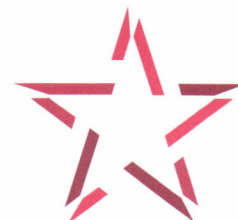


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13 AUG 2014

MIN. BIGNELL



ADELAIDE  
ENTERTAINMENT  
CENTRE

*Coopers*  
STADIUM★

12 August 2014

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Action Officer	

Hon. Leon Bignell MP  
Minister for Tourism  
GPO Box 1671  
ADELAIDE SA 5001

Dear Minister,

**Re: Reform of Govt. Boards/Committees: Adelaide Entertainments Corporation Board**

Further to your letter of 7 August 2014, please find attached the completed assessment criteria in relation to the Adelaide Entertainments Corporation Board as requested.

I trust the enclosed information meets your requirements, and please do not hesitate to contact me should you wish to discuss any matters pertaining to your assessment of the Adelaide Entertainments Corporation Board.

Yours sincerely,

**Robert L. Foord**  
Chairman  
Adelaide Entertainments Corporation Board

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## **ASSESSMENT CRITERIA: Adelaide Entertainments Corporation Board**

### **1) Is the operation of the entity truly commercial in nature?**

The Adelaide Entertainments Corporation Board is responsible for operating the Adelaide Entertainment Centre and Coopers Stadium. The Adelaide Entertainments Corporation trades profitably from an operating perspective without any Government appropriations or other assistance. Furthermore, the Corporation has self-funded numerous major capital projects such as the \$11.7M multi-deck car park at the Adelaide Entertainment Centre, and is also self-funding a range of projects to improve Coopers Stadium for the benefit of all Stadium users (new seating, food and beverage outlets, lift, change room upgrades) at no cost to taxpayers.

The Board plays a pivotal role in establishing and overseeing the direction of the Corporation to ensure that it remains a commercially viable, self-sufficient and successful entity. The many achievements and continuing strong financial performance of the Corporation demonstrates that the Board is performing its role to a high level, and the recent decision by Government to provide the Corporation with the added responsibility for management of Coopers Stadium indicates that there is a strong need for this activity to continue.

The Adelaide Entertainments Corporation fits the standard definition of a public non-financial corporation as it engaged mainly in the production of marketable goods and services with production costs recovered from consumers without finance from the Government. The Corporation's Board has delegated power to acquire and dispose of assets, set prices, control strategy, etc.

### **2) Is there a case for direct community or sectoral representation through a board?**

The highly commercial and confidential nature of the Adelaide Entertainments Corporation's operations does not lend to a community engagement model or open government strategies, including industry funded resources. There are no function overlaps with other Government boards/committees or entities.

The Board plays an important role in creating a level of distance between its operations and Government, and this enables the Corporation to act commercially in its highly sensitive dealings with concert promoters and other hirers of its venues to ensure that fair and sensible returns are achieved, which in turn assists to mitigate significant political and financial risks to Government.

Venue management and entertainment are volatile commercial environments to operate in and they require a high level of commercial/entrepreneurial management. In this regard, it should be noted that Government is not well equipped to operate in this environment. As an example, Government has recently chosen to transfer the management of Coopers Stadium to the Corporation with the expectation that the Stadium's financial performance will vastly improve given the Corporation's proven track record to deliver results. Under the direction and guidance of the Board, the Corporation has been successful in slashing the significant financial losses previously incurred by Government from operating the Stadium whilst also embarking on significant capital improvements to the Stadium at no cost to taxpayers.



### **3) Will the abolition of a board have a negative impact on business or community confidence?**

The abolition of the Corporation's Board is likely to have a negative impact on business and community confidence as sensitive issues such as a major act/concert not coming to Adelaide or a Coopers Stadium sporting tenant experiencing financial difficulties are likely to be used by political opponents in the public domain for point scoring purposes. This happens extremely infrequently currently as these issues are presently very effectively managed by the Corporation's Board without impacting unduly on business and community confidence due to the extensive networks and apolitical approach that exist within the framework of a highly credentialed Board.

