

**Ella Bay
Beach & Golf Front Residential Resort Community
Economic Impact Study**

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Executive Summary

Development company, Ella Bay Developments Pty Ltd, is proposing a \$2.1 billion project for Ella Bay outside of Innisfail in Tropical North Queensland. The project is to be built over a period of approximately ten years.

The Ella Bay project has received *Significant Project Status* from the State Government. Since 1999, only 49 developments in Queensland have achieved such status, and only one of these has been a residential development – until Ella Bay became the second in September 2005.

The project's size compared to the relatively small Shire of Johnstone will mean that Ella Bay will have a significant impact on the local community, bringing benefits such as increased employment and training opportunities, population growth, increased economic activity arising from spending by new workers and residents, as well as multiplier effects as individual and business spending flows through the local economy.

The economic benefits include:

- An estimated total development value of \$2.05 billion over ten years.
- 9,100 person years of direct employment during construction, peaking at 2,090 jobs in year 7.
- Wages and salaries of \$364 million for the construction workforce.
- Once fully operational, 760 jobs for the operation of the new resorts, golf course, retail and associated facilities, with salaries and wages of \$23 million per annum.
- An additional 3,300 people permanently living in the Shire, an increase of 17% on the current population, or 1.6% growth per annum.
- An average of 1,135 visitors staying at the resorts at any one time, adding 414,000 guest nights stayed in the Shire.
- A sixfold increase in expenditure by visitors staying in the Shire to \$166 million per annum.
- A major boost to the critical mass of the Shire in terms of tourism infrastructure and commercial accommodation, filling a spot at the quality end of the market.
- A new source of visitors for tourist attractions in the region, which currently rely on visitors travelling from other centres such as Cairns.

- Community benefits that include greater training and job opportunities for local people, particularly for younger people.
- An increase in the Johnstone Shire rates base by \$9 million per annum.
- \$86 million paid in State Government taxes and \$261 million in Federal taxes over ten years.
- During construction, multiplier effects will include an average of 516 support jobs offsite, plus 610 jobs arising from consumption induced expenditure.
- Once fully operational, multiplier effects will include 175 support jobs offsite, plus a further 195 jobs from consumption induced expenditure.

1. Introduction

This report on the economic impact of the proposed integrated resort and residential development at Ella Bay has been prepared by The 20/20 Group Australia Pty Ltd as part of the process of Ella Bay Developments seeking development approvals.

The analysis provides an indication of the impacts of the development both during construction and its subsequent operation, with particular focus on the contribution expected to be made by the project in the Johnstone Shire and Tropical North Queensland region.

In undertaking this analysis, The 20/20 Group has relied on information supplied by the proponent and their advisors. Whilst every effort has been made to accurately reflect the intentions of the proponent, it should be noted that the scale, mix and timeframes of the development may change over time in keeping with variables such as planning requirements and changes in market demand.

Economic impacts can broadly be grouped into two parts:

- The initial or direct impacts, which will include:
 - Increased activity in the Shire arising from the turnover of the developer and other businesses involved in the construction of the project.
 - The activity of the new businesses located at Ella Bay once they become operational, such as the resorts and commercial operators.
 - The purchases made by the businesses in the local economy.
 - The employment in these businesses and the wages and salaries paid to employees.
 - The benefits to industry, especially tourism, as the project raises the quality and quantity of tourism product.
 - The benefits to the local community arising from increased job and training opportunities, improved infrastructure and new facilities.
- The flow on or indirect benefits are those that are referred to as multiplier effects and include:
 - The benefits that occur as inputs purchased from those businesses not directly involved in the development of the project, or subsequent operation of facilities, result in purchases from other businesses and so on.
 - The wages and salaries paid to employees, who then spend locally on their personal needs.

2. Project Summary

The proposed development at Ella Bay in North Queensland by Ella Bay Developments is a large master-planned development incorporating four separate resort developments, retail precincts, one championship golf course and 540 residential lots.

The site is approximately 450 hectares. Part of the land is cleared and has been used for many years for grazing cattle. There is dense vegetation across the property, and the site is surrounded on the east side by the ocean and on the other three sides by the Ella Bay National Park. A large part of the land is relatively flat, with slopes increasing to the west.

