



Supplementary Report

Macquarie Point Multipurpose Stadium

31 January 2025

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1 Introduction

1.1 Background

On 19 November 2024 the Tasmanian Planning Commission (**the Commission**) advised Macquarie Point Development Corporation (**the Corporation**), via a letter, that it is proceeding with its integrated assessment, including consultation with specified stakeholders and an expected completion of the draft IAR in the first quarter of 2025.

In completing its assigned task, the Commission has advised the Commission that it is concerned to ensure that the final report is based on the best available information presented to it during the course of the assessment process.

The Commission has also advised that whilst the Corporation's submission respond to many of the matters referred to in the Guidelines for the project, they do not address all of the matters on which information was sought under the Guidelines and set out some of these matters in the letter.

The Corporation has requested KPMG to support it in providing responses to some of the matters raised, either in relation to KPMG's reports submitted to the Commission or in their seeking of additional information. The specific matters for which the Corporation requested KPMG to provide a response are included in Section 2 Response Summary.

1.2 This Supplementary Report

This supplementary report is to be read in conjunction with the KPMG reports submitted to the Commission, including:

- Economic Impact Assessment, Macquarie Point Multipurpose Stadium, dated 5 September 2024
- Cost Benefit Analysis, Macquarie Point Multipurpose Stadium, dated 5 September 2024
- Financial Impact Report, Macquarie Point Multipurpose Stadium, dated 5 September 2024
- Social and Cultural Analysis, Macquarie Point Multipurpose Stadium, dated 5 September 2024.

The information contained within this supplementary report is based on the information and data available to KPMG as of the date of the completion of the aforementioned reports, being 5 September 2024 and has not been updated to reflect any subsequent events or any information that may have become available post that date.

2 Response Summary

2.1 Summary

The table below includes all items of feedback from the Commission, for which the Commission requested KPMG to provide further information. A summary response is provided, along with references to further explanatory material and supplementary analysis to further assist the Commission.

Table 2.1

Item	Commission Feedback	Response Summary
1. EIA counterfactual (Corporation Ref: Item 11)	The Economic Impact Assessment and the Financial Impact Assessment should also assess the project in comparison to a base case/no project alternative in line with the general and specific requirements of sections 3.2, 3.3 and 3.5 of the Guidelines. (Commission Ref: Appendix page 2)	The Financial Impact Assessment (FIA) report is designed to estimate the incremental impact of the Stadium on the General Government Sector and Total State Sector financial position. That is, every incremental cash flow that the Stadium imposes on the budget is captured. The implicit assumption is that there is no flow-on impact on the budget of these incremental cash flows. For example, we assume that any additional borrowings required to fund the stadium does not impact the rate at which the government can borrow (e.g., no impact on credit rating) not the amount that the government can borrow in total (i.e., credit constraint). These reasonable assumptions mean that the incremental impacts that we estimate can be added to a wide range of baseline projections of the State's financial position in the "no stadium" scenario. We note that the current Tasmanian State Budget contains some allowances for the Stadium, which mean that it is unsuitable to be a base case. In any case, the Budget extends only for three years in the future while the required base case needs to extend to the full life of the stadium. Section 3.2 of the Economic Impact Assessment (EIA) report provided commentary on the approach to assessing the opportunity cost of an alternative investment of public funds and notes that the modelling presented addresses the "opportunity cost" of resources explicitly through supply constraints and budget constraints. KPMG's maintained view is that the base case scenario represents the appropriate counterfactual for considering the stadium's economic impact. To further assist the Commission, additional explanatory material, as well as an EIA Counterfactual is provided in the Supplementary Analysis (section 3.2 of this report).
2. Capital cost and revenue assumptions	Further detailed elaboration of the evidence base for some key assumptions related to both capital	Capital cost assumptions and estimates were prepared by WT Partnership, the appointed Quantity Surveyor, and we understand this will be responded to separately

(Corporation Ref: Item 12)	costs and revenue (section 3.1 and 3.5 of the Guidelines). (Commission Ref: Appendix page 3)	by Macquarie Point Development Corporation (the Corporation). The FIR report included details regarding revenue assumptions. Specifically, • The approach to developing demand projections, a key driver of revenue (including the event calendar and attendance projections) was outlined in section 1.3.2 of the FIR report. The evidence base comprised: ○ Information gathered through consultation with a broad range of stakeholders ○ Comparative / benchmark insights with reference to historical event calendars and attendance at comparator venues across Australia (including, but not limited to those venues listed in the report) ○ Access to proprietary sectoral insights and expertise through DHW Ludus. • The approach to developing other revenue projections, was outlined in section 1.4 and Appendix A of the FIR report. The evidence base comprised: ○ The event calendars prepared as outlined above ○ Assumptions developed from a combination of benchmark information and stakeholder consultation ○ Assumptions for the core categories of F&B Revenue, Signage Revenue, Supply Rights, and Functions Revenue as summarised in section 1.4 as well as more detailed assumptions and evidence sources in Appendix A of the FIR report. To further assist the Commission regarding the approach to developing an evidence base, particularly as it relates to demand and attendance, the following information is provided: • Further information on the role of DHW Ludus as sectoral experts, their experience and capabilities and use of benchmarking is provided in the Supplementary Analysis (section 3.1 of this report). • Further information in relation to the benefit of 'increased visitation' included within the <i>Cost Benefit Analysis (CBA)</i> report is provided in the Supplementary Analysis (section 3.3.1 of this report).
3. Capital cost components and their consistent application	The reports are to provide and be based on the best estimate of this total capital cost at the present time, broken into the key components with year-by-year total capital cost estimates, and for	Total year-by-year capital cost estimates were provided within section 1.3.3 of the FIR report. The key components of capital cost estimates were prepared by WT Partnership, the appointed QS, and we understand this will be responded to separately by the Corporation.

