

TRANSCRIPT

SELECT COMMITTEE ON THE 2026 COMMONWEALTH GAMES BID

Inquiry into the 2026 Commonwealth Games Bid

Melbourne – Friday 9 August 2024

MEMBERS

David Limbrick – Chair

Joe McCracken – Deputy Chair

Melina Bath

David Davis

Jacinta Ermacora

Michael Galea

Sarah Mansfield

Tom McIntosh

Rikkie-Lee Tyrrell

WITNESSES (*via videoconference*)

Dr Michael Malakellis, Senior Economist and Principal Director, Deals Advisory and Futures Practice, and Marcus McArdle, Risk Management Partner, Audit, KPMG Australia.

The CHAIR: We now resume the committee's public hearings for the Inquiry into the 2026 Commonwealth Games Bid. Thank you for attending today.

All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your names and the organisation that you are appearing on behalf of.

Michael MALAKELLIS: Michael Malakellis, KPMG.

The CHAIR: Nice to meet you.

Marcus McARDLE: And Marcus McArdle from KPMG.

The CHAIR: Thank you very much. I will briefly introduce the committee members, some of whom are in person and some remote. I am David Limbrick, Chair of the committee.

David DAVIS: David Davis.

Michael GALEA: G'day. Michael Galea, South-Eastern Metropolitan Region.

Tom McINTOSH: Tom McIntosh, Eastern Victoria Region.

Joe McCRACKEN: Joe McCracken, Western Victoria Region.

Sarah MANSFIELD: Sarah Mansfield, Western Victoria Region.

Jacinta ERMACORA: Jacinta Ermacora, Western Victoria Region.

The CHAIR: Thank you. I welcome you to make any opening comments and ask that they be kept to around about 10 minutes in length. Thank you.

Michael MALAKELLIS: Thank you, Chair. We welcome the opportunity to appear before the select committee on the 2026 Commonwealth Games bid and thank you for the opportunity to make an opening statement. I am Michael Malakellis, the Principal Director in KPMG's Deals Advisory and Futures Practice. Joining me today is Marcus McArdle, a KPMG Risk Partner who will complement my statement in his opening remarks.

We are being asked today to discuss KPMG's computable general equilibrium modelling analysis of the 2026 Commonwealth Games. We were engaged by the Department of Jobs, Precincts and Regions to undertake this technical modelling analysis. We note that our report was prepared for the department on a confidential basis and we were previously unable to speak to our engagement. However, it has since been made public. In our report we used KPMG-REG, a multiregion CGE model of the Australian economy, to simulate the potential impacts on the Victorian economy of hosting the 2026 Commonwealth Games. We note that this piece of work was not designed to be a comprehensive analysis of the impacts of the 2026 Commonwealth Games. Rather, it was designed to estimate the economy-wide impacts of a subset of key components, including tourism and trade. The KPMG-REG model is specifically designed to support policy analysis and economic impact

assessments of projects. It represents the Australian economy at the state and territory level and has been used to support the work of both public and private sector organisations across Australia over the past decade.

As the committee is aware, projections around the direct impact of the games on the Victorian economy were provided to the department by EY. EY was supporting the department with the preparation of the Commonwealth Games 2026 business case. The department provided us with the direct impacts, drawn from the work they were doing with EY, to be used as inputs into our CGE modelling. The department provided KPMG with three sets of inputs relating to the direct impact of the games. These corresponded to three scenarios: best case, mid case and worst case. In line with the scope of the project, KPMG used these direct impact estimates in our CGE model to estimate the total impact of the games on the Victorian economy, including the indirect or flow-on impacts. We reported simulation results for three scenarios for the 2026 games, best case, mid case and worst case, and each of those three scenarios was modelled under two different assumptions relating to the specification of the government budget constraint. As per its evidence for this inquiry, the department had said it wanted the CGE modelling to augment the economic modelling undertaken by EY. We did as part of our engagement conduct a very high level assessment of the estimates provided to us by the department, which considered the estimates in the context of previous work that we had done and that others had done in relation to comparable major projects. KPMG was not at any time provided with a draft of the final Commonwealth Games 2026 business case during the engagement. In any case we hope that we can still make a contribution to the inquiry's work today.

