HOBART STADIUM

Cost Benefit Analysis Report – Final Full Report

11 November 2022

About this Report

Overview

MI Global Partners (MI) has been commissioned by Events Tasmania (ET) to undertake a cost-benefit analysis (CBA) of developing a new 23,000 seat stadium in Hobart.

A CBA is a widely accepted tool to identify the key socio-economic impacts of a project and is the preferred method of economic analysis by State and Federal Governments to understand the value for money and viability of government investment into major infrastructure.

The methodology used to conduct a CBA was developed in accordance with Infrastructure Australia's Guide to economic appraisal and State and Territory Guides to Cost Benefit Analysis, and assesses the incremental impact of developing Hobart Stadium over the current base case scenario (i.e. the status quo - no development of the Hobart Stadium).

Benefits and costs in a CBA are expressed in monetary terms and are adjusted for the time value of money, referred to as discounting. All flows of benefits and costs over the evaluation period are expressed in terms of their present value (AUD$ 2022), regardless of whether they have been incurred at different times. A discount rate aligned with Government policy (7%) is used to determine the present value of costs and benefits.

In compiling this report, MI has used the same content, attendances and visitation data utilised for the Hobart Stadium Optimisation Analysis report. MI has also utilised its significant internal Tier 1 and Tier 2 stadium data to ensure the financial and economic assumptions for Hobart Stadium are in line with comparable stadiums.

All assumptions used and sources of information are detailed throughout the report.

Disclaimer

MI has prepared this report in conjunction with and relying on information provided by third parties. We do not imply, and it should not be construed that we have performed any audit or due diligence procedures on any of the information provided to us.

Accordingly, MI do not accept any responsibility for errors or omissions, or any loss or damage as a result of any persons relying on this report for any purpose other than that for which it has been prepared.

The report should not be provided to any other persons other than representatives of the Tasmanian Government or made public without the prior written consent of MI.

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Illustration purposes only

Section 1

Assessment Overview

Defining the assessment scenarios

Options to be assessed

The assessment will seek to analyse the incremental economic impact of the project case compared to the base case. The two scenarios are defined as follows:

The Base Case

A do nothing scenario, where existing stadia infrastructure in Tasmania (i.e. UTAS Stadium and Blundstone Arena) host all major event content in Tasmania. It should be noted that some event content will continue to be hosted by the two stadiums even if the new stadium is developed. For the purposes of this analysis, these events have been excluded (i.e. no incremental change), however the base case includes 16 existing annual events that will potentially move to the new stadium.

The $65M committed by the Tasmanian Government for the redevelopment of UTAS Stadium is captured under the base case.

The Project Case

A new 23,000 roofed stadium is developed at Macquarie Point in Hobart for $750M. The stadium will host 44 events per year (i.e. 28 new events)

Reference Group

Due to the geographical size of Tasmania, the reference group is considered the residents, businesses and Government of Tasmania.

Core Appraisal Assumptions

Discount rate

The discount rate is a critical parameter in a CBA whenever costs and benefits differ in their distribution over time, especially when they occur over a long time period.

To assess the viability of a potential project, a business or Government may use the weighted average cost of capital (WACC) as the discount rate, which is the average cost paid for capital from borrowing or selling equity.

This appraisal, utilises a discount rate of 7% as per Infrastructure Australia's Guide to economic appraisal.

Time increments

Demand projections, costs and benefits is presented in annual terms.

Base year and appraisal period

The base year is defined as the first year of the evaluation period, providing the base date for costs and benefits to be discounted back to.

As the funding decision is likely to be made in 2022, the CBA's base year will therefore be 2022. The appraisal period to assess the impact of Hobart Stadium from 2023 (i.e. year 1) to 2048 (i.e. 20 years post construction).

Inflation

Inflation in future years is excluded from the analysis as per cost-benefit analysis guidelines, however unit costs pre 2022 have been indexed to 2022 using 2.5% as per the Reserve Bank of Australia historic trend.

Appraisal Framework

The adjacent figure provides an overview of the approach of developing the CBA for Hobart Stadium.

The CBA measures the incremental socio-economic costs and benefits (i.e. net benefits) of developing the Stadium relative to the base case. The costs and benefits are attributed to the State of Tasmania, with individuals (i.e. consumers), businesses, and Tasmanian Government being the bearers and beneficiaries of the project.

