ltd Report December 2008 - Final
- 11.0 PriceWaterhouse Coopers Peer Review –Final
- 12.0 Off Site Infrastructure
- 13.0 Construction Cashflow
- 14.0 Letters of Endorsement

## **PART A**

**DCC Resolutions dated 17 March 2008 as amended 29 September 2008**

## 1.0 Project Cost

### Resolution:

*That the project cost is confirmed as not exceeding \$188 million*

### Status:

The \$188m cost of the project is broken down into three components:

- design and construction
- land acquisition
- other administrative and fundraising costs

### Design and Construction

The budgeted cost of design and construction is \$165.4m. The components that comprise the Design and Construction budget are detailed in Table 1 below. In particular the table highlights the Guaranteed Maximum Price (GMP) component separately from the other aspect of the budget and enables comparison with the Hawkins Construction Ltd (Hawkins) offer letter, which is attached in Attachment 1.0. The Trust has reviewed the information with Arrow International (Project Manager) and Rawlinsons (Quantity Surveyor) and its assessment of this is confirmed below.

As will be appreciated the full details of the GMP offer received from Hawkins contains a significant amount of commercially sensitive information. A separate confidential paper containing these details has therefore been provided.

| Item                                                   | Sum                  |
|--------------------------------------------------------|----------------------|
| <u>Fixed sums</u>                                      |                      |
| GMP                                                    | 129,759,285          |
| Professional costs                                     | 25,603,540           |
|                                                        | <b>155,362,540</b>   |
| <u>Adjustable sums</u>                                 |                      |
| Adjustable sums                                        | 7,794,000            |
|                                                        | <b>7,794,000</b>     |
| <b>Grand Total</b>                                     | <b>\$163,156,825</b> |
| Available unallocated contingency (to \$165.4m budget) | \$2,243,175          |

Table 1

### *Guaranteed Maximum Price*

Since being appointed in November 2008, Hawkins Construction Limited has been working on the GMP tender with documentation issued to the market place during December 2008 and January 2009.

With the work that Hawkins has carried out in January 2009, the outcome is sufficient for a GMP to be tabled. Approximately 85% of the construction cost has been tendered through this process with the

remaining 15% being estimated by Hawkins. The GMP offer from Hawkins totals \$129,759,285 and it should be noted that the offer is open for a period of 60 calendar days, is based on demolition works commencing on 1 May 2009 and construction works commencing in mid June 2009.

The Trust's legal advisers have reviewed the offer, has confirmed it is a valid offer and if signed would be consistent with the DCC and ORC resolutions.

#### *Professional Costs*

The Trust has also set aside a cost for design, research and development, planning matters, legal matters. They therefore include more than just project management and design fees. While there are still some elements within this that are yet to be confirmed (such as building consent fees) these represent only approximately 3% of the total. Overall, professional costs can therefore be considered fixed.

#### *Adjustable Sums*

This category is for sums that strictly speaking are still able to be adjusted. In the first instance the Trust has set aside a budget to purchase particular items directly rather than through the contractor. These include items such as furniture for the lounges and suites, equipment for the back of house areas, relocatable seats, electronic equipment such as TVs and so on. The Trust is in a better position to negotiate on these items as there are sponsorship opportunities which it needs to be in control of.

Secondly, the Trust's advisers in assessing the GMP offer have identified a number of clarifications and have therefore advised that an allocated provision should be made against some of these where there is a potential risk.

Unlike the GMP and professional costs, the adjustable sums noted above cannot be considered fixed. However, the Trust is of the opinion that sufficient allowance has been made and opportunities (such as sponsorship) exist to reduce the costs further

#### *Summary*

The breakdown of the overall design and construction cost is shown in table 1 and provides a total cost of **\$163,156,825**. This leaves a further unallocated amount of \$2,243,175 within the budget of \$165.4m. The Trust recommends retention of this amount as a contingency available to the project.

The Trust confirms that there is a viable construction tender for a guaranteed maximum price of not more than \$165.4m inclusive of all construction related consultant fees.



## Land Acquisition

### ***Land Acquisition***

|                                          |                   |                   |
|------------------------------------------|-------------------|-------------------|
| Land Purchase agreements (DCC to Settle) | 35,786,124        | 31,185,000        |
| Less Proceeds from                       |                   |                   |
| DCC Re SH88                              | (3,578,612)       | (3,850,000)       |
| Surplus Land                             | (2,076,550)       | (1,400,000)       |
| Salvage value Fonterra site              | (200,000)         | (135,000)         |
| Rental Income                            | (500,000)         | 0                 |
| Carisbrook - surplus on realisation      | 0                 | (5,000,000)       |
| Future development land                  | (800,000)         | (800,000)         |
| <b>Net Land Cost</b>                     | <b>28,630,962</b> | <b>20,000,000</b> |

The land for the development has been directly acquired by the DCC. It not only includes land for the stadium and University, but also for the realignment of SH88. The land acquired also extends beyond the boundaries of these areas and provides surplus land on completion of the stadium and University developments.

The final estimate of land procurement has increased \$8.6m due to the non availability of \$5m from the sale of Carisbrook and some additional relocation costs.

## Administration and Fundraising Costs

The forecast Fundraising and Administration expenditure for the period through to 2011 is \$3.2 million against an original estimate of \$2.6 million. The increase in expenditure is due to the increased marketing related expenditure necessary to achieve sales in the current trading environment.

| <b>Carisbrook Stadium Trust<br/>Financial Budgets - Summary<br/>For the Period ended 30 June 2011</b> |         |           |         |         |                   |                 |
|-------------------------------------------------------------------------------------------------------|---------|-----------|---------|---------|-------------------|-----------------|
|                                                                                                       | 2008    | 2009      | 2010    | 2011    | Cummulative Total | Original Target |
| <b><i>Trust Activities</i></b>                                                                        |         |           |         |         |                   |                 |
| Fundraising and Administration                                                                        | 828,691 | 1,386,070 | 505,140 | 527,280 | 3,247,181         | 2,600,000       |

The increased expenditure on fundraising and administration may be partially mitigated through the achievement of a GMP for the construction of the Stadium that is less than the original estimate. The Trust through its preliminary involvement in the operational aspects associated with planning for the opening of the Stadium is incurring costs that are more appropriately attributed to the operating of the Stadium rather than project. There is a case for excluding these from the project reporting both current costs and those that may be incurred in the future. Further cost savings may be possible with the establishment of a Venues Management Company and the achievement of savings through

consolidation of operations. Neither of these aspects have been quantified or included in the financial forecasts at this stage.

### Summary

|                                          | Current Forecast     | Original Budget      |
|------------------------------------------|----------------------|----------------------|
| <b>Stadium Costs</b>                     |                      |                      |
| <i><b>Administration</b></i>             |                      |                      |
| Fundraising and Administration           | 3,250,000            | 2,600,000            |
| <i><b>Design and Construction</b></i>    |                      |                      |
| Guaranteed Maximum Price and Design      | 163,156,825          | 165,400,000          |
| <i><b>Land Acquisition</b></i>           |                      |                      |
| Land Purchase agreements (DCC to Settle) | 35,786,124           | 31,185,000           |
| Less Proceeds from                       |                      |                      |
| DCC Re SH88                              | (3,578,612)          | (3,850,000)          |
| Surplus Land                             | (2,076,550)          | (1,400,000)          |
| Salvage value Fonterra site              | (200,000)            | (135,000)            |
| Rental Income                            | (500,000)            | 0                    |
| Carisbrook - surplus on realisation      | 0                    | (5,000,000)          |
| Future development land                  | (800,000)            | (800,000)            |
| <b>Net Land Cost</b>                     | 28,630,962           | 20,000,000           |
| <b>Overall Project Budget</b>            | <b>\$195,037,787</b> | <b>\$188,000,000</b> |

The overall cost of the project exceeds the original target of \$188m by \$7m due to the additional costs of land procurement and administration offset by a construction offer that is less than plan. The project team has, however, produced an outstanding result by achieving the design and construction budget of \$165.4m. The Trust is confident it can achieve further savings once a final decision is made to commence with construction as this will send a very positive message to the market place.

## **2.0 Land Acquisition**

### **Resolution:**

*That the property contracts are satisfactory in all respects*

### **Status:**

All property contracts have been approved by the DCC and are now all unconditional.

### **3.0 Public Tender Process**

#### **Resolution:**

*That a public tender process which meets the requirements of the agreed DCC Procurement Process is entered into to obtain a guaranteed maximum price for construction*

#### **Status:**

##### Procurement Process

A presentation was made to the DCC on 12 November 2008 re-iterating the procurement strategy and highlighting the procurement process to that point. A copy of the presentation is attached in Attachment 2.0. The presentation noted that the process was to select a Preferred Contractor to work with the consultant team and table a GMP tender after which a construction contract would be executed subject to the performance of the Preferred Contractor and approval of the tender.

The selection process for the Preferred Contractor has been by way of advertising nationally and internationally for registrations of interest, followed by a request for proposal process based on the completed Preliminary Design stage information. An evaluation process was completed and a recommendation made. At the meeting on 12 November 2008 the DCC approved the engagement of Hawkins Construction Limited. Hawkins has now tabled the GMP which is reported under section 1.0

Hawkins have now performed the obligations to deliver a GMP offer to complete the process, should the GMP offer be accepted by DCC the main construction contract will be progressed and executed. This will need to be completed prior to the end of March 2009 as this is when the GMP offer expires, enabling demolition and enabling works to commence on 1 May 2009.

##### Audit New Zealand Review

Audit NZ has been engaged to review the process that has been adopted. Attached in Attachment 3.0 is the Audit NZ report.

The Trust and it's project team have engaged with Audit NZ throughout the process of their review. They have been issued with relevant documentation regarding the process and discussions and meetings have taken place as required. Advice issued by Audit NZ has been followed, in particular ensuring all individuals associated with the selection process had no conflict of interest.

One observation noted in the report relates to clarity around the establishment of a procurement strategy. There have been a significant number of reports and documents assessed by the Trust relating to procurement strategy, however, some of these have not been reviewed by Audit NZ.

Importantly, the report notes that some good practice in relation to the approach to procurement was observed, with the report concluding that there are no significant probity issues associated with the procurement process which would represent a risk to the award of the pre-construction contract.

#### **4.0 University of Otago**

##### **Resolution:**

*That a contract is entered into with the University of Otago in relation to the land it is to purchase and written confirmation be given as to the facilities that are proposed*

##### **Status:**

##### Land

As owners of the site, the Dunedin City Council has progressed an understanding on the transfer of land to the University of Otago. The documents have been included on the confidential agenda.

##### Facilities

The University is currently in the process of establishing the brief for the facilities to be located at the site. These include the following:

- Unipol Gym (400,000 visits per annum)
- Foundation Studies (400 students)
- Student Health
- Dispensing Pharmacy
- Physio clinic

A letter received from the University confirming the above is in Attachment 4.0. The University note that the above totals approximately 10,500m<sup>2</sup> with a further 2,900m<sup>2</sup> of facilities still under consideration.

## **5.0 Planning Process**

### **Resolution:**

*A satisfactory conclusion to the planning process and adoption of a Plan Change*

### **Status:**

The DCC adopted the Plan Change on 9 June 2008. Since that time public hearings have been held before a panel of independent commissioners and they provided their decision to approve the project on 8 January 2009. The DCC publicly notified the decision on 9 January 2009.

The statutory appeals period will expire on 23 February 2009. If at that point no appeals are forthcoming then the district plan change is confirmed.

If an appeal is forthcoming it is understood that the DCC will submit an application to the Environment Court Registrar to hear this under urgency. Based on information received to date this is likely to be in early May 2009.

On the basis that a two week period is allowed for Environment Court Hearings, followed by a six week decision period, this will provide a confirmed plan change by the end of June 2009.

## **6.0 Service Level Agreement**

### **Resolution:**

*That a Service Level Agreement is signed and that a project control group will be established*

### **Status:**

The Service Level Deed was executed on 21 November 2008. The members of the project control group, now referred to as the Project Delivery Team, were approved by the Stakeholder Group and DCC on 19 August 2008.

## **7.0 Otago Rugby Football Union**

### **Resolution:**

*The acceptance of a tender price is subject to:*

- a) Sighting and approval of agreements relating to the sale and purchase of ORFU property assets*
- b) Sighting and approval of occupation and revenue agreements between the Trust and the ORFU*

### **Status:**

#### Sale and Purchase of Carisbrook

A Heads of Agreement between the DCC and the ORFU for the Sale and Purchase of Carisbrook is close to finalisation. It will be available prior to the meeting in the confidential agenda.

#### Venue Hire Agreement

A Venue Hire Agreement agreeable to both parties will be tabled at the meeting for consideration in the confidential part of the meeting.



## 8.0 Private Sector Funding

### Resolution:

*The acceptance of a tender price is subject to:*

- a) *A minimum of 60% of the private sector funding target of \$45.5m and DCC's satisfaction as to progress in achieving the balance*

### Status:

| Private Sector Fundraising - Update | Contracted |       | Pending |      | Total |       | Available |       |
|-------------------------------------|------------|-------|---------|------|-------|-------|-----------|-------|
|                                     | No.        | \$    | No.     | \$   | No.   | \$    | No.       | \$    |
| <u>Membership Products</u>          |            |       |         |      |       |       |           |       |
| Lounge Memberships                  |            |       |         |      |       |       |           |       |
| - 5 Year Term                       | 382        | 5.73  | 52      | 0.78 | 434   | 6.51  | 1850      | 27.75 |
| - 10 Year Term                      | 230        | 3.45  | 0       | -    | 230   | 3.45  |           |       |
| Corporate Suites                    | 9          | 4.46  | 5       | 2.48 | 14    | 6.93  | 19        | 9.41  |
| Open Club Reserves                  | 3          | 0.49  | 3       | 0.49 | 6     | 0.97  | 40        | 6.48  |
| Founders Club                       | 5          | 1.00  | 9       | 1.80 | 14    | 2.80  | 20        | 4.00  |
|                                     |            | 15.12 |         | 5.54 |       | 20.66 |           | 47.64 |
| Sponsorship Products                |            | 6.40  |         | 0.30 |       | 6.70  |           | 8.00  |
| Totals                              |            | 21.52 |         | 5.84 |       | 27.36 |           | 55.64 |
| <b>Target</b>                       |            | 27.30 |         | 0    |       | 27.30 |           |       |

Lounge Membership sales have improved by 200% since 15 December 2008. This has been an encouraging trend that appears to be continuing well through January and provides encouragement that sales will improve further with a more positive outlook for the Stadium.

The improvement in sales of Membership Products that was evident during the last two weeks of December has continued into January. Commitments for Private Sector Fundraising have now reached \$27.3 million or 60% of the target of \$45.5 million. Contracted sales are 47% (against the milestone of 60%) and we believe that the balance shown as pending will convert to contracted in the coming weeks. Sponsorship revenue commitments of \$6.7 million represent a significant achievement in the current economic environment and with uncertainty still surrounding the future of the project.

Commitments that have been received at the office in the form of signed contracts are shown in the table below as "Contracted" and those that have agreed but the contract has not proceeded through its processes and been received in the office are shown as "Pending". These are not expressions of interest but genuine confirmations in various stages of process completion and to date we have experienced a 100% conversion rate of these.

The table details Lounge Memberships as 5 year and 10 year products. The 5 year product is a 10 year licence with a right to exit after 5 years. The values attributed to the 5 year product are 10 years of the annual licence fee of \$1,500 per annum.

Of the five remaining Corporate Suites that are not sold two remain with large corporates that are still to confirm their commitment. The Trust believes these Corporate Suites will be sold prior to the opening of the Stadium which would add an additional \$2.5 million to the total fundraising. The Open

Club Reserve product sales remain the most challenging due to a lack of understanding of this product and only a limited profile to date from a sales perspective. We are confident that once the market understands this product sales will improve as they have in other stadia where additional OCR's have had to be built to meet the demand.

We believe that the balance of the sponsorship opportunities will sell once the Stadium's future is more certain. Even the recent securing of a Head Naming Rights sponsor will improve the perception of the Stadium and should encourage other potential sponsors to come on board. This also signals the commencement of efforts to secure \$2.5m from the Stadium Alumni Product. Once again the uncertain nature of the project to date and the process to secure a Head Naming Rights sponsor have meant a delay in progressing this potential opportunity.

Deloitte have been engaged to review the:

- Contracted sales, Quality and Value
- Pending Sales, Quantity and Value
- Cashflows with respect to changes in conditions attaching to membership products.

Their report will be circulated prior to the meeting under separate cover.

A schedule of Contracted Private Sector Funding Membership Product and Sponsorship Agreement schedules is attached in the confidential agenda.

## 9.0 Operational Projections

### Status:

#### The Horwath HTL Report

The Horwath HTL Report is attached as Attachment 10.0.

The Operational Projections summarised below are based on the same assumptions that have been consistently used since March 2008. Only two changes have been required:

- a) That the Super 14 competition that was estimated to produce 13 home games has been amended on advice from the ORFU to a maximum of 9 home games with 7 assumed to be played at the Stadium, and
- b) That Membership Product and Sponsorship revenues have been adjusted down given the difficult selling environment caused by the international financial uncertainty that prevailed late last year and that continues.

The adjustment in the revenues from Private Sector Fundraising doesn't represent a decrease in the availability of product for sale but is more appropriately some recognition of the need for a longer period of time for the sales to occur. As a consequence of this adjustment a new funding line has been introduced which has been labelled an "Underwrite" (for example suspensory loan). In any case it is a funding line that is anticipated to not incur interest or require repayment during the first ten years of the Stadiums operation. Commercial underwriters have been approached and one option remains alive. Central Government have also been approached regarding some form of assistance but as yet they have given no indication as to whether they support the application or not. The funding requirements are discussed in greater detail in the Horwath HTL Report.

The Horwath HTL modelling makes reference to the assumptions regarding venue hire and ticket rebates for rugby events. Subsequent to completion of the modelling by Horwath HTL we received advice that some of the non-recoverable event day costs included in the Stadium projections should be the responsibility of the Hirer. This has been subsequently adjusted and a compensating adjustment to the ticket rebate on presold seats may be required as a result. These aspects will be finalised through the venue hire agreement negotiations with the ORFU. The cashflow implications on the operating projections are neutralised through correction of both the variable costs and the ticket rebates.

As indicated in the Horwath HTL report the Stadium operating projections indicate an average annual cashflow surplus across the first ten years of \$282,000 after paying \$4.3m interest on bridging finance that is repaid within the first eight years of operation. Horwath HTL point out that achievement of the "Underwrite" of \$15m is critical to achieving this outcome. Once the bridging finance is repaid all the revenue from Membership products and Sponsorship is available to the operating budget and a significant increase in annual surpluses results.

The following table is the Consolidated Statement of Cashflows from the modelling by Horwath HTL.

| Consolidated Statement of Cashflows                   | 2009             | 2010             | 2011             | 2012             | 2013               | 2014               | 2015               | 2016               | 2017               | 2018               | 2019               | 2020               |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Revenue</b>                                        |                  |                  |                  |                  |                    |                    |                    |                    |                    |                    |                    |                    |
| Event Revenue                                         | -                | -                | 811,221          | 1,587,995        | 1,553,977          | 1,685,316          | 1,592,963          | 1,709,262          | 1,944,765          | 1,810,342          | 1,562,517          | 1,988,017          |
| Membership Revenue                                    | 4,029,583        | 4,029,583        | 5,215,833        | 3,882,500        | 3,882,500          | 3,882,500          | 3,882,500          | 3,731,000          | 3,731,000          | 3,731,000          | 1,631,000          | 1,631,000          |
| Sponsorship Revenue                                   | 830,000          | 830,000          | 940,000          | 1,050,000        | 1,055,500          | 1,055,500          | 1,061,138          | 1,061,138          | 1,066,916          | 1,066,916          | 242,839            | 242,839            |
| Other Revenue                                         | -                | -                | 206,500          | 413,000          | 413,000            | 444,756            | 444,756            | 444,756            | 478,953            | 478,953            | 478,953            | 515,780            |
| <b>Total Revenue</b>                                  | <b>4,859,583</b> | <b>4,859,583</b> | <b>7,173,554</b> | <b>6,933,495</b> | <b>6,904,977</b>   | <b>7,068,072</b>   | <b>6,981,356</b>   | <b>6,946,156</b>   | <b>7,221,634</b>   | <b>7,087,212</b>   | <b>3,915,309</b>   | <b>4,377,636</b>   |
| <b>Variable Costs</b>                                 | -                | -                | 603,808          | 1,215,666        | 1,149,584          | 1,323,830          | 800,645            | 1,348,396          | 1,533,095          | 1,467,480          | 839,074            | 1,560,419          |
| <b>Overheads</b>                                      | -                | -                | 1,156,500        | 2,195,150        | 2,277,707          | 2,364,125          | 2,454,625          | 2,549,439          | 2,648,817          | 2,753,024          | 2,862,343          | 2,977,075          |
| <b>Interest</b>                                       | -                | -                | 609,424          | 1,034,820        | 882,697            | 719,165            | 543,368            | 361,772            | 166,556            | -                  | -                  | -                  |
| <b>Net Cashflow Surplus/(Deficit) From Operations</b> | <b>4,859,583</b> | <b>4,859,583</b> | <b>4,803,822</b> | <b>2,487,859</b> | <b>2,594,990</b>   | <b>2,660,952</b>   | <b>3,182,718</b>   | <b>2,686,550</b>   | <b>2,873,167</b>   | <b>2,866,708</b>   | <b>213,893</b>     | <b>159,858</b>     |
| Cashflow Surplus applied to Loan Repayments           | 4,859,583        | 4,859,583        | 4,529,535        | 2,028,305        | 2,180,428          | 2,343,960          | 2,519,757          | 2,602,878          | 2,798,094          | 2,387,300          | -                  | -                  |
| Cashflow Surplus attributable to Operations           | \$0              | \$0              | \$274,287        | \$459,553        | \$414,562          | \$316,992          | \$662,961          | \$83,671           | \$75,073           | \$479,408          | \$213,893          | (\$159,858)        |
| <b>Cumulative Net Cashflow From Operations</b>        |                  |                  | <b>\$274,287</b> | <b>\$733,841</b> | <b>\$1,148,402</b> | <b>\$1,465,394</b> | <b>\$2,128,355</b> | <b>\$2,212,027</b> | <b>\$2,287,099</b> | <b>\$2,766,508</b> | <b>\$2,980,401</b> | <b>\$2,820,543</b> |

**Notes:**

- 1) Venue Hire - Rugby is based on the relevant percentage of ticket revenue for each type of match. For test matches and Junior All Blacks it is assumed to be 7.5%, for RWC 4%, Lions 8%, and all other matches 15%.
- 2) Event Day Carparking is based on 180 car parks and car park lease income is based on 150 car parks
- 3) The lease rental income relates to the lease of office space within the stadium to third parties.
- 4) Ticket rebate costs relate to 100% rebates on NZRU fixtures including test matches and Junior All Blacks. 20% ticket rebates have been assumed for Super 14 and Air NZ Cup matches.
- 5) Three RWC matches have been assumed for 2011. These matches are not projected to deliver significant revenue to the stadium due to the low venue rental percentage assumed and an assumption that clean stadium requirements will prevent the stadium from earning food and beverage commissions.
- 6) There is potentially significant additional revenue available during the opening week of the Stadium however no allowance has been included in the model at this stage.
- 7) Specialist Reunions function revenue has been identified as a potential significant additional income stream for the Stadium this has not been included in the model at this stage
- 8) the operating projections exclude pre-opening expenses. It is assumed the stadium will commence operations on 1 July 2011.

