MinterEllison.

26 June 2025

Mr Paul Turner SC
Panel Chair of the Macquarie Point Multipurpose Stadium Panel
Tasmanian Planning Commission
GPO Box 169
HOBART TAS 7001

BY EMAIL: tpc@planning.tas.gov.au

Dear Mr Turner

Macquarie Point Multipurpose Stadium of State Significance

1. We continue to act for the Crown in the Right of Tasmania (**State**) in relation to the above matter.

2. Please see annexed to this letter for filing, a consolidated report prepared by KPMG dated 26 June 2025.

3. Please contact us if you have any queries in relation to this letter.

Yours faithfully
MinterEllison

MinterEllison

Signed: **Joshua Dellios**
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Consolidated Report

Macquarie Point Multipurpose Stadium

26 June 2025

KPMG.com.au

Disclaimers

Inherent Limitations

This report has been prepared as outlined in the Macquarie Point Development Corporation Scope Section in Attachment 2: Specification of the Contract dated 30 April 2024, and the Variation Letter dated 19 June 2025. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently, no opinions or conclusions intended to convey assurance have been expressed.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by Macquarie Point Development Corporation management and personnel consulted as part of the process. KPMG has indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

The primary sources of information have been the KPMG Reports listed in Section 1.2 of this Consolidated Report, as well as the Tasmanian Planning Commission's Draft Integrated Assessment Report dated 31 March 2025.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Projections

Where any of the Services relate to assumptions about circumstances and events that have not yet transpired, we do not warrant that any assumptions determined by you are reasonable.

Where any of the Services relate to forecasts, projections or other prospective financial information prepared by us, we do not warrant that the forecasts, projections or information will be achieved.

Where any of the Services relate to the analysis or use of forecasts, projections or other prospective financial information supplied or prepared by you, we do not warrant that:

a) The forecasts, projections or information are reasonable;

b) The forecasts, projections or information will be achieved; or

c) The underlying data and assumptions provided to us are accurate, complete or reasonable.

Notice to Third Parties

This report is solely for the purpose set out in Attachment 2: Specification of the Contract dated 30 April 2024 and the Variation Letter dated 19 June 2025 and for Macquarie Point Development Corporation's information for the purpose of providing reports to the Tasmanian Planning Commission for the purposes of their undertaking an integrated assessment of the Macquarie Point Multipurpose Stadium as a Project of State Significance and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of Macquarie Point Development Corporation in accordance with the terms of the Contract dated 30 April 2024 and the Variation Letter dated 19 June 2025. Other than our responsibility to Macquarie Point Development Corporation, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

Electronic distribution of reports

The report is dated 26 June 2025 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report.

Any redistribution of this report requires the prior written approval of KPMG and in any event is to be complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of Macquarie Point Development Corporation and KPMG accepts no liability if the report is or has been altered in any way.

Contents

1 Introduction

1.1 Background

The Tasmanian Planning Commission (**the Commission**) is undertaking an integrated assessment of the proposed Macquarie Point Multipurpose Stadium (**the project** or **the Stadium**), as a Project of State Significance.

The Commission's process includes the preparation of Guidelines, consideration of reports and submissions, the issuance of a draft report, further public consultations and representations, culminating in the preparation of a final report recommending whether the project is to proceed and relevant conditions that should apply to approval.

Throughout the process, KPMG has not been engaged by the Commission, rather KPMG was engaged by Macquarie Point Development Corporation (**the Corporation** or **the Proponent**) to undertake analysis and prepare specific reports as summarised in Section 1.2 of this report. The Commission issued Guidelines outlining the type of analysis it was seeking, and whilst the scope of KPMG's analysis was agreed with the Corporation, it incorporated relevant aspects of the Guidelines to the extent practicable.

The Commission released a Draft Integrated Assessment Report (**the Draft Report**) on 31 March 2025 for which it sought and received public representations. A public hearings process is to be conducted in June and July, with a final report expected to be issued by the Commission in the coming months.

This report (**the Consolidated Report**) has been prepared at the request of the Corporation as per Section 1.2.

1.2 Scope of this Report

KPMG was previously engaged by the Corporation to prepare a number of reports (**KPMG Reports**) in accordance with the original scope as agreed with the Corporation. The KPMG Reports, as listed below, were submitted to the Commission by the Corporation as part of the *Proponent's Reports* and *Proponent's Further Information Reports*:

- Social and Cultural Analysis, Macquarie Point Multipurpose Stadium, dated 5 September 2024.
- 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
- Supplementary Report, Macquarie Point Multipurpose Stadium, dated 31 January 2025

The purpose of this Consolidated Report is to provide an overview of existing KPMG Reports, outline KPMG's background and experience, and to consider and comment on any relevant matters within the Commission's Draft Report as it related to the KPMG Reports as well as recent updates to capital expenditure estimates by the Proponent. This Consolidated Report comprises the following:

- Section 1 – Introduction: Overview of KPMG's role in undertaking analysis and providing reports for the Corporation to submit to the Commission, along with the purpose and scope of this Consolidated Report
- Section 2 – Background and Experience: Summary of the background, experience and relevant expertise of KPMG and its sub-contractor (DHW Ludus) in preparing the KPMG Reports
- Section 3 – Comments on Updated Capital Estimates: High-level considerations of the potential implications of the updated capital estimates on previous analysis within KPMG Reports
- Section 4 – Summary of KPMG Analysis: Description of the purpose of the KPMG Reports, a summary of key areas of analysis
- Section 5 – Commission's Draft Report and KPMG Report Considerations: Summary of any significant differences in assumptions and/or outputs and KPMG's basis and rationale for assumptions and outputs.
- Appendix 1: KPMG and DHW Ludus experience
- Appendix 2: Economic Impact Assessment counterfactual.

2 Background and Experience

2.1 KPMG Australia

KPMG Australia is a leading professional services firm with a strong presence across the country, employing approximately 10,000 professionals, including over 600 partners. With offices in every state and territory capital, as well as regional locations, we serve a diverse range of clients across industries, government, and the not-for-profit sector. Our multidisciplinary approach encompasses audit, tax, advisory, and consulting services, enabling us to address complex challenges and deliver innovative solutions.

KPMG Australia's team consists of highly skilled and experienced professionals with diverse expertise, including business consultants, data scientists, economists, accountants, and industry specialists. We take pride in our ability to tackle a wide array of projects, from large-scale transformation programs to focused advisory engagements.

KPMG Australia plays a pivotal role in shaping the nation's infrastructure landscape, offering comprehensive advisory and consultancy services across all stages of the infrastructure lifecycle. We support clients in policy development, project feasibility, project delivery, asset management, and strategic decision-making. Our work is driven by a vision to create infrastructure that not only meets today's needs but also ensures a sustainable and prosperous future for all Australians.

2.2 Relevant Experience and Expertise

KPMG is a leading adviser in the sport, major venues and events sector nationally, and is a trusted partner to State and Local Governments across Australia in relation to strategy, planning, delivery and operation of social infrastructure. Our Sports, Major Venues & Events Group has experience across sporting, entertainment, arts & culture, convention & exhibition, and tourism assets across all Australian States and Territories, and New Zealand.

KPMG has a long history of analysing the economic and social impacts of stadium developments and redevelopments. For the Macquarie Point Multipurpose Stadium, KPMG assembled a multi-disciplinary team of technical experts with extensive experience in delivering similar studies for some of Australia's best-loved assets including Sydney Football Stadium, Western Sydney Stadium, the new Townsville Stadium as well as supporting the Queensland Government during the Olympic and Paralympic Games bid phase with the landmark economic, environmental and social impact study (publicly available).