(Corporation Ref: Issue 58)	these estimates to be used consistently through the proponent's economic and financial models. (Commission Ref: Appendix Page 7)	The capital cost estimates used in the CBA, EIA and FIR reports were all identically sourced and reference back to WT Partnership costings. In terms of underlying analysis and calculations, these estimates were applied consistently within each of the reports, although presented and analysed on a different basis (real and/or nominal) as necessitated by the different types of analyses. The primary presentation differences relate to the approach to presentation and analysis of capital cost estimates in real versus nominal values which was discussed in the Executive summary to the CBA report. The FIR report presented capital cost estimates on a nominal basis \$774.9 million (with escalation) for the purpose of analysing the impact on the General Government Sector and Total State Sector financial position. The CBA and EIA reports presented capital cost estimates on a real basis \$715.9m (excluding escalation) for the purposes of modelling real costs and real benefits as well as real economic impacts, as is appropriate for these types of analyses. Both reports (CBA and EIA) also referenced the underlying nominal capital cost estimates of \$774.9m as the basis of the analysis (section 2.4 of the CBA report and section 2.3 of the EIA report).
4. Consistent application of scenario information and increased visitation (Corporation Ref: Item 59)	The information provided in each of the economic and financial reports, is to be consistently applied to "base", "optimistic" and "pessimistic" cases, based on plausible variations in estimates and assumptions, given the early-stage base estimates for capital and other inputs presented in the submission. (Commission Ref: Appendix Page 7)	The general and specific requirements for sensitivity and scenario analyses within the Commission's Guidelines were addressed and referenced in the reports previously submitted. The reports provided explanations as to why sensitivity and scenarios regarding of probability distributions for key cost and revenue parameters as well as the alternative treatment by the Commonwealth Grants Commission under Horizontal Fiscal Equalisation were not feasible. In relation to the request that the provision of information in each of the economic and financial reports is to be consistently applied to "base", "optimistic" and "pessimistic" cases, the CBA, EIA, and FIR reports each consistently applied a Core Scenario and Optimistic Scenario and separately presented the modelling outputs and associated impacts of these consistently applied scenarios. The "base", "optimistic" and "pessimistic" cases were crafted to address the specific requirement in the Commission's Guidelines to show variations on key assumptions in relation to patronage. Section 1.3 of the FIR report referenced the development of two event calendars by KPMG and DHW Ludus, the impacts of which were tested in alternate scenarios consistently throughout the CBA, EIA and FIR reports. The range presented by the two event calendars provided an understanding of the differing outcomes that could be delivered by the stadium.

		To further assist the Commission, the following information is provided: • An overview of the approach adopted to develop the scenarios, their consistent application and the modelling interdependencies across the CBA, EIA and FIR reports is provided in the Supplementary Analysis (section 3.1 of this report). • CBA outputs are presented on a comparative basis in more detail for the “optimistic” and “pessimistic” scenarios and is provided in the Supplementary Analysis (section 3.3.2 of this report) • Explanatory commentary on the methodology and basis for the ‘increased visitation’ benefit as presented in Table 27 of the CBA report, including how the number was derived is provided in the Supplementary Analysis (section 3.3.1 of this report).
5. Additional capex and delay penalties scenarios (Corporation Ref: Issue 60)	Numbers for costs and revenue / benefits are to be used consistently, through the economic and financial reports. For example, the estimated full cost including the required supporting works (but not after subtracting the undefined “value-management” activities), impacted by for example a 20 per cent variation in total capital cost – whether through construction delay or initial “underestimation” in the planning process. A “delay scenario” should take into account the penalties that State would face under the agreement with the AFL. (Commission Ref: Appendix Page 7)	Capital cost assumptions and estimates were prepared by WT Partnership, the appointed Quantity Surveyor and KPMG has relied upon these in preparing the reports. Numbers for costs and revenue / benefits were consistently applied through the economic and financial reports as has been outlined in this supplementary report. The reports included a delay scenario (section 1.7 of the FIR report) as well as a 20 per cent increase in capital expenditure sensitivity (section 2.6 of the CBA report). To further assist the Commission, the following information is provided: • CBA outputs to show the impact of a 20 per cent increase in total capital costs, as well as the inclusion of AFL penalties as a result of delays is provided in the Supplementary Analysis (section 3.3.2 of this report).
6. Removal of non-incremental revenues and inclusion of debt servicing costs (Corporation Ref: Issue 61)	The Financial Impact Assessment is to be revised so that it can provide information on the likely impact on the State’s finances of building and operating the stadium. Specifically the reports are to: • remove non-incremental revenue – (ie the revenue earned by other stadia or venues; • include debt-servicing costs (noting that under the limited-scope capital cost provided in the proponent’s submission, the State is required to borrow \$375 million as its initial contribution and there is a further \$145 million to be funded); and	The FIR report analysed the impact on the General Government Sector and Total State Sector financial position. The CBA analysed the impact on the “community of interest”, which was defined as the State of Tasmania. On this basis, both reports have adopted an incremental approach to the recognition of revenues / benefits and costs. Debt servicing costs were included in the analysis underpinning the FIR report. This was further outlined in section 1.8 of the FIR report as follows: • The FIR report identified that under the core capital cost estimate of \$775m, \$145m remained unfunded. • The FIR report also noted that as per advice from Treasury, the asset owning entity will borrow to make up any shortfall and that additional grant expenses will likely be required from the General

	- include the cumulative impact on future deficits and debt services costs of the State borrowing to fund all capital works and all ongoing operational deficits. For each scenario: - the revised modelling of debt servicing is to reflect the difference between the full capital cost estimates and the known external funding contributions (ie from the Commonwealth and the AFL); and - modelling is to remove non-incremental revenue (from activities that already exist as identified in the report) where this accrues to stadia and venues already owned, operated or otherwise controlled by the State. (Commission Ref: Appendix Page 7)	Government Sector to fund the interest expense of the borrowings. The FIR report further noted that the net operating balance impact incorporated interest expense.
7. Interstate visitors and nights stayed assumptions (Corporation Ref: Issue 62)	The base assumptions for level of interstate visitors and nights stayed by visitors is to be revised to show actual assumptions, that is: - average assumed % of total interstate visitors 25%; - average assumed % of additional interstate visitors 18% (72% of total); and - average assumed night stayed for each additional interstate visitor 4.3. (Commission Ref: Appendix Page 8)	To further assist the Commission, the following information is provided: Explanatory commentary on the methodology and basis for the 'increased visitation' benefit as presented in Table 27 of the CBA report, including how the number was derived is provided in the Supplementary Analysis (section 3.3.1 of this report).
8. Interstate visitors and nights stayed alternative assumptions modelling (Corporation Ref: Issue 63)	As part of the provision of base, optimistic and pessimistic cases the following alternative assumptions are to be modelled: - average assumed % of total inter-state visitors 20% (rather than 25%); - average assumed % of additional inter-state visitors 14.5% (rather than 18%); - average assumed night stayed for each additional interstate visitor 3.1 (rather than 4.3);	To further assist the Commission, the following information is provided: - CBA outputs are presented for two scenarios (to show a range of outcomes) based on alternative assumptions as follows: Scenario 1: - average assumed % of total inter-state visitors 20%; - average assumed night stayed for each additional interstate visitor 3.1 20% reduction in the assumed number of Tasmanians avoiding interstate travel 20% reduction in the assumed nights stayed for Tasmanians avoiding interstate travel