I will now hand over to my colleague Marcus to provide some additional opening remarks.

The CHAIR: Thank you very much.

Marcus McARDLE: Thank you, Michael. Thank you to the committee for the invitation to appear today. As Michael said, I am a KPMG Risk Management Partner. As KPMG has previously stated in other forums, when working for any government client our obligations are twofold. We understand the need to deliver high-quality service and independent and robust advice to assist the public service in fulfilling its role. We must also demonstrate value for money, ensuring that the public is receiving significant benefits for what are valuable taxpayer funds. Our engagement delivered on both of these obligations. KPMG's engagement for the DJPR was subject to KPMG's risk processes and procedures that enable the firm to determine whether it is appropriate to accept an engagement. The project team worked to a tight deadline to successfully deliver the work for the client on time and within budget. I also note that KPMG's report appropriately included key caveats associated with the CGE modelling. These caveats include the integrity of direct impact assessments.

As Michael said, KPMG's CGE modelling relied on the direct impact assessments provided to us by the client. We noted that we understood from our client that the modelling of the direct impact of these games by EY at the time of our engagement was a work in progress and expected to evolve. KPMG is proud of our work with the Department of Jobs, Precincts and Regions, and we welcome questions from the committee about our report.

The CHAIR: Thank you very much, Mr McArdle. I will start with one of the issues around the sensitivity analysis. One of the things that you were asked to model was around the health benefit shock, under two scenarios is my understanding, where you have the full health benefit shock and then another sensitivity analysis where that shock is halved. Would you mind explaining to the committee how that actually works and what the health benefit shock actually is?

Michael MALAKELLIS: The health benefit shock – the idea behind that is an event like the games encourages people to become more active. There is some research that supports the idea that such events do that and then estimates the benefits from a health point of view. The sorts of benefits that are captured in this type of modelling are less sick days – so higher productivity by workers – less need for the public health system and so on. It is an area that is not a precise science. So one of the reasons for doing some sensitivity analysis is to simply recognise there is a degree of uncertainty around that particular estimate.

The CHAIR: Understood. This particular benefit actually formed a large part of the benefits in the business case. What is your understanding of why you were asked to model one using the initial results in the business case and also one where those benefits were halved? What is your understanding of why you were asked to do that?

Michael MALAKELLIS: I think we suggested that sensitivity ourselves because of the uncertainty of that type of mechanism and the large impact that it has on the outcome.

The CHAIR: Okay. Understood. How would you characterise the outputs of that analysis once the health benefit shock was halved? Basically that would be providing a different, I suppose, case scenario of the original business case – if those health benefits were halved. How would you characterise the outputs of the analysis that was done by KPMG?

Michael MALAKELLIS: In the context of the report one of the things that we emphasise is that a lot of the benefits of these types of events before the fact are benefits that are available, and how well you harvest those benefits depends on what programs and support you put in place for encouraging people, for example, to take up being active, whether it is sport or higher levels of activities. I guess the key message there is that there is a large degree of uncertainty around those sorts of measures, and how much of the health benefits you might harvest from an event like the games depends on what sorts of supporting programs are put in place. I guess that is how I would think of that particular mechanism.

The CHAIR: Thank you. One of the other things that was analysed in this report was around the cumulative increment to public housing stock. Please correct me if I am wrong, but it would appear from your report that the Commonwealth Games would not have actually resulted in new social housing but rather would have brought forward housing, according to this. Would that be a correct assessment?

Michael MALAKELLIS: That is how we interpreted the inputs that were provided, yes.

