



Interesting and thought-provoking aspects of the Auditor-General's work and public reports, presented as case studies for teachers and students.

## Dunedin stadium

**A new rugby stadium sparks a community ruckus.**

### Introduction

In November 2005, New Zealand won the right to host the 2011 Rugby World Cup. The victory came with responsibilities, including the need to provide world-class stadiums.

Dunedin's Carisbrook Stadium wasn't up to scratch, so the Dunedin City Council (DCC) and Otago Regional Council (ORC) were exploring options for its upgrade or replacement. Initial public consultation indicated support for an upgraded Carisbrook over a new stadium.

Then an independent group – the Carisbrook Stadium Charitable Trust (the Trust) – was set up to continue investigations. Its chairperson was a prominent Dunedin businessman. The Trust recommended a new multi-purpose stadium, with DCC footing almost half the bill – \$91 million.

Public consultation on the proposed stadium took place – though some said not enough – revealing divergent opinions. The biggest sticking point was ratepayer funding of the stadium.

The Office of the Auditor-General (OAG) inquired into the matter because of the amount that ratepayers might need to pay. It found that DCC and ORC had so far been meeting best-practice guidelines for funding non-government organisations.

Despite opponents protesting and taking out court action, DCC went ahead with the new stadium. The council believed it would provide the greatest long-term economic and social benefits for the region.

## Stadium options

The Trust’s initial feasibility report – the Master Plan (2007) – included the options of:

- building a new multi-purpose stadium with a roof (capacity 30,000 people) – \$188 million
- building a new multi-purpose stadium with no roof (capacity 30,000 people) – \$131 million
- upgrading Carisbrook Stadium – four options ranging from \$29 to \$69 million.

The Trust’s report favoured the first option as the only “long-term solution” that would “provide significant community benefits, both socially and economically”.

DCC agreed, and investigation into the first option continued. Otago University, which was located directly alongside the proposed site, had joined in. The university would contribute to the cost of the stadium, which would include new spaces for university use.

## Stadium funding

The Trust proposed the following funding for the new stadium, with DCC paying the highest amount – \$85 million. DCC decided to add a further \$6 million (the budget for on-going maintenance), taking its total contribution to \$91 million.

Who pays	Expected cost
Dunedin City Council (DCC)	\$85 million
Otago Regional Council (ORC)	\$37 million
University of Otago	\$10 million
Community Trust of Otago	\$10 million
Other sources (membership, naming rights, founders’ club and so on)	\$43 million
Sale of Carisbrook Stadium	\$3 million
<b>STADIUM DEVELOPMENT COST</b>	<b>\$188 million</b>
Dunedin City Council (DCC) – to fund major maintenance for 50 years	\$6 million
<b>TOTAL FUNDING</b>	<b>\$194 million</b>

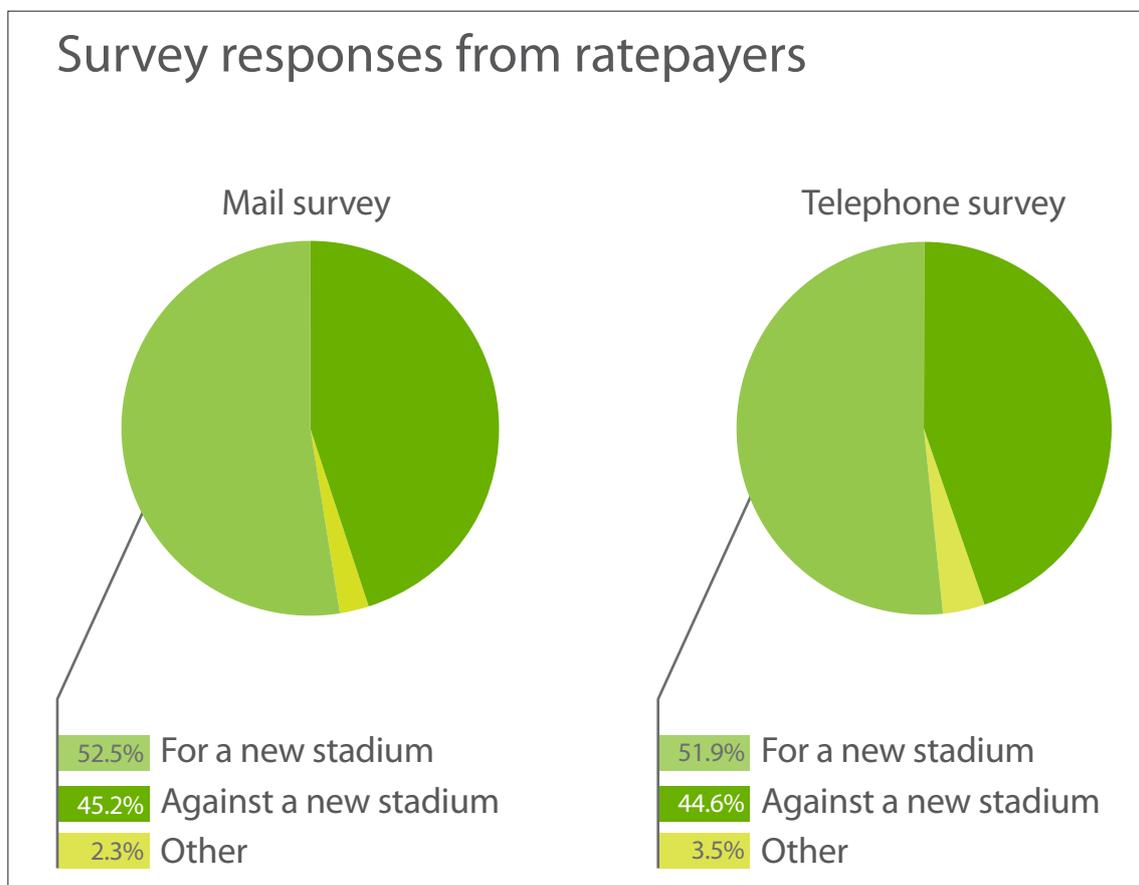
Note: In April 2009, the New Zealand Government added a contribution of \$15 million.