	• 20% reduction in the assumed number of Tasmanians avoiding interstate travel; and • 20% reduction in the assumed nights stayed for Tasmanians avoiding interstate travel. (Commission Ref: Appendix Page 8)	• Scenario 2: ○ average assumed % of total inter-state visitors 30%; ○ average assumed night stayed for each additional interstate visitor 5.5 ○ 20% increase in the assumed number of Tasmanians avoiding interstate travel ○ 20% increase in the assumed nights stayed for Tasmanians avoiding interstate travel The proposed assumption in the feedback stating “average assumed % of additional inter-state visitors 14.5% (rather than 18%)” has not been actioned explicitly in these scenarios. The visitation assumptions are made at the event level, and therefore actioning the first assumption already reduces the additional interstate visitors. For clarity, the proposed reduction to 20% at the event level results in interstate visitor representing 15.1% of total attendees. These scenarios are provided in the Supplementary Analysis (section 3.3.2 of this report).
9. Information regarding capacity, utilisation and attendance (Corporation Ref: Issue 64)	Information and data is to be provided that provides the basis of base and optimistic cases for: • the planned capacity and assumed utilization of the stadium and how this relates to the capacity and attendance of stadiums in Tasmanian and relevant comparably sized stadiums in other states; and • attendance level for AFL games and how this relates to attendance of AFL games currently in Tasmania (which would be projected in the ‘without-stadium’ scenarios). (Commission Ref: Appendix Page 8 and 9)	Details regarding the approach to developing demand projections (including the event calendar and attendance projections) was outlined in section 1.3.2 of the FIR report. The evidence base comprised: ○ Information gathered through consultation with a broad range of stakeholders ○ Comparative / benchmark insights with reference to historical event calendars and attendance at comparator venues across Australia (including, but not limited to those venues listed in the report) ○ Access to proprietary sectoral insights and expertise through DHW Ludus. Further information on the role of DHW Ludus as sectoral experts, their experience and capabilities and use of benchmarking is provided in the Supplementary Analysis (section 3.1 of this report).

3 Supplementary Analysis

3.1 Methodology Summary

This Section of this report provides an overview of the methodology used across the reports to provide clarification regarding the interdependencies and consistency across the various analyses. In particular, this section highlights:

- The logical flow of inputs, assumptions and outputs between the different forms of analysis.
- The alignment of the different forms of analysis to relevant guidelines and leading practice approaches, and how these manifest in different considerations for each.
- The specific alignment of the analyses to the POSS Guidelines.
- The consistent use of assumptions between the analyses. It is noted that the demand analysis, operating financial analysis, financial impact analysis and cost-benefit analysis were undertaken within one integrated model using the same inputs and assumptions. Outputs from this model were then extracted for use in the economic impact assessment.
- The various interdependencies across the different forms of analysis and the resulting challenges in reviewing each report in isolation. For example, the visitation expenditure benefits within the cost-benefit analysis are heavily influenced by the incremental demand projections and the event level operational assumptions, both of which fluctuate annually and vary between different events.

The overall methodology is summarised below. For simplicity we have not included the social and cultural analysis within the summary diagram.

Figure 3.1



DHW Ludus Infrastructure

The Demand Assessment and Venue Operations components of the overall methodology outlined above were delivered in partnership with DHW Ludus Infrastructure (DHW). DHW, led by Dale Wood, are a boutique advisory firm specialising in sport and entertainment venues and facilities. They have significant experience providing advice across the venue project lifecycle, including feasibility studies, business cases, demand assessments, operational financial projections, facility planning, user requirements, project delivery and funding strategies.

DHW advises State Governments around Australia, including through appointments to panels for the Victorian Government and NSW State Government for a range of services, including sporting infrastructure business cases. Further public information on DHW's credentials is available at <https://www.dhwcollaborations.com.au/dhw-ludus-infrastructure>.

The DHW team led the market analysis, venue benchmarking and stakeholder consultation processes to provide key inputs and insights into both the demand and operational assumptions underpinning each of the subsequent analyses. They were able to leverage their significant experience and deep insights on stadia operations across Australia to provide suggested assumptions for potential event calendars, attendance projections, commercial models, revenue and cost assumptions, and overall expected performance.

3.1.1 Project specifications and inputs

Project specifications are the fundamental inputs, parameters and requirements that shape the overall investment decision making process and the various analyses undertaken. These include:

- The overarching POSS Guidelines and the requirements outlined within.
- The prescribed project option and the base case definition (i.e. a status quo scenario).
- Broader business case and supporting analysis guidance and leading practice (e.g. Infrastructure Australia Assessment Framework).
- Key venue design inputs, including detailed specifications, inventories, user requirements, space allocations and amenity concepts.
- Key project inputs, including capital cost estimates, lifecycle cost estimates, project programming, funding assumptions and other key supporting analyses provided to the project team.

All of the analyses below have used a consistent form of these specifications and inputs, however there are cases of variance in presentation due to the specific requirements of each (e.g. nominal prices in the financial impact assessment vs real prices in the CBA and EIA).

3.1.2 Demand assessment

The demand assessment is the key analytical input into each of the other analyses as it determines the utilisation and therefore the operational success of the stadium. As outlined above, the demand assessment was undertaken in partnership with DHW Ludus.