KPMG's relevant experience extends to projects in all states and territories except the Northern Territory. KPMG has advised on stadiums in:

- Townsville, Sunshine Coast & Brisbane
- Central Coast, Newcastle & Sydney
- Canberra
- Geelong & Melbourne
- Launceston & Hobart
- Adelaide
- Perth

Appendix 1 of this Consolidated Report provides a high-level summary of the recent work that KPMG has completed in this sector.

KPMG understands and articulates the value that stadium infrastructure provides to the communities in which it is located, whilst remaining cognisant of the fiscal and operational constraints facing governments in providing such facilities.

A defining feature of KPMG's approach to analysing community assets like the Macquarie Point Multipurpose Stadium is that it is comprehensive and multi-disciplinary. That is, we consider a broad range of impacts spanning social, cultural and economic disciplines. Moreover, we have developed methodologies to ensure that our analysis of community assets goes beyond impacts that are relatively easy to measure or that focus on a narrow set of economic metrics.

KPMG's work for the Queensland Government during the 2032 Olympic and Paralympic Games bid phase was highly commended by the International Olympic Committee (IOC) for the pioneering work done in analysing the broader impacts of the Games, particularly with regards to the social and cultural impacts (publicly available). In considering KPMG's report the IOC observed that this approach would set the standard for future bids.

In the context of the Macquarie Point Multipurpose Stadium, KPMG's team contributed the following:

- Familiarity with the Tasmanian major event landscape – Our team previously supported Infrastructure Tasmania to establish Stadiums Tasmania. Our work included the development of Business Analysis Profiles for major sporting and entertainment venues across the State, giving us an unparalleled understanding of the current event landscape in the State.
- Unrivalled stadia and major venues experience – As outlined above our Sport, Major Venues & Events Group is a trusted partner of governments across Australia and New Zealand.
- Strong technical capability – Our team consisted of market leading specialists in the areas of venue demand, stadia-specific financial modelling, stadia-specific cost-benefit analysis, social impact studies from a range of similar studies and a leading economic impact exponent with experience in developing economic impact assessments for a range of major venues and events.
- A partner to provide specific expertise on critical inputs – We partnered with DHW Ludus, who are experts in planning, assessment and delivery of sporting infrastructure projects. To develop a robust demand profile, which was a critical component of the analysis, DHW Ludus was sub-contracted to supplement KPMG's expertise and to check and challenge assumptions related to the demand profile.
- An understanding of the broader Precinct and the local economy – Our team included professionals with an intimate knowledge of the site, its opportunities and constraints. The team was rounded out by senior KPMG professionals from our Hobart office who have a deep understanding of Tasmanian economy and local issues relevant to the project.

Appendix 1 of this Consolidated Report provides a high-level summary the areas of KPMG's sector expertise that were central to analysing the Macquarie Point Multipurpose Stadium. KPMG's service-type expertise related to the relevant sectors is also listed.

2.3 Report Contributors

The following KPMG personnel contributed to this Consolidated Report:

Michael Malakellis, Principal Director in Economic Impact at KPMG

Michael Malakellis is a highly experienced economist and Principal Director in Economic Impact at KPMG, with over 20 years of expertise in economic and financial modelling and analysis. Holding a Doctor of Philosophy in Economics from Monash University and a Bachelor of Commerce from the University of Melbourne, Michael has built a distinguished career spanning academia, government, and the private sector. His contributions have encompassed major economic impact assessments at regional, state, and national levels, with a strong focus on sectors such as sports and leisure, mining, energy, and infrastructure.

Throughout his career, Michael has managed and delivered numerous high-profile projects, including: supporting the Queensland government's successful bid to host the 2032 Olympic and Paralympic games by modelling and analysing the potential impacts of the Games on Queensland and the rest of Australia; leading economic impact assessments of major stadium projects in Queensland, New South Wales and Victoria; conducting detailed economic analysis of the Australian sports industry for the Department of Health to inform the Commonwealth's Sports Industry Growth Plan; and developing policy options to boost youth sports participation for the Queensland Department of National Parks, Sport, and Racing.

Further exemplifying his breadth of expertise, Michael has modelled the economic contribution of events to the Hunter Region for the Hunter Joint Organisation, which represents 10 councils in the region, contributed to a comprehensive review of the Victorian SportsTech sector for LaunchVic, and to the development of economic frameworks to assist in evaluation of community sports infrastructure for the Australian Sports Commission. His work is underpinned by deep technical expertise in economic modelling and his ability to address complex economic questions with practical, evidence-based solutions.

David Harradine, Chairman of KMPG Tasmania

David Harradine is the incoming Chairman of KPMG in Tasmania and a highly experienced professional who leads KPMG's Tasmanian Government Services for the firm. With a Bachelor of Commerce from the University of Tasmania, he is a Fellow of the Institute of Chartered Accountants, a Certified Internal Auditor, and a Registered Company Auditor with the Australian Securities and Investment Commission.

David has over 20 years of consulting experience, along with five years as CFO for an ASX 300-listed company, where he was responsible for group strategy, economic analysis, mergers and acquisitions, finance, treasury and capital structuring. He has also been a member and chair of boards and audit and risk committees, with expertise spanning business cases, strategy development, program evaluation, and commercial due diligence.

David has supported transformative projects within government and the corporate sector. His involvement in the sports sector includes the establishment of Stadiums Tasmania which included detailed business analysis and infrastructure assessments for major venues. He has also developed strategic business cases for significant infrastructure projects in government and supported the development of master plans for major industrial developments. Beyond infrastructure projects, David has supported KPMG economic impact analyses, as well as major reforms in areas such as healthcare, education, and transport.

2.4 Quality Assurance and Transparency

KPMG engagements are governed by quality and risk management procedures directed towards ensuring KPMG is independent, projects are carefully planned and executed by suitably qualified professionals and analysis and deliverables are subject to rigorous quality assurance processes, including detailed review.

Engagements are executed in accordance with a documented project plan that is agreed upon with the client. The plan serves as the foundation for a clear and structured approach to the engagement. It defines the detailed scope of work, outlining KPMG responsibilities, the scope and boundaries of the engagement and the inputs required for analysis, including their sources. Where third parties are involved, the timing, nature and extent of reliance on their inputs are explicitly detailed.

The KPMG Reports completed for the Corporation were undertaken in accordance with KPMG quality and risk management procedures and were completed in line with a detailed project plan. This plan specifically addressed:

- The defined scope of work.
- The reliance on third parties for inputs related to Stadium design, quantity surveying (capital and lifecycle costs), Stadium operating parameters, demand and operating financial assumptions, and existing studies commissioned by the Corporation.
- The deliverables to be provided as part of the engagement.

To ensure comprehensive analysis, KPMG's findings were encapsulated in four distinct reports, each designed to address specific dimensions of the project. These reports are interconnected and must be reviewed collectively, as no single report encompasses every aspect of the Project's impact.

Within these KPMG Reports, transparency is maintained through clearly presenting:

- The scope of each analysis conducted (boundaries, inclusions and exclusions).
- The key assumptions that underpin the analysis and findings.
- The main caveats and limitations associated with the work.

This detailed and transparent approach facilitates independent review and assessment, ensuring that our analysis meets the highest standards of quality and rigour. By structuring our reports with clarity, explicitly stating assumptions, and concisely outlining any limitations, we enable stakeholders to effectively analyse our work.

Additionally, our quality assurance and review processes underpin our commitment to delivering robust, reliable analysis that support decision-making, particularly in crucial areas such as social infrastructure.

3 Comments on Updated Capital Expenditure Estimates

Since KPMG completed the modelling and analysis contained in the four KPMG Reports the Proponent has refined and updated the capital cost estimates for the Stadium. The Proponent has also responded to a request from the Commission for cost estimates for a range of additional items that are not specific to the Stadium, but relate to the Macquarie Point precinct as a whole.