The second table provides a breakdown of the revenues applied to repayment of debt and Interest.

| Loan Repayments and Interest            | 2009             | 2010             | 2011                | 2012               | 2013               | 2014               | 2015               | 2016               | 2017               | 2018               | 2019             | 2020             |
|-----------------------------------------|------------------|------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| <b>Capital Costs</b>                    |                  |                  | <b>(45,500,000)</b> |                    |                    |                    |                    |                    |                    |                    |                  |                  |
| <b>Funding In-flows</b>                 |                  |                  |                     |                    |                    |                    |                    |                    |                    |                    |                  |                  |
| Corporate Suites - Premiums             | 416,250          | 416,250          | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                | -                |
| Corporate Suites - Licence Fee          | -                | -                | 832,500             | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500          | 832,500          |
| Corporate Suites - CPI adjustment       |                  |                  |                     |                    |                    |                    |                    | 93,500             | 93,500             | 93,500             | 93,500           | 93,500           |
| Open Club Reserves - Premiums           | 180,000          | 180,000          | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                | -                |
| Open Club Reserves - Licence Fee        | -                | -                | 450,000             | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000          | 450,000          |
| Open Club Reserves - CPI adjustment     |                  |                  |                     |                    |                    |                    |                    | 45,000             | 45,000             | 45,000             | 45,000           | 45,000           |
| Lounge Membership                       | 2,100,000        | 2,100,000        | 2,100,000           | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | -                | -                |
| Lounge Membership - CPI adjustment      |                  |                  |                     |                    |                    |                    |                    | 210,000            | 210,000            | 210,000            | 210,000          | 210,000          |
| Alumni Club                             | -                | -                | 500,000             | 500,000            | 500,000            | 500,000            | 500,000            | -                  | -                  | -                  | -                | -                |
| Founders Club                           | 1,333,333        | 1,333,333        | 1,333,333           | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                | -                |
| Underwrite/Suspensory loan              |                  |                  | 15,000,000          |                    |                    |                    |                    |                    |                    |                    |                  |                  |
| Sponsorships                            | 830,000          | 830,000          | 830,000             | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | -                | -                |
| <b>Y/E Cash Position</b>                | <b>4,859,583</b> | <b>4,859,583</b> | <b>(25,361,042)</b> | <b>4,712,500</b>   | <b>4,712,500</b>   | <b>4,712,500</b>   | <b>4,712,500</b>   | <b>4,561,000</b>   | <b>4,561,000</b>   | <b>4,561,000</b>   | <b>1,631,000</b> | <b>1,631,000</b> |
| <b>Cumulative Cash Position</b>         | <b>4,859,583</b> | <b>9,719,167</b> | <b>(15,641,875)</b> |                    |                    |                    |                    |                    |                    |                    |                  |                  |
| <b>Loan</b>                             |                  |                  | <b>16,251,299</b>   |                    |                    |                    |                    |                    |                    |                    |                  |                  |
| <b>Loan Repayments</b>                  |                  |                  | <b>0</b>            | <b>(3,063,125)</b> | <b>(3,063,125)</b> | <b>(3,063,125)</b> | <b>(3,063,125)</b> | <b>(2,964,650)</b> | <b>(2,964,650)</b> | <b>(2,387,300)</b> | <b>0</b>         | <b>0</b>         |
| <b>Residual Loan Position</b>           |                  |                  | <b>16,251,299</b>   | <b>13,797,598</b>  | <b>11,769,293</b>  | <b>9,588,864</b>   | <b>7,244,904</b>   | <b>4,823,622</b>   | <b>2,220,744</b>   | <b>-</b>           | <b>-</b>         | <b>-</b>         |
| Interest Cost                           |                  |                  | 609,424             | 1,034,820          | 882,697            | 719,165            | 543,368            | 361,772            | 166,556            | -                  | -                | -                |
| Loan Repayments                         |                  |                  |                     | 2,028,305          | 2,180,428          | 2,343,960          | 2,519,757          | 2,602,878          | 2,798,094          | 2,387,300          | -                | -                |
| Free Cash Flow Available for Operations |                  |                  | 906,875             | 1,649,375          | 1,649,375          | 1,649,375          | 1,649,375          | 1,596,350          | 1,596,350          | 2,173,700          | 1,631,000        | 1,631,000        |

## Revised Operating Projections

The modelling and reporting completed by Horwath HTL was based on the assumptions as they existed in November 2008. Subsequently some assumptions changed (these are detailed below) and a revision of the model was run. Copies of the amended “Consolidated Financial Summary” and “Financing” pages from the revised model are included below.

The changes to the assumptions used in the Horwath HTL model are:

- Non recoverable event day costs attributable to rugby events has been removed from the Stadium operating budgets on the assumption that they are accommodated within the Otago Rugby Football Union pick up these costs. The ticket rebate payable to the ORFU has been modified to offset this change. An agreement has yet to be concluded between the Stadium and the ORFU therefore the rebate assumed in the model remains provisional.
- Lounge Membership Product specifications have been amended as to Term and payment terms. The financing spreadsheets have been amended to reflect this variation.
- The interest rate on the bridging finance has been reduced from 7.5% to 6.0% to reflect recent movements in interest rates.

The impact of these changes has been:

- To improve the average cashflow annual surplus from \$282,054 (Horwath HTL) to \$406,888.
- To decrease membership and sponsorship receipts during 2009 and 2010 from \$4,859,583 (Horwath HTL) to \$596,250 that has a corresponding impact on the bridging financing requirements during the first ten years. The funds previously modelled to be received in 2009 and 2010 are now modelled to be received evenly over the ten years 2011 to 2020.
- The change in the cash inflows has resulted in an increase in the bridging finance required from \$16.2m (Horwath HTL) to \$24.9m. The interest costs have been subject to change as a result of the increase in borrowings and the greater borrowing required. The total interest costs have increased from \$4.3m (Horwath HTL) to \$6.8m.
- It will take an additional 18 months to repay the bridging loan but the underwrite requirement remains unchanged.

In all other respects the underlying assumptions are unchanged from that previously presented by Horwath HTL and that was peer reviewed by PWC.

The following table is the revised Consolidated Financial Summary for the first ten years of operation of the Stadium.

| <b>Consolidated Statement of Cashflows</b>            | <b>2009</b>    | <b>2010</b>    | <b>2011</b>      | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        | <b>2015</b>        | <b>2016</b>        | <b>2017</b>        | <b>2018</b>        | <b>2019</b>        | <b>2020</b>        |
|-------------------------------------------------------|----------------|----------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Revenue</b>                                        |                |                |                  |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Event Revenue                                         | -              | -              | 784,615          | 1,641,281          | 1,600,936          | 1,729,333          | 1,576,722          | 1,741,320          | 1,970,356          | 1,832,433          | 1,543,522          | 2,009,595          |
| Membership Revenue                                    | 596,250        | 596,250        | 5,215,833        | 5,215,833          | 5,215,833          | 3,882,500          | 3,882,500          | 3,731,000          | 3,731,000          | 3,731,000          | 3,731,000          | 3,731,000          |
| Sponsorship Revenue                                   | -              | -              | 722,592          | 581,000            | 581,000            | 581,000            | 581,000            | 581,000            | 581,000            | 581,000            | 581,000            | 581,000            |
| Other Revenue                                         | -              | -              | 436,408          | 907,000            | 912,500            | 946,178            | 951,816            | 951,816            | 993,862            | 993,862            | 999,785            | 1,038,841          |
| <b>Total Revenue</b>                                  | <b>596,250</b> | <b>596,250</b> | <b>7,159,448</b> | <b>8,345,114</b>   | <b>8,310,269</b>   | <b>7,139,011</b>   | <b>6,992,038</b>   | <b>7,005,135</b>   | <b>7,276,217</b>   | <b>7,138,294</b>   | <b>6,855,307</b>   | <b>7,360,436</b>   |
| <b>Variable Costs</b>                                 | <b>-</b>       | <b>-</b>       | <b>529,476</b>   | <b>990,765</b>     | <b>928,590</b>     | <b>1,066,303</b>   | <b>535,359</b>     | <b>1,084,330</b>   | <b>1,273,819</b>   | <b>1,165,302</b>   | <b>544,124</b>     | <b>1,234,240</b>   |
| Overheads                                             |                |                | 1,128,750        | 2,157,225          | 2,238,834          | 2,324,280          | 2,413,784          | 2,507,577          | 2,605,908          | 2,709,042          | 2,817,262          | 2,930,867          |
| Interest                                              |                |                | 725,056          | 1,283,194          | 1,106,261          | 974,712            | 835,269            | 693,823            | 543,891            | 384,962            | 216,498            | 37,926             |
| <b>Net Cashflow Surplus/(Deficit) From Operations</b> | <b>596,250</b> | <b>596,250</b> | <b>4,776,166</b> | <b>3,913,930</b>   | <b>4,036,585</b>   | <b>2,773,716</b>   | <b>3,207,626</b>   | <b>2,719,405</b>   | <b>2,852,600</b>   | <b>2,878,988</b>   | <b>3,277,423</b>   | <b>3,157,403</b>   |
| Cashflow Surplus applied to Loan Repayments           | 596,250        | 596,250        | 4,538,402        | 2,948,889          | 3,125,822          | 2,324,038          | 2,463,481          | 2,498,877          | 2,648,809          | 2,807,738          | 2,976,202          | 3,192,700          |
| Cashflow Surplus attributable to Operations           | \$0            | \$0            | \$237,764        | \$965,041          | \$910,763          | \$449,678          | \$744,145          | \$220,529          | \$203,791          | \$71,250           | \$301,221          | (\$35,297)         |
| <b>Cumulative Net Cashflow From Operations</b>        |                |                | <b>\$237,764</b> | <b>\$1,202,804</b> | <b>\$2,113,567</b> | <b>\$2,563,245</b> | <b>\$3,307,390</b> | <b>\$3,527,919</b> | <b>\$3,731,710</b> | <b>\$3,802,960</b> | <b>\$4,104,181</b> | <b>\$4,068,884</b> |

**Notes:**

- 1) Venue Hire - Rugby is based on the relevant percentage of ticket revenue for each type of match. For test matches it is assumed to be 7.5%, for RWC 4%, Lions 8%, and all other matches 15%.
- 2) Event Day Carparking is based on 180 car parks and car park lease income is based on 150 car parks
- 3) The lease rental income relates to the lease of office space within the stadium to third parties.
- 4) Ticket rebate costs relate to 100% rebates on NZRU fixtures including test matches and Junior All Blacks. 20% ticket rebates have been assumed for Super 14 and Air NZ Cup matches.
- 5) Three RWC matches have been assumed for 2011. These matches are not projected to deliver significant revenue to the stadium due to the low venue rental percentage assumed an assumption that clean stadium requirements will prevent the stadium from earning food and beverage commissions.
- 6) There is potentially significant additional revenue available during the opening week of the Stadium however no allowance has been included in the model at this stage.
- 7) Specialist Reunions function revenue has been identified as a potential significant additional income stream for the Stadium this has not been included in the model at this stage
- 8) the operating projections exclude pre-opening expenses. It is assumed the stadium will commence operations on 1 July 2011.

The following table shows the cashflow receipts with regard to the membership and sponsorship products following changes to the term and payments profile for these products.

| Loan Repayments and Interest                   | 2009           | 2010             | 2011                | 2012               | 2013               | 2014               | 2015               | 2016               | 2017               | 2018               | 2019               | 2020               |
|------------------------------------------------|----------------|------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Capital Costs</b>                           |                |                  | <b>(45,500,000)</b> |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Funding In-flows</b>                        |                |                  |                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Corporate Suites - Premiums                    | 416,250        | 416,250          | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Corporate Suites - Licence Fee                 | -              | -                | 832,500             | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            | 832,500            |
| Corporate Suites - CPI adjustment              |                |                  |                     |                    |                    |                    |                    | 93,500             | 93,500             | 93,500             | 93,500             | 93,500             |
| Open Club Reserves - Premiums                  | 180,000        | 180,000          | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Open Club Reserves - Licence Fee               | -              | -                | 450,000             | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            | 450,000            |
| Open Club Reserves - CPI adjustment            |                |                  |                     |                    |                    |                    |                    | 45,000             | 45,000             | 45,000             | 45,000             | 45,000             |
| Lounge Membership                              | -              | -                | 2,100,000           | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          | 2,100,000          |
| Lounge Membership - CPI adjustment             |                |                  |                     |                    |                    |                    |                    | 210,000            | 210,000            | 210,000            | 210,000            | 210,000            |
| Alumni Club                                    | -              | -                | 500,000             | 500,000            | 500,000            | 500,000            | 500,000            | -                  | -                  | -                  | -                  | -                  |
| Founders Club                                  | -              | -                | 1,333,333           | 1,333,333          | 1,333,333          | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Underwrite                                     |                |                  | 15,000,000          |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Sponsorship Products                           |                |                  |                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Head Naming Rights                             | -              | -                | 830,000             | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            | 830,000            |
| South Stand                                    | -              | -                | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| North Stand                                    | -              | -                | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Other                                          | -              | -                | -                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>Y/E Cash Position</b>                       | <b>596,250</b> | <b>596,250</b>   | <b>(26,066,542)</b> | <b>6,045,833</b>   | <b>6,045,833</b>   | <b>4,712,500</b>   | <b>4,712,500</b>   | <b>4,561,000</b>   | <b>4,561,000</b>   | <b>4,561,000</b>   | <b>4,561,000</b>   | <b>4,561,000</b>   |
| <b>Cumulative Cash Position</b>                | <b>596,250</b> | <b>1,192,500</b> | <b>(24,874,042)</b> |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Loan</b>                                    |                |                  | <b>24,893,598</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>Loan Repayments</b>                         |                |                  | <b>0</b>            | <b>(4,232,083)</b> | <b>(4,232,083)</b> | <b>(3,298,750)</b> | <b>(3,298,750)</b> | <b>(3,192,700)</b> | <b>(3,192,700)</b> | <b>(3,192,700)</b> | <b>(3,192,700)</b> | <b>(3,192,700)</b> |
| <b>Residual Loan Position</b>                  |                |                  | <b>24,893,598</b>   | <b>21,386,571</b>  | <b>18,437,682</b>  | <b>16,245,193</b>  | <b>13,921,154</b>  | <b>11,563,723</b>  | <b>9,064,847</b>   | <b>6,416,038</b>   | <b>3,608,300</b>   | <b>632,098</b>     |
| <b>Interest Cost</b>                           |                |                  | <b>725,056</b>      | <b>1,283,194</b>   | <b>1,106,261</b>   | <b>974,712</b>     | <b>835,269</b>     | <b>693,823</b>     | <b>543,891</b>     | <b>384,962</b>     | <b>216,498</b>     | <b>37,926</b>      |
| <b>Loan Repayments</b>                         |                |                  |                     | <b>2,948,889</b>   | <b>3,125,822</b>   | <b>2,324,038</b>   | <b>2,463,481</b>   | <b>2,498,877</b>   | <b>2,648,809</b>   | <b>2,807,738</b>   | <b>2,976,202</b>   | <b>3,154,774</b>   |
| <b>Free Cash Flow Available for Operations</b> |                |                  | <b>782,375</b>      | <b>1,813,750</b>   | <b>1,813,750</b>   | <b>1,413,750</b>   | <b>1,413,750</b>   | <b>1,368,300</b>   | <b>1,368,300</b>   | <b>1,368,300</b>   | <b>1,368,300</b>   | <b>1,368,300</b>   |



## **PART B**

### **ORC Resolutions dated 11 June 2008**

## 1.0 Construction Tender

### Resolution:

*On or before 2 February 2009, provide documentary evidence of a bona fide and viable construction tender for the proposed stadium for a guaranteed maximum price of not more than \$165.4m inclusive of all construction related consultant fees.*

### Status:

The status of this has been covered under Part A, section 1.0

This is represented as follows:

|                      |    |                       |                                                            |
|----------------------|----|-----------------------|------------------------------------------------------------|
| • GMP from Hawkins   | \$ | 129,759,285           | Fixed Cost                                                 |
| • Professional Costs | \$ | 25,603,540            | Fixed Cost                                                 |
| • Adjustable Sums    | \$ | 7,794,000             | Direct purchase items and provision for GMP clarifications |
|                      |    | <hr/>                 |                                                            |
|                      |    | <b>\$ 163,156,825</b> |                                                            |

It should be noted that the above professional costs also include for planning matters, research and development and other fees that could be considered not related to construction. If only project management and design costs are allowed for, there would be a reduction of approximately \$3m.

The requirement to achieve a GMP tender of not more than \$165.4m including construction related consultants fees has therefore been met.

## **2.0 Design Standards**

### **Resolution:**

*Final design standards will be to at least the standards detailed on the brief to the design team as described in the Progress Report dated 17 March 2008.*

### **Status:**

There have been some minor changes to the description provided in the 17 March report. A summary of these was handed out at a joint ORC/DCC briefing on 15 December 2008 and a further copy of these is attached in Attachment 6.0.

In summary the key differences are;

- The seating numbers within the seating bowl.
- The deletion of the Roaring Forties lounge which has been replaced by an additional two 24 person corporate suites.
- The addition of a additional smaller 15 person suite.
- Increase in the number of Open Club Reserves from 30 to 40.
- Functions of up to 700 in each of the lounges with 1,000 plus functions in the East stand.
- The deletion of a dividing screen to the east stand.
- Space for sports organisations moved to South stand with an increase in space to approximately 1,200m<sup>2</sup>

### **3.0     Roof**

#### **Resolution:**

*The stadium must have a roof*

#### **Status:**

The stadium has continued to be designed with a roof.

#### **4.0 Certainty of Funding**

##### **Resolution:**

*There be certainty of funding from DCC, the Community Trust of Otago and the University of Otago*

##### **Status:**

###### Dunedin City Council

Resolutions have been passed which confirm funding from DCC. The DCC is expected to make a final decision on funding the project on 9 February 2009.

###### Community Trust of Otago

The DCC has lodged an application with the Community Trust of Otago for \$10m. Dunedin City staff will report separately on the feedback from the Community Trust of Otago in respect of this application.

###### University of Otago

It is expected that in addition to approximately \$5.6m for land which has been agreed between the DCC and University, there will be cost share contributions from the University of a further \$5m.

At the current time, the cost share for demolition, plaza, infrastructure services, plan change and professional fees are in the order of \$3.5m, however a number of these are dependent on the final footprint and scope of works the University will carry out. There are potentially other cost share items of a further \$1.5m or so, but these are dependent on the design of the University facilities.

## **PART C**

### **Service Level Deed – Vision and Masterplan Update**

## **Vision**

### **1.0 Multipurpose Capability**

There are no changes of note from the reports tabled in October and November 2008. The requirement for the stadium to host sporting events, exhibitions, entertainment, education and conferences remains in accordance with the vision.

For information a project scope summary is attached in Attachment 6.0 which confirms the spatial requirements, design elements and other areas.

Also attached in Attachment 7.0 is a summary of the areas that can be used for conferences, seminars and day meetings at the stadium.

### **2.0 Spectator Facilities**

As noted previously the project has consistently been benchmarked specifically against the Paul Kelly Stand at AMI Stadium and Westpac Stadium. Since completion of the developed design stage a review has been undertaken to establish the level of finishes specified at Otago Stadium compared to these two benchmarks. A photographic summary report has been produced by the design team and is attached in Attachment 8.0.

The report shows that the finishes and spectator facilities are consistently aligned with the benchmark stadia.

### **3.0 (a) Fully Roofed Stadium**

The design has continued on the basis of an ETFE covered roof and there is no change to report associated with this aspect of the vision.

### **3.0 (b) Inclusion of a Pitch Suitable for International Sporting Codes**

The assessment of the results from the winter testing in the test rig has been completed with results better than anticipated. SSDM, the turf specialist has noted that turfgrass performance under standard artificial wear conditions were poorer outside the test rig than inside the rig.

SSDM are now progressing the design of the pitch and based on the outcome of the test rig trials it is likely that a reinforcement system for the turf, where polypropylene threads are injected, is not required.

The progress of the pitch design continues to meet the requirements of international sporting codes.

#### **4.0 Maximum Capacity of 30,000 Patrons to Meet NZRU Category B Requirements**

There has been no change to the seating capacities since the last report. For clarity the seating provisions are as follows. It should be noted that this includes for people with disabilities:

|                  |                                                                                 |
|------------------|---------------------------------------------------------------------------------|
| South Stand      | Total capacity – 10,784 permanent seats                                         |
| North Stand      | Total capacity – 8,450<br>6,458 permanent seats<br>1,992 standing               |
| East Stand       | Total capacity – 6,060<br>4,324 relocatable seating<br>1,696 temporary standing |
| West Stand       | Total capacity – 5,220 relocatable seats                                        |
| Overall Capacity | 30,514                                                                          |

#### **5.0 Minimum Permanent Seating Capacity of Approximately 18,000**

Based on the above figures, the permanent seating capacity is 17,242 (excluding relocatable seating).

#### **6.0 Inclusion of a Public Plaza**

There is nothing new to report. The public plaza continues to be a significant design element to both the Stadium and the University.

#### **7.0 Meets Quality Environmentally Sustainable Design Principles**

In progressing the design to date a number of ESD principles have been assessed. While there is a strong preference to include these principles in the design, the brief to the consultants has been to include them if they are cost effective, both from a capital and life cycle cost perspective.

#### **8.0 (a) Design and Construction Budget of \$165.4m with Contingencies**

The design and construction budget is referenced in Part A, section 1.0

#### **8.0 (b) Completion Date of May 2011**

The completion date of May 2011 was based on a commencing the demolition works on site by around January/February 2009. This is clearly not able to be achieved due to time it has taken for the plan change as well as the decision making timeframes of the DCC/ORC.

Attached in Attachment 9.0 is a programme through to commencement of works on site. On the assumption that the stakeholders confirm in February 2009 that the project is to proceed, demolition and enabling works will be able to commence on site on 1 May 2009. This is based on the DCC



ensuring that vacant possession is available at this time and that all demolition consents have been processed in time. This will lead to a full commencement of works on site in July 2009.

However, the commencement date of July 2009 is on the basis that any potential appeal to the plan change is heard in the Environment Court and a decision made within this timeframe. On the basis of a July 2009 start, the stadium is programmed to be completed by July/August 2011, such that it is available for the Rugby World Cup in September 2011.

It should be noted that if there is a delay to a decision to proceed with the project in February 2009, completing the stadium in time for RWC 2011 will be unlikely.