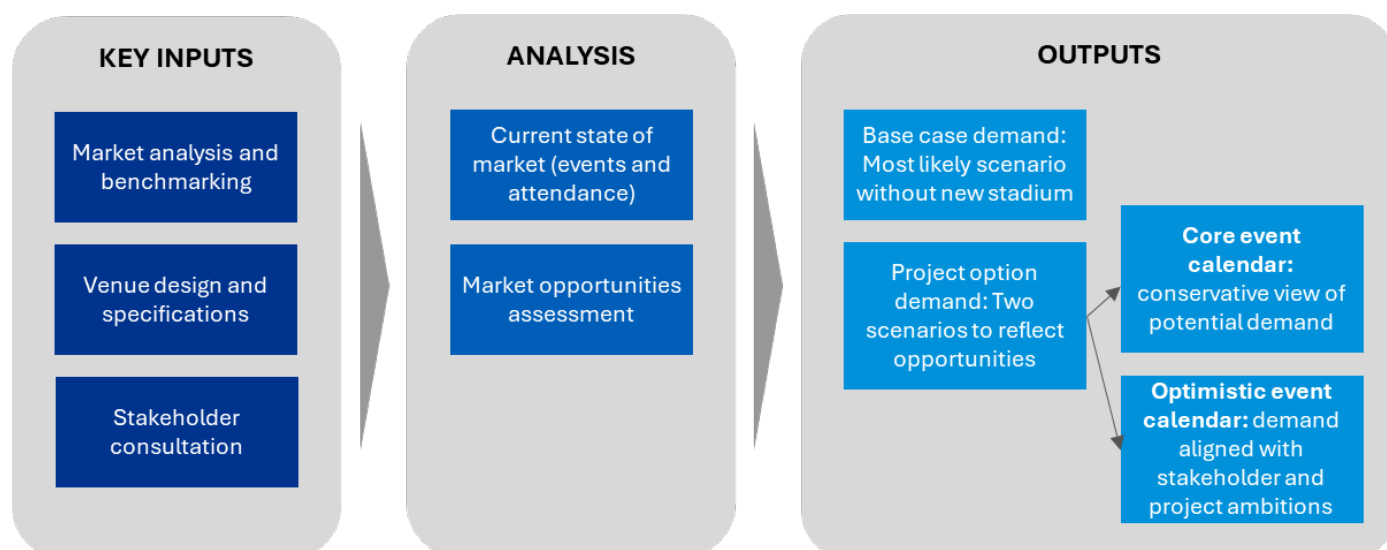
The outputs of the demand assessment are the event calendar (i.e. the number, type and frequency of events to be hosted at the venue), and attendance projections for each event. The assessment forecasts demand over the 30-year evaluation period, with event numbers varying year to year based on availability and seasonality. It is further noted that no growth has been assumed for events or attendances across the evaluation period.

The demand assessment produced two different demand scenarios:

- Core Event Calendar which represents a conservative view of potential demand in alignment with common investment decision making practices; and
- Optimistic Event Calendar which represents a view of potential demand that aligns with the stakeholder and project ambitions for the future stadium.

These two demand scenarios are used consistently throughout the subsequent analyses. The approach to demand assessment is outlined in the figure below.

Figure 3.1.2



The demand assessment is outlined in detail within Section 1.3.2 (Core Event calendar) and Appendix B (Optimistic Event Calendar) of the FIR report.

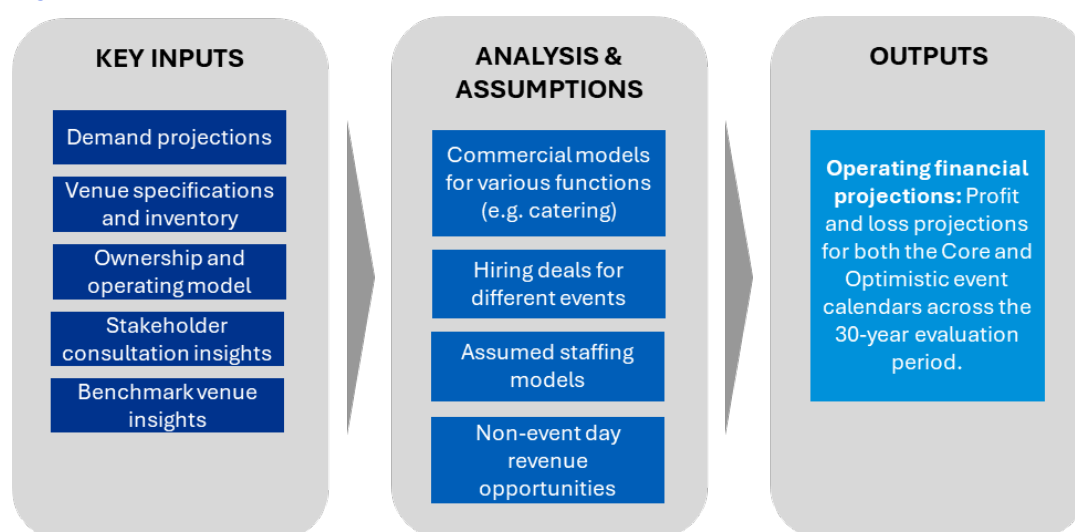
3.1.3 Venue operations

Following the demand assessment, the development of key operational and operating financial assumptions for the stadium is another key input into all subsequent analyses. As outlined within the FIR, stadia are typically not considered economic assets in Australia in that they typically operate at a financial deficit, and the financial performance of a particular venue depends heavily on the seasonality of demand, the operating model, the structure of commercial agreements, and various other operational considerations.

The operating projections were developed combining market analysis, venue benchmarking and consultation insights to form revenue and cost assumptions for each key event and non-event item. Given the preliminary nature of venue design and operational planning, a number of assumptions had to be made regarding operating model, commercial agreements, staffing models, venue inventory and other key operational considerations. As outlined above, these assumptions were then tested and refined with Stadiums Tasmania during the process. Further, operational financial modelling was developed for both the Core Event Calendar and the Optimistic Event Calendar.

The approach to forecasting venue operations is outlined in the figure below.

Figure 3.1.3



The approach to venue operations is outlined in detailed within sections 1.33, 1.4 and Appendix A of the FIR report.

3.1.4 Financial impact

The financial impact assessment combines the operating financial projections from above with broader financial considerations to assess the net financial impact of the stadium project on Government finances over the evaluation period. This includes consideration of capital costs, lifecycle costs, funding sources / contribution, financing costs and considerations, fiscal treatment of relevant entities and relevant consideration of the counterfactual situation without the project.