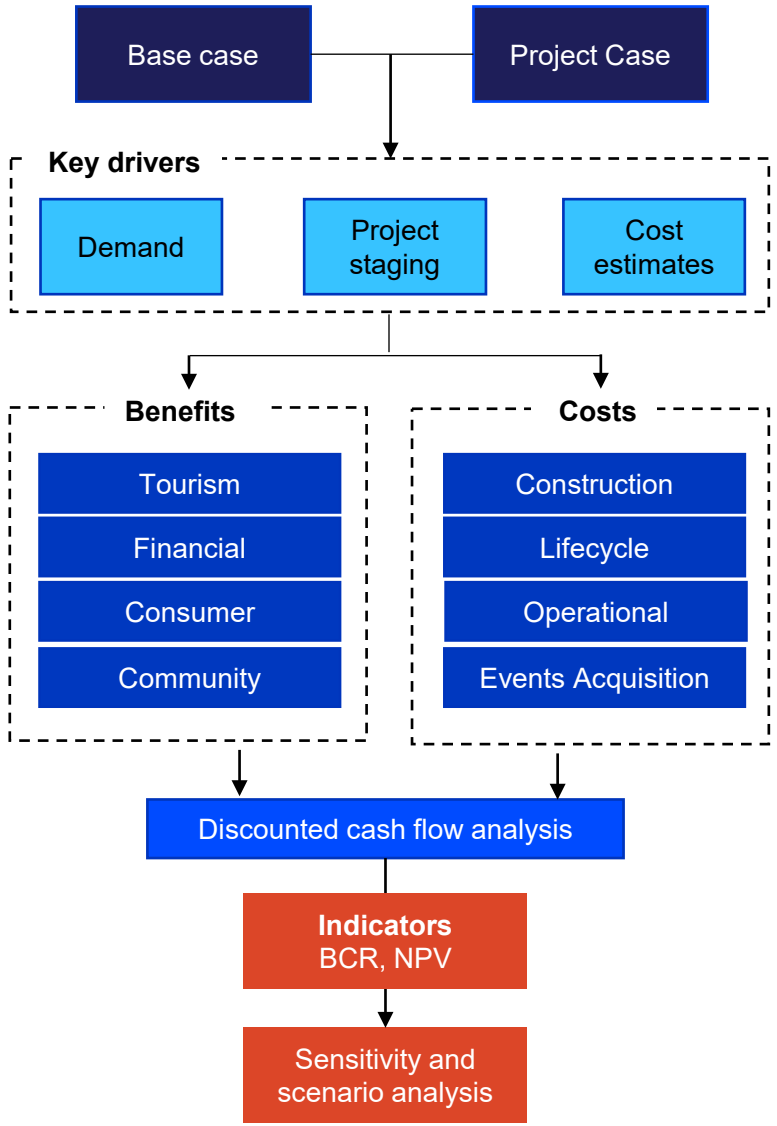
The project case will generate tourism benefits to the State through new event content and increased interstate and international visitation as well as uplifts in financial revenue through hiring fees, food & beverage and sponsorship. The project will also deliver an uplift in consumer benefits (i.e. local event attendees) by enhancing the stadium amenity and creating a more compelling, comfortable, and exciting live sports and entertainment experience as well as benefits to the local community that will not necessarily attend events at the stadium such as improved urban amenity.

The cost of the project includes the initial construction costs as well as ongoing annual lifecycle, operational and event acquisition costs.

Three key drivers have been identified for the analysis which have the greatest impact on the CBA results. These include:

- Discount rates;
- Demand such as event content, attendees and visitors; and
- Cost estimates including the new infrastructure capital and operational costs and event acquisition costs.

Sensitivity testing has been completed for these key drivers.



Key Project Assumptions

The following impacts have been identified in order to develop the Stadium. The bearers and beneficiaries of these impacts are Tasmanian residents, businesses and Government.

A combination of market valuations and benefits transfer methodologies have been used to project the value of these costs and benefits over the next 20-30 years.

Cost Impacts

Costs	Bearer	Description	Assumptions	Method and Source
Construction Costs	Government	Initial construction costs of the new stadium	$676,460,000 2023 - 2028	WT Cost Plan report – August 2022 (excludes escalation as per cost-benefit analysis guidelines)
Life Cycle Capital Costs	Government	Ongoing annual capital costs of maintaining the stadium	[redacted] of the overall construction costs on average per year from 2029	RLB – July 2022 (Similar LCC costs for a 25,000 roofed stadium in Australia)
Operational Costs	Government	Incremental operational costs to deliver new content to the stadium	$8,383,965 per year from 2029	Benchmarked against Tier 2 stadiums in Australia (20,000 to 25,000 capacity)
Event Acquisition Costs	Government	Incremental costs to acquire the new content to the stadium	$5,500,000 per year from 2029	MI IP and major event knowledge bank

Key Project Assumptions

Benefit Impacts

Benefits	Beneficiary	Description	Assumptions	Method and Source
Tourism Benefit	Businesses / Government	Benefits (Producer / Gov't & Labour surplus) through increased interstate and international visitors and operational expenditure as a result of new event content	$16,274,295 per year from 2029	[redacted]
Financial Benefit	Government	Estimated uplift in stadium revenue (i.e. hiring fees, food & beverage, ticketing commissions, sponsorship) as a result of new event content	$16,243,927 per year from 2029	Benchmarked across four Tier 2 stadiums in Australia (20,000 to 25,000 capacity)
Consumer Benefit	Consumers	Consumer user benefits (i.e. local Tasmanian event attendees) through enhanced stadium amenity and event experience	$3,104,015 per year from 2029	Benchmarked against Tier 1 and 2 stadiums in Australia (20,000 to 45,000 capacity)
Community Benefit	Local Community	Consumer non user benefit to local Tasmanian residents includes option value (the benefit of having the option to use an asset), social value (the benefit of an asset facilitating social interaction and well-being), and passive value (the benefit of an asset to enhance local amenity for the community).	$1,613,410 per year from 2029	Benchmarked against Tier 2 stadiums in Australia (25,000 capacity)
Terminal Value	Government	The value of the net benefits at the end of the evaluation period	50 year life	Assessment framework 2021 Guide to economic appraisal

Section 2

Impact of investment

Defining the base case

In order to identify the impact of Hobart Stadium, first the base case (i.e. the status quo) must be defined, that is what will occur over the next 20-30 years without the development of Hobart Stadium.