## **9.0 Inclusion of Corporate Members**

There has been no change to the design with respect to suites, lounges, and open club reserves.

## **10.0 Permanent Merchandise Outlets**

There are two merchandise outlets located at the stadium. One is located on the south stand main concourse, while the other is located in the north stand with access to the street. The north stand also has provision for a satellite merchandise outlet on the concourse area.

## **11.0 Catering and Beverage Concessions**

The stadium has been designed to include spaces for a fully catered operation including a main kitchen, food and beverage concession stands, bars to the concourses, re-heat kitchens for the suites, and kitchens and bars for the lounge areas.

At the current time it is assumed one caterer will be contracted for all of these areas. The operational projections allow the stadium operator to secure 15% of food and beverage revenue. This figure will vary, however, dependent on the structure of the contract with the caterer. For example, if the caterer provides a significant contribution to the catering equipment this figure could reduce. On the other hand if all equipment is funded by the stadium operator then the revenue percentage could increase.

It can be reported that an offer from a caterer has recently been received which sees them providing the catering equipment with the stadium operator receiving revenue in line with those stated in the operational projections.

## **12.0 Stadium Design and Operations**

In November 2008 a review of the design and operations was undertaken by Horwath HTL which was subsequently peer reviewed by PriceWaterhouseCoopers. Their draft reports were presented at the joint DCC/ORC briefing on 15 December 2008. Their final reports are attached as Attachment 10.0 and 11.0.

The Horwath HTL report confirmed that the Stadium developed design was consistent with the operational projections that had been prepared for the Stadium. They did however report their concerns regarding the level of private sector fundraising and subsequently adjusted their models to

reflect a reduction in membership product sales. They also reported that the corresponding funding gap needed to be addressed through an underwrite and the shift to time based payments (from up front payments) necessitated bridging finance which they modelled could be repaid together with interest over the first seven years of operation of the Stadium.

Horwath HTL highlighted the risks facing the operation which predominately centred on the economic environment and the prospect of achieving the required membership sales/sponsorships within the timeframe available. They also emphasised the need for underwriting to provide more time to achieve the targeted level of sales.

The PriceWaterhouseCoopers peer review endorsed the comments of Horwath HTL. They confirmed that they had carried out a thorough review of the financial model as well as reviewing the assumptions in the model. They also highlighted the need to address funding given the apparent difficulty of achieving the required private sector funding within a realistic timeframe.

### **13.0 Team, Officials and Venue Hire Facilities**

There has been no change in the design with respect to these facilities.

Home and away changing facilities with recovery, strapping, showers and warm up areas are provided. In addition there are auxiliary changing rooms to each home and away changing area, as well as change areas for ball girls/cheerleaders, ball boys, officials, and bands. A star dressing room is also provided.

A medical room is provided, separate from the facilities associated with drug testing. A players lounge is also included in the design which can double up as a lounge for media when press conferences are underway or as a meeting room for the stadium operator.

Two coaches boxes are provided on level 3 of the south stand, adjacent to the video referees box.

The venue hire facilities have been referenced under section 1 (multi-purpose capability)

### **14.0 Media Facilities**

There have been no changes to the media facilities.

Adjacent to the players change area there is a press conference room that can accommodate in excess of 70 media plus cameras. A media workroom is also provided nearby as well as a sound/light room and audio room.

On level 3 of the south stand, a TV studio with commentary positions is provided in the centre of the stand. On one side of this is a press room, while on the other there are three radio commentary rooms.

## **Masterplan**

### **1.0 Strategy to Procure the Land**

Nothing to report as the land has been procured. The remaining parcels of land were settled on 31 October 2008

### **2.0 Recommendation and Approval of Public Tender Process**

This approval of the Preferred Contractor was given at the DCC meeting on 12 November 2008. Other matters relating to procurement are dealt with under Part A, sections 1.0 and 3.0

### **3.0 Strategies to Control Indirect Costs**

A list of the potential off-site infrastructure matters for consideration has been drafted and was issued to the DCC executive for consideration on 19 November 2008. DCC convened a meeting on 1 December to discuss these matters with various departments and it is understood that this forum will meet reasonably regularly as the project progresses.

A copy of the letter and list of items is attached in Attachment 12.0.

### **4.0 Professional Fees**

The professional fees budget for the project has not changed and remains at approximately \$23m. All fees with the design consultants, including disbursements, have been fixed based on the project scope. Of course, should the scope change then additional fees are chargeable. For this reason, there is still a contingency relating specifically to fees.

### **5.0 Contractor Performance**

The key mechanism to control contractor performance will be the construction contract which has not yet been executed. Updates on contractor performance will be provided at the appropriate time.

### **6.0 Budget and Cashflow**

An updated construction cashflow based on the \$163.5m budget and current estimated start and completion dates (July 2009 to July 2011) was issued to the DCC executive just before Christmas. A copy of this is attached in Attachment 13.0.

As at 31 December 2008, the Trust's total expenditure on the project amounted to \$13,452,697.

## **7.0 Health & Safety Plan**

This will be provided by the main contractor prior to works commencing on site.

## **8.0 Process for Variations**

A process has already been implemented for dealing with variations to scope. This process will be further supplemented under the terms of the construction contract once it is executed.

The process for co-ordinating and dealing with variations is controlled by the Development Director of the Trust.

## **9.0 Commissioning Trials/Opening Ceremony**

A period for commissioning and stadium trials has been allowed for within the programme. Further details will be established as the project progresses.

## **10.0 Relationship with University**

This has been dealt with in part A, section 4.0 of this report.

## **11.0 Relationship with ORFU**

This has been dealt with in part A, section 7.0 of this report.

## **12.0 Project Management Structure**

The project structure has been established and reported previously.

## **13.0 Procurement Plan**

This has been dealt with elsewhere in the report.

## **PART D**

### **Potential Users And Endorsements**

## **Summary**

The Trust has approached a wide range of local and national sporting and other organisations who are potential users of the new Stadium.

The following organisations have endorsed the new Stadium, identified events that could be hosted at the Stadium or identified opportunities for events or uses that are not currently possible in Dunedin or Otago but which the Stadium would enable. Refer to Attachment 14.0.

### **1.0 Regional Organisations**

- Basketball Otago
- CCS Disability Action
- High performance athletes (Raylene Bates)
- Marching Otago
- Netball Otago
- New Zealand Academy of Sport South Island
- New Zealand Masters Games
- Otago Area ESNZ Show Jumping Group
- Otago Boxing Association
- Otago Centre Royal NZ Pipe Bands Association
- Otago Touch
- Otago United Football Club
- Soccersouth
- Softball Otago
- Sport Otago.

### **2.0 National Organisations**

- Brass Bands Association New Zealand
- Defence Force Bands
- Eyeworks New Zealand (Producers of “Top Town” programme)
- Marching New Zealand
- Netball New Zealand
- NZ Squash
- Petanque New Zealand
- Tennis New Zealand
- Touch New Zealand
- Warriors (Rugby League)
- Weber Bros Circus
- Wellington Phoenix (A-league soccer)
- Wrestling New Zealand.

## **Regional Organisations**

### **1.0 Basketball Otago**

Mark Rogers - Chief Executive

- Need for additional playing facilities in region
- Potential to host “several National and South Island tournaments each year” which cannot be hosted at present due to the Edgar Centre already having bookings
- “Basketball in Otago is in need of more playing facilities and would definitely look to utilise any new facilities developed by the Stadium Trust”.

### **2.0 CCS Disability Action Southern Region**

Paul Martin - Regional Manager Southern

- “Accessibility does not just benefit people with disabilities; the increasing proportion of older people with some level of mobility issue, parents with prams, and those with temporary accident related injuries all specifically benefit from accessibility provisions. In short, provision for accessibility ensures the whole population is able to easily access a community venue”
- “We have been able to obtain an informal report from a Barrier Free auditor, (trained in accessibility issues) based on the [Stadium] plans supplied to CCS Disability Action
- “The auditor’s informal report regarding Dunedin Stadium preliminary plans was very favourable, indicating that he was impressed with the level of accessibility built into the plans. Code 4121 is the minimum standard guideline used to measure accessibility standards, and our auditor confirmed that the plans met those standards.”

### **3.0 High Performance Athletes**

Raylene Bates – carded high performance coach for Paralympics, team manager for Athletics New Zealand based in Dunedin

- “The new complex would offer an opportunity for our high performance athletes to train indoors in various locations [within the Stadium]”
- Opportunity for athletics to promote itself in conjunction with other events, year-round
- A health and physical activity complex alongside existing Logan Park/Caledonian Ground facilities enhances opportunities for hosting high performance camps in the city.

### **4.0 New Zealand Academy of Sport South Island**

Kereyn Smith – Chief Executive

- Supports new Stadium as “a hub for educational activities, community sport, health and physical activity, events, entertainment as well as an asset for high performance sport”

- The Stadium has “the capacity to develop as New Zealand’s leading sporting, educational and entertainment facility – unique in its ability to cater for world leading research, performance consulting and all levels for sport. In combination with the University this is a compelling proposition”
- “We see the Stadium becoming a magnet for many activities from community to high performance sport (our area of work), and the unique training and competition environment created by the roofed stadium, will provide opportunities unequalled in New Zealand”
- “The Stadium development, if managed strategically by the City and Region, could build on Dunedin’s world class reputation in human performance and endeavour”.

## **5.0 Marching Otago**

Glenys Cowie - Secretary

- Potential to secure a National Championship at the new Stadium
- “The attraction of the roof would also secure the running of such an expensive event in the case of inclement weather”.

## **6.0 Netball Otago**

Werner van Harselaar - Chairman

- Existing facilities (Edgar Centre and Lion Foundation Arena) at capacity and too small to host largest events
- Potential to host category ‘A’ tests in Dunedin
- “We are very interested in the potential to run a larger event in the new proposed Otago Stadium.”

## **7.0 New Zealand Masters Games (Dunedin)**

Aaron Roy - Games Manager

- Fully supports new Stadium
- The 2008 Games attracted 3460 participants and 1732 supporters to Dunedin with average expenditure of \$508 (participants) and \$135 (supporters).
- “The Games would seriously consider using the new Stadium as its Games headquarters for, opening and closing ceremonies, nightly entertainment as well as running a number of sports events.
- “A closed Stadium is a real positive for the Games as we often experience difficulties in scheduling sports due to changing weather patterns that Dunedin can experience”.



## **8.0 Otago Area ESNZ Show Jumping Group**

Bill McFarlane - President

- "...if all matters were favourable we could certainly be very interested in running an event/events at the stadium.

## **9.0 Otago Boxing Association**

Colin Falloon - President

- Boxing is a small but growing code in Otago, but with the potential to host national championships and professional bouts in future.
- "For the [National Championships], which we hope to host in the future, a covered venue capable of containing boxing rings, corporate boxes, conference rooms, training areas and public seating of a high standard it would seem to us that the stadium project would fit the bill perfectly."

## **10.0 Otago Centre Royal New Zealand Pipe Bands Association**

Lyndsay Rackley - President

- Supports new Stadium which would be of "ongoing benefit for the growth of Pipe Bands in our region"
- With a covered Stadium "...it would be great to be able to host regional, national and international events without worrying about the weather which is very important to pipe bands".

## **11.0 Otago Touch**

Michele Rowe - Provincial Manager

- Supports new Stadium
- Would enable Otago Touch to "hold regional events that would raise the profile and standard of the sport in a venue that would encourage players and spectators to attend"
- Otago currently unable to host national events, with the Stadium, the potential to host Touch NZ Nationals, Youth Trans Tasman or (ambitiously) World Cup events exists.

## **12.0 Otago United Football Club**

Barry van Corp – Office Manager

- The Club is "fully behind the proposed New Stadium being built"
- Desire to play all its home games in New Zealand's summer national league at the Stadium.

### **13.0 Soccersouth**

Wilson James – Chief Executive

- “Soccersouth believes a new multi-purpose stadium hosting local, regional, national and international activities will bring long term benefits to the community”
- “The new multipurpose stadium will be an integral part of the community’s sporting and recreational infrastructure, alongside the existing swimming pools, sports grounds, walkways and cycle tracks”
- “The new stadium will encourage the growth of soccer in Otago, opening up opportunities to bring major new soccer events to the region and providing an international quality facility”
- “The ability to offer a fully roofed venue protected from the elements, an international quality playing surface and first-class facilities to visiting sports teams and events should entice sports and other organisations to select Dunedin for major activities. With modern facilities and no weather disruptions, Otago can guarantee a high quality participant and spectator experience”
- “The new stadium will improve the region’s appeal when bidding for and National and International events, opportunities which might otherwise pass us by”.

### **14.0 Softball Otago**

Peter Wilson - Board member

- Endorses Stadium and pledges organisation’s support and intended use of this “exciting development”
- Ellis Park is now a top-quality softball facility, but not suited to international tournaments
- The new Stadium will enable Softball Otago to secure international tournaments: “both men’s and women’s teams, including the White Sox and Black Sox, [which would] therefore attract a number of sportspeople and supporters to Dunedin”
- “[To facilitate growth of softball in region] Dunedin simply needs the new Stadium and Softball Otago needs, and looks forward to, access to the various amenities proposed.”

### **15.0 Sport Otago**

John Brimble - Chief Executive

- “The Board of Sport Otago unanimously support and endorse the new Stadium and see the commitment to progress with construction as essential for both economic, cultural and social growth of the region. If we do not move forward we will go backwards.”
- “The unique attraction of the stadium is the provision of a fully enclosed roof making it the only indoor stadium of its type in New Zealand.”
- “Sport Otago is aware that it will secure a number of major events that in the past have been weather affected”

- Will ensure that “...major community based physical events such as Weetbix Kids Tryathlon and the Mega Milk Top Kids competition could be held within Dunedin regardless of whether”
- Strong links to University of Otago. New Stadium will help “enhance facilities for attracting students to Dunedin whilst also centralising a range of services that effectively contribute to the creation of a centre of excellence”.

#### **16.0 Vikings Futsal Dunedin**

James Vaughan – Development Office Otago

- “Vikings Futsal Dunedin would like to show its support of the proposed stadium”
- The stadium would give further credibility to potential bids and increase the probability of Dunedin hosting international events. Namely the annual Vikings Cup currently held at QEII stadium in Christchurch, which features teams from Australia, China and the Philippines”.

## **National Organisations**

### **1.0 Brass Band Association New Zealand**

David Dobson – General Manager

- Potential to have National Contest held every four years in Dunedin in new Stadium plus regional contests
- National Contest involves 2,000 bandspeople plus viewing audience held over five days.

### **2.0 Defence Force Bands**

Major Sandilands

### **3.0 Eyeworks New Zealand (producers of “Top Town” programme)**

Sara Martin - Production Manager

- “The Otago Stadium in Dunedin is the sort of location that we would look at using for a televised event if we were filming in Dunedin”
- “This venue would cater well for a show such as Top Town. In particular because the venue is “cabled” and because it has a media centre”
- “The fully covered nature of this venue would guarantee that we could have an uninterrupted filming schedule in a controlled environment. Please let me know when you have opened this new facility”.

### **4.0 Netball New Zealand**

Raelene Castle – Chief Executive

- "Netball New Zealand strongly endorses the development of the Otago Stadium as an excellent facility for the hosting and delivery of netball at the highest level"
- "A facility such as this would enable netball in Otago to cater for larger numbers of spectators and service the needs of all aspects of the game to a more comprehensive standard in the areas of hospitality, broadcasting and media and entertainment"
- "The opportunity that the Otago Stadium offers in terms of hosting international Tests and ANZ Championships matches is very attractive"
- "The addition of a roof over the Otago Stadium makes this venue for netball at that level possible, without it, it would not be suitable for netball at the elite level"
- "The capacity ...of 10,000+, with the modern facilities it includes, makes it very attractive to Netball New Zealand as the following for netball in the wider geographic area is very passionate"
- "Netball New Zealand is eager to pursue the use of the Otago Stadium on its completion"

## **5.0 Marching New Zealand**

Diane Gardiner - Chief Executive Officer

- “Marching New Zealand would be interested in using the new Stadium in Dunedin [for] our national championships.”
- “The trend has been for Host Associations when applying to host the event to facilitate the championships indoors”
- “I am sure Marching Otago will apply to host an event in the next couple of years at the new venue”.

## **6.0 NZ Squash**

Mike Thompson – Chief Executive

- NZ Squash use a transportable glass squash court for national and international events and exhibitions
- An indoor stadium would provide an opportunity to host an international squash events using the court as the centre of the stadium, attracting up to 3,000 spectators.

## **7.0 NZ Symphony Orchestra**

Heikki Mohell – Operations Manager

- “The (Stadium) proposal is extremely exciting and would add considerably to the cultural life and the infrastructure of the province”
- “As you are aware, the NZSO is limited to much smaller venues as we perform acoustically, but we are constantly exploring the opportunities for arena events, such as Classical Arena Spectacular, large operas in concert or supporting major international pop and cross-over artists”
- “A major arena in Otago would certainly make these events, which normally tour nationally, more viable, and on that basis we are happy to lend our support to your efforts to secure this multi-function venue for the city and the province”.

## **8.0 Petanque New Zealand**

Barbara Whittington - Secretary

- “We have never been able to consider holding a large event in Dunedin, because of the lack of a suitably sized venue...We have often lamented the lack of an indoor facility, and the existence of such could well make a difference in our decision-making”
- Petanque NZ would probably only use the Otago Stadium occasionally. Petanque events requiring reasonably large venues are: four National Championships a year, plus a bi-annual trans Tasman challenge against Australia.

- A larger venue is mainly required for playing area rather than spectators, though the ability to hold an event in a high-profile venue such as the stadium may provide the opportunity to attract more spectators than local club grounds would.

## **9.0 Tennis New Zealand**

Steve Walker – Chief Executive Officer

- “Tennis currently has the luxury of possible access to the Lion Stadium at Edgar Centre for events such as Davis Cup ties. That said, we would always keep an open mind about the possibility of accessing the proposed new stadium at some time in the future”
- Other possible options are “...exhibition tennis events, and depending on the number of tennis courts that could be erected, a possible back up to the Edgar Centre for regional or national junior events”
- “It would be unreasonable for tennis to indicate a great likelihood of using the stadium however we would certainly like to be kept in the loop as things progress”.

## **10.0 Touch New Zealand**

Joe Sprangers – Chief Executive Officer

- Touch New Zealand has recently commenced using modern stadia as part of its strategy of professionalising the image and perception of the sport
- Recent use of Trust Stadium Waitakere has highlighted the significant advantages of modern stadia and the beneficial impact on players, management, supporters and spectators
- “Touch NZ would consider use of The Otago Stadium, upon completion, for appropriate tournaments and events. We look forward to bringing our events to the people of Otago”.

## **11.0 Warriors (Rugby League)**

Wayne Scurrah – Chief Executive Officer

- “We congratulate you on the initiative and courage you have shown in undertaking this new facility to the country and Otago in general. With the plan to roof the Otago Stadium the prospect of a weather proof football venue is extremely positive for New Zealand and one I’m sure will be attractive to many sports teams”
- “Whilst we are presently committed to playing all of our regular season home matches at Mt Smart Stadium; certainly the new stadium is a potential venue for our pre-season matches and other NRL Clubs regular season home games once we have a clear view of the opening date and the facilities on offer”
- Suitable scheduling and commercial terms would be a prerequisite to any such events being held at Otago Stadium.

## **12.0 Weber Bros Circus**

Paul Johnson - Marketing Manager

- The Weber Bros Circus comes to Dunedin every second year, normally showing to in excess of 15,000 people. It is always looking for alternative venues.
- “For some time we have been considering a Stadium Style event catering for the larger Family Audience and also the facility to visit the area in our ‘Out of Season’ winter period”
- “The proposed venue represents a fantastic solution for this purpose and would maybe bring some Quality events like ours not just in the Summer season but now also Winter as well”.

## **13.0 Wellington Phoenix (A-league soccer)**

Nathan Greenham

## **14.0 Wrestling New Zealand**

David Marsh – Chief Executive Officer

- “The New Olympic Wrestling Union could use the facility to hold its national championships, Oceania Championships or indeed examine the possibility of bidding for a larger championship”
- At present national championships are held on a yearly basis, rotated through the bidding club areas (last year’s was held in Mosgiel).



28 January 2009

Rawlinsons Limited  
PO Box 9804  
Auckland  
E: [a.millard@rawlinsons.co.nz](mailto:a.millard@rawlinsons.co.nz)

Attention Andrew Millard

Dear Sir

**OTAGO STADIUM - GUARANTEED MAXIMUM PRICE SUBMISSION**

We write further to our GMP offer dated 23 January 2009 and email dated 27 January 2008 and are pleased to enclose our revised offer for the sum of **\$129,759,285** excluding GST (One Hundred and Twenty Nine Million, Seven Hundred and Fifty Nine Thousand, Two Hundred and Eighty Five Dollars). Enclosed are revised Trade, Potential Savings and Provisional Sum Summaries, all other conditions of our offer dated 23 January 2008 remain the same.

We trust that this offer meets with your expectations and look forward to further discussions.

Yours faithfully

**HAWKINS CONSTRUCTION LTD**

A handwritten signature in dark ink, appearing to read 'Quin Henderson', written over a light blue horizontal line.

