
Good evening,

We refer to the Directions Hearing Day 2 held on 26 June 2025 and for the direction to provide AEC's response to Professor Peter Phibbs Peer Review of AEC's Economic Impact Assessment prepared for City of Hobart.

Please find attached the requested information to support Council's original representation dated 7 May 2025.

Warm regards,
Jen



Jennifer Lawley She/Her

Manager Strategic Land Use Planning



The City of Hobart acknowledges and pays respect to Tasmanian Aboriginal people as the Traditional Owners and ongoing custodians of the land upon which Hobart was built.

1 May 2025

Jennifer Lawley
Manager Strategic Land Use Planning
City of Hobart
16 Elizabeth Street
Hobart TAS 7000

Dear Jennifer,

RE: AEC'S RESPONSE TO PEER REVIEW OF MACQUARIE POINT STADIUM ECONOMIC IMPACT ASSESSMENT

AEC was engaged by Hobart City Council to prepare the report titled 'Macquarie Point Stadium Economic Impact Assessment.' This report provided an economic impact assessment of the proposed Macquarie Point Stadium, with a focus on its implications for the City of Hobart's geography. Following its completion, the report underwent a peer review conducted by Professor Peter Phibbs, titled 'Peer Review of the AEC Report: Macquarie Point Stadium Economic Impact Analysis.'

Enclosed within this letter is AEC's detailed response to the peer review. This response aims to address the project brief that guided our work, provide clarifications regarding the economic model, assumptions, and key findings, and respond to the key concerns raised in the peer review.

We hope our responses offer clarity and align with the objectives of this review process.

Yours sincerely,



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RESPONSE TO PEER REVIEW

Before addressing the peer review conducted by Professor Peter Phibbs, it is important to first outline the project brief and scope AEC was tasked to address. This context also serves to clarify several concerns raised in the peer review.

AEC was engaged by Hobart City Council (Council) to undertake an economic impact assessment of the proposed Macquarie Point Stadium, with the analysis exclusively focused on the impact within the City of Hobart's geography, specifically the Hobart Local Government Area (LGA). It is worth highlighting that AEC commenced this engagement in late February with a final report due in April. The tight deadline shaped Council's approach, as outlined in the brief, which specified leveraging previous studies and peer reviews, along with desktop research, to inform the underlying assumptions and quantify the proposed project's economic impact on the Hobart LGA economy using input-output modelling.

Based on this project brief, the following considerations are critical for interpreting the study's approach and key findings:

- The study estimated the potential economic benefits that could be expected to be supported by the proposed project within the Hobart LGA economy using input-output modelling. It did not seek to estimate the net economic impact of the project for the Hobart LGA economy.
- The analysis was focused exclusively on the Hobart LGA economy and did not extend to Tasmania as a whole, unlike previous technical studies conducted by KPMG.
- The use of input-output modelling, while appropriate for this study, comes with inherent limitations, which are well-documented and addressed in Appendix A of the AEC report.
- The primary aim of the study was to provide Council with an understanding of the scale of economic activity that the project could potentially support. This was intended to enable Council to plan strategically in order to better capture the project's potential benefits.
- The study found that the project could support a significant level of economic activity within the Hobart LGA economy. However, it is crucial to note that the report did not delve into economic appraisal, opportunity cost analysis, or considerations of distribution and fairness, particularly in relation to other Greater Hobart LGAs or regional Tasmania.
- Given the type of economic analysis undertaken, AEC did not provide a recommendation or express an opinion on whether the project should proceed.

Below is AEC's response to the issues raised in Professor Phibbs' Peer Review.

WHERE IS THE LITERATURE REVIEW

The project brief did not include a literature review on the economic benefits of stadiums. Instead, AEC relied on previous technical studies of the Macquarie Point Stadium, peer reviews of the proposed Macquarie Point Stadium (as detailed in Section 1.3 of the AEC Report), and desktop research. To strengthen the underlying assumptions, AEC utilised benchmarking analysis and leveraged its extensive prior experience with stadium projects. This approach supported the identification of broader social and cultural benefits while also informing strategies to enhance the activation of the surrounding region connected to the proposed stadium.

It is important to note that the focus of this study was on the potential benefits stemming from this project. It did not aim to assess net benefits or the overall economic return of the project within the Hobart LGA economy.

THE ECONOMIC MODEL

Given the absence of region-specific input-output transaction tables provided by the Australian Bureau of Statistics (ABS), AEC employed the following approach to develop an input-output transaction table and model that was specific to Hobart LGA:

- 1 The Hobart LGA transaction table was generated by creating regional estimates of gross production and purchasing patterns, using the 2021/22 Australian transaction table (ABS, 2024a) as a starting point (or parent). The gross production estimates (by industry) for Hobart LGA were calculated using the study areas' percentage contribution to employment (by place of work) within the Australian economy, as estimated from AEC's proprietary employment by small area modelling which uses a variety of data

sources (ABS, 2012; ABS, 2017; ABS, 2022; ABS, 2024b; J&SA, 2024). These percentages were then applied to the gross output values identified in the 2021/22 Australian transaction table.

- 2 Industry purchasing patterns for the study area were estimated using the Flegg Location Quotient methodology, as outlined by Flegg et al. (2021). Regional final demand estimates (excluding exports) were derived by adjusting the regional inter-industry sales using the Flegg Location Quotient relative to national inter-industry sales. Regional exports were assumed to represent the remainder of total uses.
- 3 Employment estimates from the 2021/22 Australian national input-output transaction tables were updated to current year values using the Wage Price Index (ABS, 2024c).