3.1 Updated CAPEX Directly Linked to the Stadium

The Proponent has updated the estimated cost of the Stadium from $775m to $945m. The composition of the additional $170m in capital expenditure is as follows:

A. $75m in additional costs related to communication and technical services and to the fit-out of the kitchen, food and beverage facilities. These costs were previously excluded as they were to be funded through commercial partnership opportunities.
B. $38m in additional costs related to clarification of the original design.
C. $57m in additional costs related to the inclusion of additional features into the design.

Items A and C have important implications for Stadium revenues accruing to the proponent. The Proponent, in conjunction with Stadiums Tasmania, has modelled a scenario that includes these additional investments. This modelling shows that on average over the first 10 years of the Stadium's operations Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) increase from a deficit of $3.75 million per annum to a surplus of $2.27 million per annum.

3.2 Other CAPEX Associated with the Broader Precinct

The Proponent has also provided additional costing information requested by the Commission.

A. $75.6m for the construction of the Northern Access Road
B. $97m to build a car park to serve the broader precinct
C. $49m to upgrade the bus fleet required for event activation
D. $0.3m for improvements to the Hunter Street carpark
E. $16m for the re-direction of the sewerage for the broader activation of the precinct.

The Proponent has argued that these items should not be included as part of the Stadium's capital costs because they are either:

- separately funded commitments made by the government prior to the proposal to build the Stadium (e.g., items A, D and E); or
- projects that will be funded as commercial development opportunities with no net costs to the State (e.g., item B).

KPMG believes that any costs that would be incurred even if the Stadium is not developed should not be included in the Stadium capital expenditure estimates. Such expenditures should be included as part of the status quo or business-as-usual base case.

If an argument can be made to attribute a portion of these capital expenditures to the Stadium it is important to also attribute a portion of the economic, social and cultural benefits of these assets to the Stadium.

4 Summary of KPMG Analysis

4.1 Project Background

The proposed Stadium is a key component of the broader Macquarie Point Development project in Hobart, Tasmania. The project is being delivered by Macquarie Point Development Corporation with Stadiums Tasmania to take on venue management responsibility when the Stadium is operational.

The Stadium aims to provide Tasmania's premier multipurpose sporting, arts, events and entertainment facility. Conditional for the creation of a new Tasmanian Australian Football League (AFL) team (**the Devils**), the Stadium provides significant opportunity for heightened social engagement, economic development, and urban revitalisation.

Embedded within a broader precinct intended for mixed-use development, the strategic vision for the Stadium design is to create an iconic, world-class venue that showcases Tasmania as a premier destination for sports, arts, and entertainment events. It aims to embrace the site's unique context, respecting the deep connection Aboriginal people have to the land while incorporating artistic and cultural expression from the broader Tasmanian community. Key aspects of the design vision include:

- Delivering a state-of-the-art, multipurpose facility with a capacity of 23,000 seats and 1,500 standing room in sports mode and approximately 30,000 in concert mode, a roof, and the ability to host major events across various disciplines;
- Responding sensitively to the site's attributes, values, and constraints, particularly in relation to landscape and visual impacts on prominent landmarks like kunanyi / Mount Wellington and the Cenotaph;
- Drawing inspiration from benchmark Stadium and entertainment projects worldwide to create a vibrant, engaging atmosphere and visitor experience;
- The integration of an Aboriginal Culturally Informed Zone adjacent to the Stadium; and
- Integrating seamlessly with the broader Macquarie Point precinct vision for a mixed-use, accessible destination that contributes to the 30-Year Greater Hobart Plan.

An Integrated Assessment of the Stadium as a Project of State Significance (PoSS) is under way. As part of the PoSS submission KPMG was engaged to prepare a Financial Impact Report, Social and Cultural Analysis, Cost Benefit Analysis and Economic Impact Assessment. Prior to the PoSS process, a variety of assessments were undertaken, including an extensive site selection process, as well as capacity estimates, economic assessments and cost benefit analysis. These reports culminated in a strategic business case that was released to the public in 2023.

4.2 Considerations in Assessing Social infrastructure

Recognising Stadia as Community Assets rather than Economic Assets

The Stadium should be seen as a community asset rather than as economic asset that is required to earn a particular economic return. Social infrastructure is designed to generate public benefits that go well beyond the narrow set of conventional economic benefits and the even more narrow set of conventional economic benefits that can be quantified robustly. Like all social infrastructure, decisions about whether to proceed depends on trade-offs involving economic and social costs and benefits that are difficult to measure objectively and matching these trade-offs with community preferences.

Social infrastructure, like the proposed Macquarie Point Multipurpose Stadium, is not expected to generate a direct financial return to society. Rather, it returns value to the community through social, cultural, environmental, and other direct and indirect economic benefits and outcomes. Stadia contribute social and cultural value to the people who utilise them by providing access to concerts, festivals, sports games and community events that often would not otherwise have been available in the area. They also create new jobs and provide a boost to the local economy, particularly in the hospitality industry.

Assets like the Stadium have similar characteristics to public goods: they generate benefits to society that are potentially available to everyone; and there is no direct association between these benefits and the costs to society of providing them. This results in market failure, which means that without government intervention it is unlikely that stadiums would be developed by the private sector. The development, upgrade, and ongoing maintenance of sporting infrastructure is heavily reliant on support from local councils and state governments.

Improved Liveability is an Important Attribute but Difficult to Measure Robustly

Social infrastructure plays a crucial role in shaping communities to optimise economic, social and cultural outcomes. In this sense stadiums contribute to the liveability of a region by making it a more attractive place for people to live, work, socialise and fulfil their cultural needs. Liveability is a difficult attribute to measure robustly because we do not have a straightforward counterfactual. For example, it is hard to know how much less liveable Geelong or Townsville might be if they did not have stadiums supporting teams in the AFL and the NRL respectively. This is because liveability is an attribute that is built up over time and that is impacted by a wide range of confounding factors. The symptoms of liveability can be observed in the form of inflows (and/or retention) of people to the region, thriving and growing businesses, increasing property values, participation in recreational and cultural activities and so on.

Decision-making Weighted to Economic Benefits and Costs May Result in Sub-optimal Outcomes

Decision-making with regards to social infrastructure that focuses on those economic costs and benefits that can be quantified and monetised may result in sub-optimal outcomes. Many of the benefits of social infrastructure, and some of the costs, relate to intangible social and cultural impacts that are real but difficult to quantify and monetise. This creates a conundrum for decision makers who need to consider the full spectrum of social, cultural and economic costs and benefits but are confronted with different types of evidence across these broad categories of costs and benefits. Evidence relating to economic costs and benefits is presented as objective metrics expressed in units that can be easily understood (e.g., 2024 dollars) and compared to observable data and/or benchmarks. In contrast, evidence relating to social and cultural impacts is qualitative in nature, making it more difficult to process and consider alongside objective metrics relating to economic impacts.

On narrow economic assessments, stadiums would not be built or redeveloped. Indeed, many pieces of infrastructure that we take for granted and assume are beneficial for society would not be justified on economic grounds. KPMG has completed many economic assessment of infrastructure projects across the spectrum and it is rare to find projects where quantified economic benefits exceed quantified economic costs. For example, Cost-Benefit Analysis will under-value infrastructure projects with significant social and cultural benefit streams.

Moreover, Cost-Benefit Analysis inherently penalises infrastructure projects where large costs are incurred up front and where the benefit stream is long-lived and potentially skewed towards the future (i.e., by design, capacity is put in place to meet needs in the future, rather than in the current period or the near future). This feature of Cost-Benefit Analysis reflects the use of a relatively high discount rate to convert time-profiles of costs and benefits into present value terms.

KPMG Reports as a Collective Provide a Holistic Information Set for Decision Makers

The discussion above serves to highlight the need for analysis of the Macquarie Point Multipurpose Stadium to encompass all relevant costs and benefits. The four reports completed by KPMG, along with the Supplementary Report, are designed to give decision-makers a range of information to help inform their decision.