Ella Bay Developments own the adjacent lot of 70 hectares to the south, on which there are already approvals for 70 villas and a 30-unit beach resort. The development on this 70 hectare site is expected to commence in 2007. These elements are not included as part of this economic impact study.

Tourist Accommodation

There are four resort development parcels proposed, three with prime ocean frontage and one within the golf course/country club precinct. Three of the resorts are likely to comprise self contained apartments ranging from one to three bedrooms, and each resort would average 260 apartments. A fourth precinct, with beachfront and lake frontage, is proposed for 80 resort villas, giving a total of 860 apartments or villas. The target audience for the resorts is predominately the tourist market however some may have a mix of permanent "lifestyle living" residents.

Golf Course

There will be one "signature" championship 18-hole golf course, with a club house that will incorporate other function room facilities.

Residential Lots

It is anticipated there will be a total of 540 residential lots surrounded by park land, most with direct golf course frontage, or with ocean or lagoon views. The average lot size will be 800 m².

Ella Bay Seaside Village

A village will be developed to service both the visiting and resident population. The precincts will include a "high street" that will comprise a small supermarket, cafés and restaurants, resort fashion stores, a public pool, as well as offices for professional services such as an accountant, a real estate office, and medical practitioners. Other elements will include an education precinct consisting of an international school, a recreational centre, a church and an institute for sustainable development.

3. Project Location

Ella Bay is located approximately 90km south of Cairns, the main regional centre in Tropical North Queensland. Cairns has an international airport that is the sixth busiest airport in Australia, and the primary means of access for international visitors to the region.

Road access to Ella Bay currently is via Innisfail, some 9km away, which is the heart of the Johnstone Shire. The coastline in this vicinity is referred to as the Cassowary Coast (Cardwell to Cairns). This sub-region is currently marketed as the Great Green Way.

4. Timing / Development Program

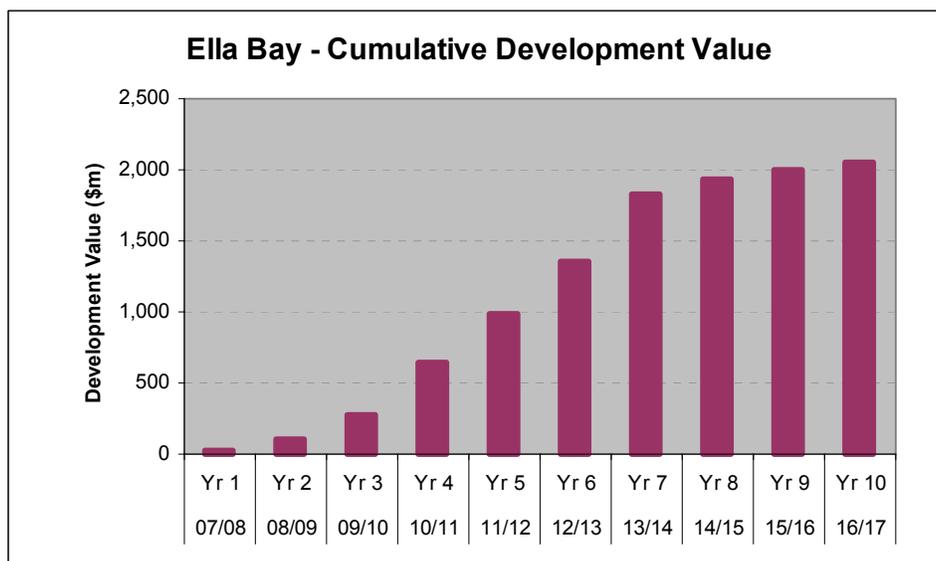
There will be a number of stages in the development of the 450 hectare site. Ella Bay Developments commenced the planning process in 2005, and it is expected that planning and obtaining approvals will take two years. The project is expected to commence in 2007/08 and estimated to take ten years or so to complete. The stages described in the following sections are indicative of the development schedule proposed, but will be subject to final approvals being obtained as well as market demand.

The first phase will include the commencement of the residential subdivision. As these first lots are developed, the golf course will be built, along with its club house and associated facilities. The first part of the retail precinct will also come on stream during this phase.

The second phase will include ongoing development of the residential subdivision precincts, with lots likely to be a mix of golf course frontage, ocean views and possibly the start of the lakeside and conservation reserve precincts. Two beach access resort precincts will be developed over the period. The beachfront villa precinct will also be constructed. Extensions to the retail precinct will be constructed in line with the growth in residential and visitor populations.