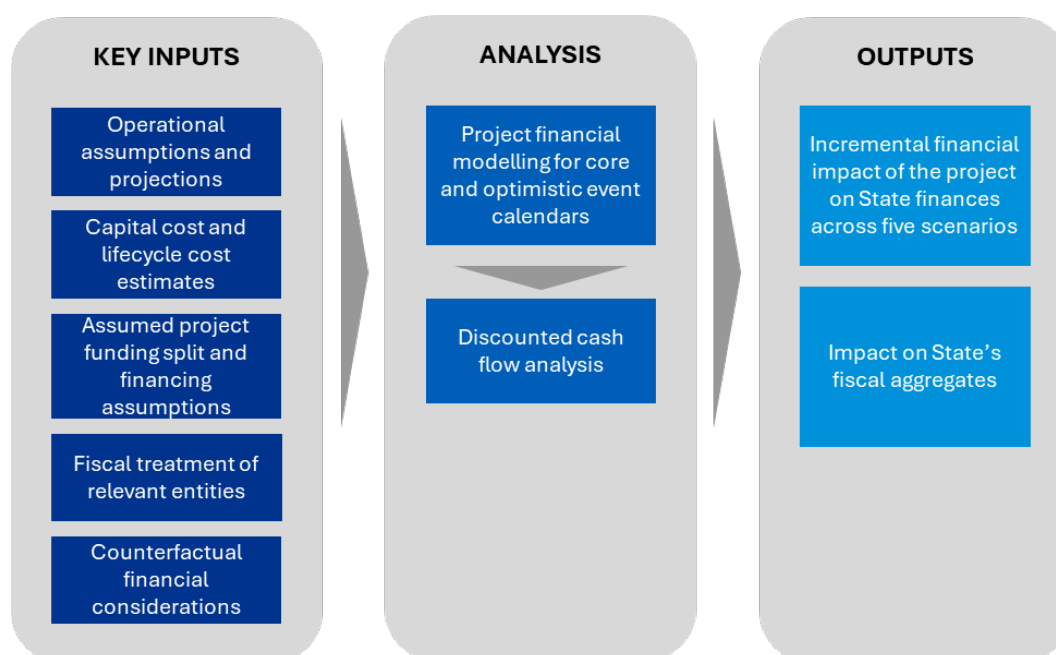
The project financial modelling was developed incorporating these additional elements for both the Core Event Calendar and the Optimistic Event Calendar. Discounted cash flow analysis is then used to convert the projections into relevant financial impact indicators.

In total, five scenarios were considered within the financial impact assessment to meet the prescribed requirements of the report:

- Core Scenario: Core event calendar and the \$775m capital cost estimate;
- Alternative Scenario 1: Optimistic event calendar and the \$775m capital cost estimate;
- Alternative Scenario 2: Core event calendar, \$775m capital cost estimate, value management objectives achieved to include all revenue generating assets within the cost envelope.
- Alternative Scenario 3: Core event calendar, \$715m cost estimate, value management objectives achieved to include all revenue generating assets within the cost envelope.
- Alternative Scenario 4: The Core scenario above but with the two-year delay in construction.

The approach to the financial impact assessment is summarised in the figure below.

Figure 3.1.4



The approach to financial impact assessment is outlined in detail within the FIR report.

3.1.5 Cost-benefit analysis

The cost-benefit analysis involves the identification, quantification and projection of the relevant societal costs and benefits of the stadium project over the evaluation period to determine the net socio-economic outcomes generated. It incorporates key inputs from the demand assessment, operational projections and financial impact assessment, but broadens the scope of assessment to also incorporate non-financial social impacts and indirect economic impacts.

In alignment with leading practice and the prescriptive requirements of guidance such as Infrastructure Australia's Assessment Framework, the cost-benefit analysis was conducted incrementally by comparing the project option with a probably counterfactual base case.

Of note for this supplementary report, many of the outputs of the cost-benefit analysis have strong interdependencies with the analyses outlined above. For example, the use-value benefits outlined in section 2.52 in the CBA report have the following calculation logic and dependencies:

- The event calendar and attendance projections present the incremental attendance as the basis for the calculation across the 30-year evaluation period, noting event and attendance numbers vary year to year.
- Each event type has a different proportion of attendees that are local (i.e. Tasmanian). Only local attendees are included for the calculation of this benefit.
- For each event, different attendee types have different ticket prices (e.g. general admission, corporate, members).
- Induced demand is required to be assessed differently to non-induced demand (i.e. patrons who wouldn't have attended an event under the base case require different treatment to those who would have).
- An assumption is then applied within the cost-benefit analysis to estimate the event experience benefit (i.e. use-value) based on willingness to pay concepts, accounting for this as a percent of patron expenditure at the venue.
- These benefits are then projected across the evaluation period, adjusted using discounted cash flow analysis and presented as outputs in real net present value terms.

The cost-benefit analysis includes a range of sensitivity analyses to test the impact on the outputs of isolated changes in key variables, as well as a range of scenarios combining changes in key variables together. The sensitivity analysis includes:

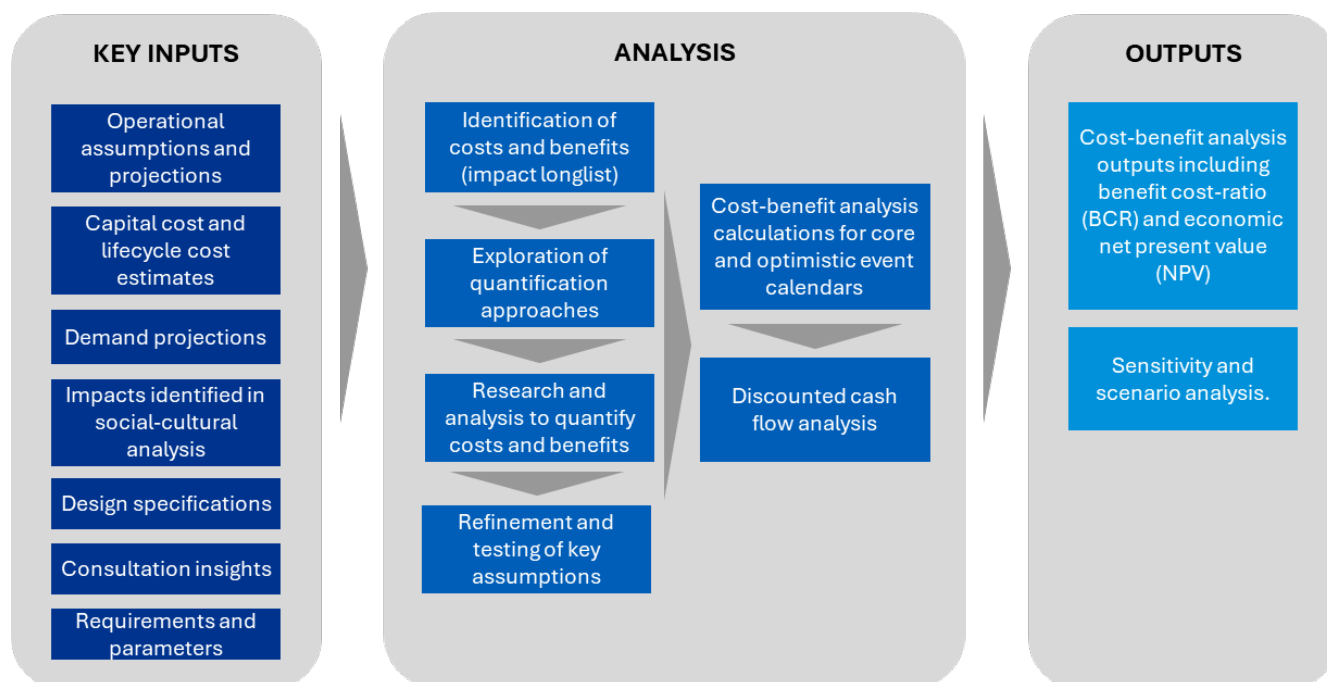
- Discount rates at 10% and 3% (core analysis is at 7%).
- Capital costs 20% higher and lower.
- Visitor expenditure 20% higher and lower.
- Demand 20% higher and lower.
- Sports participation change 20% higher and lower.