KMPG makes no value judgements about the relative importance of different factors. Policy-makers are best placed to make such judgements taking account of a broad range of competing objectives and the preferences of constituents.

4.3 Overview of KPMG Reports

KPMG's original scope included the development of four reports aligning to *Section 3.0 Economic development and social, cultural and community wellbeing* of the POSS Guidelines, incorporating:

- Cost-Benefit Analysis (CBA)
- Economic Impact Assessment (EIA)
- Financial Impact Report (FIR)
- Social and Cultural Analysis (SCA)

Where relevant the requirements of *Section 3.5: Sensitivity and comparative analysis and information documentation* are addressed in the reports.

The purpose of the EIA is to quantify the additional benefit that the Stadium is likely to bring to Tasmania. The FIR establishes the projected costs and revenues of the stadium, and therefore indicates the likely operating subsidy required from the Tasmanian Government. The CBA quantifies all the monetizable benefits of the Stadium, acknowledging that many social and cultural benefits, which are key drivers of a stadium, are not able to be quantified and included. The SCA captures a broad view of the impacts, both positive and negative, and with a particular emphasis on the impacts which cannot be quantified for the CBA.

KPMG developed these reports drawing on its experience in delivering similar scopes of work related to major sporting infrastructure for State / Territory Governments across the country in line with relevant guidelines (i.e. Infrastructure Australia, NSW Treasury etc.). The analysis in the reports used information provided by the Corporation and Stadiums Tasmania and was informed by consultations with select stakeholders.

Table 4- summarises the four reports prepared by KPMG, as well as the Supplementary Report. They are listed in the order in which they were presented in the consolidated document provided to the Corporation. This order reflects the logical flow of the dependencies between reports.

Table 4-1: KPMG Reports

Report	Purpose	Comments
Financial Impact (FIR)	To provide decision-makers with an understanding of the financial implications of the Stadium during construction and the operations period. It presents the direct costs and revenues associated with the implementation of the project, and the ongoing operation of the Stadium. The FIR fulfils the PoSS requirements regarding the impact on the State Government from a financial perspective.	The analysis is limited to the Stadium itself, and not the broader surrounding precinct, or wider costs / revenues associated with the AFL team or Stadiums Tasmania, which was out of scope for this report.
Social and Cultural Analysis (SCA)	To systematically assess and document the potential social and cultural impacts of the proposed development. The SCA fulfils the PoSS requirements set out in Section 3.4 – Social and cultural analysis report. Consistent with the guidelines, the effects of the following were assessed: • sporting and other events and programs that would not occur without the Stadium; • Tasmania having AFL and AFLW clubs; • environmental values of the site and associated social and cultural impacts; • people with a cultural association with the Cenotaph or the Macquarie Point headland; and • changes in the cost and supply of residential accommodation in the greater Hobart area during construction.	The assessment included collation of an evidence base for each impact informed by grey and academic literature, case studies and project-specific information, an assessment of the likelihood and consequence of impacts occurring and proposed mitigation and enhancement measures to minimise negative and maximise positive impacts.
Cost-Benefit Analysis (CBA)	To assess the extent to which the Stadium represents 'value for money', by identifying and quantifying all significant benefits	The CBA measures only costs and benefits of the Project for the community of interest, which is assumed to be Tasmania. All Project costs and benefits are incremental to an explicit base case, which is the

Report	Purpose	Comments
	and costs over its useful life, relative to a base case alternative. The CBA is based on established methods and designed to conform with PoSS Guidelines for estimating costs and benefits and calculating the Project's Economic Net Present Value (ENPV) and Benefit-Cost Ratio (BCR).	scenario that may prevail in the absence of the Stadium development. KPMG have assumed the status quo for the base case scenario. The CBA includes only costs and benefits that can be quantified and monetised, which excludes a large component of benefit that is either not quantifiable or not able to be monetised. Sensitivity and scenario analysis have also been undertaken to test the impact of changes to key assumptions and provide insights into the feasible range of output indicators.
Economic Impact Assessment (EIA)	To estimate the broader economic contribution of the Stadium to the Tasmanian and Australian economy during it's construction and operational phases. The EIA takes account of both direct and indirect (or flow-on) economic impacts. This is in contrast to the CBA, which captures just the direct economic impacts. The EIA is designed to align with the PoSS Guidelines.	A Computable General Equilibrium (CGE) model is used to measures the incremental direct and indirect economic impact of the Stadium during its construction phase and during its operational phase. This requires simulation of two scenarios: (i) base case scenario that captures how the size and structure of the economy will evolve in the absence of the Stadium; and (ii) a Project scenario that includes the development and operation of the Stadium. The differences between these two scenarios represent the incremental economic impact of the Stadium. Key metrics estimated include: real Gross State/Domestic Product, real income per capita, employment and industry value added. Scenario analysis is undertaken to test the impact of changes to key assumptions about the Project and about conditions in the labour market.
Supplementary Report	To provide the Commission with further information, explanatory material and supplementary analysis in response to a request on 19 November 2024.	The report addresses the following queries: • EIA counterfactual • Capital cost and revenue assumptions • Capital cost components and their consistent application • Consistent application of scenario information and increased visitation • Additional capex and delay penalties scenarios • Removal of non-incremental revenues and inclusion of debt servicing costs • Interstate visitors and nights stayed assumptions • Interstate visitors and nights stayed alternative assumptions modelling • Information regarding capacity, utilisation and attendance. The report includes information that validates the appropriate and consistent application of assumptions in the original reports, as well as providing further analysis and scenarios as requested, where this was practicable and consistent with economic theory.

4.4 Key Inputs Relied Upon by KPMG

KPMG partnered with DHW Ludus, who have extensive expertise in the planning, assessment and delivery of sport and entertainment infrastructure, to lead the development of demand and operating financial assumptions to inform the financial and economic modelling undertaken as part of the engagement to prepare the original KPMG Reports.

KPMG (and DHW Ludus) relied on a number of externally prepared reports / inputs in developing the aforementioned reports. KPMG did not seek to independently verify those sources unless otherwise noted within the reports.

The main sources of information that have been relied upon include:

- Stadium Design: COX Architecture.
- Quantity Surveying service (including capital costs, lifecycle costs): WT Partnership.
- Broader Stadium operating parameters: Stadiums Tasmania.

The Corporation also provided KPMG with information sourced from other reports and studies commissioned as part of the PoSS process which have been referenced where appropriate within the KPMG Reports. Unless specifically noted, KPMG has not directly sighted these reports and has relied on information provided by the Corporation.

KPMG / DHW Ludus also engaged with a number of stakeholders throughout the engagement, including stakeholders within the Tasmanian Government as well as content owners.

4.5 Specific Scope Exclusions

KPMG's scope of works explicitly excluded the following:

- Stakeholder consultation with the broader community
- Bespoke market sounding or pricing / valuation assessments of supplier and naming rights
- Any willingness-to-pay surveys.

4.6 KPMG's Methodology

Each of the KPMG Reports provide an overview of the methodology and approach to undertaking the analyses. In particular, KPMG's Supplementary Report provides a detailed description of the methodology used across the KPMG Reports to identify the interdependencies and demonstrate consistency across the various analyses. In particular, the Supplementary Report 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.

5 Commission's Draft Report and KPMG Report Considerations

5.1 Purpose of this Analysis

KPMG was asked by the Corporation to review and summarise any significant differences in the analysis and/or findings included in the KPMG Reports and those included in the Commission's Draft Report. The scope of this work was limited and did not include KPMG undertaking a critique of the Commission's Draft Report.

KPMG considers that a critique of the Commission's Draft Report is unlikely to be productive given the inherent uncertainties surrounding the key issues and the necessity for subjective judgements to be made by professional analysts with skills spanning a broad range of disciplines in the social sciences.