Quin Henderson  
**SOUTHERN REGIONAL MANAGER**

cc     Lale Ieremia     Arrow International Ltd  
                                 email [kate.dyet@arrowinternational.co.nz](mailto:kate.dyet@arrowinternational.co.nz)

**Hawkins Construction Ltd.**

14 Barry Hogan Place, PO Box 42-127, Christchurch, New Zealand  
Telephone: +64-3-379-3691. Facsimile: +64-3-379-8025



ISO 9001



# MAIN CONTRACTOR PROCUREMENT



## Selection of Preferred Contractor

12 November 2008

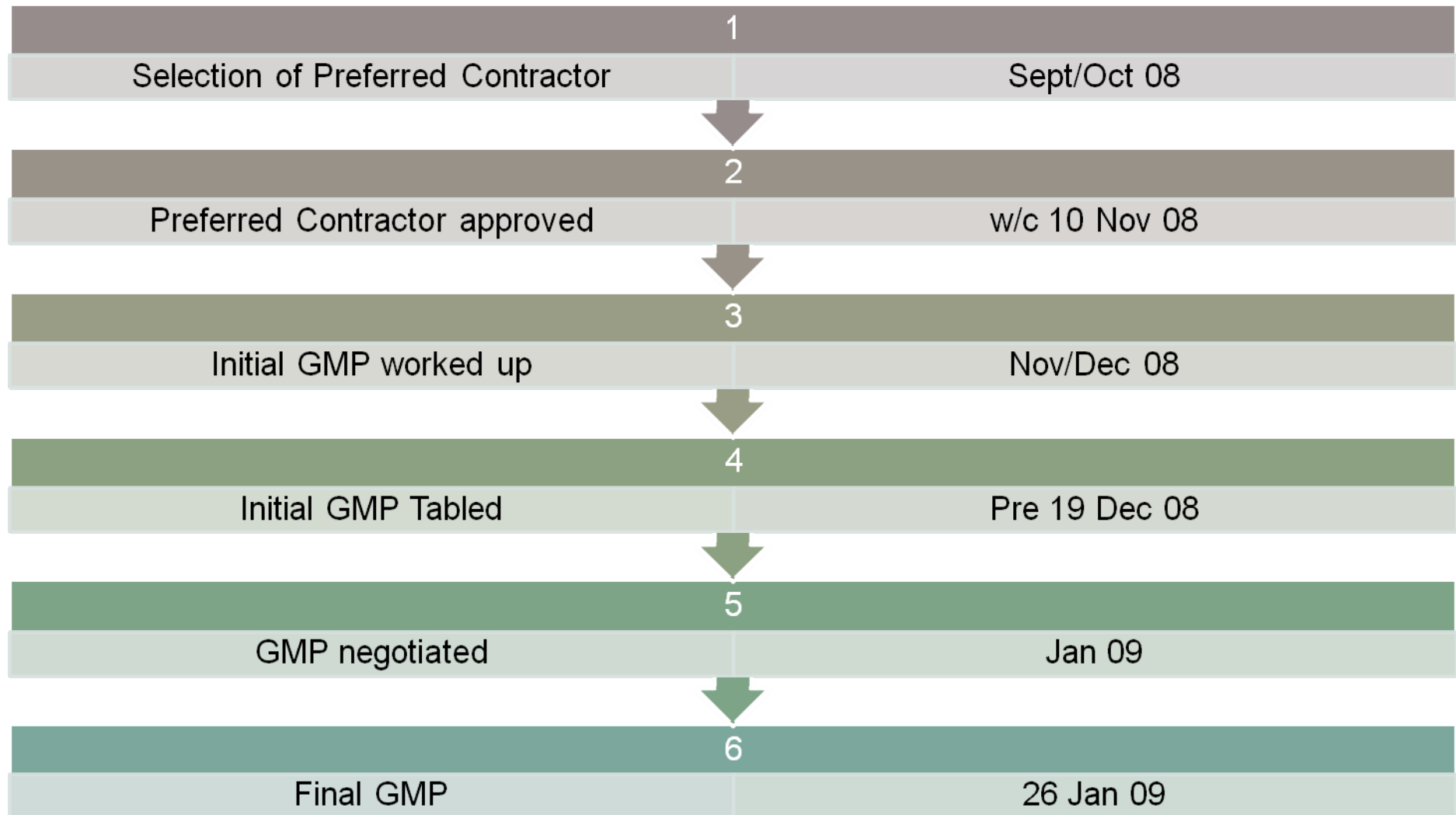
## Strategy

- Traditional single main contractor approach
- GMP contract required

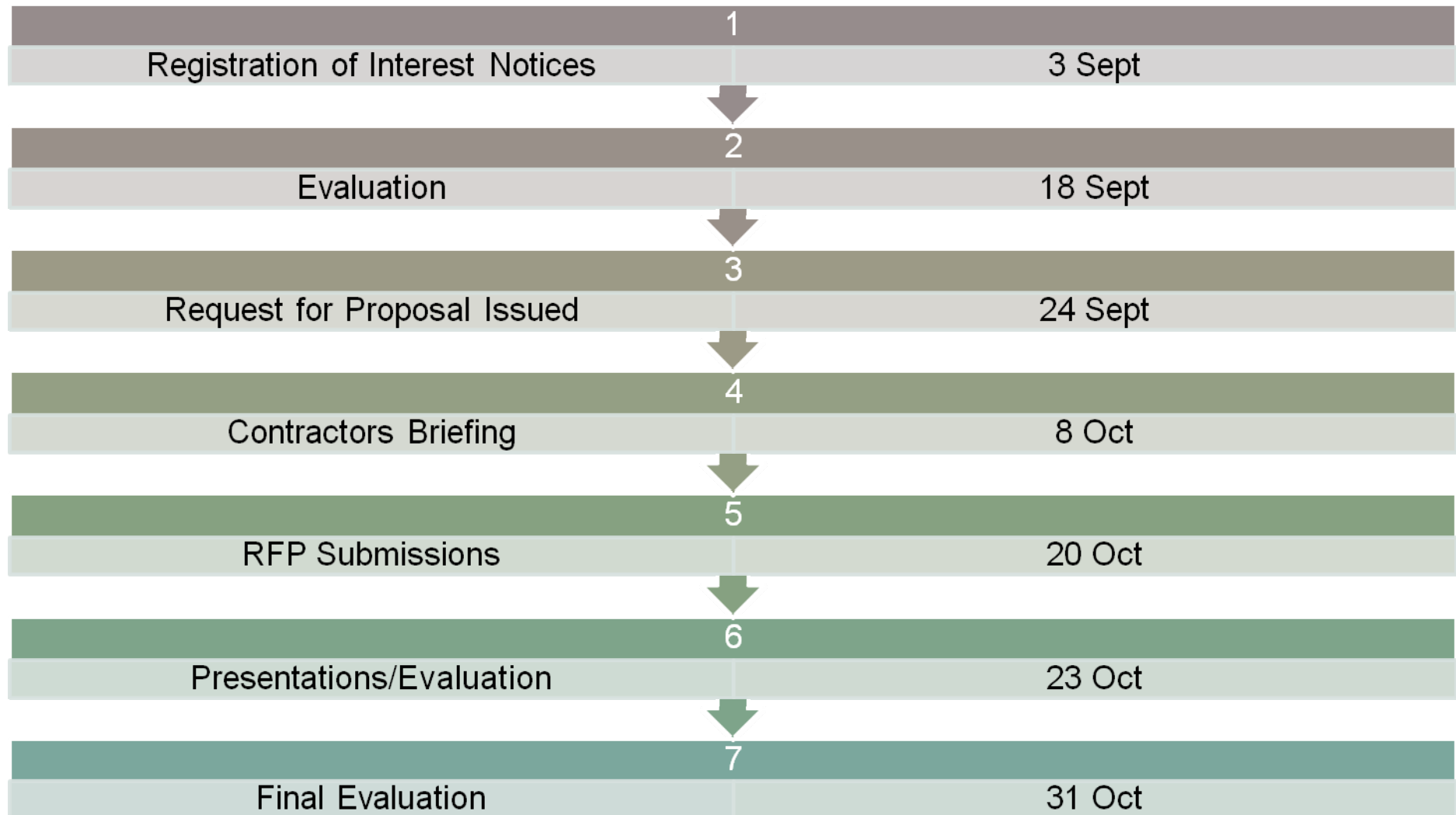
## Process

- Two stages
- Preferred Contractor works with project team
- Main Contractor appointment – contract executed

# Main Contractor Overall Process



# Preferred Contractor Selection



D643 SA4

29 January 2009

National Office  
Level 8, St Paul's Square  
45 Pipitea Street  
PO 99, Wellington 6140

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)

Freephone: 04 496 3099  
Fax: 04 496 3095

Mr J Harland  
Chief Executive Officer  
Dunedin City Council  
P O Box 5045  
DUNEDIN

Dear Jim

### **Report on Review of the Procurement Processes for the Carisbrook Stadium Development**

By way of our draft letter of 1 October 2008 and your letter of 9 October 2008 Audit New Zealand was engaged to provide independent assurance services to Dunedin City Council (DCC) in relation to the procurement processes that the Carisbrook Stadium Trust (CST) has followed to appoint a Preferred Contractor for pre-construction services for the new stadium.

In providing assurance services to DCC we recognise that the stadium is a controversial project with high public interest. We undertook this engagement with the expectation that it may assist DCC and ultimately the ratepayer in gaining some confidence over a significant purchasing process. However, we also note that at a future time the Auditor-General may be requested and/or may decide to undertake an inquiry into aspects of the stadium's development.

### **Background**

DCC and Otago Regional Council (ORC) are the principal funders of the stadium. Arrow International has been appointed by the CST as manager for the project.

The establishment of a contract for the stadium has been approached on the basis of appointing a contractor for pre construction services and, subject to the successful determination of a Guaranteed Maximum Price (GMP) for the substantive construction works, to then appoint that contractor as main contractor for the construction.

The procurement of the pre construction contractor has been progressed by way of a two stage process including Registration of Interest (ROI) followed by a Request for Proposal (RFP) issued to a short list of contractors.

### **Scope of services**

DCC was seeking assurance that:

- The tender process conforms with applicable DCC procurement policy and meets good practice expectations in procurement within the public sector.

- Any obvious potential risks that are identified during the course of the tender process are managed and/ or mitigated.
- The issue of probity is addressed to ensure the integrity and consistency of the process so that no parties are unfairly treated.

Our assurance review was designed to assist DCC in achieving the above goals by providing it with an independent assessment of the processes that have been followed to procure the contract.

Our review did not include:

- A full review of the processes the Trust has followed prior to the point that Audit New Zealand was engaged.
- Assurance over the outcome of the tender process (the decision on award of a contract is the role of the evaluation team, the Trust and DCC).
- Full review of, nor assurances over, the processes to identify and mitigate or manage conflicts of interest at senior executive/approving authority level.

### **The work that has been undertaken**

In the course of this engagement we:

- Discussed with DCC our engagement for this tender process and prepared a proposal dated 1 October 2008 which was accepted by DCC on 9 October 2008.
- Met with representatives of the CST and Arrow International on 16 October 2008 to discuss the progress with the procurement to that time and the intended process ahead.
- Reviewed documentation provided by the CST, Arrow and DCC including:
  - Request for Proposal (RFP) document dated 24 September 2008.
  - Arrow report on Registration of Interest (ROI) evaluation dated 22 September 2008.
  - Evaluation template for RFP presentations.
  - Notices to Tenderers numbered 1 to 7.
  - Record dated 21 October of the opening of the Request for Proposal submissions.
  - Conflict of Interest declarations for the evaluation team dated 23 October 2008.
  - Drafts of Service Level Deed dated 7 October and 7 November 2008.
  - CST Board meeting minutes dated 11 August and 8 September 2008.
  - Project Delivery Team meeting minutes dated 3 November 2008.

- Draft evaluation report under cover of letter dated 7 November 2008.
- Summary of Council resolutions dated 17 March and 29 September 2008.
- DCC Purchasing and Disposal Manual dated July 2006.
- Provided an initial e mail report to the CEO for DCC dated 23 October 2008.
- Provided a further e mail report to CEO for DCC dated 31 October 2008.
- Discussed several issues with the CEO for DCC by telephone on 5 November 2008.
- Met with the CEO, DCC on 11 November 2008. Further information was requested at this meeting.
- Reviewed further information provided by CST on 28 November 2008 with respect to declarations of conflict of interest, the full RFP evaluation report and minutes of CST and Stakeholder Group meetings.
- Prepared a draft report for client review.
- Finalised our report.

### **Basis on which our assurance has been provided**

During this engagement, our work has been undertaken on the basis that DCC, CST and its advisers:

- Ensured that we received all information that we requested or that was available and relevant to our engagement.
- Advised us of any circumstances that arose prior to or during the course of our work that may have been material to and significant in relation to our work. We have not been advised of any issues in this regard.

Audit New Zealand is a business unit of the Controller and Auditor-General. Our assurance service was provided in accordance with Section 17 of the Public Audit Act 2001 and the standard terms attached to our letter of engagement.

In reviewing the processes and assessing compliance with good practice, we applied the standards, principles and best practice guidance set out in the following documents, as well as our understanding of how those principles operate in practice:

- Procurement Guidance for Public Entities (Office of the Auditor-General, 2008).
- Managing conflicts of interest: Guidance for public entities (Office of the Auditor-General, 2007).
- Audit NZ internal methodologies.

### **Findings**

During the course of our work we observed some good practice in relation to the approach being taken to the procurement:

- A Project Manager had been appointed by the CST to support the process.
- Market enquiries were made in terms of an open invitation to register interest in the project. This was well advertised.
- The evaluation of responses to the Registration of Interest (ROI) for main contractors appears to have been conducted appropriately and a report prepared. A short list of companies to be invited to participate in the Request for Proposal stage was derived.
- A good standard Request for Proposal (RFP) document was prepared and issued to the short listed companies.
- Appropriate time lines were set and adhered to for the two response processes (ROI and RFP).
- Communications in terms of the Notices to Tenderers issued during the RFP stage were managed appropriately.
- A detailed evaluation of the RFP responses appears to have been undertaken and a report prepared with a clear recommendation on a preferred contractor.

However, during our work we noted some instances where the process did not accord with good practice:

- No procurement plan was prepared despite the significance of this tender process. The absence of procurement plan does not accord with the intent of DCC's Purchasing and Disposal Manual nor with the OAG guidance for procurement nor with good practice expectations. Many of the elements of a procurement plan were addressed but this occurred in an ad hoc fashion between mid 2007 and mid 2008. At a very late stage of our review we were advised of some of the initiatives and documentation in this regard. We did not review this further documentation. We would suggest that in the interests of good management and clarity of decision making it is advisable to bring together key procurement planning arrangements into a single documented record. There is probably no merit in doing this retrospectively for this procurement.
- The strategy to be applied to this procurement was not documented in a cohesive way. Significant strategic direction had been provided by DCC and the CST from time to time. This was recorded in the form of minuted council and Trust resolutions. It was only following our raising of some concern about this matter that the strategy to be applied to the procurement was collated and recorded by the CST in a summary report dated 17 October 2008.
- Conflict of interest declarations were completed late in the process and only following prompting by Audit NZ. Declarations were completed by the evaluation team members but only after the RFP had closed. This was too late in the process. That does not accord with good practice. The declarations made by members of the CST and Stakeholder Group occurred at an even later time and after the recommendation on award of the contract had been made. However, the declarations were completed before DCC approved the award of the contract. We report that no issues of significance were apparent from the declaration information provided to us for



review. There will be a need to manage conflict of interest on an on-going basis and particularly with respect to award of the construction contract.

- The authority for making the decisions on this tender process was unclear to us when we enquired about this in early November. At that time the Service Level Deed had not been signed. The Project Delivery Team (PDT), which we understand is a subcommittee of the CST, appears to have made the decision on short listing from the ROI process. It is not clear to us whether it had the authority to do this.

We are advised by DCC that the process for awarding the preconstruction services contract was as follows:

- The PDT met on 6 October 2008 to agree a recommendation to the CST on a preferred contractor.
- The CST met on 10 November 2008 to also agree on the recommendation which was then forwarded to a meeting of the Stakeholders Group held on 10 November and endorsed at that meeting.
- An extraordinary meeting of DCC was held on 12 November 2009 to consider the recommendation. Formal consideration of this matter by DCC was probably appropriate in the absence of a signed deed. DCC approved the recommendation for award of the contract to Hawkins.

We note that the management and governance chain for this project is quite complex. While not entirely relevant to this report we would like to point out that this complexity could lead to some difficulties around clarity of roles, authority for making decisions and the timeliness of decisions.

There has been some limitation to the conduct of our review and our assurance must be understood in that context. We were not engaged to provide assurance over this tender process until 9 October at which time the ROI process had been completed and the RFP had been issued. We were not involved in some critical parts of the process such as tenderer presentations and evaluation meetings where in our experience probity issues can arise from time to time. Consequently, we have had to place reliance on DCC, CST and others to advise us of any issues that may have arisen during the processes. We have been advised that no issues arose. Furthermore, the complexity of the management and governance arrangements for the project increases the difficulty of ensuring that all relevant information has been provided to us.

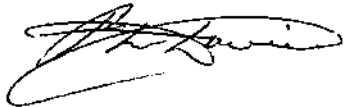
## **Conclusion**

Subject to the matters we have raised above and the limitation of our assurance advice, we advise that no significant probity issues have been brought to our attention that would in our view represent a significant risk to award of the pre construction contract.

**Next steps**

This report concludes our work for this engagement. Please feel free to contact me if there are any issues on which you would like further clarification, or if we can be of further assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Davies', with a stylized flourish at the end.

Peter Davies  
Director, Specialist Assurance Services

cc      Ken Boddy, Audit Director



30 January 2009

Darren Burden  
Carisbrook Stadium Trust  
P O Box 5506  
Dunedin

Dear Darren

**Re: University Facilities at Otago Stadium**

We understand that it is a requirement that the Carisbrook Stadium Trust (CST) provide the Dunedin City Council with a written confirmation from the University of Otago as to the facilities that are proposed to be built on the land at the stadium site.

The Memorandum of Understanding between the University and the CST states the following with regard to the University's space at the stadium site.

*"It is proposed to plan for the construction of up to approximately 13,400 m<sup>2</sup> of gross building space to provide facilities for the University. The details of the developments will be defined during the design stages."*


The facilities currently being planned for this space are as follows (space requirements are best estimates).

- Unipol Gymnasium - up to 6,000 m<sup>2</sup> of gymnasium, sports, recreational and administration space.
- Foundation Studies - up to 2,500 m<sup>2</sup> of teaching, learning, office and social space.
- Student Health - up to 1,800 m<sup>2</sup> of clinic, treatment, office and waiting space plus a pharmacy with up to 100 m<sup>2</sup> of retail and dispensary space and a physiotherapy clinic with up to 100 m<sup>2</sup> of treatment, office and waiting space.

This totals 10,500 m<sup>2</sup> of gross space. This leaves 2,900 m<sup>2</sup> available for further development on the stadium site and options are being considered for this, one of them being a café which would be beneficial to the area.

The University reserves the right to change its plans for this site over the coming months as the requirements of the University occupants may change during the detailed planning phase of the project.

Yours sincerely



A J Patrick  
Chief Operating Officer

Copy to: Professor David Skegg, Vice-Chancellor

Chief Operating Officer

PO Box 56, Dunedin, New Zealand.  
Tel 64 3 479 8537 • Fax 64 3 479 8040 • Email [john.patrick@otago.ac.nz](mailto:john.patrick@otago.ac.nz)  
[www.otago.ac.nz](http://www.otago.ac.nz)

DUNEDIN • CHRISTCHURCH • WELLINGTON • AUCKLAND

**ATTACHMENT FIVE**

To be circulated separately

# CARISBROOK STADIUM TRUST

## COUNCILLORS BRIEFING

15 DECEMBER 2008

### PROJECT SCOPE SUMMARY

| STATUS AS AT 17 MAR 2008 (March Report)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | CHANGES AS AT 15 DEC 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>SPATIAL REQUIREMENT</b></p> <ul style="list-style-type: none"> <li>Seating bowl capacity as follows (based on the alternative configuration noted in section 6.11 of report which was adopted):           <ul style="list-style-type: none"> <li>South Stand – 10,300 seated</li> <li>North Stand – 9,198, comprising 5,918 seated and 3,280 standing.</li> <li>East Stand – 6,000 temporary, comprising 4,500 seated and 1,500 standing.</li> <li>West Stand – 6,000 temporary, comprising 4,500 seated and 1,500 standing</li> <li>Total capacity – 31,498 comprising 25,218 seated and 6,280 standing</li> </ul> </li> <li>The South Stand will accommodate corporate facilities which will comprise the following:           <ul style="list-style-type: none"> <li>18 x 18-24 person suites</li> <li>1 x 48 person hirers suite</li> <li>80 person Founders Club suite</li> <li>40 person Roaring Forties suite</li> <li>2 x 1,000 person members lounges</li> <li>30 x 12 person open club reserves located in the seating bowl</li> </ul> </li> <li>The above facilities will be capable of non-event day usage as follows:           <ul style="list-style-type: none"> <li>Small day meetings - up to 30 people</li> <li>Medium day meetings – up to 100 people</li> <li>Large day meetings – up to 150 people</li> <li>Small conferences and seminars – up to 75 people</li> <li>Large conferences and seminars – up to 250 people seated theatre style in each lounge</li> <li>Functions – up to 1,000 people in each of the lounges</li> </ul> </li> <li>Toilet facilities will be provided over and above the NZ Building Code and in accordance with stadia guidelines</li> </ul> | <ul style="list-style-type: none"> <li>South Stand – 10,784 seated</li> <li>North Stand – 8,450, comprising 6,458 seated and 1,992 standing. Overall capacity to increase by 544 if the lower tier seating was removed and converted to standing</li> <li>East Stand – 6,060, comprising 4,364 seated and 1,696 standing. Seats would be purchased and stored on site</li> <li>West Stand – 5,220 seated. Seats would be hired in as required</li> <li>Total capacity – 30,514 comprising 26,826 Seated and 3,688 standing</li> <li>The Roaring Forties suites has been removed</li> <li>An additional two 18-24 person suites are provided</li> <li>An additional 13-15 person suite is provided</li> <li>2 x 400-700 person members lounges</li> <li>An additional 450 person members bar is provided – approx 1,850 lounge memberships available</li> <li>Increase in the number of 12 seat OCRs to 40 in total</li> <li>Possibility of additional 8 seat OCRs</li> <li>Each lounge should accommodate up to 300 people theatre style for conferences/seminars</li> <li>Functions – up to 650 people in cocktail mode and 450 people in fine dining mode in each lounge</li> </ul> |

- Other spectator facilities to be provided include first aid stations, information booths, banking/eftpos facilities, merchandising outlets and an effective signage system
- Catering facilities generally to be provided to shell and core fit out, with the catering contractor to supply catering equipment
- South stand to accommodate the following team/changing facilities:
  - Home and away changing rooms to accommodate 30 players
  - Referees and officials changing room
  - Cheeleaders/ball girl change area
  - Ball boy change area
  - Band room
  - Star dressing room
  - Medical room
  - Drug testing room
  - Players lounge
- Facilities for the media will comprise the following:
  - Print media box and photographers
  - Television broadcasting suite
  - Radio broadcaster booth
  - Media lounge
  - Interview/press conference room
  - Parking area for outside broadcasting trucks
- Back of house facilities will include:
  - Venue management offices
  - Staff facilities for both permanent and event staff
  - Security facilities
  - Storage
  - Groundskeeping
- The east stand will be capable of hosting functions and events with the use of overlays

#### **DESIGN ELEMENTS**

- Stadium to be designed to accommodate international rugby union, soccer and rugby league
- The roof is to be covered in ETFE or metal cladding. The functional criteria of the roof is as follows:
  - Protection from wind and rain
  - ETFE to be designed to be maximise the amount of natural light penetrating the field of play
  - The roof is to be lower over the north

- In terms of functions the east stand can accommodate up to 1,000 in dining mode (tables of ten, for example) with the use of suitable overlays