The scenario analysis includes:

- Pessimistic scenario that combines the lower range assumptions from the above sensitivity analysis into one scenario (using the core event calendar).
- Optimistic scenario that combines the higher range assumptions from the above sensitivity analysis into one scenario (using the core event calendar).
- Optimistic event calendar scenario (keeping all other assumptions fixed).
- Delay scenario that assumed a two-year delay in stadium development (based on the scenario in the Financial Impact Report).
- State Investment Only scenario that adjusts the cost-benefit analysis to only include those costs incurred by the State (keeping all other assumptions fixed).

The approach to the cost-benefit analysis is summarised in the figure below.

Figure 3.1.5



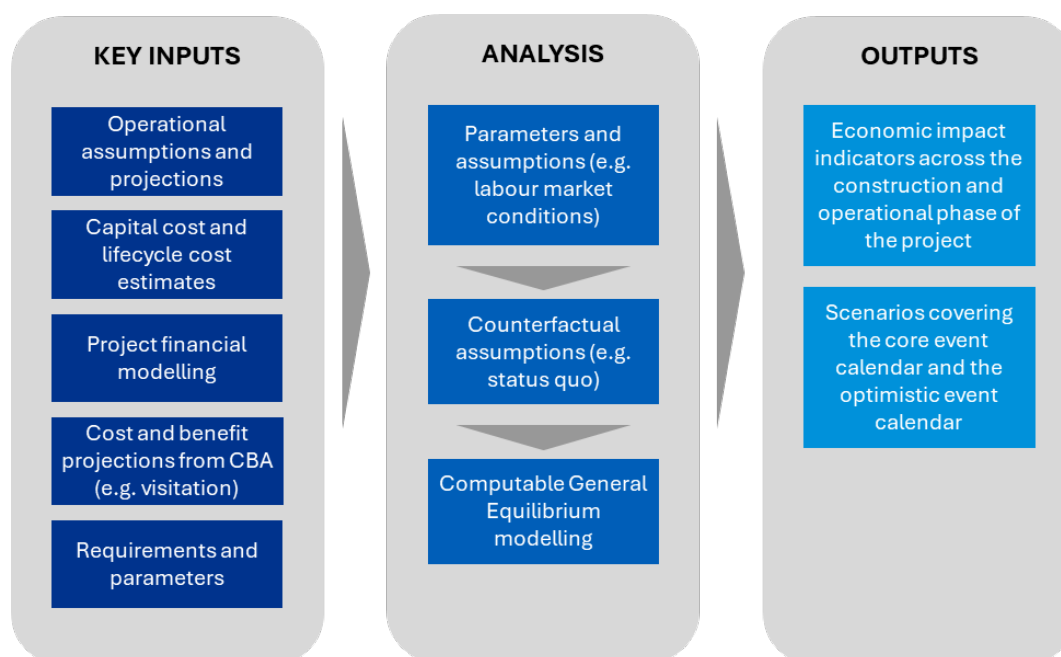
The approach to cost-benefit analysis is outlined in detail within the CBA.

3.1.6 Economic impact assessment

The EIA incorporates key financial and economic assumptions and estimates from the above analyses into a computable general equilibrium (CGE) model to determine the net impact of the project on aggregate economic indicators. The inputs and interdependencies of the economic impact assessment are outlined in detail in Table 2 within the EIA.

The assessment estimates the economic impact across the construction phase and operational phase of the project for both the core event calendar and the optimistic event calendar. The approach is summarised in the figure below, and the methodology and outputs can be found in detail within the EIA.

Figure 3.1.6



3.2 EIA Counterfactual

3.2.1 Background

The government spends money on behalf of taxpayers. The opportunity cost of any government spending is the benefit that the taxpayer “gives up” from spending the money. The fungibility of tax payments means that it is reasonable to assume that the opportunity cost of the \$1 to the taxpayer is the same irrespective of what the government spends the \$1 on¹.

3.2.2 KPMG approach

Our modelling captures this opportunity cost explicitly as follows:

- We set out a base case where the stadium does not go ahead and the government sets a budget (expenditures and revenues) on that basis.
- In the project case we introduce the stadium and explicitly assume that any government support provided is fully financed by new taxes (relative to the base case).

The approach we have taken means that the government is not precluded from providing services and funding projects that it had committed to prior to the stadium (i.e., these commitments are contained in the base case). Moreover, our approach does not preclude the government from committing to new projects (in addition to those in the base case and in addition to the stadium) as long as these are funded by raising additional taxes (relative to the baseline).

To summarise: KPMG’s modelling approach reflects best practice in terms of capturing crowding out in a comprehensive manner, including:

- crowding out of private sector activity by the public sector
- crowding out of one private sector activity by another (sometime referred to as displacement)

These types of crowding out occur because economic activity is constrained by budget constraints (public and private) and by resource constraints (finite amount of labour and other resources).

3.2.3 Alternative approach

An alternative approach is to assume that the government spending (consumption and investment) cannot change in response to the stadium development. Under this assumption:

- A projection of the profile of federal and state government consumption and investment is established in the base case (where the stadium does not go ahead).
- In the project case the stadium is introduced and any government support (federal or state) comes at the expense of an alternative government service or project of equivalent cost (leaving government spending unchanged from the base case levels).

