Issues arising from the KPMG Consolidated Report, Macquarie Multipurpose Stadium, June 2025

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30 June 2025

1. Unpriced Costs and Benefits

The Report argues that the stadium has similar characteristics to 'public goods'. This appears to conflate the services provided by a stadium with those provided by the existence of a team[1].

In standard economic usage, the term 'public good' is used to describe a good or service which is non-excludable and non-rivalrous.

Enjoyment and other benefits provided by AFL and AFLW teams satisfy these criteria but a sports stadium, of itself, does not. Entry to the stadium is available only to those who have purchased a ticket or who have been invited to attend a non-sports event. Other potential users are, by definition, excluded. A stadium doesn't satisfy the second criterion either. A seat occupied by a stadium patron cannot be simultaneously occupied by someone else. In this sense, potential patrons are rivals.

It may well be that sports stadia are publicly funded to meet a variety of objectives, but it is not because stadia are public goods. For example, Marvel stadium is owned by the AFL, not the Victorian government.

The Assessment provides monetary estimates for some health and non-use benefits of the AFL presence in Tasmania provided by the teams and the stadium. It recognises that other costs and benefits are difficult to monetise. The task for the parliament is to decide whether, other things being equal, these non-monetary effects are sufficiently large to justify investment in the project, given the Assessment's benefit-cost ratio. A benefit-cost analysis plays a central, but not exclusive role.

2. Cost Benefit Analysis

It is argued (p.7 of the Report) that Cost Benefit Analysis inherently penalises large infrastructure projects because future benefit streams are discounted using a high discount rate. While there is an extensive and inconclusive literature as to the appropriate discount rate for project analysis, the Assessment (Table 1.1.5) addresses this problem by reporting the sensitivity to variations in the discount rate. Reducing the discount rate from its central value of 7% to 4% improves the benefit-cost ratio only marginally, from 0.53 to 0.62.

[1] In what follows 'Report' refers to the KPMG Report, and 'Assessment' refers to the Commission's Draft Integrated Assessment.

3. Financial Impact Statement

1. While referring to a recent analysis by the proponent (which finds that the annual operating outcome for Stadiums Tasmania may be $7m better than in the Assessment[2]) the KPMG Report offers only a brief discussion of the Assessment's treatment of the FIS. However, the proposed in stadium operating result has only a very minor effect on the fiscal outcome. The main drivers are the capital cost of the stadium and the amount to be financed by borrowing.

2. More importantly, the Report would have been more useful if it had provided detail on the difference between the cumulative effect on Total State Sector net debt recorded in the proponent's September 2024 report[3] and the effect reported in the Assessment. That KPMG report shows that by 2030/31 the project increases total State Sector net debt by $612.5m, while the Assessment (p. 38) provides an estimate that, after 10 years of operation net debt is forecast to increase by $1.86b. The Assessment's timeframe appears to be the same as in the Gruen report[4] (2029 to 2038), while the KPMG report the frame is 2023/24 to 2030/31.

   If the two estimates were based on the same timeframe it would help uncover sources of material differences between the two approaches.

3. As noted in my earlier representation, not all the $240m federal contribution to the Precinct should be treated as a' free' contribution by the Assessment. To the extent that part of this sum is directed towards wharf development and social housing, the borrowing requirement would be larger.

4. Fiscal outcomes have different treatment in the context of the benefit-cost analysis and the Economic Impact Statement. In the Assessment's benefit-cost analysis, it is assumed that stadium-related spending is funded by borrowing which in turn gives rise to debt-servicing costs.

   The model used for KPMG's Economic Impact Statement takes a balanced-budget approach. Stadium-related spending is financed by taxation, often assumed to be a lump-sum tax on households.

   Each of these assumptions is reasonable in the context in which they are made. However, the difference means that it is not possible to compare fiscal outcomes between the two types of models.

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[2] Report, p.5.
[3] Appendix G, Financial Impact Report, KPMG, September 2024.
[4] Gruen, N., Independent Review of the Macquarie Report Stadium, January 2025