#### **DESIGN ELEMENTS**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>stand to allow more natural light into the stadium</p> <ul style="list-style-type: none"> <li>▪ The roof envelope will provide a minimum clear height of 30m at it's lowest point</li> <li>▪ The pitch is to be orientated north west to south east with the stadium designed to allow it to be naturally ventilated to promote good growth and recovery. The pitch will be sized to accommodate the largest international sporting code on a rectangular field. The pitch will therefore meet the requirements of rugby union, soccer and rugby league.</li> <li>▪ Both the east and west stands will be designed as enclosed flat slabs to accommodate relocatable seats/standing areas or when not in use accommodate events and function in their own right. This may require the use of overlays, therefore the design will allow for relevant service connections and fittings.</li> <li>▪ The east stand will include a dividing screen which will be fitted to the underside of the leading edge of the roof</li> <li>▪ The stadium will be designed to enable amplified concerts and other such events to take place in the stadium bowl, the east stand and the west stand. This will include consideration of servicing requirements, logistics, acoustics, staging and so on. It is noted that specific equipment such as stages, localised sound systems and so on are not included in the scope.</li> </ul> | <ul style="list-style-type: none"> <li>▪ The dividing screen has been removed on the advice of a stadium operator, however it is able to be retrofitted for particular events if required.</li> </ul>                                                                                                                            |
| <p><b>OTHER AREAS</b></p> <ul style="list-style-type: none"> <li>▪ An urban plaza is to be provided to the western part of the site. It will provide a mixture of hard and soft landscaping.</li> <li>▪ The design will take cognisance of the University development on the plaza and adjoining the west stand.</li> <li>▪ The development will allow for the ability to provide up to 900 m2 of space in the North Stand for organisations such as the Academy of Sport, Sport Otago and other sporting or sports research and training organisations.</li> <li>▪ A car park is to be provided to the eastern side of the stadium and will accommodate 336 spaces.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p><b>OTHER AREAS</b></p> <ul style="list-style-type: none"> <li>▪ The development will include a space provision in the South Stand of a minimum of 1,200m2 shell and core floor space for organisations such as the Academy of Sport, Sport Otago and other sporting or sports research and training organisations.</li> </ul> |

**GENERAL**

- Stadium to be designed to meet the NZRU requirements for category B test match requirements as a minimum:
  - Minimum capacity of 25,000
  - Preferably all of this to be seated, but some standing allowed
  - Minimum of 7,500 covered seats in the premium location
  - Acceptable facilities for teams, officials and medical requirements
  - Media facilities to cater for a TV broadcaster, 30 print media indoors, 50 print media outdoors, three radio broadcasters
  - Hospitality facilities (hirers suite available)
  - Acceptable playing surface
  - Provision of a clean big screen (can be hired in)
- Stadium will be designed to comply with the rules proposed within the district plan change

**GENERAL**



# OTAGO STADIUM

1 Dec 2008

## CONFERENCE, SEMINAR & FUNCTION FACILITIES – APPROXIMATE AREAS/CAPACITIES/DIMENSIONS

| Uses                       | Area                  | Capacity<br>(cocktail<br>style) | Capacity (fine<br>dining)    | Capacity<br>(theatre style)  | Usable Area<br>Dimensions | Total Area                           | Maximum<br>ceiling<br>height |
|----------------------------|-----------------------|---------------------------------|------------------------------|------------------------------|---------------------------|--------------------------------------|------------------------------|
| <b>Main stand: Level 4</b> |                       |                                 |                              |                              |                           |                                      |                              |
| Conferences, seminars      | West Members' lounge  | 700                             | 450                          | 300                          | 30m x 15m                 | 565m <sup>2</sup>                    | 4.2 m                        |
| Conferences, seminars      | East Members' lounge  | 700                             | 450                          | 300                          | 30m x 15m                 | 565m <sup>2</sup>                    | 4.2 m                        |
| Meeting space              | (main lounges)        |                                 |                              | 15-300                       |                           |                                      | 4.2m                         |
| Meeting/seminar space      | Hirers Suite          | 80                              | 50                           | 50                           | 9m x 9m                   | 81m                                  | 3.6m                         |
| Meeting/seminar space      | Founders Suite        | 150                             | 90                           | 90                           | 17m x 9m                  | 153m                                 | 3.6m                         |
|                            |                       |                                 |                              |                              |                           |                                      |                              |
| <b>Main stand: Level 3</b> |                       |                                 |                              |                              |                           |                                      |                              |
| Meeting spaces x 21        | Corporate suites x 21 | 30<br>20                        | 20 rooms x 24<br>1 room x 15 | 20 rooms x 24<br>1 room x 15 | 5m x 7m<br>3m x 7m        | 35m <sup>2</sup><br>21m <sup>2</sup> | 3.6m                         |
| Meeting/seminar space      | Hirers' lounge        | 80                              | 50                           | 40                           | 10m x 7m                  | 70m <sup>2</sup>                     | 3.6 m                        |
|                            |                       |                                 |                              |                              |                           |                                      |                              |
| <b>East Stand</b>          |                       |                                 |                              |                              |                           |                                      |                              |
| Functions, conferences     | Main stand            | 1,800                           | 1,000                        | 1,500                        | 75m x 25m                 | 2,250m <sup>2</sup>                  | 18 to 23m                    |

Note the above capacities are indicative only

- Level 4 rooms will be air-conditioned
- Level 3 suites not air-conditioned
- Double lift access
- Toilet facilities (men/women/wheelchair access)
- Catering kitchens
- Bar areas
- Overlooking the Stadium pitch (level 3)
- Overlooking the Stadium and the city (level 4)
- Floor to ceiling natural light from Northern windows
- Wheelchair access.
- East stand adjacent to main kitchen
- Services provided to east stand for overlays



OTAGO STADIUM

Otago - AMI - Westpac Benchmark Comparisons Report

January 2009

This report makes visual comparisons between the current Otago Stadium design and the existing interior and exterior finishes for AMI and Westpac stadiums.

| Revision No | Date            | Revision |
|-------------|-----------------|----------|
| 1           | 14 January 2009 | Report   |

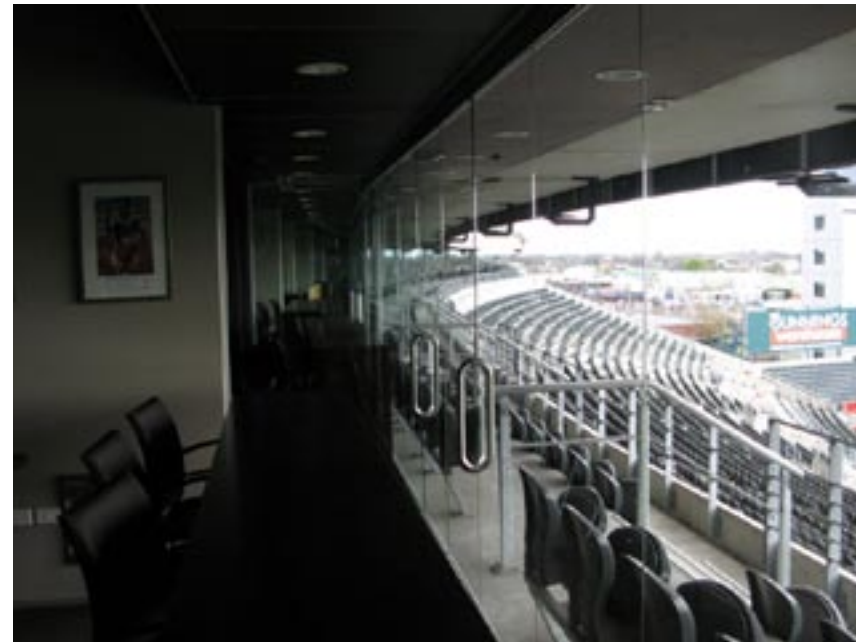
# Otago - AMI - Westpac Stadium Benchmarking

## Contents:

- Corporate Boxes
- Members Lounge
- Founders Suite
- Corporate Corridor
- GA Concourses
- GA Toilets
- Corporate Toilets
- Players Change
- Landscape
- Site Fences & Gates
- Exteriors
- Materials Spreadsheet



AMI corporate box:  
Ply bulkhead at doors bulkheads, suspended ply bulkhead with recessed down lighting and uplighting and plaster board ceiling. Mirror backed joinery unit semi recessed. Plaster board walls paint finished with 40mm anodised aluminium skirting



AMI corporate box:  
Frameless glazing and returns to every wall, bifold gear, glazing height 2.4 M approx.. Exterior soffit ply lined with recessed downlights.



AMI corporate box:  
Integrated joinery unit LPL, flanking full height cupboards with central formica servery, shelving unit with incandescent down light in bulkhead above. Broadloom carpet. Timber veneer door with timber frames.



Westpac corporate box:  
Plaster board bulkhead at doors with recessed down lighting. Wall mounted heaters. Plaster board walls paint finished. Bowl glazing framed bi-parting sliding doors in aluminium frames to side lites, frameless glass returns.



Westpac corporate box:  
Suspended tile ceiling with recessed fluorescent fittings. Carpeted floor in broadloom. Joinery unit in LPL with cupboard unit and fridge. Back bar with open shelving and mirror back. Larger boxes (pictured) have servery bar with timber veneer fronts and laminate top.

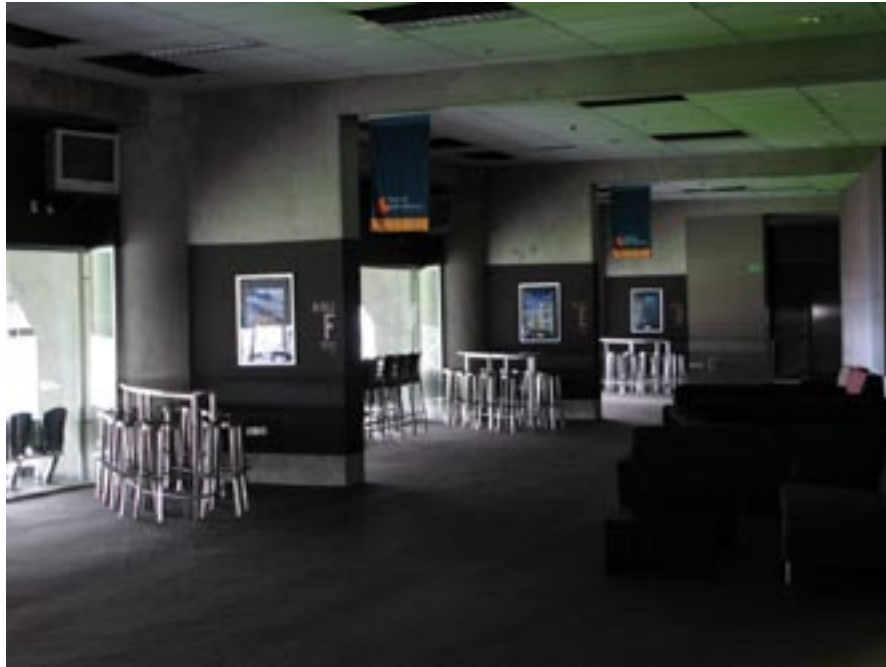




Otago Stadium Corporate Box:  
Suspended mineral tile ceiling, Recessed downlights. No bulkheads or other features. Painted plaster board walls with timber skirting. Framed shop front glazing with single hinged door, height 2.7M. Glass returns every second wall. No exterior soffit treatment



Otago Stadium Corporate Box:  
Integrated joinery unit, cupboards under and over, 3 recessed halogen down lights. Laminate door and frames. Vinyl floor strip across servery with carpet tiles generally



AMI members lounge:

Exposed concrete structure with painted concrete dado, frameless glass between columns with glazed returns, glass access door with bi-parting framed glass leaves at centre of each bay, height 2.4M.



AMI members lounge:

Suspended ceiling tiles between beams, recessed downlights and fluorescent trays. Ply feature wall, fireplace with stone hearth. Broadloom carpet



AMI members lounge:

Ply feature bulkhead, rear wall and feature wall to entry. Solid timber battened feature bar frontage with solid timber top. Recessed down lights, pelmet lighting to bulkhead.



Westpac members lounge:

Aluminium framed bi-parting sliding doors with top and bottom rails supporting side lites, glass mullions support intermediate panes.



Westpac members lounge:

Suspended ceiling tiles between, recessed downlights and fluorescent trays. Lined bulkhead across head of doors with recessed down lights. Columns exposed concrete, clear sealed. Broadloom carpet.



Westpac members lounge:

Illuminated feature bar frontage, SS kick and bar top counter. Plaster board walls paint finished. Roller security grille. BOH bar fit out by caterer.





Otago Stadium:  
Suspended tile ceiling between beams, recessed fluorescent trays. Plasterboard feature bulkhead with diffusers. Aluminium shopfront glass wall with hinged door access, height 2.7M Carpet tiles in 3 colours.



Otago Stadium:  
Ply faced bar frontage with feature slots and painted plaster board walls to pantry. Pendant lights over bar.





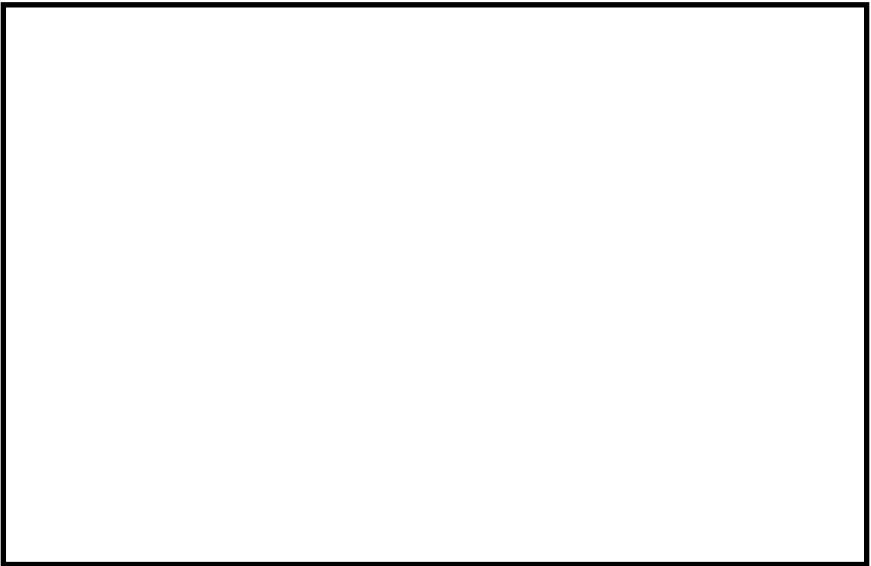
AMI Founders Lounge:  
Exposed concrete structure plywood wall panelling and joinery units, plywood feature ceiling with recessed down lights. Frameless glass doors with bi-folding leaves 2.4 M high. Broadloom carpet.



AMI Founders Lounge:  
Stone feature wall, recessed niche for TV. Batten screen along ceiling edge to kitchen. Kitchen joinery white LPL with ply shelving and mirror backed shelving units over.



AMI Founders Lounge WC:  
Ensuite with vanity unit, wall hung pan, timber overlay flooring



Westpac Stadium:  
No equivalent facility available



Otago Founders Lounge:  
Tiled ceiling, plaster board bulkhead, mixture of pendant and surface mounted lighting. Plywood feature walls, bar frontage and leaner, stone bar top. Other walls plaster board. Carpet tiles and ceramic tile flooring



AMI corporate corridor:  
Ply jamb liners and solid timber architraves to feature window boxes. Broadloom carpet



AMI corporate corridor:  
Painted plasterboard feature wall, with aluminium skirting, wall mounted up lighting, plaster board ceiling



AMI corporate corridor:  
Solid timber door jambs, painted doors with vision windows and SS toe kicks.



Westpac corporate corridor:  
Plaster board walls, sloping tiled ceiling. Wall mounted up lighters. Feature clerestory glazing with intermittent punched windows. Broadloom carpet.





Otago Stadium corporate corridor:  
Feature paint dado to plaster board lined wall with timber skirtings, stained timber window jamb liners. Carpet tiles in 3 colours. Plaster board bulkhead ceiling, recessed downlights and fluorescent strips. Pendant lights to side.



Otago Stadium corporate corridor:  
Pendant lights to lift lobby, painted walls to lift shaft. Painted doors and timber door jambs.



AMI GA Concourse L2:  
Exposed concrete structure, painted toilet and F&B facilities.



AMI GA Concourse L2:  
Exposed concrete structure, painted toilet and F&B facilities. Facing walls fibre cement sheet, flanking vomitory walls full height painted pre-cast. Vomitory entrances sprinkler protected.



AMI GA Concourse L5:  
Slab waterproofed with applied membrane



Westpac GA Concourse:  
Exposed concrete structure, painted toilet and F&B facilities. Floor to be sealed. Feature paint to floor at vomitory entrances.

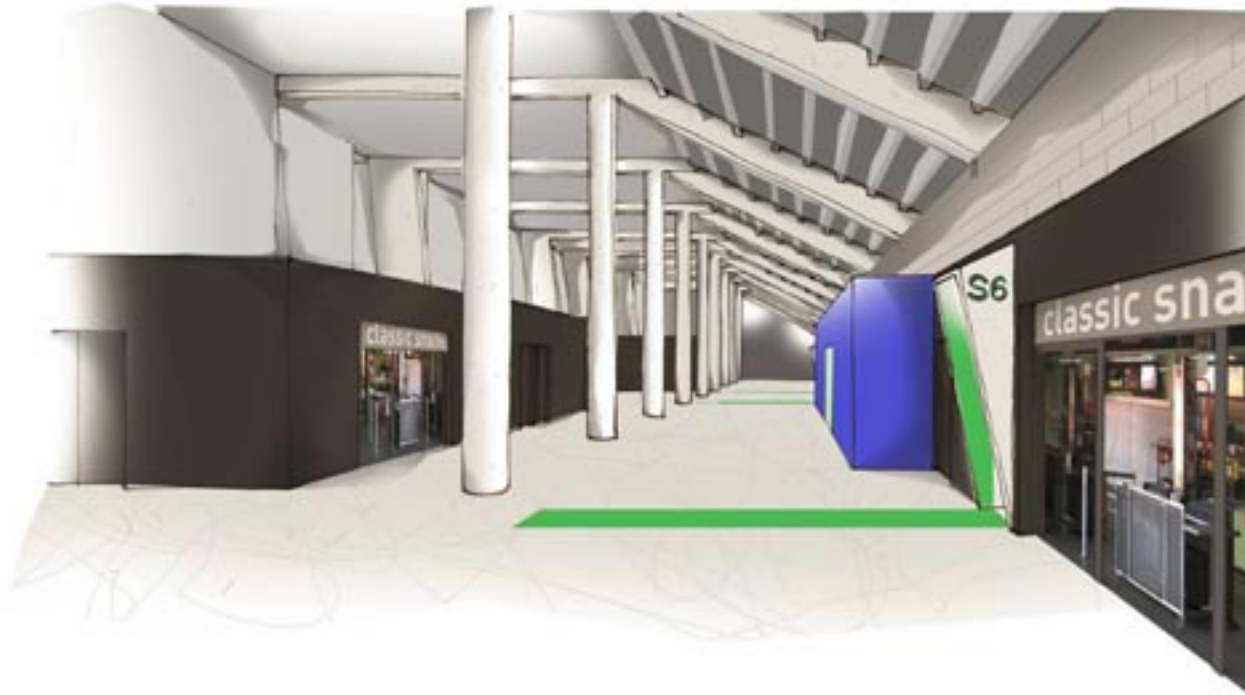


Westpac GA Concourse:  
Exposed concrete structure, painted toilet and F&B facilities. Facing walls fibre cement sheet, flanking vomitory walls full height painted pre-cast.

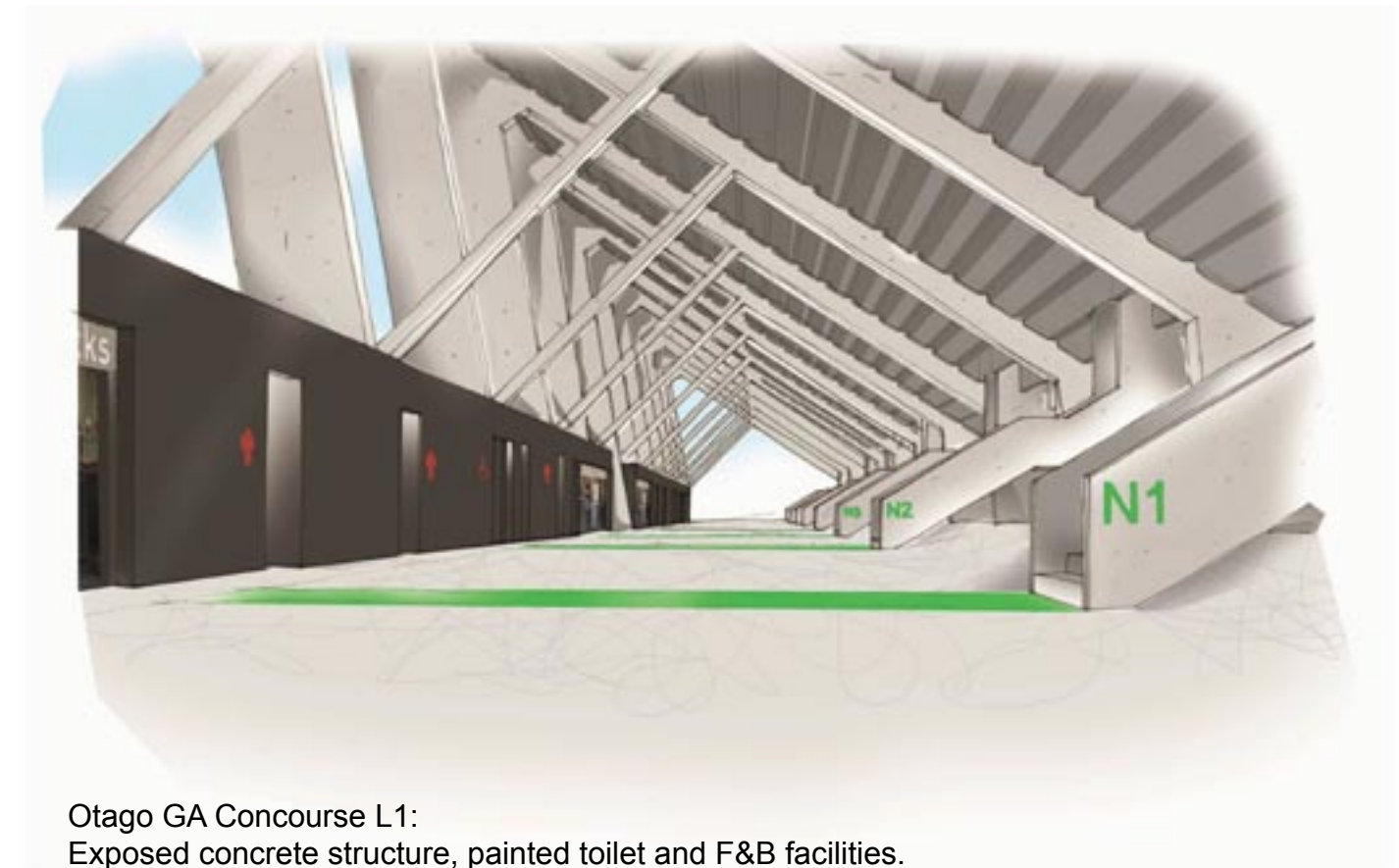


Westpac GA Concourse:  
Inside face of exterior walls unlined





Otago GA Concourse L2:  
Exposed concrete structure, painted toilet and F&B facilities. Floor waterproofed. Members lounge painted blockwork. Vomitory entries painted. (Note level 2a mezzanine omitted from view)



Otago GA Concourse L1:  
Exposed concrete structure, painted toilet and F&B facilities. Floor waterproofed. Vomitory entries painted



AMI GA Toilets:  
Half height tiled wall, SS basins in grouping with SS bottle traps and solenoid taps.