This alternative approach is unrealistic and inconsistent with economic theory.

3.2.4 Counterfactual

KPMG’s maintained view is that the base case scenario represents the appropriate counterfactual for considering the stadium’s economic impact. Choosing an alternative government project as a counterfactual for considering the economic impact of the stadium is based on a false premise that the opportunity cost of the stadium is an alternative investment that the government may choose to do.

The government has the capacity to do multiple projects. Government can choose to spend tax revenues on a range of services and projects. For example:

- Education facility and/or teachers and other staff

¹ Taxes collected are rarely hypothecated to particular items of expenditure. That is, for all intents and purposes when a taxpayer is obliged to pay \$1 of tax to the government they do so without knowledge, or control, of where that specific \$1 will be spent. The tax collected goes into a pool revenue that is then spent by the government on a range of services and programs.

- Hospitals and/or health professionals
- Transport infrastructure
- Community sport facility
- Attracting tourists and/or events to Tasmania (e.g., advertising, grants, subsidies etc)
- Attracting/retaining businesses to/in Tasmania (e.g., trade-fairs, advertising, grants, subsidies etc)
- Social housing
- Law & order – police and supporting infrastructure, court facilities and judiciary

The Tasmanian government does all of these things. KPMG's base case captures these investments/expenditures at an aggregate level. Analysing the economic impact of an additional investment by the government in one of these categories is extremely difficult because such analysis needs to be supported by a large amount of detailed information about the project². Our intuition would suggest that a new school or new hospital would be beneficial to Tasmanians. However, the incremental benefits that such an investment will generate depends critically on two things:

- Need – if existing schools and hospitals are insufficient to meet the needs of Tasmanians (such that education standard and health standards of some citizens are being compromised) then, other things being equal, the benefits of building a new school or hospital will be very large, and almost certainly larger than the benefits of an equivalent investment in a stadium³. However, if there are sufficient schools and hospitals to meet the needs of Tasmanians then additional investments in such assets are likely to be negative for the economy as they will result in underutilisation of assets that are costly to build and operate.
- Operability – even if there is a need for additional schools or hospitals the potential benefits of investments in such assets can be compromised if their operations are not adequately resourced. This may require paying premiums to teachers and medical staff to ensure there is an adequate supply of qualified people in Tasmania to run these new facilities. Note that such a premium will inevitably spill over to staff in other Tasmanian institutions and businesses. This increases the costs of goods and services in Tasmania, which erodes household and government budgets and the competitiveness of Tasmanian businesses

The above examples demonstrate that it is not a trivial task to develop a robust counterfactual investment by the government. We simply do not have the information required to support such an analysis for an arbitrary public investment.

For completeness we have summarised below results of economic impact assessment of three publicly funded Tasmanian projects drawn from the literature⁴. KPMG's maintained position is that comparison of the stadium economic analysis with the analysis of other publicly funded projects is unlikely to be meaningful for the reasons outline above. In addition, the results of economic impact assessments are highly dependent on key assumptions that can differ for legitimate reasons.

This is especially relevant with regard to the treatment of the labour market and the projected degree of spare capacity in the economy.

² The information required to support KPMG's analysis of the stadium gives some idea about the amount and type of information required to support a robust analysis of a government investment.

³ On its own, this does not mean that a new hospital or school should be built and that a stadium should not. If the marginal social benefits exceed the marginal social costs of the stadium then there is a prima facie case for supporting the development of the stadium. At best, larger net benefits for one project relative to another, can inform the priority attached to projects in a pipeline rather than whether a particular project is developed or not.

⁴ These were the only studies relating to Tasmanian projects that we could access and where the results of the studies have appeared in the public domain.

Table 3.2.4

	Government spending (\$m, 2022 prices)	GSP (\$m, 2022 prices)	FTE jobs
Northern Correctional Facility ^a			
Construction Phase	\$ 54	\$11.8	7
Operational Phase	\$ 93	\$34.1	36
Antarctic and Science Precinct ^b			
Construction Phase	\$126	\$ 48	470
Operational Phase	\$7	\$11.7	74
Hobart Airport Upgrade ^c			
Construction Phase	\$ 50	\$ 16	197
Operational Phase	\$ -	\$ 122.4	1,261

Notes:

- We have deduced the estimates reported in this study from incomplete information reported in:
https://www.justice.tas.gov.au/_data/assets/pdf_file/0007/713473/Final-Economic-Impact-Assessment-EIA-Northern-Correctional-Facility-2023.PDF
- Results taken from a KPMG Report prepared for the Department of Infrastructure, Transport, Regional Development and Communications.
- Results taken from a KPMG Report prepared for Hobart International Airport Pty Ltd

3.3 Additional analysis

3.3.1 Tourism calculation summary

In response to items 4 and 7 in section 2.1 of this report, the following details have been provided regarding the calculations of the increased visitations benefits, which we have divided into the estimation of incremental visitation, and the estimation of benefit per incremental visitor. The methodology supporting this benefit is outlined in detail in Section 2.5.1 of the CBA report.

Estimation of incremental visitation

As outlined within Section 3.1 of this report, there are significant interdependencies between the demand projections (i.e. event calendar and attendances) and the subsequent analyses. Further, the demand and operational assumptions have been canvassed such that they differ across type of event, type of event attendee, and across years within the evaluation period. As a result, it is not straightforward to present a summary of the calculation of the visitation benefits in simple arithmetic (e.g. $A \times B = C$).

The logic of the calculation of incremental visitation is outlined below.

- Those events that are new to Tasmania (i.e. won't be hosted in the State without the project) are flagged for consideration for this benefit.
- As part of the demand projections, an estimate of the likely proportion of attendees to those events that are to be from interstate was assumed. This ranged from 0% for community events to up to 36% for marquee entertainment events (see Section 2.5.1 of the CBA for these assumptions by event category).
- For each of these attendees from interstate, the benefit per incremental visitor is then calculated as outlined below for inclusion within the CBA.

Benefit per incremental visitor

For each of the incremental visitors estimated through the approach above, an amount of incremental expenditure is estimated to calculate the overall new expenditure within the Tasmanian economy as a result of the project. This is then translated to producer and labour surplus to estimate the resulting benefit to Tasmanian businesses and workers.