## Public consultation

In April 2007, the two councils carried out a mail survey of ratepayers (house owners) on the proposed stadium. They also did a telephone survey. Both surveys found a very slim majority in favour of the new stadium.

- Mail survey – 52.5 percent for versus 45.2 percent against.
- Telephone survey – 51.9 percent for versus 44.6 percent against.

Both surveys also found differing views on whether the councils should fund the stadium. On the whole, the community did not support council funding to the level of \$91 million.



The Trust commissioned another survey, which found that 72 percent of residents and 95 percent of businesses supported the stadium. However, some people suggested that the survey's methodology and ordering of questions may have led to biased results. Also, the survey didn't include questions about council funding.

## Preliminary council decision

In June 2007, DCC changed its long-term plan to include money for the proposed stadium. However, the council said it wouldn't make its final decision on the stadium until December 2007, when the Trust would provide more feasibility information. DCC agreed to pay \$5.6 million for that information by September.

DCC continued looking into the best ways to fund its contribution to the stadium since it felt that residents should not carry the full burden through an increase in their rates (property tax for funding local services). According to the council's calculations, the burden for each ratepayer would be around \$66 a year, based on an average house value of \$289,000.

## The OAG's inquiry into the stadium

After DCC changed its long-term plan, the Office of the Auditor-General (OAG) investigated the matter of the new stadium. As well as exploring the use of public funds, the OAG was interested in the relationship between the two councils, as public organisations, and the Trust, as a private organisation.

The OAG found that the funding arrangement between these groups was appropriate for the stage of the project they were at (pre-final funding decision) and so was the councils' spending.

The OAG said that DCC had "adequately considered" the \$5.6 million that it was planning to pay the Trust for more feasibility information. (The sum was risky because the information might not be enough for DCC to make a final decision. Also, the final decision might be 'no', meaning that a new stadium would not be the outcome.) The OAG felt that DCC had enough checks in place to ensure that it was getting value for money from the Trust.

However, the OAG did make a few suggestions to improve the reporting and payment systems being used. To protect the councils and ratepayers if the new stadium went ahead, the OAG advised setting up more formal funding agreements and risk-management strategies.

- See the OAG's good-practice guidelines for funding non-government organisations

## Final council decision

DCC committed \$91 million to the stadium in March 2008. It planned to borrow this amount, repaying the debt with a mixture of rates and other income. It believed that using debt to fund the stadium was appropriate because doing so would spread the cost across future generations who would benefit from the facility.

DCC added a condition – that a way be found to reduce the ratepayers' contribution by \$20 million, lowering their yearly burden from \$66 to \$37.

## Arguments for and against the stadium

### What supporters said

Supporters agreed with the Trust that the stadium would:

- be affordable
- promote Dunedin worldwide through media coverage of the Rugby World Cup, attracting more residents, tourists and business developments
- bring economic benefits through large events held there, from sports games to concerts and conferences
- create jobs during and after construction
- support the university to grow and attract students.