Moreover, KPMG recognises that a range of results is inevitable given that access to relevant information may differ, the scope of work undertaken may differ and different, but valid, analytical approaches may be taken.

Below we focus on key areas where the Commission's Draft Report differed from the findings in KPMG's reports and reached conclusions that were materially different to the findings in KPMG's reports.

A note on the use of references and the presentation of financial amounts in this section:

- The Commission's Draft Report references the proponent of the Project being the Crown in Right of Tasmania, represented by the Corporation (**the Proponent**). As KPMG was engaged by the Corporation to produce analysis and reports references to the Proponent below in most cases are in effect references to the analysis and outputs within KPMG Reports.
- References to the Commission's Draft Report and the Panel are oftentimes used interchangeably.
- Financial amounts are presented as nominal (discounted) amounts unless otherwise specified.

5.2 Overall Comments

KPMG notes that the main points of significant difference with KPMG's reports highlighted in the Commission's Draft Report related almost exclusively to several findings in the CBA report, with far fewer instances of significant differences relating to the EIA, FIR and SCA reports. Accordingly, the bulk of this section is devoted to addressing significant differences arising in the CBA.

5.3 Cost Benefit Analysis

5.3.1 Overall Comments

The Commission's Draft Report indicates an estimated central case benefit cost ratio (BCR) of 0.53, providing comparative analysis of that of the Proponent of 0.69 and Dr Gruen of 0.44. All three CBAs demonstrate a BCR well below one, indicating that quantified costs exceed quantified benefits in each study. This is not an unusual result in the context of analysing the development or redevelopment of stadia and other types of social infrastructure.

Given the inherent uncertainties of CBA, KPMG conducted sensitivity and scenario analyses to explore the possible range of outcomes under varying assumptions. Notably, the BCR outputs provided by the Panel and Dr Gruen exceed KPMG's "core pessimistic" scenario, which reflects lower estimates from sensitivity testing. While the Panel and Dr Gruen emphasise the economic welfare reductions identified in the CBAs, this type of analysis cannot capture broader welfare impacts, such as social and cultural outcomes. Moreover, it does not even capture the broader economic impacts that the EIA is designed to analyse where both direct and indirect economic impacts are considered. The limitations of CBAs are well understood and it is for these reasons that the additional analysis contained in the SCA and EIA should be seen as complementary analysis that should be considered alongside the CBA.

Analysis within the Commission's Draft Report relating to economic effects and social and community issues (Commission's Draft Report sections 1.0 and 2.0) is weighted towards the CBA which may have the unintended effect of potentially diminishing the broader social, community, and economic benefits of the Project. This is understandable, particularly given the complexity and uncertainty involved in assessing non-monetised benefits and taking account of indirect economic impacts. However, governments of all persuasions fund projects with BCRs below one for strategic reasons and for reasons of enduring non-monetised benefits.

The benefits typical to these types of projects include fostering community pride, social cohesion, and enhanced liveability, which can attract businesses, industries, and people, as well as catalyse urban renewal. Other unquantified benefits such as the economic and social impacts of a stadium, a Tasmanian AFL team, and associated brand exposure have the potential to contribute significantly to overall outcomes, though many were not incorporated in the CBAs.

The analysis in the remainder of this section considers any significant differences in assumptions and/or outputs within the Commission's Draft Report and the KPMG Reports, specifically relating to the following areas in the CBA:

- Capital costs
- Opportunity cost of land
- Increased visitation (sport and cultural) benefit
- Retained visitation benefit
- Event attraction costs
- Marginal cost of public funds
- Commonwealth contribution

5.3.2 Capital Costs

The Project's capital costs differ significantly between the estimates of the Panel and the Proponent as detailed in the Commission's Draft Report. The differences relate to the scope of inclusions and exclusions as well as assumptions applied, with a resulting impact on the Project's BCR. In summary, the Panel's capital costs are estimated at $959.7m ($1,196.7m in real undiscounted terms) compared with the Proponent's estimate of $578.9m ($774.9m in real undiscounted terms). This has consequential impacts for project costs including lifecycle costs, as well as debt and financing costs.

As disclosed in the KPMG Reports and noted in the Commission's Draft Report, capital cost estimates and assumptions were prepared by WT Partnership, the Corporation's appointed quantity surveyor. Both the KPMG Reports and the Commission's Draft Report also note the Proponent's scope of capital cost estimates extends only to the direct cost of the Stadium itself, with the Panel choosing to include 'stadium related' and 'precinct and preliminary' capital cost estimates totalling $306.3m ($335.7m in real undiscounted terms).

We note that the above comments relate to cost estimates referenced in the Commission Draft Report. See Section 3 for an overview of the updated cost estimates provided to the Commission by the Proponent.

Core Construction Costs

Core construction cost estimates of the Panel and the Proponent landed within a relatively narrow range. The Panel adopted Xmirus' construction cost estimates, which included a 10% client development contingency to account for potential market changes, project performance issues, industrial action, and approval delays. This further contingency was in addition to the 15% design contingency, 10% construction contingency and 5% client contingency included in WT Partnership estimates.

Whilst KPMG was not engaged to develop or evaluate construction cost estimates, the KPMG Reports incorporated these types of further contingencies into its sensitivity and scenario analyses for capital construction costs in line with the Guidelines, yielding a lower BCR of 0.58. Adopting an approach that incorporates further contingencies into the core construction estimates and also in sensitivity and scenario analyses is potentially duplicative.

Stadium Related Costs

The Panel includes an additional $120.6m ($131.5m in real undiscounted terms) of stadium related capital costs including kitchen and food & beverage fit out, AV services, PA and CCTV systems, and LED ribbon board advertising. The KPMG Reports disclosed that these revenue-generating capital costs as well as capital costs required for the Stadium to operate, were excluded on the basis that WT Partnership designated these items as 'out of scope works'.

WT Partnership further noted these 'below the line' items were to be subject to separate funding arrangements and third parties and on this basis the KPMG Reports exclude both costs and revenues attached to these items.

The Panel also included an allowance for a car park and has moved 'Good Shed' (also identified as 'below the line' costs by WT Partnership) to preparatory costs. The Proponent excluded the carpark, stating that it related to whole-of-precinct outcomes. The Commission's Draft Report includes both costs and revenues for the car park in the Panel's analysis, but reports that Dr Gruen excluded the car park, who stated he had no basis to model it.

This issue is discussed in Section 3 in relation to the updated cost estimates provided by the Proponent to the Commission by the Proponent.

Precinct and Preliminary

The Panel includes an additional $185.7m ($204.2m in real undiscounted terms) of precinct and preliminary capital costs, for traffic, pedestrian, and site access infrastructure as well as waste and energy infrastructure, and the Good Shed. Consistent with the scope of the WT Partnership capital cost estimates, the KPMG Reports disclose that its analysis was limited to the Stadium itself and not the broader surrounding precinct or wider costs which were out of scope.

The Proponent had maintained that these costs would occur in the absence of the Stadium and/or largely relate to whole-of-precinct outcomes and should be excluded from the analysis. In the case of the former, such costs would belong in the base case and not the project case. In the latter case, in terms of consistency, inclusion of these costs in the Panel's analysis also warrants consideration and potential inclusion of the broader socio-economic benefits, particularly in cases where the costs and benefits do not exclusively attach to the Stadium itself. Benefits that may be monetised would typically include transport efficiency and reliability, safety and access, enhanced precinct business activity, increased property values, land use uplift and other benefits.

This issue is discussed further in Section 3.