This approach produced an input-output transaction table tailored to the Hobart LGA economy, offering a more accurate reflection of regional dynamics compared to using the national input-output transaction table.

OPTIMISTIC VIEW ON EVENTS AND ATTENDANCE

AEC acknowledges that there are differing perspectives on the potential demand for the proposed stadium. However, conducting a detailed market demand assessment was beyond the scope of AEC's analysis. Instead, our approach was to build upon KPMG's core event calendar and attendance projections, and benchmarking these figures against comparable stadiums as a cross-check for reasonableness.

For sporting and concert events, we adopted KPMG's core event calendar, as the proposed figures were deemed reasonable and aligned with attendance patterns observed at similar venues. Additionally, we estimated that 50% of KPMG's projections for business-type events and their associated attendance would represent net new activity contributing to the Hobart LGA economy.

AEC also notes a typographical error in Table 2.1 regarding the number of full-scale concerts and arena-mode concerts. Aligning with KPMG's core event calendar, we assumed one full-scale concert and one arena-mode concert. We agree with the peer review's observation on this matter; however, this typo did not impact the total event count or associated attendance figures used in our modelling.

Furthermore, AEC acknowledges counterarguments regarding assumptions about the residency distribution of spectators and business delegates attending stadium events. Various methodologies can be applied to estimate the residency breakdown of attendees. Our approach relied on publicly available data, specifically the latest Tasmanian Devils membership figures by region within urban Hobart. Using this data, we determined proportions based on Hobart LGA's share of the resident population within the broader region.

Compared to KPMG's assumptions, we applied a more conservative estimate of non-Tasmanian attendees (Mainland Australia), reflecting a cautious approach. For other event types hosted at the stadium, we incorporated a premium for Hobart LGA residents, considering factors such as proximity and convenience, which increase the likelihood of local attendance compared to other Tasmanian regions.

AEC acknowledges that alternative methodologies could be used for these estimations and remains open to conducting scenario analyses that explore variations in residency distribution assumptions.

INBUILT LIMITATIONS OF THE INPUT-OUTPUT MODEL

EXPENDITURE SWITCHING

AEC acknowledged the limitations inherent in the use of input-output modelling, including the absence of budget and resource constraints, as well as substitution effects. It is important to emphasise the context and intent behind this type of modelling: AEC was specifically tasked with evaluating the potential economic activity that could be facilitated by the Stadium project. The modelling approach used was not designed to understand the potential 'draw-down' or 'expenditure switching' effects that may occur and thereby is not intended to understand the incremental (or net) additional economic impact of the project. Modelling approaches that could be used to assess the net economic activity generated by a project that include consideration of resource and budget constraints, such as Computable General Equilibrium (CGE) modelling, are significantly more time intensive (and costly) and was thereby not feasible for use within the timelines and budget for this study.

Regarding the issue of expenditure switching, it is recognised that some residents of Hobart LGA and the Rest of Greater Hobart may reduce their expenditure within Hobart LGA to redirect toward Stadium-related spending. However, this phenomenon is multidirectional—Hobart LGA residents may also reduce spending in other LGAs, while Greater Hobart residents may redirect their spending from their LGAs toward Hobart LGA. This dynamic underscores the complexity and uncertainty of expenditure patterns and redistribution.

To reiterate, AEC's focus was on estimating the potential economic activity and benefits associated with the Stadium's activities. Conducting a detailed study to determine net/ incremental benefits would require more granular assessments, including analyses of where and to what extent expenditure reductions occur within these regions, as well as the use of more detailed and time intensive models.

THE IMPACTS OF EXPENDITURE SWITCHING ON REGIONAL TASMANIA

AEC was specifically briefed to assess the economic impact on the Hobart LGA economy, without extending the scope to Tasmania as a whole. As such, considerations of expenditure redistribution and its implications for broader regional equity and fairness—such as impacts on other LGAs—were outside the purview of this study. The concerns raised in the Peer Review regarding the distribution of economic impacts are legitimate and valid; they warrant further exploration in analyses considering the implications to Tasmania as a whole to ensure a comprehensive understanding of the regional economic landscape.

NO SUPPLY SIDE CONSTRAINTS

AEC also acknowledged the absence of supply-side constraints in input-output modelling. The same comments outlined under 'Expenditure Switching' above apply to this issue raised in the Peer Review.

It is important to highlight that AEC did acknowledge that not all construction activity would be located and sourced from the Hobart LGA economy. The estimated proportion of activity attributed to the Hobart LGA was based on workforce data, and a review of Hobart LGA's economic structure against the scale of activity to understand relative capacity to deliver such works locally.

WHAT DOES ECONOMIC IMPACT ANALYSIS TELL US

The Peer Review accurately stated that economic impact analysis "... tells us the economic impact of a particular economic shock might be, but it does not tell us it is a good idea." AEC agrees with this perspective. As previously noted, AEC did not make recommendations or offer opinions on whether the Stadium project is a sound decision. The scope of the study was focused solely on estimating the potential economic activity supported by the Stadium.

As the Peer Review acknowledges, "... building a large stadium will generate a lot of economic activity," which aligns with AEC's objective to evaluate the economic potential of the Stadium. While alternative investments might also generate significant economic activity, this falls outside the scope of the study and was not assessed.

AEC agrees that a cost-benefit analysis would be a suitable tool to evaluate the relative costs and benefits of the Macquarie Point Stadium project. However, this type of analysis was not part of the project purpose and scope and is a potential avenue for further study.