Tasmania currently has two Tier 2 stadiums (UTAS Stadium in Launceston and Blundstone Arena in Hobart) that currently host local, domestic and some international events. The current quality, standard and capacity of these stadiums are limiting the State's ability to host elite sport and entertainment content if no action is taken.

Current event content includes:

- AFL matches (4 Hawthorn matches at UTAS and 3 North Melbourne matches at Blundstone Arena)
- Hobart Hurricanes (men's and women's) BBL matches at mostly Blundstone Arena
- International cricket (ODI, T20 and Test matches at Blundstone Arena)
- A-League matches (2 Western United matches at UTAS Stadium)
- Non stadium content like Dark Mofo and Mona Foma, Targa, Festival of Voices, Australian Wooden Boat Festival)

There are a number of events such as some BBL matches, international test match cricket versus Tier 2 nations, and four AFL matches (UTAS) that will continue to be hosted at the existing stadiums. These events have been excluded from the base case scenario and the analysis due to being no incremental change.

The following events have been included in the base case as they could potentially move to the new Hobart stadium and likely see increased benefits.

Event	Avg number of events per year	Attendance per event	Projected total attendance	Projected total visitation
AFL matches vs Melbourne sides	1.5	13,500	20,250	6,075
AFL matches vs Non - Melbourne sides	1.5	10,500	15,750	3,150
BBL Matches	3	10,000	30,000	3,000
WBBL Matches	3	5,000	15,000	750
A-League matches	2	7,500	15,000	750
Existing non-stadium events	5	6,000	30,000	4,125
Total	16		126,000	17,850

Note: The AFL matches included in the Base Case includes the three currently held at Blundstone Arena. The additional four AFL matches currently held at UTAS Stadium have been excluded from the Base Case as should a new AFL team be established in Tasmania and even if the Hobart Stadium is developed, four matches will continue to be hosted at UTAS Stadium. The project case shown on the following page details 7 AFL matches to be played at Hobart Stadium, which is an incremental uplift of 4 AFL matches (i.e. 7 AFL matches minus the three Blundstone matches detailed above).

Event content projections

The Hobart Stadium Optimisation Analysis Report (MI Global Partners – August 2022) was utilised to estimate the projected new event content, attendances and visitation to ensure comparability between the two reports.

- Hobart Stadium is assumed to be operational in 2029 and host up to 44 events per year
- It is estimated that the **stadium could see 572,438 in attendance each year, and 113,153 interstate and overseas visitors each year.**
- When taking into account existing content in Tasmania (i.e. base case assumptions on the previous page), the incremental uplift is 446,438 in attendance and 95,303 interstate and overseas visitors.

Content	Projected number of events at Hobart Stadium	Attendances per event	Projected Total Attendance	% of interstate and international visitors	Projected Total Visitation
AFL Final	0.25	23,000	5,750	35%	2,013
Entertainment - Tier 1 Content	3.00	30,000	90,000	5%	4,500
AFL matches vs Marquee Melbourne side	2.00	23,000	46,000	35%	16,100
Entertainment - Adhoc Sport Events	3.00	22,500	67,500	50%	33,750
Football - Socceroos Tier 2 / Matildas Tier 1	0.25	22,500	5,625	30%	1,688
Rugby - Wallabies Tier 2 Content	0.25	22,500	5,625	30%	1,688
AFL matches vs average Melbourne side	2.00	20,000	40,000	30%	12,000
Cricket Ashes content	0.13	67,500	8,438	15%	1,266
World Cup Tier 4 Content	1.00	17,000	17,000	40%	6,800
Entertainment - Tier 1 minus Content	5.00	15,000	75,000	3%	2,250
AFL match vs Non Melbourne side	3.00	15,500	46,500	15%	6,975
Cricket - Men's ODI / IT20	0.50	17,500	8,750	30%	2,625
Cricket - BBL Content	4.00	10,000	40,000	15%	6,000
Existing Mass Participation Events	0.25	15,000	3,750	50%	1,875
Super Rugby Magic Round	0.25	20,000	5,000	30%	1,500
Rugby - Melbourne Rebels Content	2.00	7,500	15,000	10%	1,500
Football - Western United Content	3.00	7,500	22,500	10%	2,250
Dark Mofo / Mona Foma	2.00	7,500	15,000	25%	3,750
Cricket - Women's ODI / IT20	0.50	7,500	3,750	5%	188
Football - Youth Internationals	0.25	5,000	1,250	5%	63
AFLW Content	2.00	5,000	10,000	5%	500
WBBL Content	4.00	5,000	20,000	5%	1,000
Existing Local Events	3.00	5,000	15,000	3%	375
Business Event	2.00	2,500	5,000	50%	2,500
Total	44		572,438		113,153

Event hiring agreements

Hiring agreements between venue hirers and stadium managers are complex and depend on the facilities available, the size of the venue, the existing venue commercial arrangement in place within the stadium and the competition between venues for events. The result is ultimately the outcome of negotiations.