5.3.3 Opportunity Cost of Land

The Commission's Draft Report correctly identifies that Infrastructure Australia Guidelines recommend including land costs as a capital expense. In our experience it is uncommon for CBAs of stadium projects to account for land costs or benefits and previous analyses by KPMG (for stadium developments/redevelopments in all Australian states and territories excepting the Northern Territory) and other consultants have generally excluded these factors for the reasons outlined below. However, the KPMG Reports could have avoided confusion by explicitly stating that land costs and benefits were excluded from the CBA.

The opportunity cost of land is highly subjective and there are also broader benefits (in addition to the residual value of the land) that would need also be accounted for which are complex and are also prone to even higher degrees of subjectivity. The Panel's assessment includes a net cost of $24.0m (net of $8.6m residual value), whilst Dr Gruen's figures show a significantly higher net cost of $114.6m (net of $41.0m residual value).

This disparity highlights the subjective and unreliable nature of analyses. It is noted that an original estimate of the opportunity cost of land was reduced from $311.0m by Dr Gruen, citing controversy, further underscoring its inherent subjectivity.

If the opportunity cost of land is to be included in analyses, in terms of consistency, the benefits associated with potential uplifts in nearby land values or broader socioeconomic benefits, such as enhanced city liveability, vibrancy, and business opportunities that would likely ensue, would also need to be accounted for.

5.3.4 Increased Visitation (Sport and Cultural) Benefit

The Project's increased visitation benefits (sports and cultural) differ significantly between the estimates of the Panel and the Proponent as detailed in the Commission's Draft Report. Increased visitation benefit is predominantly driven by interstate attendances, with a core event calendar developed by KPMG based on comparator venues and stakeholder consultation. The resulting event calendar and attendance projections were noted as being a conservative estimate in the context of stakeholder considerations and previous consultant reports undertaken for this project.

The key differences in benefit estimates relate to interstate visitors, average length of stay and spend by interstate visitors, the determination of producer and labour surplus, and loss of games at Bellerive, with a consequential impact on the Project's BCR. In summary, the Panel's increased visitation benefits are estimated at $56.3m compared with the Proponent's estimate of $198.3m.

The KPMG Reports tested the sensitivity of the visitation assumptions in recognition of the uncertainty and subjectivity inherent in visitation expenditure projections. KMPG's maintained position is that the visitation projections used in the core scenario are reasonable and that the sensitivities provided are indicative of the range that is plausible.

Interstate Visitors

The Panel has assumed visitation at 15% of total attendance for AFL games, compared to 25% used by the Proponent. Further, the Panel notes that Interstate visitation for Full Stadium and Arena Concerts was reduced from the Proponent's 20% to 5% and 2.5% respectively.

KPMG adopted a robust and nuanced approach to estimating interstate visitation. In particular, the KPMG Reports state that:

> *When considering the combination of new attendees and inbound visitation proportion, in an average operating year, it is estimated that the Stadium will result in Tasmania hosting an additional 66,700 people from outside of Tasmania, representing 17% of total attendees.*

This level of interstate attendance is not unreasonable.

The KPMG Reports determine that a 25% interstate visitation rate for AFL events remains reasonable, consistent with prior studies and supported by several factors, which are more than sufficient to overcome the perceived issue of prior studies involving two interstate teams.

Unlike earlier studies, which were based on interstate teams with lower memberships and events in Launceston, the new Stadium is expected to host teams with much higher memberships on average and will benefit from Hobart's greater accessibility and destination attractiveness. The introduction of a Tasmanian team is also likely to attract expatriate Tasmanians to support the team. The difference in fixtures is also likely to result in an increased scarcity of opportunity to travel to Tasmania (i.e. an interstate team may only appear in Hobart every one or two years) with the effect of increasing the propensity to travel.

Additionally, the team's presence is also likely to have the effect of enhancing Tasmania's national branding, further boosting its attractiveness as a destination.

For non-AFL events, KPMG incorporated visitation data from Cricket Australia for one-off cricket matches and used conservative estimates for entertainment events, reducing the visitation benchmark from 36% to 20% due to limited benchmarking data. The assumed number of concerts was also significantly lowered in the event calendar, with that scarcity expected to enhance interstate visitation attraction assumption.

Previous analyses by consultants projected 20-25% interstate and international visitation, figures significantly higher than those applied by the Panel and Dr Gruen.

Average Length of Stay and Average Spend of Interstate Visitors

The Panel concluded that visitors' average length of stay should be 2.5 days. This differs to the KPMG Report assumptions of an average of 3.1 nights which was based on data published by Tourism Research Australia for interstate visitors discounted by a further 28%, to isolate a degree of attribution and reflected data made available by Events Tasmania. The Panel noted that length of stay is different for short and long-haul travellers. The KPMG Report assumptions do not account for long-haul travellers, whose potential visits would represent an additional benefit not captured in the CBA.

The average of 3.1 nights is also supported by the infrequency and scarcity of events within an annual calendar (discussed above with respect to the interstate visitor assumption), which helps to mitigate the Panel's concerns surrounding potential reduction in average stay associated by repeat visitation.

The Panel and KPMG Reports are consistent in adopting an average expenditure of $258 per night.

Producer and Labour Surplus

The Panel adopted a producer and labour surplus assumption of 20 cents per dollar of tourist expenditure, significantly lower than the 34.6 cents used in the KPMG Reports which was based on historical averages. The wide variation in assumptions of the Panel and Dr Gruen also highlight the subjective nature of the estimations and the basis for these assumptions is not entirely clear, noting that reference is made to an MI Global Partners report, which attributes the assumption to a NSW Government document without formal reference or citation to ascertain its relevance and reliability.[1]

While a figure lower than KPMG's 34.6 cents could be justified by anticipating future economic conditions that deviate from historical norms, any such adjustment requires justification. In the context of the 30-year evaluation period, KPMG applied the reasonable approach of utilising historical averages, rather than a narrow view of current economic conditions. Additionally, the Economic Impact Assessment (EIA) comprehensively captures the direct and indirect effects of incremental interstate tourism spending.

Loss of Games at Bellerive

The Panel has applied attendance levels as in the Proponent's central case adjusted for baseline attendance at Bellerive Oval matches. The KPMG Reports did not accrue any benefit for events coming from Bellerive (even if they were expected to result in an increase in attendance).

5.3.5 Retained Visitation Benefit

The Panel applied a 10% retained visitation assumption for entertainment events, noting that the Proponent's assumed rate of 25% to be significantly overstated.

KPMG Reports adopted a retained visitation ratio of 10% for commercial events (including AFL games), and 25% for one-off and entertainment events (as opposed to the Panel's incorrect interpretation that KPMG had assumed 25% for AFL games and 20% for other interstate events). Retained attendance to one-off events is assumed to be higher than commercial events, given the marquee nature of this event type and an increased proportion of people likely to travel.

Regarding AFL games, 10% retained is modest and reasonable. In this context, were the Panel and Dr Gruen to make an offset for additional travel by Tasmanians attending away games from a starting point of 25% retained, then there is little difference in the end result.

There are also other countervailing considerations, such as the fact that Tasmanians, as AFL fans, are already travelling to attend interstate games, which may also act to offset impacts of retained visitation.

5.3.6 Event Attraction Costs

The overall impact of the difference between the Panel's assumed event attraction costs of $70.8m and the Proponent's $14.0m is relatively minor but worth commenting on. The $14.0m event attraction cost is based on the core event calendar scenario, developed through extensive industry and stakeholder consultation, with the expectation that most of the core event calendar events should be without attraction funding, although this will depend on future commercial negotiations.

It is important to note that additional allowances have been made for specific costs to attract Test Match, Socceroos, Matildas, and NRL Men's Club Match. The "optimistic" event calendar scenario also allows for event attraction greater costs.

5.3.7 Marginal Cost of Public Funds

Similarly, the overall impact of the difference between the Panel's assumed marginal cost of public funds of $43.4m and the Proponent's non-inclusion of this cost is relatively minor. The Panel has stated it adopted a conservative rate of 10 per cent to reflect the Marginal Excess Burden of land tax, being the major non-mobile tax base available to the State.