The CHAIR: Understood. Back to the health benefits again that were used for this modelling: you have acknowledged that there is uncertainty, and we have heard many people talk about that during the course of this inquiry. What is your understanding of the evidence base for health benefits like this that might be claimed by having a major event over a short timeframe?

Michael MALAKELLIS: I cannot reel off the details, but having been involved in, for example, the 2032 Olympic bid, there is a large literature on the impact that major sporting events and events like the games can have on the take-up of sport and the encouragement of people to adopt healthier lifestyles. The key, however, I think in that literature is that how successful you are in attaining those benefits from either sporting events or major events like the games depends on the supporting programs. I think there is a lot of variety in the literature about the benefits. I do not think there is much dispute that they exist; it is really what is the extent and how do you harvest those benefits efficiently.

The CHAIR: Understood. Thank you. With regard to the engagement, I understand – you said in the original statement – that it was a tight timeframe. How long was KPMG given to do this work?

Michael MALAKELLIS: It was about a four-week turnaround, I think.

The CHAIR: Yes. And it was quite limited in scope – would that be right? So you were just given a set of assumptions and asked to model things specifically around certain economic impacts but also around this health benefit shock analysis, which differed from the original business case. Is that correct?

Michael MALAKELLIS: Yes, correct. It was a very tightly scoped and specific piece of work.

The CHAIR: Do you feel that that was a sufficient timeframe to complete that work from your point of view?

Michael MALAKELLIS: Given the scope of the project I think we had agreed to that timeframe, and indeed I think we delivered well within the timeframe.

The CHAIR: Okay. Thank you very much. I will move to Mr McCracken.

Joe McCracken: Thank you very much, Mr McArdle and Mr Malakellis, for appearing today. I would like to start with the modelling that was provided by KPMG in March 2022 to the Department of Jobs, Precincts and Regions. It is titled *CGE Modelling Analysis of the 2026 Commonwealth Games*. Were either of you two gentlemen involved in producing this modelling?

Michael MALAKELLIS: Yes. I was the main person on that job.

Joe McCracken: Can you tell us how much the Victorian government paid for this modelling?

Michael MALAKELLIS: I think between \$53,000 and \$55,000 was what was actually paid, which was less than the contract value, which was I think in the mid – I think it might have been \$65,000, the agreed fee. We finished the work a little bit ahead of schedule, so I think it was \$55,000 that we invoiced for that work.

Joe McCracken: Okay. And is it correct to say that KPMG's model relied heavily on the business case produced by EY for the games?

Michael MALAKELLIS: What it relied on were specific inputs that were provided by the department, which I believe were prepared by EY. That was a very narrow set of inputs which I presume were part of the business case development.

Joe McCracken: So in a roundabout way, yes, they were from EY.

Michael MALAKELLIS: Yes, sure. No doubt they were from EY. I guess the point I am making is it was a very specific set of inputs. I presume a business case would involve a whole lot more relevant information.

Joe McCracken: Okay. In his evidence to the inquiry last year the Secretary of the department Tim Ada said the original business case greatly underestimated the cost of the games at \$2.6 billion, as you have probably heard. He said it:

... largely relied on top-down estimates and benchmarking against known amounts from the 2018 Gold Coast games.

He went on to say that the business case did not reflect the true cost of delivering a sporting program across five cities in regional Victoria. Now, we had representatives from EY appear on 5 December last year, and Dean Yates in his testimony stated that production of the business case was done in six weeks as opposed to a period of years. Dean Yates also went on to say that the original business case was hampered by the government's excessive desire for confidentiality. They could not do any fieldwork – so engage with local government and those sorts of people – and there was no consultation. In light of all that, why did KPMG use the data that EY provided in that process – knowing that it was not particularly good data?

Michael MALAKELLIS: I do not think we had any knowledge whatsoever about whether it was good or – we understood it was a work in progress. That is absolutely clear, and our report makes that very clear as well. The inputs that we were provided really relate to very specific parts of the benefits of the games. For example, what was the expected tourism uplift, or what was the expected impact on trade? So I do not think we have any reason to think those inputs had been prepared under circumstances that were as you described.