Typical hiring agreements across Australian stadia include the following revenue / cost sharing components summarised below:

- [redacted]

Hobart Stadium Assumptions (% allocation)

Revenues			Expenses		
Item	Venue	Hirer	Item	Venue	Hirer
[redacted]					
Venue Membership	excluded				

Venue membership has been excluded from the analysis due to the uncertainty of whether the venue will offer specific membership access to all events at the stadium (i.e. similar to Sydney Football Stadium, MCG and Suncorp Stadium model) or if it will be club led membership for AFL matches only (i.e. the West Coast Eagles, Adelaide Crows and Geelong Cats model).

Quantification of project costs

Construction costs

Quantity surveyor (WT Partnerships) has assessed the concept plan (August 2022) for the development of Hobart Stadium at Macquarie Point and have estimated the construction cost to be $676.5 million* (AUD$2022). The cost has been allocated across 2023 to 2028 accordingly:

- [redacted]

The facility is expected to be operational in early 2029.

* Note WT's cost plan ($740M) includes 9.5% escalation until quarter 1 2025, which has been removed for the purposes of this analysis

Life cycle capital costs

The ongoing lifecycle costs have been estimated using a recent cost planner report (RLB – July 2022) for a stadium with similar size and specifications to the proposed Hobart Stadium.

The ongoing capital costs for this stadium was estimated at [redacted] of the overall construction costs per year.

The annual % cost for Hobart Stadium was replicated from the RLB estimation. For example, it is projected that for the first five years of operation, there would be no additional capital costs to maintain the stadium, with the majority of costs incurring post 15 years of operation.

Year of operation	% of construction cost	Total lifecycle costs for Hobart Stadium
Years 0 - 5	[redacted]	
Years 5 -14		
Years 15 +		
Total		

The overall construction ($676.5M) and ongoing lifecycle capital costs ($49.5M) to develop and maintain Hobart Stadium from 2023 to 2048 is $726M

Quantification of project costs

Operational Costs

Direct and indirect stadium costs

The direct and indirect costs shown in the table are attributed to operating a stadium. Three Tier 2 stadiums in Australia have been benchmarked to ascertain what the estimated projected annual operating costs will be for Hobart Stadium.

It is projected that the new Hobart Stadium will cost just under $5.8M per year to operate which includes costs to maintain and replace the turf, maintain the facilities, utilities, employees, admin and other costs.

It is projected that the direct operational costs will be higher than the three similar venues benchmarked for this analysis due to the increase in content and additional facility maintenance costs due to the proposed roof.

It should be noted that for the base case scenario, although the indirect costs for the existing UTAS Stadium and Blundstone Arena will be maintained, there will be a proportion of direct costs that would have incurred for the 16 existing events that would shift to the new Hobart stadium.

It is estimated that these 16 events incur a cost of $0.8M and therefore the incremental direct and indirect stadium operations cost is $5.0M.

Cost	Venue A Old 20,000 seat stadium	Venue B New 30,000 seat stadium	Venue C New 25,000 seat stadium (Roof)	Projected Hobart Stadium
Direct operational costs	[redacted]	[redacted]	[redacted]	44 events
Turf maintenance	[redacted]	[redacted]	[redacted]	$253,000
Turf replacement	[redacted]	[redacted]	[redacted]	$1,000,000
Facilities maintenance	[redacted]	[redacted]	[redacted]	$2,377,388
Utilities	[redacted]	[redacted]	[redacted]	$797,117
Indirect operational costs	[redacted]	[redacted]	[redacted]	
Employee expenses	[redacted]	[redacted]	[redacted]	$1,177,000
IT, marketing, legal, and accounting	[redacted]	[redacted]	[redacted]	$183,000
Total	[redacted]	[redacted]	[redacted]	$5,787,505

Quantification of project costs

Operational Costs (cont.)

Event day costs

An assessment of actual event day costs was undertaken across several stadiums (including UTAS Stadium) for major events in Australia. These costs typically include security, cleaning, waste, emergency services, video screens and police.

Event costs can be estimated per attendee, and the smaller the crowd the larger the per attendee cost is. The below table outlines the cost per attendee for ranges in event attendances.

Crowd	Match days costs per head ($AUD2022)
0 to 7,500	[redacted]
7,501 to 12,500	
12,501 to 25,000	
25,001 to 45,000	
45,000 +	

Based on the projected event attendances, it is estimated that the total event day costs for events at Hobart Stadium is $5.3M and the incremental costs taking into account the 16 base case events is $3.7M.

Event day costs are usually borne by the event owner and hirer of the venue. Therefore, an allocation of just 5% of event day costs have been attributed to the venue to account for the rare occurrence that the event day costs, or proportion of, are covered by the venue itself.