The final stage will occur over three years, which will include the final stages of the residential subdivision precincts. The third of the beachfront resorts will come on stream, along with the final extensions to the retail and educational precincts.

The cumulative development value of the total project is shown in the chart below.



5. Employment

The Johnstone Shire had an estimated labour force of 10,611 as at September 2006, with an unemployment rate of 5.0%. Jobs created by the Ella Bay project will occur in two parts:

- Construction jobs
- Operational jobs

The direct construction jobs will be positions that have a finite life, whereas the operational jobs will be ongoing.

Direct Construction Jobs

The number of direct construction jobs has been estimated based on the value of development occurring each year. Industry sources suggest that 40% - 45% of any construction project is labour. This is supported by results from an Australian Bureau of Statistics survey¹ of private sector construction businesses, in which direct labour costs represent 16% of operating expenses and payments to contractors and sub-contractors represent 26%.

This factor is further supported by research conducted for the Urban Development Institute of Australia, Queensland Division², in which it has been estimated that 5.1 full-time equivalent jobs are created for every \$1 million in turnover generated by the development industry.

A conservative factor of 40% of the project value being apportioned to labour has been used in this analysis. This equates to 4.4 direct jobs created for every \$1 million in turnover on the project. Over the ten year construction life of the project, this means that an average of 990 positions is required each year.

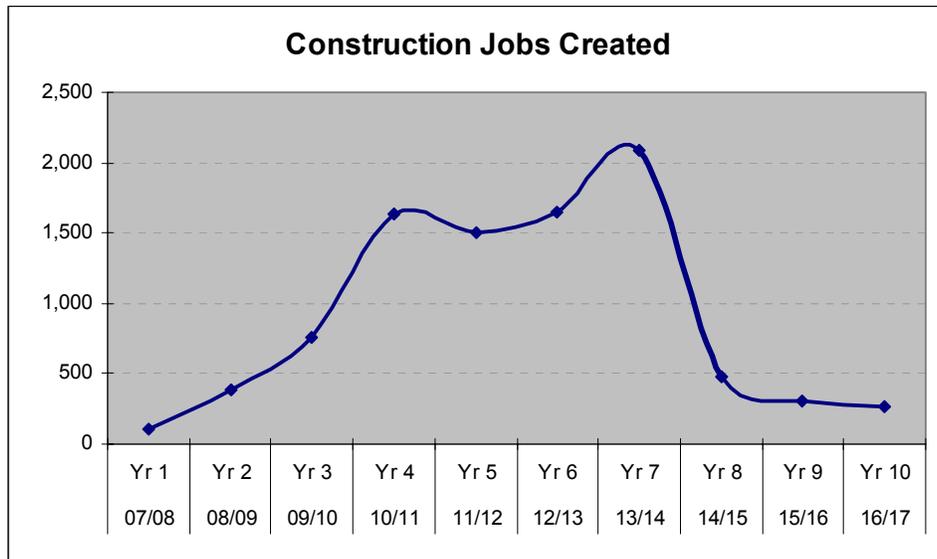
The workers in these construction jobs would earn approximately \$356 million in salaries and wages over the construction period.

Jobs are required at all levels, from professional services, trades and labourers. The jobs are spread unevenly across the project lifespan, starting at 100 jobs in the first year, climbing steadily over years 3 – 6, peaking in year 7 at 2,090 jobs, and dropping off thereafter. The distribution of jobs created is shown in the chart below.

At the end of the period, it is probable that a residual number of construction workers will remain in the Shire as a result of increased building activity generated by the influx of residents and visitors and higher levels of general economic activity.

¹ Australian Bureau of Statistics, *Private Sector Construction Industry 2002-03*, Cat. 8772.0, December 2004.