Joe McCracken: Did you review the business case provided by EY at all?

Michael MALAKELLIS: No. As I stated in my opening remarks, we were not provided either a draft or a final version of the business case.

Joe McCracken: Okay. I mean, obviously it has come out that there were a lot of flawed assumptions. Did the Victorian government say to you, 'Push on with these assumptions, don't worry about reviewing them at all'?

Michael MALAKELLIS: No, not at all.

Joe McCracken: What was their instruction to you with regard to it?

Michael MALAKELLIS: We were provided with the inputs in a spreadsheet. We were asked to run them through our model, which is a very specific type of model, to understand what the consequences of those impacts would be for the broader Victorian economy.

Joe McCracken: So, essentially, they gave you the data without any other parameters: 'Here is the data. Input it into the model, run it through and tell us what the output is.'

Michael MALAKELLIS: That is a reasonable characterisation of the exercise. Essentially, one way to think about it is they said, ‘We have estimates that suggest that the uplift in tourism spending is going to be a certain amount. We would like to understand what the consequences of that spending will be for the Victorian economy.’ What our type of model does is take an input like that and try to understand how that flows through the economy. In other words, once tourists spend money in the economy, that has supply chain impacts and it has flow-on impacts to other parts of the economy. So our modelling was designed specifically to understand those flow-on impacts that come from something like an uplift in tourism spending.

Joe McCracken: Okay. I am just trying to get to the point. As you say, you have got a model, the data that was input into it was questionable at best and there was no robust analysis of that data before it was input into the model. So the output was obviously not ideal either. Is that fair?

Michael MALAKELLIS: I think from the point of view of the scope of our project the understanding was that we were given a set of inputs that were a work in progress and what the department was trying to understand was another perspective on what the impacts would be on the broader Victorian economy. So from my standpoint it is reasonable for a bunch of inputs to be under development and to be processed in a model like ours to understand what the consequence would be on the broader economy.

The CHAIR: Thank you, Mr McCracken. Mr Galea.

Michael GALEA: Thank you, Chair. Thanks for joining us, Mr McArdle and Mr Malakellis. Mr Malakellis, I would just like to start with a bit of a quick outline from you on what – to be very precise – the limitations were of the CGE reports that were done by KPMG and how those limitations were made clear to government.

Michael MALAKELLIS: There were a variety of limitations, and they are set out in the report. There is a section in the report that goes through those limitations very carefully. The first one was that the modelling – and I guess this picks up on the conversation that we were just having – relied on the inputs provided by the department that were capturing direct impacts of the games and recognising that those inputs were a work in progress and likely to change over time. One of the caveats, obviously, was that if those estimates change, the modelling should be re-run. A second caveat was that the analysis was done in what is called a static model, so the modelling did not try to trace out what would happen over time; it tried to understand what would happen at a point in time.

David DAVIS: In the immediate point, is what you are saying? I just want to understand.

Michael MALAKELLIS: Sorry, it looked at it from a couple of different points of view, one in the longer term, in a period long enough for the economy to have a chance to digest the actual changes that were introduced by the opening of the games, and another that looked at the shorter term. The limitations around that are that you cannot really trace through what the dynamics are of the impacts. The impact of the games could be very different if you are looking at a period where there is a high rate of unemployment, for example, versus the period where the unemployment rate is low so that the economy has less spare capacity.

A third caveat was about the regional impacts of the games. The analysis that we did was at the Victorian economy level, and we specified what the issues were in trying to understand what the impacts would be at the regional level and sent out a bunch of ideas about how that might be done at some future point in time.