AMI GA Toilets:  
Toilet partitioning rigidised (textured) stainless steel in aluminium frame. Floor mounted pans with flush valves. No ceilings.



AMI GA Toilets:  
SS Trough urinal, tiled floors and skirtings.



Westpac GA Toilets:  
Painted pre-cast wall, SS basins in grouping with SS bottle traps and solenoid taps. Central services point, Ceiling over basins and hand driers area, surface mounted fluorescent fittings. Sealed epoxy floor and skirting



Westpac GA Toilets:  
Electric hand driers mounted on painted PC concrete wall



Westpac GA Toilets:  
Toilet partitioning rigidised (textured) stainless steel in aluminium frame. No ceilings.



Otago Stadium GA Toilets:  
Compact laminate toilet partitioning system in aluminium frame. Painted block walls. No ceiling, suspended lighting and other services. Lined false wall behind basins to conceal services. Ceramic basins. Stainless steel trough urinal.





AMI Corporate Toilets:  
Tiled walls up to door height, painted walls above. Floor tiled.  
Basins wall mounted with shrouded wastes. Painted plaster  
board ceilings with recessed down lights



AMI Corporate Toilets:  
SS trough Urinals



AMI Corporate Toilets:  
Compact laminate partitions, tiled walls to door height, SS  
flush plate with sensor.



Westpac Corporate Toilets:  
Wall hung urinals with electronic flush valves. Vinyl floor and  
skirting. Plaster board walls. Suspended gib ceiling. Semi-re-  
cessed basins with single lever mixers on HPL top.



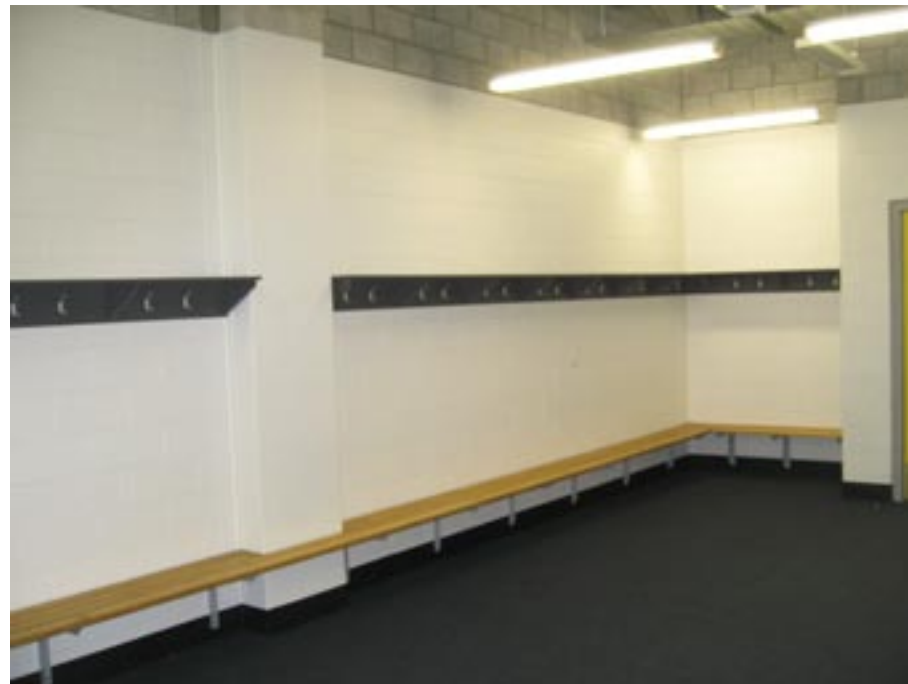
Otago Stadium Corporate Toilets:  
Phenolic plywood or laminate toilet partitioning system in aluminium frame. Painted plaster board walls. Gib ceiling with recessed downlights. Compact laminate splash back. Ceramic basins. Tiled floor and skirting.



AMI Players Change:  
Painted plaster board walls. Spray lacquer joinery with foot locker, 2 hooks, partition and shelf and timber bench. Memorial name plates to home team area. Rubberised flooring with skirting. No ceilings



AMI Players Change:  
Toilets painted plaster board walls, rigidised SS laminate partitions. Shared wet area with partitions and slider. Waterproof vinyl flooring



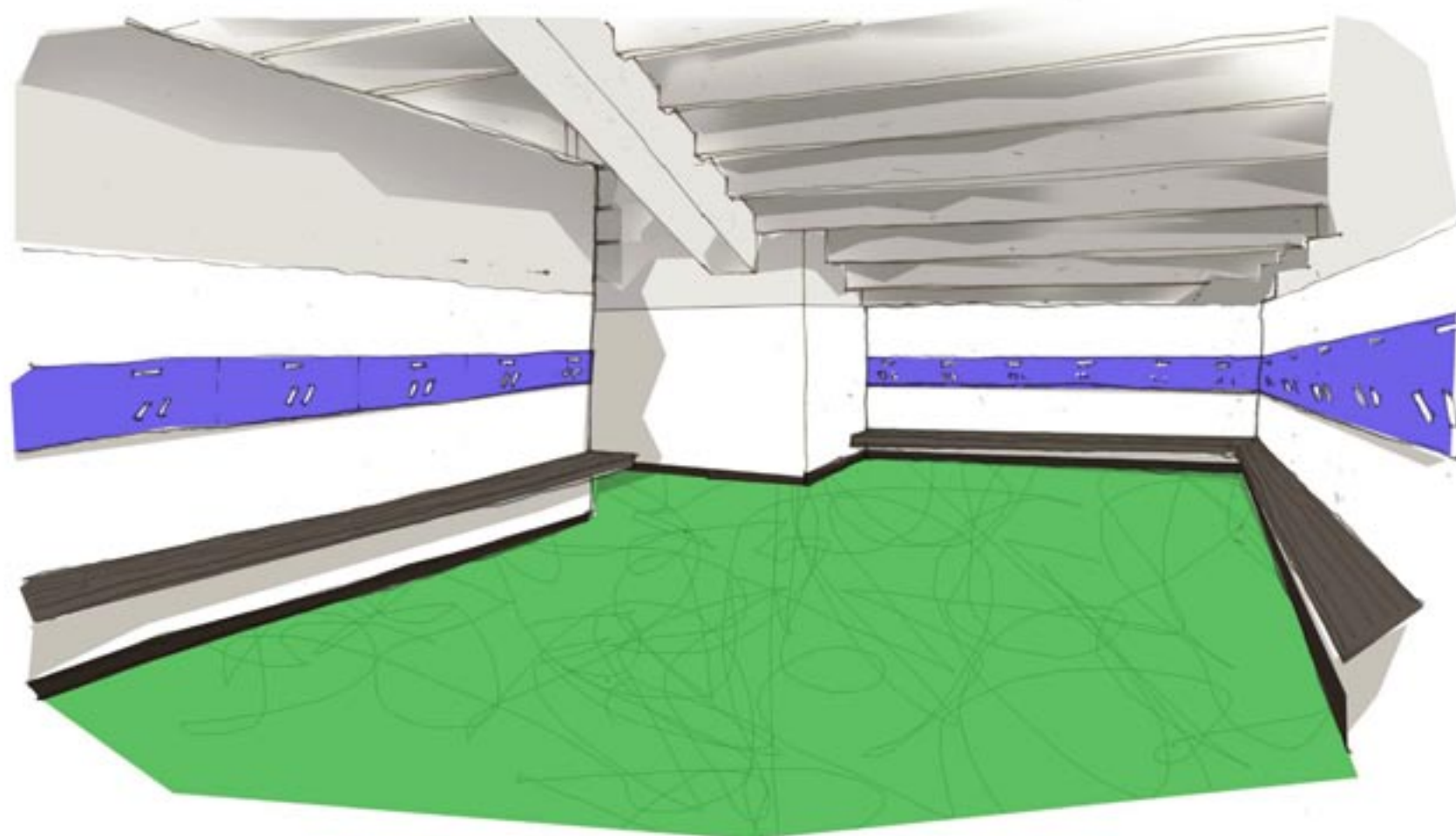
Westpac Players Change:  
Painted block walls. Coat hooks and timber bench. Carpet flooring with skirting. No ceilings



Westpac Players Change:  
Toilets painted block walls, rigidised SS laminate partitions. Individual urinals, semi recessed basins with single lever mixers on HPL unit. Waterproof flooring



Westpac Players Change:  
Single gang shower. Pre-finished sheet lining to walls. Single lever mixers and fixed shower heads. Waterproof flooring



Otago Stadium Players Area:  
Coat hooks and timber bench seat. Painted block or plaster board walls. Astroturf flooring and painted skirt-ings. No ceilings





AMI Landscaping:  
Planted buffers to urban environment



AMI Landscaping:  
Combination asphalt and paved surfaces, planted tree avenues and green space. Paving includes exposed aggregate paver feature strips and asphalt to pedestrian areas.



AMI Landscaping:  
Asphalt car-park, planted grass edges, concrete pavers to foot paths. Lighting via masts



Westpac Landscaping:  
No planted landscaping or buffering to industrial ports area



Westpac Landscaping:  
Inclined raised concrete ramp and concourse. Site bounded by road way and rail lines.



Westpac Landscaping:  
Raised concrete concourse ramp serves as single entry to stadium. Ticketing booths and secure areas external to stadium footprint. Signage and way finding elements to concourse. Lighting via masts



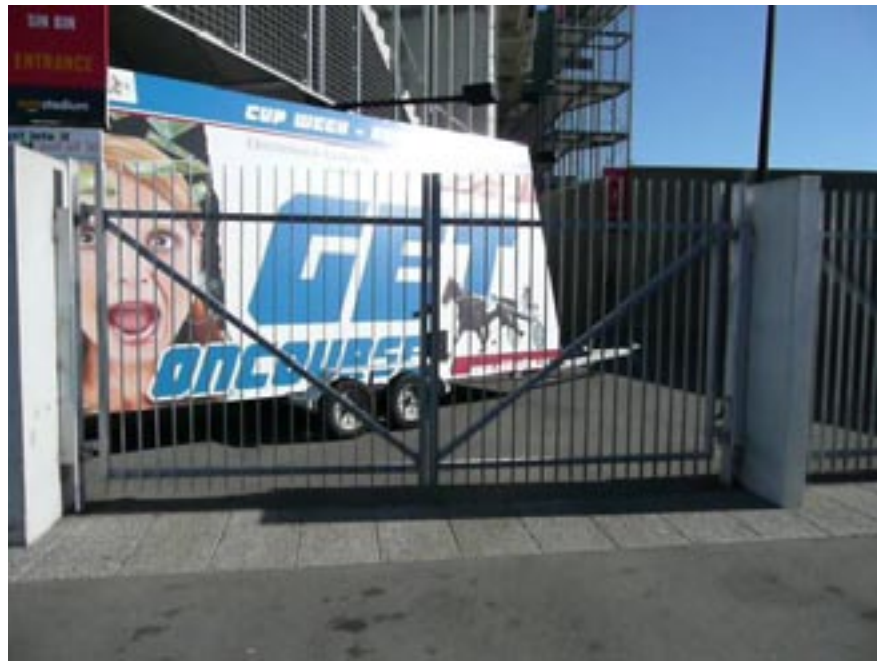


Otago Stadium Landscaping:  
Combination of planted and paved areas



Otago Stadium Landscaping:  
Combination of asphalt and painted asphalt with concrete paving. Planted areas to car parking and plazas.





AMI Gates:  
 Purpose made galv frames with pre-cast wall supports. 40 mm metal angles welded to RHS frame with larger RHS intermediate posts



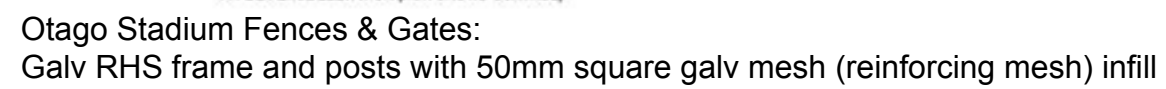
AMI Fences:  
 Metal posts with 3 horizontal railings and verticals with intermediate braced panels.



Westpac Gates:  
 Purpose made galv frames with larger RHS intermediate posts, square galv mesh infill.



Westpac Fences:  
 Large galv metal gates with intermediate braced panels.







AMI Exterior:  
Exposed concrete structure, pre-cast concrete panels smooth faced with exposed aggregate feature panels. Exposed stair tower with pre-cast and galv mesh walls and metal roof. Fibre cement facing details to horizontal strip windows



AMI Exterior:  
Articulated facade, large overhangs, stepped plan. Mixture of fibre cement sheet and pre-cast concrete cladding elements. Galv metal sheet and galv square reinforcing mesh barriers



Westpac Exterior:  
Profiled metal run horizontally with windows set out in spaced pattern. Roof overhang at eaves separated from facade by continuous clerestory glazing detail.







#### Otago Stadium Exterior:

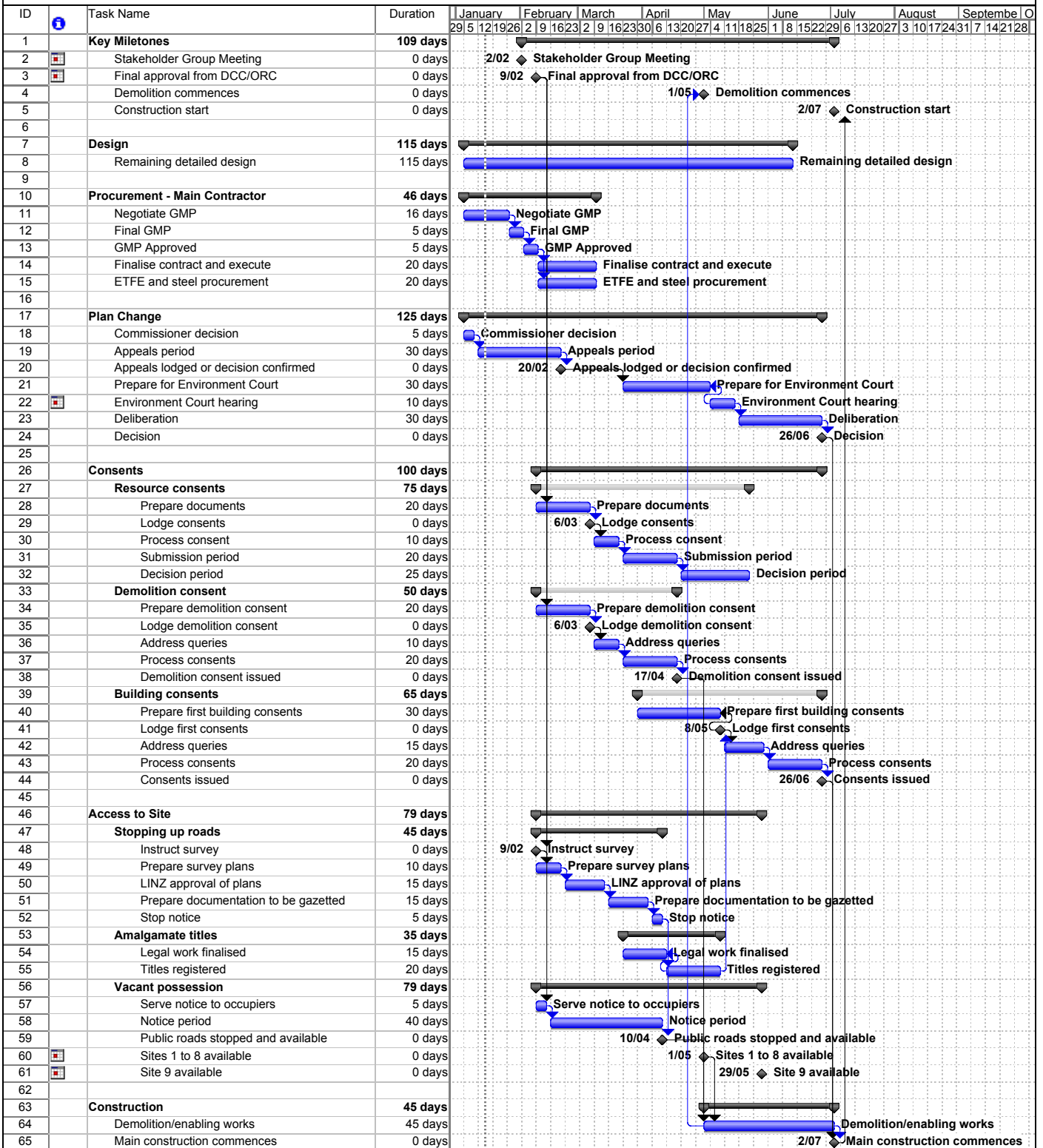
Profiled metal facade to back of stand, circulation towers clad in metal, open at stairwell with galv metal grating barriers, fibre cement sheet return walls to lift shafts in circulation tower. Base pre-cast concrete with anti-graffiti finish. Windows in glass, polycarbonate and aluminium louvres. Polycarbonate walls to East and West stands.

|                           | AMI Stadium                                                      | Westpac Stadium                                     | Otago Stadium                                             |
|---------------------------|------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------|
| <b>Corporate Boxes</b>    |                                                                  |                                                     |                                                           |
| Floor 1                   | Broadloom Carpet                                                 | Broadloom Carpet                                    | Carpet tiles                                              |
| Floor 2                   |                                                                  |                                                     | Vinyl across servery front                                |
| Wall 1                    | Plaster board                                                    | Plaster board                                       | Plaster board                                             |
| Ceiling 1                 | Plywood bulkheads and features                                   | Panel bulkhead                                      | Metal batten ceiling system                               |
| Ceiling 2                 | Plaster board                                                    | Suspended mineral tile                              |                                                           |
| Joinery 1                 | Low pressure laminate                                            | Low pressure laminate                               | Plywood - Prefinished                                     |
| Glazing                   | Frameless bifolding                                              | Aluminium shopfront with glass mullions             | Frameless, single leaf access door                        |
| <b>Members lounge</b>     |                                                                  |                                                     |                                                           |
| Floor 1                   | Broadloom Carpet                                                 | Broadloom Carpet                                    | Carpet tiles                                              |
| Wall 1                    | Plaster board                                                    | Plaster board                                       | Plaster board                                             |
| Wall 2                    | Plywood feature                                                  |                                                     | Plywood feature                                           |
| Ceiling 1                 | Plywood bulkheads and features                                   | Panel bulkhead                                      | Metal batten ceiling system                               |
| Ceiling 2                 | Plaster board                                                    | Suspended mineral tile                              | Plaster board bulkhead                                    |
| Joinery 1                 | Plywood and timber battens - bar front                           | Stainless steel with illuminate feature - bar front | Plywood - Prefinished - bar front                         |
| Glazing                   | Frameless with centre biparting sliders and hinged doors to bays | Shopfront with centre biparting sliders             | Frameless, single leaf access doors at vomitory locations |
| <b>Founders Suite</b>     |                                                                  |                                                     |                                                           |
| Floor 1                   | Broadloom Carpet                                                 |                                                     | Carpet tiles                                              |
| Floor 2                   |                                                                  |                                                     | Ceramic tiles along bar front                             |
| Wall 1                    | Plaster board                                                    |                                                     | Plaster board                                             |
| Wall 2                    | Plywood                                                          |                                                     | Plywood - Prefinished                                     |
| Ceiling 1                 | Plywood bulkheads and features                                   |                                                     | Metal batten ceiling system                               |
| Ceiling 2                 | Plaster board                                                    |                                                     | Plaster board bulkhead                                    |
| Joinery 1                 | Low pressure laminate                                            |                                                     | Plywood - Prefinished                                     |
| Glazing                   | Frameless bifolding                                              |                                                     | Frameless, single leaf access doors at vomitory locations |
| <b>Corporate Corridor</b> |                                                                  |                                                     |                                                           |
| Floor 1                   | Broadloom Carpet                                                 | Broadloom Carpet                                    | Carpet tiles                                              |
| Wall 1                    | Plaster board                                                    | Plaster board                                       | Plaster board                                             |
| Wall 2                    | Plywood features to window openings                              |                                                     | Plywood dado - Prefinished                                |
| Ceiling 1                 | Plaster board                                                    | Suspended mineral tile                              | Plaster board bulkhead                                    |
| Glazing                   | Aluminium feature windows                                        | Aluminium feature windows                           | Aluminium feature windows                                 |
| <b>GA Concourses</b>      |                                                                  |                                                     |                                                           |
| Floor 1                   | Waterproof membrane over concrete                                | Waterproof membrane over concrete                   | Waterproof membrane over concrete                         |
| Floor 2                   |                                                                  |                                                     | Painted strips to vomitories                              |
| Wall 1                    | Fibre cement sheet                                               | Fibre cement sheet                                  | Conceret block                                            |
| Wall 2                    | Precast concrete                                                 | Precast concrete                                    | Precast concrete                                          |
| Ceiling 1                 | No ceilings                                                      | No ceilings                                         | No ceilings                                               |













|                           | AMI Stadium                                      | Westpac Stadium                                  | Otago Stadium                                    |
|---------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| <b>GA Toilets</b>         |                                                  |                                                  |                                                  |
| Floor 1                   | Tiles                                            | Epoxy                                            | Waterproof epoxy                                 |
| Wall 1                    | Painted plaster board, concrete block or precast | Painted plaster board, concrete block or precast | Painted plaster board, concrete block or precast |
| Wall 2                    | Tiled skirting and spalshbacks                   | painted spalshbacks                              | Compack lanminate splash backs                   |
| Ceiling 1                 | No ceilings                                      | No main ceilings                                 | Plaster board                                    |
| Ceiling 2                 |                                                  | Lined ceiling over basins                        |                                                  |
| Partitions                | Rigidised SS panels                              | Rigidised SS panels                              | Compact laminate                                 |
| <b>Corporate Toilets</b>  |                                                  |                                                  |                                                  |
| Floor 1                   | Tiles                                            | Vinyl with coved skirtings                       | Tiles                                            |
| Wall 1                    | Tiled up to 2.2M                                 | Plaster board                                    | Plaster board                                    |
| Wall 2                    |                                                  |                                                  | Compact laminate                                 |
| Ceiling 1                 | Plaster board                                    | Suspended mineral tile                           | Plaster board                                    |
| Partitions                | Compact Laminate                                 | Compact Laminate                                 | Compact Laminate                                 |
| <b>Players Change</b>     |                                                  |                                                  |                                                  |
| Floor 1                   | Rubberised flooring                              | Carpet                                           | Astro turf                                       |
| Wall 1                    | Painted plaster board, concrete block or precast | Painted plaster board, concrete block or precast | Painted plaster board, concrete block or precast |
| Ceiling 1                 | No ceilings                                      | No ceilings                                      | No ceilings                                      |
| Joinery 1                 | Spray lacquer                                    | Spray lacquer                                    | Prefinished plywood and compressed sheet         |
| <b>Landscaping</b>        |                                                  |                                                  |                                                  |
| Paving 1                  | Ashphalt                                         | Exposed concrete                                 | Asphalt                                          |
| Paving 2                  | Exposed aggregate paving strips                  |                                                  | Insitu exposed aggregate paving strips           |
| Paving 3                  |                                                  |                                                  | Painted asphalt strips                           |
| Paving 4                  |                                                  |                                                  | Gobi block                                       |
| Lighting 1                | Lamp posts                                       | Lamp posts                                       | Lamp posts                                       |
| Planters                  | Mulch                                            |                                                  | Gobi block                                       |
| <b>Exteriors</b>          |                                                  |                                                  |                                                  |
| Cladding 1                | Precast concrete                                 | Profiled Metal                                   | ETFE                                             |
| Cladding 2                | Precast concete exposed aggregate finish         |                                                  | Precast concrete exposed aggregate finish        |
| Cladding 3                | Fibre cement sheet                               |                                                  | Fibre cement sheet                               |
| Cladding 4                |                                                  |                                                  | Profiled metal                                   |
| Cladding 5                |                                                  |                                                  | Polycarbonate                                    |
| Roofing 1                 | Profiled metal                                   | Profiled metal                                   | Profiled metal                                   |
| Roofing 2                 | ETFE                                             | Polycarbonate                                    | ETFE                                             |
| <b>Fences &amp; Gates</b> |                                                  |                                                  |                                                  |
| Frame                     | Glav metal RHS                                   | Glav metal RHS                                   | Galv metal RHS                                   |
| Barrier                   | Welded steel angles to form frame                | Galv mesh                                        | Galv mesh                                        |