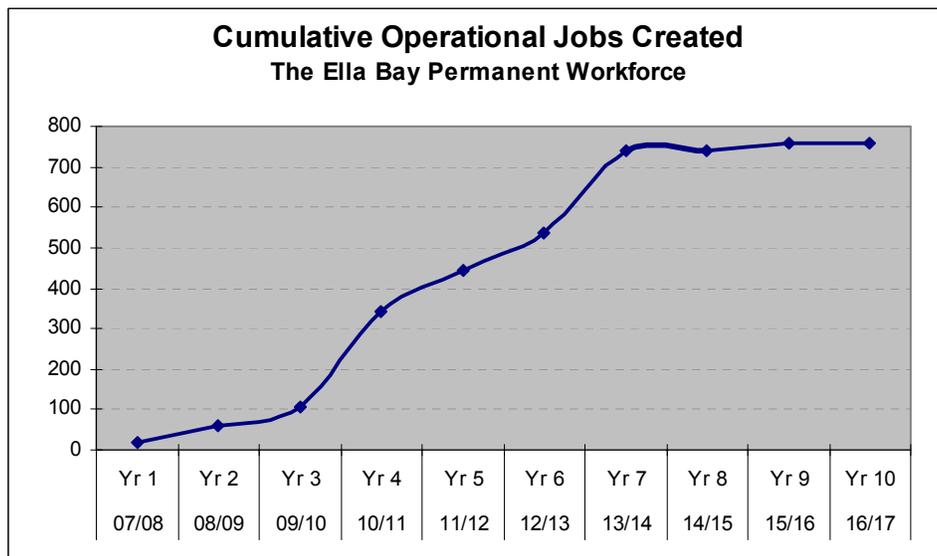
² Ernst & Young, *Economic Impact of the Development Industry in Queensland, 2001/02*, June 2002.



Operational Jobs

The number of operational jobs at Ella Bay has been estimated based on the timing of various project components coming on stream. In the initial couple of years, the workforce is limited to the operation of the golf course and retail precincts and support facilities. However, the resorts create the largest share of the workforce, and the workforce climbs steeply as the resort precincts are developed, peaking at a total of 760 new jobs. Variations to the workforce will occur over the course of the year in line with the tourist season.

At full operation at the end of construction, the workers in these operational jobs will earn approximately \$23 million in salaries and wages per annum.



6. Resident Population

The Johnstone Shire has an estimated resident population of 19,500, approximately 45% of which live in Innisfail, the administrative centre of the Shire. The Shire's population growth has been quite static in recent years, rising by an average 100 people per year over the past ten years, that is at a rate of 0.4% per annum, though in the five years to 2001 the Shire's population actually decreased.

Ella Bay Houses

When fully completed in ten years time, it is expected that an extra 540 households would have been added to the Shire in Ella Bay. Based on the current average of 2.6 people per household in Johnstone Shire, this will add 1,400 people to the Shire's resident population. Given the nature of the residential product and its expected price range, it is anticipated that there will be negligible demand for Ella Bay blocks from within the Shire, hence the new households will result in a net migration into the Shire of 1,400 people. This represents an annual average growth rate of 0.7% on top of the current growth rate in the Shire.

Workers at Ella Bay Resorts & Facilities Living Elsewhere in the Shire

Again, given the product and its price, it is not expected that many workers at the various facilities at Ella Bay would in fact purchase and live in one of the new Ella Bay residential precincts.

In addition, the unemployment rate in the Shire has been dropping over recent years and, as at September 2006, was at 5 %, with 531 people unemployed. This relatively low pool of unemployed people will not meet the demand for newly created positions at Ella Bay and hence will require a net inflow to the Shire. It is assumed that 20% of the 760 new positions will be able to be filled from within the Shire's present workforce. A further assumption is that 15% of the new workforce would commute from outside the Shire. The balance of positions would be filled by new residents, who would also bring with them their families. If these family households are made of the typical 2.6 people, then there will be an additional 1,340 residents in the Shire.

Construction Workforce & Their Families

The direct construction workforce will vary over the life of the project, dependent on the building activity in each stage. Some of that workforce will be quite transient in nature, living and working in the Shire but with no family with them. An assumption has been made that 40% of the construction workforce will be like this. The balance of 60% will come and live in the Shire with their families at least for a period. A final assumption is that the workforce at the end of the period will remain in the Shire and continue working on other projects that are stimulated because of the increased general activity in the Shire.