The following table provides a breakdown of key assumptions underpinning the benefit estimation for each incremental visitor.

Table 3.3.1

Calculation component	Assumption
Average nights per interstate visitor to Tasmania	4.3
% of average nights attributed to attending an event at the Stadium	72%
Average nights per interstate visitor to Tasmania who attends an event at the Stadium (AN)	3.1
Average spend per interstate visitor to Tasmania	\$326
Average in-stadium spend	\$68
Average spend per interstate visitor to Tasmania less in-stadium spend (as this is captured as a revenue) (AS)	\$258
Average spend per interstate visitor to Tasmania who attends an event at the Stadium = AN * AS	\$800
Component of spend captured as producer surplus (16%)	\$128
Component of spend captured at labour surplus after accounting for the opportunity cost of private time (18.6%)	\$149
<i>Producer surplus calculation (PS)</i>	<i>Annual interstate Stadium attendees * \$128 = Annual producer surplus</i>
<i>Labour surplus calculation (LS)</i>	<i>Annual interstate Stadium attendees * \$149 = Annual producer surplus</i>
Total annual visitor benefit	PS + LS

3.3.2 Additional outputs

In response to review item 4 in section 2.1 of this report, please see Table 27 from the CBA report re-presented with Optimistic and Pessimistic scenarios.

Table 3.3.2a

\$m, \$2024	Discount rate:	NPV 7% (pessimistic case)	NPV 7% (central case)	NPV 7% (optimistic case)
Incremental costs – The Stadium				
Capital costs		\$694.74m	\$578.95m	\$463.16m
Operating subsidy (after Lifecycle costs)		\$71.41m	\$62.35m	\$53.29m
Event attraction costs		\$13.99m	\$13.99m	\$13.99m
Incremental costs – The Devils				
AFL State Government subsidy		\$98.57m	\$98.57m	\$98.57m
Total costs		\$878.71m	\$753.86m	\$629.00m
Incremental benefits – The Stadium				
Increased visitation – sports and cultural events		\$124.59m	\$198.27m	\$288.96m
Increased visitation – business events		\$10.04m	\$13.17m	\$16.30m
Increased visitation - operators		\$1.15m	\$1.44m	\$1.73m
Retained visitation		\$68.33m	\$106.77m	\$153.75m
Use-value		\$13.67m	\$17.09m	\$20.51m
Incremental benefits – The Devils				
AFL Industry		\$87.96m	\$87.96m	\$87.96m
Non-use value		\$20.30m	\$20.30m	\$20.30m
Health and productivity		\$29.11m	\$29.92m	\$35.90m
Incremental benefits – Other				
Terminal value		\$25.81m	\$41.87m	\$61.40m
Total benefits		\$380.98m	\$516.79m	\$686.81m
Outputs				
Net benefit		-\$497.73m	-\$237.07m	\$57.80m
Benefit cost ratio		0.43	0.69	1.09

Table 3.3.2b

In response to review item 5 in section 2.1 of this report, please see Table 27 from the CBA report re-presented with a capital cost increase of +20% and the inclusion of an AFL penalty of \$4.5m in years 2027 and 2028.

\$m, \$2024	Discount rate:	NPV 7% (central case)
Incremental costs – The Stadium		
Capital costs		\$694.74m
Operating subsidy (after Lifecycle costs)		\$71.41m
Event attraction costs		\$13.99m
Incremental costs – The Devils		
AFL State Government subsidy		\$98.57m
AFL penalty		\$6.87m
Total costs		\$885.58m
Incremental benefits – The Stadium		
Increased visitation – sports and cultural events		\$198.27m
Increased visitation – business events		\$13.17m
Increased visitation - operators		\$1.44m
Retained visitation		\$106.77m
Use-value		\$17.09m
Incremental benefits – The Devils		
AFL Industry		\$87.96m
Non-use value		\$20.30m
Health and productivity		\$29.92m
Incremental benefits – Other		
Terminal value		\$40.58m
Total benefits		\$515.50m
Outputs		
Net benefit		-\$370.08m
Benefit cost ratio		0.58

In response to review items 7 and 8 in section 2.1 of this report, please see Table 27 from the CBA report re-presented for additional scenarios.

See below for details of scenarios.

Table 3.3.2c

\$m, \$2024	Discount rate:	NPV 7% (central case) Scenario 1	NPV 7% (central case) Scenario 2
Incremental costs – The Stadium			
Capital costs		\$578.95m	\$578.95m
Operating subsidy (after Lifecycle costs)		\$62.35m	\$62.35m
Event attraction costs		\$13.99m	\$13.99m
Incremental costs – The Devils			
AFL State Government subsidy		\$98.57m	\$98.57m
Total costs		\$753.86m	\$753.86m
Incremental benefits – The Stadium			
Increased visitation – sports and cultural events		\$120.26m	\$334.49m
Increased visitation – business events		\$13.17m	\$13.17m
Increased visitation - operators		\$1.44m	\$1.44m
Retained visitation		\$68.33m	\$153.75m
Use-value		\$17.54m	\$15.40m
Incremental benefits – The Devils			
AFL Industry		\$87.96m	\$87.96m
Non-use value		\$20.30m	\$20.30m
Health and productivity		\$29.92m	\$29.92m
Incremental benefits – Other			
Terminal value		\$27.44m	\$64.56m
Total benefits		\$386.36m	\$720.99m
Outputs			
Net benefit		-\$367.49m	-\$32.87m
Benefit cost ratio		0.51	0.96

Scenario 1

- average assumed % of total inter-state visitors 20%: **Interstate attendance across all events (excl. community) now at 20%.**
- average assumed night stayed for each additional interstate visitor 3.1: **No change required**
- 20% reduction in the assumed number of Tasmanians avoiding interstate travel: **Retained attendance reduced by 20% across all event types**
- 20% reduction in the assumed nights stayed for Tasmanians avoiding interstate travel: **Retained visitation ALOS now 2.5**

Scenario 2

- average assumed % of total inter-state visitors 30%: **Interstate attendance across all events (excl. community) now at 30%.**
- average assumed night stayed for each additional interstate visitor 5.5: **ALOS for interstate attendees now set to 5.5 nights**
- 20% increase in the assumed number of Tasmanians avoiding interstate travel: **Retained attendance increased by 20% across all event types**
- 20% increase in the assumed nights stayed for Tasmanians avoiding interstate travel: **Retained visitation ALOS now 3.7**