The incremental uplift in event day costs for Hobart Stadium is $185,000 per year.

Food & Beverage costs

Food & beverage revenue assumptions are detailed on page 27 of this report. This appraisal has assumed costs to deliver food & beverage to be 30% of revenue.

It is therefore projected that the incremental food & beverage cost for the project case to be $3.2M per year.

The overall incremental operational (direct & indirect $5.0M, event day $0.2M and food & beverage $3.2M) costs for Hobart Stadium is projected to be $8.4M per year.

Quantification of project costs

Event Acquisition Costs

This cost represents the additional event attraction funding that would be required to attract and acquire new content to the stadium. Major events are attracted in a competitive process whereby tourism and major event bodies within Australia all compete for visitation from major events. This is not the case for all events and therefore it has been estimated by each individual event.

MI has utilised its IP and significant internal intelligence on major events including the expected return on investment expectation to project the likely acquisition cost.

It is projected that for Hobart Stadium to acquire and attract 8 - 9 new competitive events to the State of Tasmania, an additional $5.5M is required per year.

Content	Projected number of incremental events at Hobart Stadium	Total estimated annual incremental event acquisition fees
Entertainment – Ad-hoc Sport Events	3.00	-
Football - Socceroos Tier 2 / Matildas Tier 1	0.25	-
Rugby - Wallabies Tier 2 Content	0.25	-
Cricket – Ashes content	0.125	-
World Cup Tier 4 Content	1.00	-
Cricket - Men's ODI / IT20	0.50	-
Existing Mass Participation Events	0.25	-
Super Rugby Magic Round	0.25	-
Rugby - Melbourne Rebels Content	2.00	-
Football - Western United Content	1.00	-
Total	8.625	$5,500,000

Quantification of project benefits

Tourism benefits

Hobart Stadium will attract new expenditure into the Tasmanian economy through:

- The expenditure by new interstate and international visitors in the Tasmanian economy as a direct result of the project (i.e. new content and increased attendances); and
- The expenditure by event owners on new events within the Tasmanian economy (i.e. event day costs).

The additional expenditure will induce further benefits through flow on supply chain effects however the cost-benefit analysis only considers the direct impacts stated above.

The incremental expenditure will deliver benefits through:

- Government Surplus: The benefit that accrues to the Tasmanian Government in the form of new payroll tax
- Producer Surplus: The benefit that accrues to Tasmanian producers and owners of capital (i.e. businesses)
- Labour Surplus: The benefit that accrues to Tasmanian workers.

Event Yield

As per the Hobart Stadium Optimisation Analysis (not replicated here for ease of reading), the visitation expenditure (i.e. yield) is estimated per event based on the event profile (i.e. single day vs multi day) and likely attendee demographics. Event yield is estimated between $775 per visitor (i.e. domestic non-AFL content e.g. BBL) to $900 per visitor for AFL content to $1,150 per visitor for international and World Cup content.

In addition to the visitor spend, 95% of the incremental event costs to host the event will be spent by event owners in the State of Tasmania in order to host the event.

The overall net incremental new expenditure into Tasmania as a result of the new stadium is projected at $100.1M per year.

Government, Producer and Labour Surplus

NSW Department of Premier and Cabinet has estimated that for every dollar spent within the state as a result of event visitation, the economic benefit is [redacted] MI has used this as a proxy to determine the tourism benefit resulting from the Hobart Stadium.

Estimated Tourism Surplus (NSW P&C)	% of direct expenditure	Total Economic Surplus
Labour Surplus	[redacted]	
Producer (Business) Surplus		
Government (Payroll Tax) Surplus		
Total Surplus		

The overall incremental tourism benefit for Hobart Stadium is projected to be $16.3M per year.

Quantification of project benefits

Financial Benefit

The owner and operator of Hobart Stadium, likely to be the Tasmanian Government, will see an uplift in revenue through the following avenues:

- Venue hiring fees;
- A proportion of ticketing revenue and inside charges;
- Food & beverage;
- Venue naming rights; and
- Pouring, supply and signage rights.

Venue Hire Fees

Venue hiring fees from the existing Australian stadium network has been utilised to estimate the potential hiring fee for Hobart Stadium to be $62,500 per event day.

Venue Hire Fee per event day (Stadiums under 50,000)	
Sydney	[redacted]
Melbourne	
Regional NSW	
UTAS Stadium	

Based on the projected event content, Hobart Stadium could generate $2.5M in incremental hiring fee revenue.

Ticketing revenue

The majority of ticketing revenue is retained by the event owner, however 5% has been allocated to the venue to account for inside charges.

Commercial yield analysis was completed on current events held at UTAS Stadium to determine the following average ticketing yield per attendee.

Event Type	Average ticketing yield per attendee
Tier 1 – Tier 1 concerts / World Cup content	[redacted]
Tier 2 – AFL Finals, Cricket, Socceroos, Wallabies	
Tier 3 – AFL regular season	
Tier 4 – A-League, Super Rugby, BBL	
Tier 5 – WBBL, AFLW	

Based on the projected event content, Hobart Stadium could generate $1.8M in incremental ticketing revenue.