### What opponents said

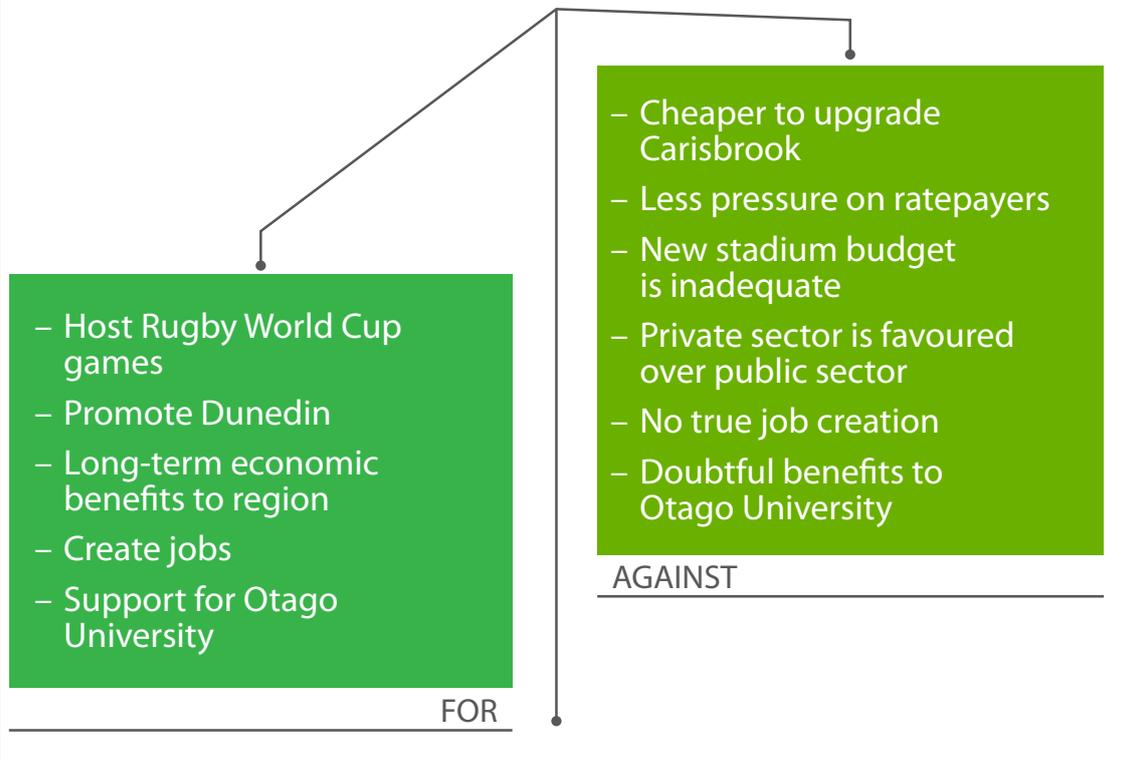
Many opponents preferred the much cheaper option of upgrading Carisbrook. Others liked the idea of a new stadium but argued that it should be funded privately, not through rates (public money). Some asked why the New Zealand Rugby Union and Otago Rugby Union were not contributing. They also questioned whether the public had received enough information to assess the risks.

Opposing arguments included the following.

- Many Dunedin ratepayers were relatively poor or elderly and couldn't afford a rates increase. That increase was likely to be much more than \$37 or even \$66 per year because of interest incurred on the council debt.
- The stadium was likely to cost more than \$188 million because the budget didn't include things like broadcasting facilities, restaurants or road relocation.
- Long-term economic benefits were doubtful because:
  - other stadium developments around the country would cancel out any advantage Dunedin might have had
  - the private sector would benefit much more than the public sector, which would be paying off the stadium for years
  - Dunedin's population of 110,000 (194,000 regionally) wasn't large enough to support on-going major events in a 30,000-seat stadium.
- Most on-going jobs created would simply replace those lost at Carisbrook.
- The stadium probably wouldn't attract university students because the country didn't have an American-style tradition of university sports. (Reduced student fees or scholarships might, however – and at a lower cost.)

Opponents argued that, long term, money spent in areas like education, health and communication technologies would benefit Dunedin people much more than a stadium. Accusations of conflicts of interest were also made (for example, that the Trust Chairperson was related to someone who owned land on the proposed site and that the managers appointed to the redevelopment were also involved in the Trust).

## Arguments for and against a new stadium



## Protests and court action

Opponents organised petitions and protests against ratepayer funding. They filed a case with the High Court to get the stadium development stopped, arguing that the project had changed significantly since the public consultation. The attempt failed. They later took the case to the Court of Appeal, but this attempt failed too.

Dunedin's new stadium went ahead.

## Student inquiry questions

- Based on the information here, what would you have done if you were in the council's shoes?
- To what degree will Dunedin's new stadium benefit the region socially and economically? Who will benefit most?
- Should public money be used to build sports stadiums, and should ratepayers foot the bill?
- Should local or national governments go into debt to fund big projects?
- How important is public consultation in big projects like this?
- Is it a good thing that New Zealand won the right to host the 2011 Rugby World Cup?
- To what degree will the Rugby World Cup benefit New Zealand socially and economically?