Michael GALEA: Thank you. So if I am correct, then what you are saying is basically by taking that statewide approach, though you are trying to look at the regional model, once you then have more inputs as to, for example, how many sports would be in Ballarat as opposed to Bendigo and if that is higher or lower, that would then affect those regions’ specific outcomes. Is that what you are saying?

Michael MALAKELLIS: Yes. You would need a lot more detail than was available time to be able to model the regional impacts, apart from the events also, like a whole lot of other – understanding where, for example, contractors were residents. You might have some developments happening in regional Victoria, but if the entity that was undertaking that work was an entity that was domiciled in metropolitan Melbourne, then the impact is quite complex, because the entity is domiciled in one region but it is doing work in another. A lot of those details require a lot of information that was not, in my understanding, available at the time. So there are a whole raft of things that impact the regional analysis.

Michael GALEA: Thank you. The CGE report as well is obviously, as we have gone through already, separate to the business case. What is the fundamental purpose of having the CGE report separate to that business case?

Michael MALAKELLIS: My understanding was that the CGE report was wanted to sort of understand what the flow-on implications of the games would be on the economy as a whole. The CGE modelling supplements other types of modelling by focusing on that issue: so what the flow-on effects are of an increase in tourism spending or an increase in trade or whatever the other impacts are. I think the way to think about that is it sort of helps supplement other types of economic analysis that look at the direct impacts – the more obvious impacts, I guess.

Michael GALEA: Thank you. Just lastly, I understand that you have looked at two different assumptions based on the government's budgetary situation. What are those two assumptions that you drew from, and how do they compare and contrast with each other?

Michael MALAKELLIS: The reason that we did that is because if you did a full dynamic analysis which traced through, for example, the year-by-year impacts, you would have modelling of the budget that is done in a realistic way. Governments can finance any expenditures by raising taxes or they could issue debt, and they both have implications over time. Because we were doing a static analysis we could not do that, so what we showed were two extreme cases: one where the budget constraint is not active at all, which essentially means the government borrows money but is not paying it back, and there has not been any impact on the taxpayer, and the other extreme scenario is all the expenditures made by the government were funded by the taxpayer in that period. So they are both extreme assumptions, and the idea was to give the department a sense of what it would look like. As we said in the report, a reasonable estimate would be somewhere between those two polar extremes.

Michael GALEA: Thank you.

The CHAIR: Thank you, Mr Galea. Mr Davis.

David DAVIS: Can I thank both of you, Mr Malakellis and Mr McArdle, for your input. I understand the difficulty that you were in. Essentially, you were given material by the department and asked to run some analysis on that material through your model. That is the short story. Your model in a sense is like a black box: you put it in and out come the results. I would say perhaps to you, without any criticism of your model, if you put in some rubbish assumptions that you have been given, the outputs are not going to be reliable in any event. Rubbish in, rubbish out is what I am saying to you here. And I am not criticising your firm in any way; I am just saying you were provided with information on which you had to rely.

Michael MALAKELLIS: Yes, that is correct.

David DAVIS: And the material that was provided to you – the input came in a spreadsheet, you are saying.

Michael MALAKELLIS: That is correct.

David DAVIS: Can we have a copy of that spreadsheet, please?

Michael MALAKELLIS: I guess – yes. I cannot – yes.

David DAVIS: Thank you. That would be very helpful indeed. The material that came from EY and the department – you really did not get to look behind that in any way I can see. This was essentially provided to you, but it does seem like you did do some early analysis or assurance to try and understand it in the context of other material that you had seen elsewhere – is that right? Other exercises that you had done: you tried to do some robustness or – I am looking for a word here.

Michael MALAKELLIS: We did a high-level assessment of the inputs that were provided.

David DAVIS: And what did you conclude on that high-level assessment?

Michael MALAKELLIS: Given the uncertainty around those inputs, they seemed reasonable to us.

David DAVIS: In the best that you could tell.

Michael MALAKELLIS: Correct.