The MEB associated with raising government revenue is not a cost that is typically included in a CBA (e.g., it is not included in Infrastructure Australia or State Government guidelines). The government has a range of options for raising the revenue needed to fund the Stadium. Moreover, in this case there is the complication of contingent funding from the Federal Government and private sector entities domiciled outside of Tasmania.

It is important to note that KPMG's economic analysis extended beyond the CBA. As required, an Economic Impact Assessment was conducted using a Computable General Equilibrium (CGE) model. CGE models are the natural vehicle for capturing MEBs. KPMG's CGE modelling explicitly captured the funding assumptions (government and private) and the MEB is naturally reflected in the results. The CGE model captures a range of additional economic

[1] KPMG was unable to find a NSW government document that reported this result.

impacts that are not captured in the CBA. The reason economic appraisals require both types of analysis is that they provide complementary economic insights that can help decision makers consider the merits of a proposed project.

5.3.8 Commonwealth contribution

The Panel assumes the Commonwealth funds of $240.0m (real undiscounted rate) would be fully available and applied to the core cost of the Stadium, without return expenditure obligations of the State. The Proponent did not include any benefits in the CBA associated with the Commonwealth contribution to the Stadium on the basis that at the time of the analysis, the potential impacts on Horizontal-Fiscal Equalisation were not firmed up and a conservative assumption was taken to exclude these benefits. Were the Commonwealth funds to be included in the Proponent's assessment this would have improved the overall BCR.

5.4 Economic Impact Analysis

The Commission's Draft Report acknowledges that KPMG's economic modelling methodology is sound. Whilst the Panel does not identify any significant differences, it raises some matters regarding the use and interpretation of economic modelling, the absence of an economic impact analysis of an alternative investment by the Proponent as required by the Guidelines and the low marginal increases in output, employment and income during the operational phase.

Use and Interpretation of the Economic Modelling

In terms of use and interpretation of the modelling, the Panel notes that the results of the economic analysis are not additive to CBA outcomes and essentially functions to provide more detail on the nature of economic benefits measured in the CBA.

The results of the CBA and EIA analyses are not additive, but they are complementary. The CBA captures mainly the direct economic impacts of the stadium development and operation on the Tasmanian economy. The EIA captures both the direct and indirect economic impacts of the Stadium on the Tasmanian and Australian economies. Indirect economic impacts can be positive and negative and should be taken into account in any comprehensive and robust analysis of the overall economic impact of a project.

Economic Impact Compared with an Alternative Investment

The Guidelines required a comparison of the economic impact of the Project with that of an alternative investment utilising a similar value of public funds.

KPMG addressed this issue explicitly in the EIA, stating:

> *The PoSS Guidelines request that the EIA considers the opportunity cost of domestic investment. The modelling presented (in the report) addresses the "opportunity cost" of resources explicitly through supply constraints and budget constraints. It is explicitly assumed that the public funding required to support the Stadium does not crowd out any other project or program that the government might consider. The full cost of the public funding provided to Stadium is assumed to be passed on to Tasmanian and Rest of Australia taxpayers in the form of higher taxes. In that sense the "opportunity cost" of the public funding of the Stadium is what the taxpayers would have done with that income if they had not paid higher taxes.*
>
> *Capturing the opportunity cost of "an alternative investment of public funds" is contingent on understand the opportunity set of public investments and then understanding the need (hence the return) on that investment. It is not feasible to consider the range of possible investments that the government could make in the context of modelling the Stadium. Because of the funding assumptions made in the modelling there is nothing preventing the government from raising more taxes (relative to the baseline) to fund other projects or programs or to reallocate their existing budget (in the baseline).*

KPMG also addressed this point in detail in the Supplementary Report with analysis reproduced in Appendix 2 of this Consolidated Report). We also provided results of EIA's of three publicly funded Tasmanian projects drawn from the literature.[2] These results are set out in Table 5-1 below. KPMG's maintained position is that comparison of

[2] 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.

the stadium economic analysis with the analysis of other publicly funded projects is unlikely to be meaningful for the reasons discussed in Appendix 2 of this Consolidated Report.

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.

Table 5-11: Selected EIA Results

	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:

a. 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
b. Results taken from a KPMG Report prepared for the Department of Infrastructure, Transport, Regional Development and Communications.
c. Results taken from a KPMG Report prepared for Hobart International Airport Pty Ltd

Low Marginal Increases in Economic Impact During Operational Phase

In relation to the low marginal increases in output, employment and income during the operational phase KPMG notes that this is a highly subjective judgement. As we have emphasised in this report the stadium is a piece of social infrastructure not an economic asset whose primary purpose is to promote economic growth.

While the stadium's primary purpose is not to be an engine of economic growth it still generates net positive economic outcomes for the Tasmania when the direct and indirect impacts are considered. The projected employment increases can be put into context by noting that they would result in a decrease in the Tasmanian unemployment rate of between 0.07 ppt and 0.10 ppt (e.g., from 4.20% to between 4.13% and 4.1%). An increase in net real income for every Tasmanian of between $132 and $182 per annum should not be dismissed lightly, particularly in an economic environment where real incomes have been falling. Importantly, these positive impacts are ongoing.

5.5 Financial Impact Report

The Commission's Draft Report made adjustments to the Proponent's analysis of the impact on the State's finances to account for additional capital expenditure (as discussed in 5.3.2 above), additional borrowings for the difference between the required capital cost and the external fundings from the Commonwealth and the AFL, and the loss in revenue to other stadiums and venues on transfer of events to the Stadium.

The FIR outlined that there is a current capital cost funding shortfall in both funding scenarios for the Stadium's construction. The source of this funding was unknown, however it was assumed that the asset owning entity will borrow to make up any shortfall. It is noted that the impact on the State would be lessened should alternative funding sources be reached.

Further, the FIR noted that discussions were held with Department of Treasury and Finance on the options for funding the State's contribution to the capital development. One alternative option discussed was for the delivery entity, the Corporation (and ultimately Stadiums Tasmania), to take on the debt directly. The capacity for the PNFCs to borrow will be dependent on the operating cash flows of Stadiums Tasmania. If this option is preferred, the Corporation would take on the debt, before transferring it to Stadiums Tasmania along with the asset upon completion. This approach will reduce the impact of the project on the GGS net debt metric as the debt will be held within the PNFC. However, additional grant expenses will likely be required from the GGS to fund the interest expense of the borrowings.

In relation to loss in revenue to other stadiums and venues on transfer of events to the Stadium, the Supplementary Report notes that 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 adopted an incremental approach to the recognition of revenues / benefits and costs.

5.6 Social and Cultural Impact Assessment

The Commission’s Draft Report highlights no substantial differences between the Proponent’s analysis and the Panel’s findings, similarly concluding that the Project has the potential to deliver positive outcomes in areas such as health, community engagement, and sports diplomacy.

However, these conclusions are qualified by two important caveats: the benefits would require sustained investment to be fully realised, and some of the anticipated benefits could materialise independently of the Project's development.

Positive Social Cultural Effects Primarily Reliant on Team Rather than Stadium

The Panel notes that the Project’s positive social and cultural effects rely primarily on the establishment of the Devil’s team and their entry into the AFL and associated investments into the sport ecosystem, rather than the physical establishment of a Stadium.

As was noted in the KPMG Reports, the establishment of the new AFL Team, the Devils, is dependent on the Stadium being built. It was further noted that the establishment of the new team will result in increased investment into the State of Tasmania, as the AFL not only provides funding for the Stadium’s development but also invests in grassroots and community football.

Indeed, the Panel itself acknowledges that the establishment of the AFL teams is contingent on the Stadium being built under the terms of the current agreement with the AFL.