# OTAGO STADIUM PROGRAMME TO COMMENCEMENT



Project: 090115 Commencement Prog  
Date: Thu 15/01/09

|           |                                                                                     |                     |                                                                                      |                  |                                                                                       |
|-----------|-------------------------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------|
| Task      |  | Rolled Up Task      |  | External Tasks   |  |
| Progress  |  | Rolled Up Milestone |   | Project Summary  |  |
| Milestone |  | Rolled Up Progress  |  | Group By Summary |  |
| Summary   |  | Split               |  | Deadline         |  |

**Private & Confidential**

**OTAGO STADIUM DEVELOPMENT  
UPDATE OF FINANCIAL FEASIBILITY PROJECTIONS**

**Summary Report**

**Prepared for**

**CARISBROOK STADIUM TRUST**

**DECEMBER 2008**

**Prepared by**



**CONSULTANTS TO THE HOTEL, TOURISM & LEISURE INDUSTRIES  
A member of Horwath International**

## **Abbreviations**

|        |                            |
|--------|----------------------------|
| “CEO”  | Chief Executive Officer    |
| “CPI”  | Consumer Price Index       |
| “CST”  | Carisbrook Stadium Trust   |
| “DCC”  | Dunedin City Council       |
| “GST”  | Goods & Services Tax       |
| “HHTL” | Horwath HTL                |
| “OCR”  | Open Club Reserve          |
| “ORC”  | Otago Regional Council     |
| “ORFU” | Otago Rugby Football Union |
| “RWC”  | Rugby World Cup 2011       |

## **Contents**

|                                                            |           |
|------------------------------------------------------------|-----------|
| <b>1. INTRODUCTION .....</b>                               | <b>4</b>  |
| 1.1 BACKGROUND .....                                       | 4         |
| 1.2 SCOPE OF WORK .....                                    | 4         |
| 1.3 EXCLUSIONS OF SCOPE .....                              | 5         |
| 1.4 DISCLAIMERS .....                                      | 5         |
| 1.5 KEY RISK FACTORS .....                                 | 6         |
| 1.6 KEY OUTCOMES OF UPDATED PROJECTIONS .....              | 7         |
| <b>2. FUNDING STRUCTURE .....</b>                          | <b>9</b>  |
| <b>3. RUGBY .....</b>                                      | <b>14</b> |
| <b>4. DESIGN / DEVELOPMENT CHANGES .....</b>               | <b>17</b> |
| 4.1 DAY MEETINGS, CONFERENCES, AND FUNCTIONS .....         | 17        |
| 4.2 CAR PARKING .....                                      | 19        |
| 4.3 OFFICE LEASE RENTAL INCOME .....                       | 19        |
| <b>5. OTHER UPDATES .....</b>                              | <b>20</b> |
| 5.1 TEMPORARY SEAT HIRE COSTS .....                        | 20        |
| 5.2 NON-RECOVERABLE EVENT DAY COSTS & TICKET REBATES ..... | 20        |
| 5.3 OVERHEAD COSTS .....                                   | 20        |
| 5.4 HOSPITALITY EXPENDITURE .....                          | 21        |
| 5.5 DELAYED COMMENCEMENT OF OPERATIONS .....               | 21        |
| <b>6. CONCLUSION .....</b>                                 | <b>23</b> |
| <b>7. SCENARIO ANALYSIS .....</b>                          | <b>25</b> |



## **1. INTRODUCTION**

### **1.1 BACKGROUND**

Horwath HTL Ltd (“HHTL”) has been commissioned by the Carisbrook Stadium Trust (“CST / the Trust”) to update the base-line financial feasibility projections for the proposed Otago Stadium (“the new Stadium / the Stadium”) included in our report to CST dated November 2007, in light of the following developments:

- (i) Progression of the project to the developed design stage, including modifications to the overall design of the stadium
- (ii) Likely changes in the future structure of New Zealand rugby competitions, as promulgated by Otago Rugby Football Union (“ORFU”)
- (iii) Further commercial discussions between the CST and ORFU
- (iv) Changes in the proposed funding model for the Stadium and potential implications for annual operating revenues for the stadium
- (v) Any updated or further relevant information available.

All figures in this report exclude GST, unless otherwise stated. All financial projections have been prepared as cash flow projections to reflect the calendar year in which cash is received or paid.

This summary report has been prepared for public release and comprises extracts and key findings of our detailed final report provided to CST in December 2008.

### **1.2 SCOPE OF WORK**

Our approach to updating the November 2007 base-line projections for the Stadium has been to provide, within the agreed limited scope of our work, updated projections for CST that reflect the current proposed design and operating environment.

Our approach included the following key tasks:

- (i) Focus on assumptions for key variables underlying the projections
- (ii) Meetings and liaison with the CEO and development manager of the CST on key design and funding issues that could impact the operating projections
- (iii) Review of the Developed Design Report prepared by CST’s design team to understand the key design changes since the preliminary design stage
- (iv) Review of the current draft outline of the CST / ORFU agreement
- (v) Discussions with the ORFU on current / future trends relating to rugby and other events

- (vi) Review of the meeting, conference, exhibition and other function projections for the stadium in the context of the recent approval by Dunedin City Council for the Dunedin Centre upgrade project
- (vii) Update of our November 2007 operating, revenue and cost projections for the Stadium reflecting adjustments arising from the results of each of the above steps.

### **1.3 EXCLUSIONS OF SCOPE**

The following aspects were specifically excluded from our scope of work:

- (i) Update of economic impact analysis
- (ii) Comprehensive review and update of all assumptions in our projections (ie: only key variables and assumptions reviewed)
- (iii) Impact of any potential multi-venue management models currently being discussed by DCC
- (iv) Independent assessment of the reasonableness of CST's proposed capital funding initiatives including enquiries or consultation with funding related third parties (eg: The Marketing Bureau or sponsors)
- (v) Primary and secondary market research (eg: potential funders, event attendees and organisers)
- (vi) Tourist attraction opportunities at the Stadium (eg: stadium tours).

### **1.4 DISCLAIMERS**

This summary report has been prepared by Horwath HTL Ltd for the Carisbrook Stadium Trust and is intended for public release. The report is extracted from our detailed report to CST and is based on estimates, assumptions and other information available to us, the sources of which are stated in the appropriate sections of the report. We did not carry out an audit or verification of the information or comments supplied to us during the engagement, except to the extent stated in this report.

Some assumptions inevitably will not materialise, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the period covered by our analysis may vary from those described in our report (including forward looking statements and projections) and the variations may be material.

Horwath HTL assumes no responsibility whatsoever, except to the Carisbrook Stadium Trust, in respect to, or arising out of, or in connection with the contents of our report or work undertaken for you. If any other parties choose to rely in any way on any advice provided by Horwath HTL Ltd to the Carisbrook Stadium Trust, they do so entirely at their own risk.

Our report and work have been undertaken on the basis of a limited scope. This is particularly the case with our adopted capital raising assumptions which, although prepared with due care, have a high degree of uncertainty. Operational and cash flow projections are highly sensitive to any change in the capital funding structure.

## **1.5 KEY RISK FACTORS**

In undertaking our review, we have identified the following key risks that could impact on the achievability of our revised operating projections:

1. the current global recession is contributing to a significant downturn in the local New Zealand economy. Most economic experts are currently predicting the global recession could last two years. This represents a significant proportion of the time during which CST will be endeavouring to raise private sector funds for the stadium. There is a risk that the economic climate could result in CST either raising insufficient funds or requiring additional time to raise the necessary funds
2. while most economic experts currently anticipate the effects of the global recession could last two years, should the effects be more prolonged and extend beyond the opening of the stadium, there could be a detrimental impact on operations as a result of lower discretionary spend by the public contributing to lower attendance and / or achievable ticket prices, and potentially lesser events than in our projections
3. the operational viability of the stadium in the initial ten years is strongly dependent upon CST selling the required number of membership products. Any short-fall in the sale of membership products has a double-negative effect in that it increases the size of the required bridging loan and it reduces the available revenues to service the loan. The degree of sensitivity to this variable is highlighted by the fact the stadium will have a negative operational cash flow after ten years if the number of lounge membership sales falls to 1,250 (unless the proposed grant / suspensory loan is increased)
4. if a significant grant / suspensory loan can not be obtained, it is highly unlikely that the stadium will be able to operate viably
5. the operational viability of the stadium is dependent upon a significant loan facility being secured
6. there is currently on-going uncertainty about the future structure of rugby competitions and the number of domestic rugby tests. Our projections have been prepared based on the best information available at this time from discussions with CST. However, if there is a material reduction in the quantity and / or quality of rugby matches, this is likely to have a negative impact on our projections, particularly from Year 11 onwards after the initial memberships are due to be renewed.

## 1.6 KEY OUTCOMES OF UPDATED PROJECTIONS

The financial projections for the stadium are summarised in the Tables below showing the current December 2008 projections relative to our projections in November 2007.

### December 2008 Projections (\$000s)

|                | 2011 <sup>1</sup> | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  |
|----------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue        | 2,034             | 3,870 | 3,842 | 4,005 | 3,918 | 3,982 | 4,257 | 4,700 | 3,915 | 4,378 | 7,505 | 7,702 | 7,443 | 7,781 | 7,901 |
| Variable Costs | 604               | 1,216 | 1,150 | 1,324 | 801   | 1,348 | 1,533 | 1,467 | 839   | 1,560 | 1,417 | 1,630 | 947   | 1,663 | 1,649 |
| Overheads      | 1,157             | 2,195 | 2,278 | 2,364 | 2,455 | 2,549 | 2,649 | 2,753 | 2,862 | 2,977 | 3,084 | 3,197 | 3,315 | 3,439 | 3,570 |
| Net Cash Flow  | 274               | 460   | 415   | 317   | 663   | 84    | 75    | 479   | 214   | -160  | 3,004 | 2,875 | 3,180 | 2,678 | 2,682 |

### November 2007 Projections (\$000s)

|                | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue        | 3,688 | 3,786 | 3,770 | 3,821 | 3,745 | 5,062 | 4,398 | 5,709 | 4,242 | 4,698 | 6,684 | 5,624 | 5,149 | 5,745 | 5,957 |
| Variable Costs | 1,244 | 1,383 | 1,242 | 1,432 | 1,100 | 1,544 | 1,506 | 1,620 | 1,234 | 1,702 | 1,531 | 1,795 | 1,335 | 1,854 | 1,754 |
| Overheads      | 2,078 | 2,195 | 2,278 | 2,364 | 2,455 | 2,549 | 2,649 | 2,753 | 2,862 | 2,977 | 3,084 | 3,197 | 3,315 | 3,439 | 3,570 |
| Net Cash Flow  | 365   | 208   | 250   | 25    | 191   | 969   | 243   | 1,336 | 145   | 19    | 2,069 | 633   | 499   | 452   | 633   |

### Variance (\$000s)

|                | 2011   | 2012 | 2013 | 2014 | 2015 | 2016   | 2017 | 2018   | 2019 | 2020 | 2021 | 2022  | 2023  | 2024  | 2025  |
|----------------|--------|------|------|------|------|--------|------|--------|------|------|------|-------|-------|-------|-------|
| Revenue        | -1,654 | 84   | 72   | 184  | 173  | -1,080 | -141 | -1,009 | -327 | -320 | 821  | 2,078 | 2,294 | 2,036 | 1,944 |
| Variable Costs | 640    | 167  | 92   | 108  | 299  | 196    | -27  | 153    | 395  | 142  | 114  | 165   | 388   | 191   | 105   |
| Overheads      | 921    | -0   | -0   | 0    | 0    | 0      | 0    | 0      | -0   | 0    | 0    | 0     | 0     | 0     | 0     |
| Net Cash Flow  | -91    | 252  | 165  | 292  | 472  | -885   | -168 | -857   | 69   | -179 | 935  | 2,242 | 2,681 | 2,226 | 2,049 |

The overall average performance across the fifteen year projection period is summarised in the Table below.

|                | December 2008 Average (\$000s) | November 2007 Average (\$000s) | Variance (\$000s) |
|----------------|--------------------------------|--------------------------------|-------------------|
| Revenue        | 5,149                          | 4,805                          | 344               |
| Variable Costs | 1,277                          | 1,485                          | 208               |
| Overheads      | 2,723                          | 2,784                          | 61                |
| Net Cash Flow  | 1,149                          | 536                            | 613               |

<sup>1</sup> In the latest projections, 2011 comprises 6 months of operations commencing 1 July.

Therefore, the average annual net cash flow position is 114% above the average annual level in the November 2007 projections. However, it is important to understand the different direction of the changes in the first ten operating years compared to the last five years of the projections.

The last five years of our latest projections show an average annual net cash flow that is almost 240% above our November 2007 projections. This significant shift is attributable to two key factors:

1. the lounge membership product has been changed to a 10 year product, rather than a 15 year product as originally conceived. This change results in a strong increase in revenue flows from Year 11 onwards once the second term of membership commences. Under the previous lounge membership concept this same strong increase would not have been evidenced until Year 16, which falls outside our projection period.
2. ticket rebate costs have reduced significantly, as noted in Section 3.

In the first 10 years of our current projections, the average annual net cash flow is \$282,000, which is 25% below the \$375,000 projected in November 2007. The key factors impacting on this reduced performance include:

1. change in the capital funding structure (positive impact)
2. change in rugby activity (positive impact)
3. change in meetings and conference activity (negative impact)
4. change in car parking (negative impact)
5. change in office lease rental (negative impact)
6. change in temporary seat hire costs (negative impact)
7. change in non-recoverable event day costs (negative impact)
8. change in hospitality spend assumptions (negative impact)
9. loss of six months of operation in 2011 (positive impact).

The reasons for each of these changes are outlined in the following sections.

## 2. FUNDING STRUCTURE

CST has altered its proposed private sector funding structure since the time of our November 2007 review. The most significant aspect of the change is that capital funding contributions are no longer being sought as one-off up-front payments prior to completion of the stadium. Instead, annual payments are now being pursued with the earliest of these being made on commencement of construction. This change in approach drives the need for a bridging loan to cash flow the development. The loan is to be re-paid over seven years using sponsorship and membership contributions that are excess to operational requirements. An interest rate of 7.5% per annum has been assumed.

HHTL's scope of work does not extend to assessing the achievability of CST's proposed private sector funding structure. However, as the funding structure does directly impact on the operational cash flows of the stadium, it has been necessary for HHTL to adopt some assumptions as to how the private sector funding may eventually transpire. The current economic climate does not lend itself to sponsorship and capital raising and this is likely to make CST's private sector fundraising task more difficult than it otherwise would have been. However, we are not qualified to quantify what this impact might be and our adopted assumptions, although prepared with due care, have a high degree of uncertainty.

Table 2.1 summarises CST's assumed sources of membership-based funding alongside the assumptions that we have adopted for the purpose of our analysis based on our market knowledge of, and experience with, stadiums in New Zealand.

**Table 2.1: Membership Funding Sources**

|                    | <b>CST Proposal December 2008</b> |                                                   |
|--------------------|-----------------------------------|---------------------------------------------------|
|                    | <b>Number</b>                     | <b>Fee</b>                                        |
| Corporate Suites   | 18.5                              | Premium: \$45,000<br>Annual Licence Fee: \$45,000 |
| Lounge Members     | 1,850                             | Annual Licence Fee: \$1,500                       |
| Open Club Reserves | 40                                | Premium: \$12,000<br>Annual Licence Fee: \$15,000 |
| Founders Club      | 20                                | Premium: \$200,000                                |
|                    | <b>Horwath HTL Assumption</b>     |                                                   |
|                    | <b>Number</b>                     | <b>Fee</b>                                        |
| Corporate Suites   | 18.5                              | Premium: \$45,000<br>Annual Licence Fee: \$45,000 |
| Lounge Members     | 1,400                             | Annual Licence Fee: \$1,500                       |
| Open Club Reserves | 30                                | Premium: \$12,000<br>Annual Licence Fee: \$15,000 |
| Founders Club      | 20                                | Premium: \$200,000                                |



In forming our assumptions we have adopted a more conservative position than CST in relation to the number of OCRs (30 versus 40) and lounge memberships (1,400 versus 1,850) that will be sold. The assumption of 30 OCRs is consistent with our November 2007 analysis. The assumption of 1,400 lounge memberships is 40% above our November 2007 assumption and reflects the significant change in affordability given that it now is an annual payment product, rather than a 15 year up-front payment product.

Based on our assumptions, the Stadium will have 2,210 pre-sold tickets across the four forms of membership. By comparison, Westpac Stadium has 3,500 pre-sold tickets (excluding Wellington Rugby Union members), of which 2,500 relate to 15 year lounge memberships with a single one-off up-front payment and 1,000 relate to 64 corporate suites.

The existing Carisbrook Stadium has 1,140 pre-sold seats in relation to corporate suites and 1,200 pre-sold seats relating to ground members. Carisbrook's ground memberships have reduced significantly over the last five years as the ground has struggled to attract test matches. We understand ground memberships in 2003 stood at 2,500 in addition to the 1,140 corporate suite seats. It therefore does not seem unreasonable that the new stadium could achieve a total of 2,210 pre-sold seats given that:

1. the new Stadium will be a significantly superior venue compared to Carisbrook
2. the new Stadium will likely attract more rugby tests than Carisbrook has in recent years
3. the new Stadium has greater potential to attract other non-rugby events for which members will have preferential booking rights
4. there will be an increased number of Super 14 matches
5. CST is undertaking a concerted sales and marketing campaign to promote the various membership products.

It should be noted that a relatively small reduction in membership products below that assumed by HHTL (eg: a reduction from 1,400 lounge memberships to 1,250 lounge memberships) will result in a deficit operational cash flow position for the stadium over the first ten years of operation unless the grant / suspensory loan can be increased above the assumed level of \$15 million. This highlights the sensitivity of the operational projections to any change in the capital funding structure.

Table 2.2 summarises CST's assumed sources of sponsorship and other funding alongside the assumptions that we have adopted for the purpose of our analysis.

**Table 2.2: Sponsorship & Other Funding Sources**

| Funding Source          | CST Proposal – Dec 2008 | Horwath HTL Assumption (Dec 2008) |
|-------------------------|-------------------------|-----------------------------------|
| Sponsorship Products    | \$14.3 million          | \$10.8 million                    |
| Grant / Suspensory Loan | \$15.0 million          | \$15.0 million                    |
| Total <sup>2</sup>      | \$29.3 million          | \$25.8 million                    |

Table 2.3 compares the current proposed funding structure (based on Horwath HTL's December 2008 assumptions of potentially achievable levels of membership product and sponsorship) with the previous structure proposed in November 2007 and highlights the difference in the quantum of funds available by the time the stadium development is completed.

**Table 2.3: Funding of Capital Costs Prior to Operational Commencement**

|                         | December 2008 | November 2007 | Variance <sup>3</sup>  |
|-------------------------|---------------|---------------|------------------------|
| Membership Products     | \$8,267,625   | \$12,614,407  | -\$4,346,782           |
| Sponsorship Products    | \$6,590,500   | \$26,183,616  | -\$19,593,116          |
| Grant / Suspensory Loan | \$15,000,000  | \$0           | \$15,000,000           |
| Other                   | \$0           | \$6,701,977   | -\$6,701,977           |
| Loan                    | \$16,251,299  | \$0           | \$16,251,299           |
| Total                   | \$46,109,424  | \$45,500,000  | \$609,424 <sup>4</sup> |

One of the most significant differences with the new funding structure is that CST is no longer proposing to sell the Roaring Forties product which was originally projected to raise approximately \$15 million. We understand that this product was originally conceived by The Marketing Bureau and that CST has subsequently withdrawn the concept as it was not considered to be achievable. The concept has, in effect, been replaced by the Alumni Club, which is focused on selling club "memberships" to University graduates. The "membership" does not provide the member with a seat but will provide the member with preferential booking rights. In essence it is primarily an opportunity for people to provide grant funds. We have taken no view on the likelihood of successfully selling the Alumni Club memberships.

Another difference is that CST has reduced its targeted level of funds from the sale of head naming rights. We understand CST has received an offer at the reduced level and based on naming rights achieved at other major stadiums, we believe this level is likely to be achievable.

CST is proposing to raise additional funds through auxiliary naming rights. Based on our market knowledge of such rights achieved at other New

<sup>2</sup> These funds are to be applied against the capital costs of the Stadium (including servicing of the bridging loan) and to be used to support the on-going operations of the Stadium.

<sup>3</sup> Throughout this report positive variances are shown to reflect favourable variances while negative variances represent unfavourable variances.

<sup>4</sup> Increased capital funding is required by 2011 under the latest structure because of the need to fund interest costs for six months of the loan from 1 July 2011.



Zealand stadiums (and not withstanding the current economic conditions), we believe CST's proposed level of auxiliary naming rights revenue is likely to be difficult to achieve. We have assumed a level between \$3.0 – 3.5 million.

CST is now proposing to seek a grant or suspensory loan facility of \$15 million to assist towards the overall development funding. . We have taken no view on the achievability of securing a grant or suspensory loan of this type or size.

In order to off-set these significant cash flow deficits, CST is proposing to take out a bridging loan, which will be repaid over seven years using a proportion of the annual premiums from the various membership products and sponsorship. We have taken no view on the achievability of raising such a loan or its terms.

Based on our analysis of the proposed new funding structure, and our assumptions as to the number of membership products that could potentially be sold, a loan of approximately \$16.3 million is likely to be required to enable the full costs of the development to be met in 2011. Based on 65% of annual revenue from membership products being applied as loan repayments (and the balance used to support operational requirements), we estimate the loan would be fully repaid in 2018 at a total interest cost of \$4.3 million (assuming an interest rate of 7.5% per annum).