Quantification of project benefits

Financial Benefit (cont.)

Food & Beverage revenue

Analysis of historic food & beverage spend per head per event was undertaken to ascertain the average spend for events in stadia across Australia.

Event Type	Average F&B yield per attendee
NRL / AFL	[redacted]
State of Origin	
Bledisloe Cup	
Socceroos	
A-League	
Concerts	
Entertainment (i.e. Monster Trucks)	
Weighted Average	$20.32

$20 per attendee has been utilised for the base case, and an uplift of 15% applied to the project case (i.e. $23 per head) to account for likely better amenities and improved food & beverage options for a new stadium.

Based on the projected event content, Hobart Stadium could generate $10.6M in incremental food & beverage revenue.

Sponsorship, pouring, supply and signage rights

A potential source of stable revenue can be derived from advertising and naming rights of the venue itself. The value of these rights varies considerably between venues with Tier 1 venues (i.e. Marvel Stadium, Accor Stadium, Allianz Stadium and Optus Stadium) seeing naming rights valued at between [redacted] per year.

The valuation of Tier 2 venues can range between $250,000 to $2M per year based on capacity, prominence of the venue and the level of quality event content. MI have projected that Hobart Stadium could see a valuation of [redacted] for its naming rights sponsorship which is similar to what Metricon pay for Carrara Stadium in the Gold Coast and based on the projected 44 events per year.

In addition, and benchmarked against similar Tier 2 venues, Hobart Stadium could generate [redacted] in revenue through pouring, supply and signage rights.

It is projected that the overall incremental financial benefit for Hobart Stadium from venue hire fees ($2.5M), ticketing ($1.8M), food & beverage ($10.6M) and sponsorship ($1.3M) is $16.2M per year.

Quantification of project benefits

Consumer Benefit

Consumer surplus is regarded as the benefit to local consumers over and above the total economic cost of consuming a good or service. This benefit for stadium use is typically measured by the amount the consumer is willing to pay for the experience above the price paid for the experience (i.e. the ticketing price).

To determine the incremental consumer surplus benefits for this project, estimates need to be developed under both the Base and Project Case. The simplified diagram below highlights the methodology used to determine the incremental consumer benefits for an event.

The best practice approach to estimating consumer surplus and an attendee's willingness to pay to attend an event is through primary research, however this requires substantial resources and time to complete. MI have therefore used recently completed cost-benefit analysis for stadiums in Australia as a proxy for Hobart Stadium.

Average willingness to pay for stadium event content (above the ticket price)

The consumer surplus is only applied to the local Tasmanian attendees, which is projected to be 108,150 for the base case and 459,284 for the project case.

It is therefore projected that the overall consumer benefit for Hobart Stadium is $3.1M per year.

Quantification of project benefits

Community Benefit

A number of global literature studies have found evidence of a community benefit from the development of sport & entertainment infrastructure.

Community benefit (i.e. consumer non-use surplus) can be derived from three sources. These include:

- Option value – the benefit of having the option to use an asset
- Social value – the benefit of an asset facilitating social interaction and well-being; and
- Passive value – the benefit of an asset to enhance local amenity for the community.

Due to the expectation that the Hobart Stadium would be a stadium for all Tasmanians, the catchment population that would receive a community benefit is considered the entire population of the State.

MI has used the average of recently completed CBAs for stadiums in Australia as a proxy for Hobart Stadium.

Average non-use community benefit per resident for stadium development

The annual non-user community benefit is applied to the Tasmanian population (i.e. 538,509 in 2022), growing on average 0.23% per year.

It is therefore projected that the overall community benefit for Hobart Stadium is $1.6M per year.

Quantification of project benefits

Terminal Value

The terminal value benefit of the project represents the economic value of Hobart Stadium at the end of the evaluation period. The value has been estimated for the remainder of the economic life of the asset that extends beyond the evaluation period and has been included as a benefit in the final year of the evaluation period.

For the purposes of this analysis, its has been assumed that the stadium will have a 50-year economic useful life (stadia benchmark). This equates to 30 years longer than then 20 operational years evaluation period.

The net benefit includes the total tourism, financial, consumer and community benefit minus the ongoing lifecycle costs (estimated at 0.31% of construction costs each year), incremental operational and event acquisition costs. Due to the effect of discounting, the net benefit of $21.3M per year is significantly reduced in the years post the evaluation.