Sustained Investment Necessary to Realise Positive Social and Economic Impacts

The Panel also notes that while there may be some positive social and economic impacts in state/city branding, and tourism and trade, achieving these positive impacts requires ongoing funding to attract events.

Refer to Section 5.3.6 of this Consolidated Reports which identifies that ongoing event attraction costs have been allowed for with the core-event calendar scenario, which was developed through extensive industry and stakeholder consultation. Inclusion of this funding, whilst the exact quantum will be dependent on future commercial negotiations, should operate to address concerns around continuing to achieve the broader social and economic benefits outlined.

In addition, it should be acknowledged that the brand value of the stadium and Devils Football Club has the potential to decrease the investment required to obtain a particular outcome. Put another way, the return on investments promoting Tasmania to tourists and interstate and international businesses may be higher because the brand value generated by the stadium and the Devils Football Club can be leveraged.

Improved Subjective Wellbeing

The Panel notes the Proponent claim that there would be positive impacts on subjective well-being via association with watching team sport and sports fandom, however dismisses this on the basis of little to no empirical evidence that a stadium and the events it hosts lead to increases in sports participation or associated physical and mental health benefits.

The Panel may have misinterpreted KPMG’s analysis which emphasises grass roots participation driven by explicit investments by the AFL and by the increased profile and presence of professional sport and athletes in Tasmania. KPMG identifies mechanisms by which sports participation would be encouraged and provides references to the literature that used to support KPMG’s findings. KPMG also provides a range of references and examples relating to wellbeing associated with watching team sports and sports fandom. The success of the JackJumpers and the uptake of memberships with the Devils can be seen as indicators of community engagement and increased social connection.

Health Benefits

The Panel acknowledges the health benefits arising through participation in sport, however notes the health benefits presented by the Proponent in the KPMG Reports regarding increased participation in AFL are overstated increased participation, as there is very limited evidence of a positive trickle-down or inspiration effect from watching elite sport at a stadium to greater participation in sports.

See comments in the previous sub-section relating to Improved Subjective Wellbeing.

Appendix 1 – Experience and Expertise

A.1.1 DHW Ludus Infrastructure

The Demand Assessment and Venue Operations components of the overall methodology outlined in KPMG's Supplementary Report was 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.

A.1.2 KPMG's Experience in Stadium and Stadium-related Analysis

Queensland Government – Review of Stadiums Queensland, Major Venues Review; QLD Stadium Taskforce Review.

North Queensland Stadium – Feasibility study and Business Case for a new sporting, entertainment and convention facility in the Townsville CBD.

Brisbane Cricket Ground (the Gabba) – Financial evaluation of the proposed extension of the grounds; Benchmarking of operational performance, and review of management structure; Naming rights review; Management rights review.

Sunshine Coast Stadium – Stadium upgrade feasibility.

Lang Park (Suncorp Stadium) – Financial analysis of redevelopment options; Procurement of venue management services.

Queensland Government 2032 Taskforce – Economic and Social Impact Analysis of the 2032 Olympic and Paralympic Games.

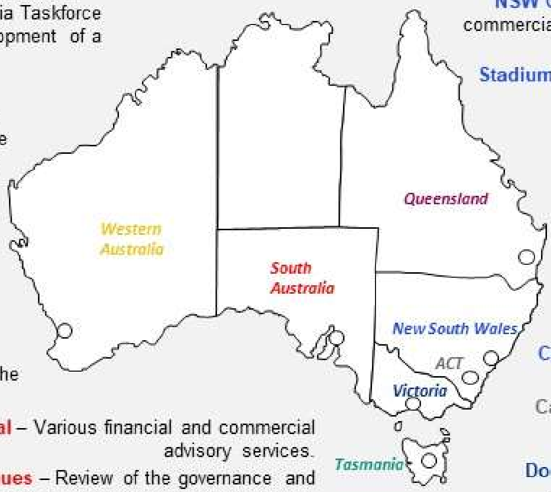
Perth Major Stadium – Assisted in developing the Major Stadia Taskforce Report including the development of a detailed business case.

Perth Rectangular Stadium (nib Stadium) – Financial evaluation for the redevelopment of Eastern Stand; Independent assessment of management model options.

VenuesWest – Contestability review of current operations. Procurement of venue management services at the new Perth Stadium.

Adelaide Oval – Various financial and commercial advisory services.

SA Venues – Review of the governance and management of three State-operated venues.



Tasmanian Government – Support for the Establishment of Stadiums Tasmania.

UTAS Stadium – Trust model option development.

NSW Government – Development of a NSW Stadia Strategy; Development of a commerciality framework for the NSW Government venues; Merger of Venues NSW and Sydney Cricket Ground Trust.

Stadium Australia – Transaction Due Diligence; Redevelopment Project Strategic and Final Business Cases; Economic Impact Assessment.

Sydney Football Stadium – Redevelopment Project Strategic and Final Business Cases; Economic Impact Assessment.

Western Sydney Stadium – Preliminary and Final Business Cases; Procurement of venue management services; Benefits realisation assessment.

Newcastle Stadium – Advice on the venue management structure. Business and financial modelling.

Venues NSW – Portfolio hiring agreement reviews; Venues NSW Regional Venue Management Rights Review.

Central Coast Stadium – Stadium strategy; economic impact assessment; Tender for outsourced operator.

Canberra Stadium (GIO Stadium) and Manuka Oval – Business case and integrated masterplan for redevelopment; Economic impact assessment.

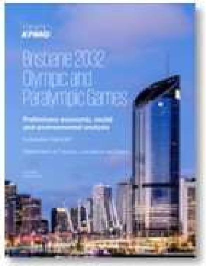
Docklands Stadium (Marvel Stadium) – Financial advisor to the consortium which successfully bid for the right to build, own, and operate the stadium.

Geelong Football Club – Economic impact assessment for the potential expansion of Geelong Stadium (Simonds Stadium).

MOPT – Financial forecasts review.

Western United – Stadium feasibility model and assessment.

Recent outputs and deliverables



KPMG has worked with the Queensland Government's 2032 Taskforce to develop the *Preliminary Economic and Social Impact Assessment of the Queensland 2032 Olympic and Paralympic Games, giving us privileged insight into planned investment in Queensland major venues.*

KPMG was engaged to support the Queensland Government Stadium Taskforce Report, undertaking extensive interstate benchmarking and investigating the need for future investment.

KPMG developed the NSW Stadia Strategy which has led to over $2bn in stadia development in which KPMG assisted on numerous business cases and reviews as well as supporting the merger of Venues NSW and the SCG Trust.

A.1.3 KPMG's Relevant Sector and Service-type Expertise

KPMG Sector Expertise

Sport	Entertainment	Arts & Culture	Convention & Exhibition	Tourism
• Major stadia • Indoor sporting venues • Community sports facilities	• Entertainment centres • Indoor arenas	• Art Galleries • Museums • Performing arts venues	• Convention / exhibition centres • Function / events facilities	• Major attractions • Accommodation

KPMG Service-type Expertise

- Policy development and reviews
- Strategic & business planning
- Business cases & feasibility studies
- Economic & social impact analysis
- Demand / needs assessments
- Benefits realisation assessments
- Business / operating model reviews
- Establishment / merger assistance
- Financial modelling
- Management & governance arrangement reviews
- Venue hiring & venue management agreements
- Project advisory services, including project governance, benchmarking & project maturity assessments
- Major event & overlay planning, interface & design management, procurement & implementation
- Asset condition audits & capital planning

Appendix 2 – EIA Counterfactual

A.2.1 Economic Impact Assessment Counterfactual

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 on.[3]

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).

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] 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 of revenue that is then spent by the government on a range of services and programs.

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 the unrealistically restrictive assumption 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
- 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 project.[4] 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 stadium.[5] 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.

[4] 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.

[5] 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.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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