Whilst the current Government is stable, historically there have been a number of different ministers that the Corporation's Board has reported to. The Corporation's Board provides governance stability and ensures corporate intelligence is retained which is to the Corporation's significant commercial advantage.

Each month the Board receives and discusses detailed financial reports, as well as reports from each member of the senior management team. This enables the Board to tightly monitor efficiency indicators and provide clear direction to management with regard to where further efficiencies or business development opportunities may be possible.

### **4) Is there a significant legal or financial advantage in retaining the board?**

There would be no financial advantage from abolishing or restructuring the Board. The Adelaide Entertainments Corporation trades profitably and receives no recurrent Government funding. Government representatives are constantly being lobbied by sporting bodies, event organisers, not-for-profits, private sector and other parties to provide funding or in-kind assistance to facilitate non-commercial activities which have the potential to impact negatively on the financial performance and sustainability of a commercial entity such as the Adelaide Entertainments Corporation. Major event business/contracts will be lost by the Adelaide Entertainment Centre and Coopers Stadium if the Corporation's activities become weighed down with bureaucracy and delays in decision making. It is imperative that the Corporation remain highly responsive and commercial in nature. The Adelaide Entertainment Centre, in particular, operates in a highly specialised industry requiring the strictest adherence to commercial confidentiality. There is a very real danger that additional international acts would bypass South Australia and the financial performance of the Corporation would deteriorate significantly if government departments/ministers were to get involved.

In 2012, DPTI-ORS commissioned independent consultants KPMG to undertake a comprehensive review of the various venues operated by ORS with the key objective of providing recommendations around potential future governance and management arrangements. All management options were considered by KPMG, and they concluded that the Adelaide Entertainments Corporation was best placed to take responsibility for the management of Coopers Stadium. The Corporation was given the additional responsibility by Government of managing Coopers Stadium from 1 July 2013, and the Corporation has significantly improved the Stadium's financial performance in its first year saving taxpayers \$5-800K per annum under the direction and guidance of the Board. This recent decision by

Government to provide the Corporation with the added responsibility for management of Coopers Stadium indicates that there is a strong need for this activity to continue.

Changing the structure of the Corporation's operation and governance could have severe repercussions. It would impact negatively on the Corporation's financial performance. The Corporation receives no recurrent Government funding and trades profitably. The total Board fees paid in 2013/14 were \$101,463. The specialised skills, knowledge and experience that the appointed Board directors bring to the Corporation provides a net return to the Corporation which far exceeds fees expended. The loss of the Board's expertise and corporate knowledge would likely result in a significant reduction in the Corporation's annual trading surplus, whilst also significantly increasing the risk profile for Government given the nature of the commercial activities undertaken by the Corporation.

#### **5) Is there some other compelling risk identified with the abolition of a board?**

The entertainment industry is a complex one with a high level of risk associated through dealing with a wide variety of acts, promoters and private sector entertainers. The Board plays an important role in creating a level of distance between its operations and Government. This enables the Corporation to act commercially in its highly sensitive dealings with concert promoters and other hirers of its venues to ensure that fair and sensible returns are achieved. This assists to mitigate significant political and financial risks to Government. There is no government department that has the specialist venue management expertise required to operate the commercial activities undertaken by the Corporation in the management of the Adelaide Entertainment Centre and Coopers Stadium.

In particular, the Adelaide Entertainments Corporation advances the following Government strategic priorities:

- Creating a vibrant city that energises and excites – The attraction of headline international artists and sporting fixtures assists to achieve this outcome. The general public are very emotional and passionate when it comes to international acts visiting Adelaide. If a performer bypasses the city it is viewed as "failure". The Adelaide Entertainment Centre has an extremely high capture rate of international acts that tour Australia. A city with the same population as Adelaide in the United States couldn't hope to attract the number of major international acts that Adelaide secures, which is a significant achievement given Adelaide's relative isolation in terms of its location.
- Keeping our high quality of life affordable for everyone – People living in contemporary cities expect to be able to see the world's biggest stars and sporting events in their home city. The ability to achieve this is important to retaining people in South Australia, particularly young people.