David DAVIS: All right. One of the things that my colleagues and I have been talking about is the issue of the housing. When you assessed the housing outcomes, it seems to me that there was just a pull forward in the housing that is being delivered. There is no additional housing delivered according to the way this model appears. Am I correct in that?

Michael MALAKELLIS: Yes, that is correct.

David DAVIS: Not a skerrick of additional housing; it is just all pulled forward.

Michael MALAKELLIS: That is how it has been modelled, yes.

David DAVIS: When I come to your section 5 here, the key caveats, I understand that you are at some pains to point to the difference between a static model and some sort of dynamic model assessment. I think that is right, isn't it? There is a very big difference, and that is one of the key caveats you point to.

Michael MALAKELLIS: Yes, that is right.

David DAVIS: And when we look at this and the dynamic model, if you were to do a dynamic model, how would you do this differently? What would you look at? How would you structure that?

Michael MALAKELLIS: I think the first thing is that a dynamic model needs a lot more information, really quite detailed information about how and when – the expenditures and the benefits and the timing of all those things. That allows you to trace out what the big implications are in a much more detailed way, and it allows you to accommodate the government's budget constraints in a more sensible way. For example, any borrowings or any increase in tax that is needed to cover the expenditure is more naturally captured in a dynamic model. But the information that you require to do that type of analysis is really quite onerous, and it is an exercise that would take a longer period of time to complete.

David DAVIS: I understand that. You do not have to comment on this, but given the shoddy way the government went around this, I am not surprised that you were unable to do more in terms of analysis.

Other than this report, did you provide any other information to the department? Did you, for example, do a PowerPoint or a presentation of some type where you talked it through? Was there some deeper engagement with the department other than the report that we have now got being sent forward? Was there other discussion with the department?

Michael MALAKELLIS: No, not in the context of this engagement.

David DAVIS: You did not meet with them?

Michael MALAKELLIS: No.

David DAVIS: Right. Thank you.

The CHAIR: Thank you, Mr Davis. Dr Mansfield.

Sarah MANSFIELD: Thank you. Thank you for appearing today. Just following on from some of the questions that others have asked with respect to housing, as you pointed out to Mr Davis, the assumption you made was that additional social housing stock built because of the games represented a bringing forward of investment. Why did you make that assumption?

Michael MALAKELLIS: Because we did not have any inputs to suggest otherwise. In other words, the housing program was already part of government policy, and our understanding was that the Commonwealth Games was really a catalyst for bringing forward that program.

Sarah MANSFIELD: Okay. To make that assumption – you said you did not have any information to the contrary – you were just relying on the housing statement and other information that had been provided by the government with respect to housing.

Michael MALAKELLIS: Yes, correct. That is right.

Sarah MANSFIELD: Okay. You were not specifically asked to make that assumption?

Michael MALAKELLIS: No.

Sarah MANSFIELD: Okay. You have also pointed out that that was somewhat different to the assumptions that were made by Ernst & Young. Do you know why they made different assumptions?

Michael MALAKELLIS: No, and to be fair, I am not sure I really understood what they had done.

Sarah MANSFIELD: Okay. All right. As you have pointed out a number of times now, the inputs that you received were from Ernst & Young. They were a very specific set of inputs. You have said you essentially accepted those figures and undertook your own modelling. When we had Tim Ada from DJSIR appear before the committee at a previous hearing he referred to your work as a peer review of the benefits. Would you categorise your work as a peer review of the benefits Ernst & Young had generated in their business case?

Michael MALAKELLIS: I would not characterise it as a peer review, but people can differ on what a peer review means, I suppose. We did high-level assessment of the inputs that were provided.

Sarah MANSFIELD: Okay. In that evidence we were told that it is not uncommon for the government to seek some independent assessment or an independent review of something like a business case. If you had been asked to undertake a peer review or an independent review, would that have looked like what you did, or would you have done something else if you were actually undertaking a peer review?