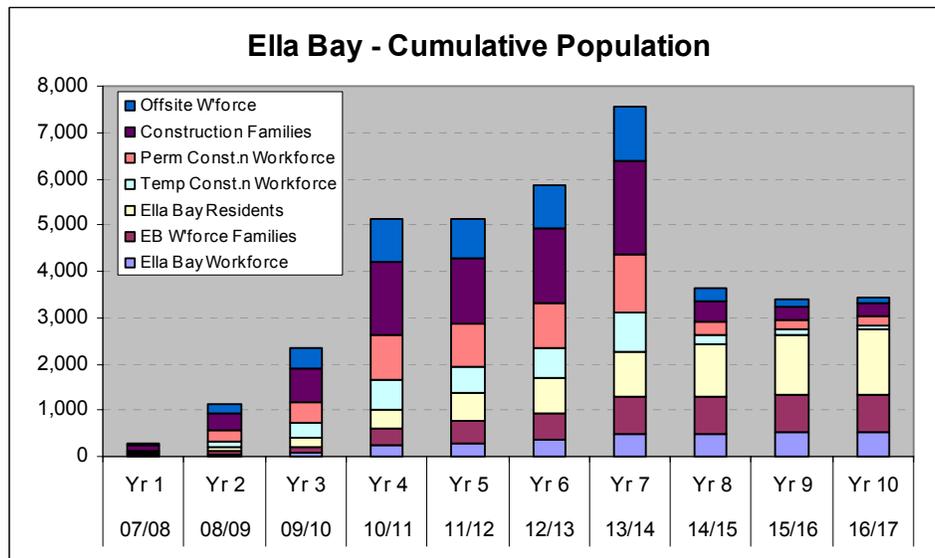
Total Permanent Population Increase

The combined effects of residents living at Ella Bay, Ella Bay workers and their families living in the Shire, and construction workers and their families will directly add some 4,060 people to the population by the tenth year, that is, increase it by 21% or by 2.0% per annum over ten years. This will give a much needed boost to a Shire that has suffered from little or no population growth in recent times.

Resident Population Projections - 2017

| Direct increases in population | Residents | Growth over 10 yrs | Contribution to Av. An. Growth |
|--|---------------|--------------------|--------------------------------|
| 540 lots – average 2.6 people/household | 1,404 | +7.2% | 0.7% |
| Ella Bay workers new to, & living in, Shire | 516 | +2.7% | 0.3% |
| Families of Ella Bay workers living in Shire | 825 | +4.2% | 0.4% |
| Temporary construction workers | 86 | 0.4% | - |
| Permanent construction workforce | 181 | 0.9% | 0.1% |
| Families of permanent construction w'force | 290 | 1.5% | 0.2% |
| Total | 3,302 | +16.9% | 1.6% |
| Estimated Resident Population – June 2003 | 19,523 | | |

The chart below plots the cumulative increase in population over the ten year horizon.



7. Benefits for the Tourism Industry

The project will provide a five-star focal point to showcase the natural values of the Johnstone Shire and will contribute to, and support, the consolidation of a range of existing tourism products in the local region.

Visitor Numbers

The resort facilities would accommodate an average of 1,135 visitors at any one time, peaking at 1,640 with full occupancy in the height of the tourist season. This compares to a little over 2,000 visitors from outside the Shire on Census night in 2001. This equates to approximately 414,000 guest nights per annum, in a top-end market that simply does not exist currently in the Shire. To put it into the regional context, around 14 million visitor nights are spent in The Tropical North Queensland region, which means that the additional nights spent at Ella Bay represent a 3% increase for the Tropical North Queensland region.

Visitor Expenditure

Assuming a modest spend rate of \$400 per day by each visitor to the resort, which includes their accommodation and meal expenses, shopping, activities, excursions and transport, then these visitors would inject around \$166 million per annum into the regional economy. In a study commissioned by Johnstone Shire Council in 2002, Cummings Economics³ estimated that total tourism spending for those staying in commercial accommodation was \$25million. The tourist spending arising from visitors staying at the Ella Bay resort accommodation represents a sixfold increase.

Accommodation Stock

The present commercial accommodation available in the Shire is limited to little more than a handful of lower grade hotels and motels, holiday flats, caravan parks, hostels catering largely to the backpacker market, and a small but growing number of B&Bs. The quality of accommodation in the North Mission Beach area is improving, however there is limited supply. The Ella Bay project would substantially add to the room stock as well as significantly improve the quality of the product. This will increase the attractiveness of the Shire to a wider market, giving rise to opportunities to re-brand this sub-region.