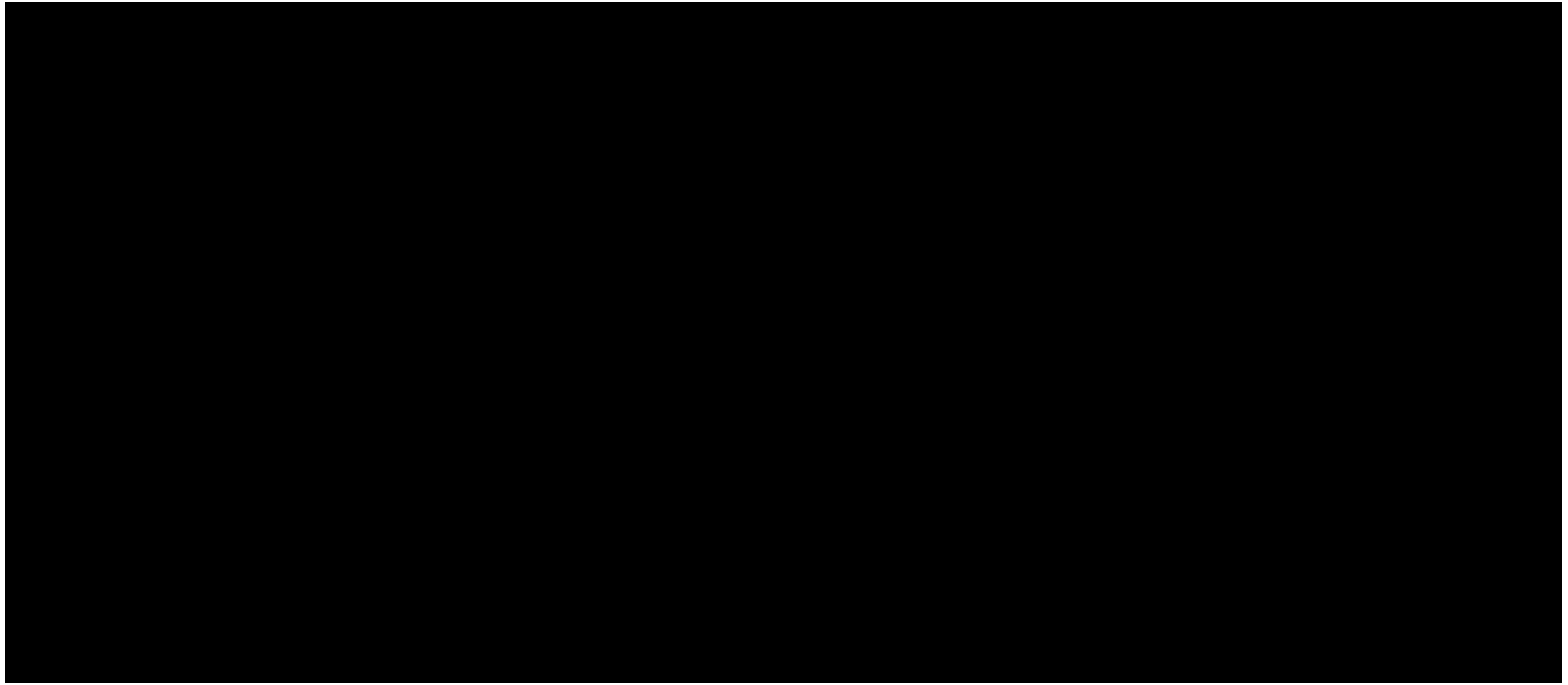
It is therefore projected that the overall terminal value for Hobart Stadium in 2048 is $284.7M, discounted to $49.0M in present day values.

Annual costs post construction	
Life Cycle Capital Costs (avg)	$2,121,836
Operational Costs	$8,383,965
Event Acquisition Costs	$5,500,000
Total	$16,005,801
Annual benefits post construction	
Tourism Benefit	$16,274,295
Incremental Revenues	$16,243,927
Consumer Benefit	$3,104,015
Community Benefit	$1,613,410
Total	$37,235,646
Net Annual Benefits post construction	$21,229,846

Section 3

Cost-benefit analysis

Cost benefit analysis



Cost benefit analysis summary

$AUD (000,000's)		
Costs	**Nominal Value**	**Present Value**
Construction costs	$676.5	$510.2
Life Cycle Capital Costs	$49.5	$9.9
Operational Costs	$167.7	$59.2
Event Acquisition Costs	$110.0	$38.8
Total Costs	**$1,003.7**	**$618.1**

Benefits	**Nominal Value**	**Present Value**
Tourism Benefit	$325.5	$114.9
Financial Benefit	$324.9	$114.7
Consumer Benefit	$62.1	$21.9
Community Benefits	$32.3	$11.4
Terminal value	$284.7	$49.0
Total Benefits	**$1,029.4**	**$311.9**

Net Benefits	$25.7	-$306.3
BCR		0.50

Summary Position

The overall economic cost of Hobart Stadium is $1.0B, discounted back to $618.1M in present day values (2022$AUD). Capital (construction & lifecycle) costs account for 85% of the total present day economic costs, with operating and event acquisition costs accounting for the remaining 15%.

Over the 20-year post construction evaluation period, the overall economic benefit of Hobart Stadium also $1.0B, discounted back to $311.9M in present day values. The Stadium will generate $115M each in both Tourism and Financial benefits (37% each), $33.3M in consumer use and non use benefits (11%) for the local Tasmanian community and $49.0M in terminal value.

Overall, the Stadium will generate -$306M in net benefits, and a BCR of 0.50.

It should be noted that social infrastructure, particularly stadia rarely achieve a BCR of above 1.0, that is the economic costs most likely always outweigh the economic benefits. When considering the above BCR for Hobart Stadium, the result should be put into context with the results of other comparable stadia which have been funded and constructed.