Michael MALAKELLIS: No, it would have looked different. I think my colleague Marcus can probably explain how such a peer review would be seen or how it would be processed in our firm.

Marcus McARDLE: Yes. I could just add some comments there, Ms Mansfield. If we were asked to do a peer review of another firm's work – and from time to time we are – that is a specific engagement that would require us to actually communicate with that other firm, to let them know that we have been engaged to do a peer review and ultimately then begin a process of looking at the inputs or the factors and whatever the engagement involved as to what had been done by the other firm and compare it to an approach that we would take with a similar sort of fact pattern. It would be very clearly structured that way as far as the upfront engagement with the client and our engagement with the other firm, went. As my colleague Michael has mentioned, I appreciate that different people could have different views of what a peer review is, but in KPMG's understanding this engagement was not structured as a peer review. So what I have just mentioned, those sorts of parameters or way of engaging, was not the way this engagement was conducted because it was not structured as a peer review.

Sarah MANSFIELD: Okay. That is very helpful. My understanding then is that you were really asked to undertake almost like an extension of the modelling that Ernst & Young had done by taking some of the figures their work had generated and extending that to look at broader benefits to the Victorian economy.

Michael MALAKELLIS: Yes. I think it is basically trying to supplement that work by looking at the flow-on impacts: how does it flow on to other parts of the economy once you have the direct impact? I think that is what they were hoping to achieve through the piece of modelling that we did for them.

Sarah MANSFIELD: Okay. That is very helpful. Thank you. I do not have any further questions at this point.

The CHAIR: Thank you, Dr Mansfield. Ms Ermacora.

Jacinta ERMACORA: Good afternoon, everybody. Greetings from Warrnambool. Thank you, Marcus and Michael, for coming today – or doing the same thing as I have done, which is come online. I just want to ask about the tourism benefits in regional Victoria. Anecdotally we have heard the tourism benefits for regional

Victoria – from hosting the Commonwealth Games – that we would have had. What did your modelling say about the actual tourism benefits?

Michael MALAKELLIS: What we worked out is the flow-on impacts of the tourism expenditure. The estimated tourism expenditure, which was done at the Victoria-wide level, was provided to us, and we modelled what the impact would be through the economy – so what sort of businesses would benefit from that and how that would flow through the economy. And it basically finds, like most analyses that look at tourism benefits, which industries are the key beneficiaries of that type of spending and what the supply chains are that get stimulated by that.

Jacinta ERMACORA: Marcus, did you have a contribution to make as well?

Marcus McARDLE: No. What Michael has just mentioned is a good summary.

Jacinta ERMACORA: Some tourism attractions in outer regional Victoria have enormous visitation but low spend per visitor. Would that dynamic have changed as a result of the games, or would some other variable more likely have changed?

Michael MALAKELLIS: I think that is a really good question, and in our report there is a section that deals with the regional impacts and how one would go about assessing them. There was clearly not enough information at that point in time to do a proper analysis, but one of the things that we pointed out was if you were to look at the regional impacts and understand how the various regions would be impacted, you would need to understand how the tourists interacted with the games. For example, even if you had events in regional centres, if a tourist chose to locate themselves in Melbourne and then go to events related to their interests, then the impact of that particular tourist to that region may be not as big as what you would think if you had a tourist going and staying in the region and spending their time and their money there. In the report we sort of set out how you might do a detailed regional analysis trying to pick up on some of those ideas that you are raising, and I think that would have been a very interesting thing to consider.

Jacinta ERMACORA: Thank you.

The CHAIR: Thank you, Ms Ermacora. And thank you to our witnesses from KPMG for appearing today. It has been very helpful to the committee, I think. The role that was played in the commissioning of this report was a bit of a mystery to us, and I think you have shed a lot of light on that, so thank you very much. You will receive a copy of the transcript for review in about a week, before it is published on our website. Thank you again for appearing.

The committee will now reset and will reconvene at 3 pm.

Witnesses withdrew.