The operational implications of the change in funding structure are summarised in Table 2.4 below.

**Table 2.4: Membership & Sponsorship Revenues Available to Fund Operations**

|                      | <b>Average Annual Operational Cash Flow<br/>(Years 1 – 10)</b> |                 |                 |
|----------------------|----------------------------------------------------------------|-----------------|-----------------|
|                      | <b>Dec 2008</b>                                                | <b>Nov 2007</b> | <b>Variance</b> |
| Membership Products  | \$1,309,471                                                    | \$1,344,298     | -\$34,827       |
| Sponsorship Products | \$303,806                                                      | \$194,223       | \$109,583       |
| Total                | \$1,613,277                                                    | \$1,538,521     | \$74,756        |

The key reasons for the variances are:

1. Corporate suite contributions have reduced over the first ten years despite the increase in number of suites from 16 to 18.5<sup>5</sup>. This reduction is attributable to the need for corporate suite premiums to contribute to repayments of loan principal and interest costs
2. Lounge membership contributions to operational revenue have increased significantly as a result of these premiums becoming annual payments as proposed by CST. Previously the only contribution to operational revenue was an assumed CPI adjustment from Year 6 onwards

<sup>5</sup> There will be 18 full-size corporate suites and one smaller corporate suite.

3. Open club reserve contributions to operational revenues have reduced due to a proportion of these premiums being used to service the loan and meet the associated interest costs
4. The change from a seven year corporate box product to a 10 year product by CST means there is no longer any renewal income in the first ten years of operation. A ten year corporate suite membership term is consistent with many stadia throughout New Zealand.
5. The auxiliary naming rights contribution has increased slightly as a result of this becoming an annual payment, rather than an up-front payment for a five year period. CST is seeking two years of pre-payment meaning there is no contribution to operations in Years 9 and 10
6. The head naming rights now makes a contribution to operational revenues in the first ten years of operations as a result of this becoming an annual payment, rather than an up-front payment. CST is seeking two years of pre-payment meaning there is no contribution to operations in Years 9 and 10.

The net effect of these changes is that there is on average \$75,000 per annum additional membership and sponsorship funds available to support operational activities during the first ten years of operation.

### 3. RUGBY

Since the time of our November 2007 review, CST has advanced its discussions with ORFU in a number of areas. These discussions have, in large part, focused on determining the likely future structure of rugby tournaments in New Zealand. As a result of these discussions with CST and ORFU, we have made adjustments to the number of matches and assumed average attendance.

Also, subsequent to our November 2007 review, we received notification from RNZ 2011 that it would be more reasonable to assume the stadium receives three Rugby World Cup matches in 2011, rather than five.

The key changes in our rugby activity assumptions are summarised in Table 3.1.

**Table 3.1: Projected RWC, Junior All Black, Super 14, and Air NZ Cup Activity (Years 1 – 10)**

|                   |                | <b>December 2008</b> | <b>November 2007</b> |
|-------------------|----------------|----------------------|----------------------|
| <b>RWC</b>        | Matches (2011) | 3                    | 5                    |
|                   | Av. Size       | 24,300               | 24,300               |
| <b>Junior ABs</b> | Matches (p.a.) | 0.25                 | 0.5                  |
|                   | Av. Size       | 8,000                | 8,000                |
| <b>Super 14</b>   | Matches (p.a.) | 7                    | 5.5                  |
|                   | Av. Size       | 13,390               | 17,000               |
| <b>Air NZ Cup</b> | Matches (p.a.) | 5                    | 5                    |
|                   | Av. Size       | 4,730                | 10,000               |

A more conservative position has been adopted in relation to the number of Junior All Black games.

The change in the number of Super 14 matches reflects the assumed change in the structure of the tournament with additional matches to be played resulting in a total of nine home matches for each franchise. It is assumed two of the Highlanders' home matches will be played in Invercargill and Queenstown.

There is no anticipated change in the number of Air NZ Cup matches. However, the average attendance has been significantly reduced due to the shift to a more amateur competition and to reflect the marked reduction in average attendance at Air NZ Cup matches throughout New Zealand over the last two years. For example, Carisbrook achieved an average attendance of 3,300 in 2008.

The average attendance at Super 14 matches has been reduced to allow for the increased number of matches. In total, we are projecting the same number of attendees as in November 2007.

A further change in rugby revenues and costs relates to ticket rebates on pre-sold seats (ie: corporate suites, OCRs, lounge memberships, etc) for ORFU matches. At the time of our November 2007 review there had been no substantive discussions between CST and ORFU on this subject. For the purpose of our analysis at that time, we assumed CST would pay a ticket rebate to ORFU equating to 85% of the deemed ticket value for all pre-sold tickets to round robin Super 14 and Air NZ Cup matches. Based on our understanding of further discussions between CST and ORFU and the terms contained in the membership products currently being sold by CST, we have modified these assumptions. It has been assumed that CST will pay a reduced ticket rebate for all pre-sold tickets to round robin and knock-out Super 14 and Air NZ Cup matches. We understand from our discussions with both CST and ORFU that this structure could meet the financial objectives of both parties and we have, therefore, adopted this assumption for the purpose of our current analysis.

The net effect of these changes on average annual venue rental, food and beverage commission and development levy over the first ten years of operation is summarised in Table 3.2 below.

**Table 3.2: Changes in Average Annual Rugby-Related Revenues (Years 1 - 10)**

|                |                      | <b>Dec. 2008</b> | <b>Nov. 2007</b>   | <b>Variance</b>   |
|----------------|----------------------|------------------|--------------------|-------------------|
| <b>Overall</b> | Venue Rental         | \$334,000        | \$544,500          | -\$210,500        |
|                | F&B Commission       | \$244,000        | \$295,500          | -\$51,500         |
|                | Development Levy     | \$119,000        | \$166,000          | -\$47,000         |
|                | <b>Total Revenue</b> | <b>\$697,000</b> | <b>\$1,006,000</b> | <b>\$-309,000</b> |

Overall, therefore we project these activity changes and alterations in the ticket rebate structure will result in a reduction in projected rugby revenue of approximately \$309,000 per annum over the first ten years of operation. Over 60% of this reduction is attributable to Air NZ Cup.

The changes in projected activity levels and ticket rebate structure will also alter the direct costs attributable to these rugby events. The net effect of these changes on direct costs is summarised in Table 3.3 below.

**Table 3.3: Changes in Average Annual Rugby-Related Direct Costs (Yrs 1 – 10)**

|                |                    | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b>  |
|----------------|--------------------|------------------|------------------|------------------|
| <b>Overall</b> | Event Costs        | \$382,000        | \$271,000        | -\$111,000       |
|                | Ticket Rebates     | \$208,000        | \$659,000        | \$451,000        |
|                | <b>Total Costs</b> | <b>\$590,000</b> | <b>\$930,000</b> | <b>\$340,000</b> |

Ticket rebates are no longer proposed for Junior All Blacks matches as these are not annual fixtures and will not be included in the matches for which members have automatic attendance rights.

Event costs are projected to increase by an average of \$111,000 per annum, despite a reduction in activity due to CST absorbing a higher proportion of

match day costs that ORFU are currently incurring. However, this increase is significantly outweighed by the reduction in ticket rebate costs of approximately \$451,000 per annum. Therefore, overall direct costs for rugby events are projected to reduce by an average of \$340,000 per annum.

We project the overall annual contribution to overhead from these rugby events will, therefore, increase by approximately \$31,000 per annum.

## **4. DESIGN / DEVELOPMENT CHANGES**

We have reviewed the developed design documentation, and held discussions with CST, to identify any design changes that might impact on our November 2007 activity and financial projections. In our assessment, the minor changes to the seating bowl do not warrant any changes to the turf-based activity projections.

The only areas where we believe design alterations warrant changes in our projections relate to:

1. day meetings, conferences, and functions
2. event day parking
3. office lease rentals.

### **4.1 DAY MEETINGS, CONFERENCES, AND FUNCTIONS**

The greater detail in the developed design drawings has enabled us to better assess the likely competitiveness of the South Stand and East Stand facilities for meetings, conferences, and functions. In our assessment, the size and layout of facilities means the Stadium is unlikely to be a significant participant in the conference market although it will have the potential to capture several conferences a year. This will be particularly true of smaller conferences 100 – 200 people and conferences that do not require large trade exhibitions.

Since our November 2007 review we understand that DCC has confirmed the upgrade of the Dunedin Centre, which will be complete prior to the opening of the Stadium, and this will make the Dunedin Centre an even stronger competitor in the local market for both conferences and day meetings.

The East Stand will have the potential to operate as a venue for large functions. However, it will require significant cost to “dress” this venue and from an event organisers perspective it is likely to compete directly with the Edgar Centre for large format functions.

Our average annual event projections compared to November 2007 are summarised in Table 4.1 below.

**Table 4.1: Average Annual Meeting, Conference, and Function Activity (Years 1 – 10)**

|                           |               | <b>December 2008</b> | <b>November 2007</b> |
|---------------------------|---------------|----------------------|----------------------|
| <b>Meeting - Small</b>    | Number (p.a.) | 163                  | 193                  |
|                           | Av. Size      | 20                   | 30                   |
| <b>Meeting - Medium</b>   | Number (p.a.) | 23                   | 28                   |
|                           | Av. Size      | 70                   | 100                  |
| <b>Meeting - Large</b>    | Number (p.a.) | 11                   | 13                   |
|                           | Av. Size      | 150                  | 150                  |
| <b>Conference - Small</b> | Number (p.a.) | 2                    | 3                    |
|                           | Av. Size      | 100                  | 120                  |
| <b>Conference - Large</b> | Number (p.a.) | 1                    | 2                    |
|                           | Av. Size      | 200                  | 225                  |
| <b>Functions</b>          | Number (p.a.) | 19                   | 18                   |
|                           | Av. Size      | 250                  | 250                  |

The average sizes of the day meetings and conferences have been reduced to better reflect the sizes of the spaces available within the South Stand. The reduction in activity levels for conferences and day meetings reflects our assessment of the likely competitive position of the venue relative to the upgraded Dunedin Centre. The Stadium will be highly reliant on University activity to drive the projected level of day meetings.

The volume of functions activity has been increased slightly to reflect the potential for the Stadium to secure banquets in relation to some of the anticipated increased number of conferences at the upgraded Dunedin Centre.

Changes in average annual revenue and contribution to overhead attributable to these events in the first ten years of operation are summarised in Table 4.2 below:

**Table 4.2: Average Annual Contribution from Meetings, Conferences, & Functions (Years 1 – 10)**

|                           |              | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b> |
|---------------------------|--------------|------------------|------------------|-----------------|
| <b>Meeting - Small</b>    | Revenue      | \$58,000         | \$74,500         | -\$16,500       |
|                           | Contribution | \$46,500         | \$61,000         | -\$14,500       |
| <b>Meeting - Medium</b>   | Revenue      | \$17,000         | \$25,000         | -\$8,000        |
|                           | Contribution | \$15,000         | \$22,500         | -\$7,500        |
| <b>Meeting - Large</b>    | Revenue      | \$13,000         | \$15,500         | -\$2,500        |
|                           | Contribution | \$12,000         | \$14,000         | -\$2,000        |
| <b>Conference - Small</b> | Revenue      | \$17,500         | \$29,000         | -\$11,500       |
|                           | Contribution | \$17,000         | \$28,500         | -\$11,500       |
| <b>Conference - Large</b> | Revenue      | \$19,500         | \$40,500         | -\$21,000       |
|                           | Contribution | \$19,000         | \$39,500         | -\$20,500       |
| <b>Functions</b>          | Revenue      | \$99,000         | \$95,000         | \$4,000         |
|                           | Contribution | \$97,000         | \$93,000         | \$4,000         |
| <b>Overall</b>            | Revenue      | \$224,000        | \$279,500        | -\$55,500       |
|                           | Contribution | \$206,500        | \$259,000        | -\$52,500       |



As summarised above, the reduction in meeting and conference activity is projected to result in a reduced contribution to overhead of approximately \$52,500 per annum over the first ten years of operation.

## 4.2 CAR PARKING

At the time of our November 2007 review it was estimated that there would be 200 car parks available for lease to the University of Otago and 200 car parks available for event day car parking.

As a result of the developed design work, this estimate has now decreased to 150 car parks available for lease to the University and 180 car parks for event day parking. Based on this change and the adjustments in activity projections, there is a reduction in average annual car parking revenues and contributions, as summarised in Table 4.3.

**Table 4.3: Average Annual Contribution from Event Day Parking (Yrs 1-10)**

|                          |              | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b> |
|--------------------------|--------------|------------------|------------------|-----------------|
| <b>Event Day Parking</b> | Revenue      | \$47,500         | \$52,000         | -\$4,500        |
|                          | Contribution | \$33,000         | \$36,500         | -\$3,000        |
| <b>Lease Parking</b>     | Revenue      | \$285,500        | \$350,500        | -\$65,000       |
|                          | Contribution | \$257,000        | \$315,500        | -\$58,500       |
| <b>Overall</b>           | Revenue      | \$333,000        | \$402,500        | -\$69,500       |
|                          | Contribution | \$290,000        | \$352,000        | -\$61,500       |

## 4.3 OFFICE LEASE RENTAL INCOME

At the time of our November 2007 review, it was assumed office space would be provided in the North Stand. Average annual lease rental income of \$159,000 was estimated for the first ten years of operation on the basis of the amount of space available.

The developed design now provides for space in the South Stand of approximately 1,000m<sup>2</sup>. Based on an initial lease rate of \$140 / m<sup>2</sup>, it is projected this space could generate an average of \$146,500 of lease rental income over the first ten years of operation. This is \$12,500 lower than our November 2007 assumption.

## 5. OTHER UPDATES

### 5.1 TEMPORARY SEAT HIRE COSTS

Based on more recent cost information obtained by HHTL from stadium operators and hirers, we have increased the cost of temporary seats from \$30 per seat to \$40 per seat excluding GST. The threshold for requiring temporary seats was also reduced by CST from 25,000 capacity to 24,000 capacity. The effect of this increase in cost in relation to test matches and the 2017 Lions Tour match is summarised in Table 5.1 below.

**Table 5.1: Average Annual Temporary Seat Hire Costs (Years 1 – 10)**

|                        | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b>  |
|------------------------|------------------|------------------|------------------|
| RWC                    | \$1,500          | \$1,000          | -\$500           |
| Premier Test           | \$113,000        | \$83,000         | -\$30,000        |
| Other Test             | \$44,500         | \$0              | -\$44,500        |
| Lions Provincial Match | \$23,000         | \$17,000         | -\$6,000         |
| <b>Total</b>           | <b>\$182,000</b> | <b>\$101,000</b> | <b>-\$81,000</b> |

### 5.2 NON-RECOVERABLE EVENT DAY COSTS & TICKET REBATES

Non-recoverable event day costs have been increased in relation to a variety of turf-based events as a result of further discussions with ORFU. The impacts of these changes in relation to RWC, Super 14, and Air NZ Cup have already been reflected in our analysis contained in Section 3. The impacts on other events are summarised in Table 5.2 below. The adjustment in the ticket rebate structure outlined in Section 3 also impacts test matches and this adjustment is also reflected in the summary below.

**Table 5.2: Average Annual Non-Recoverable Event Day Costs & Ticket Rebates (Years 1 – 10)**

|              | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b>  |
|--------------|------------------|------------------|------------------|
| <b>Total</b> | <b>\$297,500</b> | <b>\$238,500</b> | <b>-\$59,000</b> |

### 5.3 OVERHEAD COSTS

Since November 2007, two key changes have been made to the overhead costs. An additional \$100,000 (plus inflation) has been included for marketing activities. This is intended to primarily enable the Stadium to provide marketing support to the Highlanders to optimise Super 14 attendance at the venue.

Off-setting this, the governance costs of \$100,000 (plus inflation) have been removed as we understand from CST that it is no longer intended that CST will operate the stadium. Instead, we understand that Council will now

operate the stadium and there is an intention to create an organisation that will jointly manage a range of Council facilities (potentially including the Dunedin Centre and Edgar Centre). However, we have chosen not to reflect any overhead cost savings attributable to joint management as the concept is yet to be sufficiently developed to understand the potential extent of any savings.

## **5.4 HOSPITALITY EXPENDITURE**

At the time of our November 2007 projections, it was assumed average hospitality spend would be approximately \$50 per person. In conjunction with CST, we have taken a closer assessment of hospitality revenues in the context of the specific membership / corporate products the new Stadium will have and more detailed analysis of average spend by event type. Based on this assessment we have reduced the overall average hospitality spend from \$50 per person to \$42 per person. This reflects the high proportion of membership products that relate to lounge memberships and open club reserves, which tend to have lower average spends than corporate suites.

The effect of this change in relation to Super 14, Air NZ Cup, and Junior All Blacks is already incorporated into our rugby analysis contained in Section 3. However, the hospitality changes also impact on other rugby events and commercial concerts. Table 5.3 summarises the hospitality changes in relation to these events.

**Table 5.3: Average Annual Hospitality Commission (Years 1 – 10)**

| <b>Event</b> | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b> |
|--------------|------------------|------------------|-----------------|
| Total        | 52,500           | 61,000           | -8,500          |

The net effect of the change in hospitality spend expenditure is an average annual reduction in hospitality commission of \$8,500 over the first ten years of operation.

## **5.5 DELAYED COMMENCEMENT OF OPERATIONS**

Since our November 2007 review, the projected commencement of operations has been delayed from 1 January 2011 to 1 July 2011. This delay results in reduced revenues and reduced costs (including overheads) in 2011<sup>6</sup>. The vast majority of these changes have been incorporated in our assessments of changes in Sections 2 – 4 and in Sections 5.1 – 5.4. However, there are impacts on other revenues and costs that have not been previously addressed in this report. These are summarised in Table 5.4.

<sup>6</sup> Some overhead costs (eg: labour) will still be incurred in the form of pre-opening costs. These projections exclude pre-opening costs.

**Table 5.4: Additional Changes in 2011 Attributable to Delayed Commencement**

|                      | <b>Dec. 2008</b> | <b>Nov. 2007</b> | <b>Variance</b> |
|----------------------|------------------|------------------|-----------------|
| <b>Contribution</b>  |                  |                  |                 |
| Other Outdoor Events | \$187,500        | \$220,500        | -\$33,000       |
| Signage              | \$110,000        | \$220,000        | -\$110,000      |
| Total Contribution   | \$297,500        | \$440,500        | -\$143,000      |
|                      |                  |                  |                 |
| Overhead Costs       | \$1,156,500      | \$2,078,000      | \$921,500       |

As shown in Table 5.3 above, the delayed opening results in lost contribution of \$143,000 in 2011 and a saving in overheads of \$921,500. This represents a beneficial impact on net cash flow of \$778,500. Spreading this beneficial impact over the first ten years represents an average annual beneficial impact of approximately \$78,000.

## 6. CONCLUSION

Our analysis of the Stadium's projected operations suggests the net cash flow performance for the first ten years of operation will be lower than our November 2007 projections.

Table 6.1 provides a summary of the key reasons for the lower average annual cash flow performance of -\$93,000 over the initial ten year operating period.

**Table 6.1: Summary of Changes in Operational Cash Flow Projections**

|                                         | <b>Average Annual Cash Flow<br/>(Yrs 1-10)</b> |
|-----------------------------------------|------------------------------------------------|
| Net Cash Flow (Nov 2007 Projections)    | \$375,000                                      |
| Change in Capital Funding Structure     | 75,000                                         |
| Change in Rugby Activity                | 31,000                                         |
| Change in Meetings & Conferences        | -52,500                                        |
| Change in Car Parking                   | -61,500                                        |
| Change in Lease Rental                  | -12,500                                        |
| Change in Temporary Seat Hire Costs     | -81,000                                        |
| Change in Event Day Costs               | -59,000                                        |
| Loss of 6 Months Operation in 2011      | 78,000                                         |
| Change in Hospitality Spend Assumptions | -8,500                                         |
| Other Minor Changes                     | -2,000                                         |
| Net Cash Flow (Nov 2008 Projections)    | \$282,000                                      |

All of the above changes, with the exception of the loss of six months trading in 2011, also flow through to the last five years of the projection period.

Table 6.2 provides a high-level summary of the key reasons for the significantly higher cash flow performance over the last five years of the fifteen year projections.

**Table 6.2: Summary of Changes in Operational Cash Flow Projections**

|                                         | <b>Average Annual Cash Flow<br/>(Yrs 11-15)</b> |
|-----------------------------------------|-------------------------------------------------|
| Net Cash Flow (Nov 2007 Projections)    | \$857,000                                       |
| Change in Capital Funding Structure     | 2,254,000                                       |
| Change in Rugby Activity                | 126,000                                         |
| Change in Meetings & Conferences        | -50,000                                         |
| Change in Car Parking                   | -60,000                                         |
| Change in Lease Rental                  | -7,000                                          |
| Change in Temporary Seat Hire Costs     | -132,000                                        |
| Change in Event Day Costs               | -68,000                                         |
| Change in Hospitality Spend Assumptions | -10,500                                         |
| Other Minor Changes                     | -24,000                                         |
| Net Cash Flow (Nov 2008 Projections)    | \$2,883,500                                     |

As is illustrated in Table 6.2, the change in capital funding structure, which results in lounge membership revenues contributing \$2.5 million from 2011 onwards is the main reason for the average annual net cash flows in the last five years being substantially above the projections in our November 2007 review. Another key contributor to this outcome is the substantial reduction in ticket rebate (from 85% to 20%), which helps to off-set the strong reduction in rugby-related venue hire.

## 7. SCENARIO ANALYSIS

The base projections assume the stadium will host a Super 14 semi-final once every five years, an Air New Zealand Cup quarter-final every second year, and one Air New Zealand Cup semi-final every four years. While these assumptions have been based on historical precedent, the inherent nature of play-off matches means there is no certainty the matches will eventuate in future.

We have, therefore, developed a scenario that assumes no play-off matches throughout the projection period. The revenue and net cash flow implications of this scenario, compared with our base projections, are summarised in Table 7.1.

**Table 7.1: Average Annual Cash Flow Comparisons**

|               | <b>No Play-Offs</b> |                 | <b>Base Projections</b> |                 | <b>Variance</b> |                 |
|---------------|---------------------|-----------------|-------------------------|-----------------|-----------------|-----------------|
|               | <b>Yrs 1-10</b>     | <b>Yrs 1-15</b> | <b>Yrs 1-10</b>         | <b>Yrs 1-15</b> | <b>Yrs 1-10</b> | <b>Yrs 1-15</b> |
| Revenue       | 3,835               | 5,093           | 3,890                   | 5,148           | -55             | -55             |
| Net Cash Flow | 270                 | 1,137           | 282                     | 1,149           | -12             | -12             |

As illustrated in Table 7.1, the financial viability of the stadium is not dependent upon the Highlanders and Otago rugby teams securing home play-off matches.