Stadia Benchmarking	BCR Result
Tier 2 Stadium (30,000 capacity)	[redacted]
Hobart Stadium	**0.50**
Tier 1 Stadium (45,000 capacity)	[redacted]
Tier 2 Stadium (25,000 capacity)	

** Removed avoided capital costs to provide a comparable benchmark*

Additional social benefits

In addition to the benefits that have been quantified as part of this report, the Hobart Stadium will deliver a number of other social benefits that should also be considered.

Civic and community pride

A social and community asset of the scale and importance of Hobart Stadium will hold a place in the heart of the local community, both as the home to the potential new Tasmanian AFL team and as host to a number of new national and international significant sport and entertainment events. A state-of-the-art venue will mean Tasmanians can take pride in both their team and this venue.

The brand of Hobart / Tasmania

A world class stadium, coupled with a new national sporting team and attracting major international events will enhance the Tasmanian brand to both locals and visitors, and play a major part in the transformation of the city and state.

Improved financial outcomes of professional sports

The new stadium will also deliver further financial outcomes to a much wider range of stakeholders including venue suppliers, hirers and sponsors via more content, higher attendances, improved broadcast and increased patron expenditure.

Catalytic effect on development within the precinct

The Hobart Stadium will likely form part of a larger entertainment precinct and its development has the potential to act as a catalyst for a broader reinvigoration of Macquarie Point.

Investment in the new stadium will naturally increase demand for the surrounding amenities and could provide an incentive for investment in the development of a wider precinct and surrounding parts of Hobart. This investment will further uplift the urban amenity delivering further benefits to the State and its residents.

Encouraging greater participation in sport

More sport content, greater attendance and viewership has the potential to encourage spectators, particularly young spectators to participate in sport themselves.

Studies have demonstrated an uplift in participation in sports as a result of the success of sporting teams and major events.

Participation of sport leads to improving physical and mental health outcomes, increasing work productivity and other social benefits such as greater self-confidence and self-esteem, increased intellectual and academic benefits, particularly by improving brain function and decreasing anti-social behaviour, bullying and harassment. Participating in sport also helps develop transferable skills such as leadership skills, teamwork and setting goals which are all applicable beyond sport into normal life.

Sensitivity and scenario testing

Overall, the Hobart Stadium will generate -$301.3M in net present benefits, and a BCR of 0.51. To enable an informed appraisal of the project by the Tasmanian Government, sensitivity testing has been conducted on a number of key variables. This includes testing the:

- Discount rate at 3% and 10%;
- Demand at +/- 20% (event content, attendees and visitors); and
- Costs at +/- 20% (capital, operational and event acquisition costs)

Results

Developing Hobart Stadium returns a socio-economic BCR (0.38 to 0.42) when increased costs (+20%), decreased demand (-20%) and the higher real discount rate of 10% were individually tested. The high cost and low demand variables were also tested in combination to assess a worst-case scenario. This returned a NPV of -$474.5M NPV and a BCR of 0.35.

Hobart Stadium returns a BCR (0.59 to 0.75) when decreased costs (-20%), increased demand (20%) and the lower discount rate of 3% were individually tested. **The best-case scenario (high demand and low cost tested in combination) returns a NPV of -$132.3M and a BCR of 0.73.**

Sensitivity	Low	Baseline	High
Discount Rates	**10%**	**7%**	**3%**
Net Benefits / NPV (2022 $M)	-$324.9	-$306.3	-$198.8
BCR	0.38	0.50	0.75
Costs	**20%**	**-**	**-20%**
Net Benefits / NPV (2022 $M)	-$429.9	-$306.3	-$182.6
BCR	0.42	0.50	0.63
Demand	**-20%**	**-**	**20%**
Net Benefits / NPV (2022 $M)	-$356.5	-$306.3	-$256.0
BCR	0.42	0.50	0.59
Scenarios	**Worst**	**Baseline**	**Best**
Net Benefits / NPV (2022 $M)	-$480.2	-$306.3	-$132.3
BCR	0.35	0.50	0.73

Thank you

Ryan Matzelle
Principal

T +61 (0) 2 9954 7555
E info@mi.com.au
W www.mi.com.au

Level 10
99 Mount Street
North Sydney
NSW 2060

About MI Global Partners

Over the last 20 years, MIGP has been leading and partnering to deliver the world's best events, sports and place projects.

Our experience has given us the insights and unique capacity to understand the full project lifecycle - from Inception to Celebration.

We are major event specialists. We have been involved in every Summer Olympic Games since Sydney 2000 and every Rugby World Cup since 2003. Our event services include event strategy, feasibility, bidding, operational delivery and post-event evaluation.

Sport is our passion. We have assisted major sporting codes around the globe with the development of strategic projects from competition expansion and facilities planning to growth, community impact, policy development and governance.

Place is at the heart of what we do. We have created and delivered iconic place projects across Sport, Arts and Culture. Our skills include strategy, feasibility, business case development, project delivery support and post project evaluation.

As a business we strive to shape and advance the world of event, sport and place delivery. We are committed to doing what it takes to deliver the very best for our clients and their project outcomes for today and into the future.