Local Attractions

The Johnstone Shire is home to a number of natural, historical, reef and island attractions and activities that would benefit from a visitor base that is not currently present with existing accommodation establishments. Ella Bay would add that extra dimension that would add substantial numbers of visitors to attractions such as the popular Paronella Park and the proposed MaMu Canopy Walk.

³ Cummings Economics, *Johnstone Shire – Value of “Base” Industries, May 2002.*

Regional Tourism Context

There has been much debate over the years amongst the tourism industry about the need to provide an alternative to the Daintree Rainforest experience. Over the past 20 years the Daintree has achieved an almost iconic status, to the point that visitation levels threaten to “kill the goose that laid the golden egg”. Despite numerous studies into the Daintree tourism phenomenon, little ground has been gained in shifting some of that demand to other rainforest experiences in the region, with the one exception perhaps being the Skyrail trip to Kuranda.

One project that is closer to happening that may provide such an alternative experience to the south of Cairns is the MaMu Canopy Walk, located off the Palmerston Highway. Preliminary assessment of the viability of MaMu suggest that 300,000 visitors could be expected in the first year of operation, based on current visitation to the location of 98,000 visitors and the fact that more than 600,000 people visit Skyrail.

With the current accommodation stock, however, Johnstone Shire is likely to gain little by this increased visitation, other than takings from entry to the canopy walk, some incidental spending and moderate flow through to visitation to nearby attractions such as Paronella Park.

In order to make significant inroads into this market, it will be necessary to improve and increase the accommodation available in the Shire, a role that the Ella Bay project is well placed to deliver.

8. Community Benefits

Skills & Training

Johnstone Shire has an unemployment rate of 5% as at September 2006, with 530 people unemployed. The Innisfail campus of Tropical North Queensland Institute of TAFE is keen to partner with the Ella Bay project to boost the role of the TAFE in providing skills training particularly for trades and hospitality workers. The present campus facilities have sufficient building space to accommodate the extra demand, and indeed there is presently plenty of underutilised capacity.

It is envisaged that the TAFE and Ella Bay construction and operational businesses will develop a formal arrangement that might include resort facilities being used for part of the hospitality training for instance. Having access to greater training opportunities, and subsequent jobs at the end of it, will lead to fewer young people migrating out of the region, that will improve the stability of the local population.

Enhancing the image of Johnstone Shire

The development of a quality tourism product will enable the region to lift its image and present itself as catering to the upper end of the market as well as the conference and incentives sector.

Improvements to infrastructure & Services

The developers of the project will be required to make some contributions to Johnstone Shire Council in order to pay for upgrades to local infrastructure such as roads, benefiting other members of the community, particularly those in the nearby Flying Fish Point and Coconuts communities.

In addition, the newly created residential lots, resort and commercial precincts will add significantly to the Council's annual rate base, again making positive contributions to Council's budget and ability to provide improved services and facilities to Shire residents.

Impacts on Other Businesses

There will be many flow-on effects for existing businesses in the Shire, arising from the new business, resident and visitor expenditure that is generated by the project. This has the potential to push for a revitalisation of other locations in the Shire, including the Innisfail CBD and surrounding communities.

9. Taxation Contributions

The following identifies the main direct components of taxation payments likely to be made to government.

Local Government General Rates

Each of the new properties – residential land, apartments, commercial and golf course – will become rateable once separately titled. Once fully completed, it is estimated that the general rates (excluding sewerage and water) of Ella Bay will be in the order of \$9 million per annum, which compares to the general rates paid by its present owners as primary production land of \$12,000.

As the developer has gone for a sustainable approach and will provide water and sewerage infrastructure, headworks contributions are unlikely to be applicable, or if they are, only minimal.

It is likely that the development of high value land in the Shire, and the increased economic activity generated in the region, will have a tendency to increase property values generally in the Shire, but particularly in neighbouring communities. The added impact of this effect has not been estimated, but will result in a net benefit to Johnstone Shire's rate base.

State Government Taxes

The State Government will receive direct tax payments in the form of Transfer and Mortgage Duty arising from the property transactions that will occur with the development. There are many variables which affect the calculation of these duties, including the value of the property and whether it is for a home, and numerous assumptions have been made. These duties have been estimated at \$38 million to be paid to the State over the first ten years. There will be ongoing duties payable as properties change hands in the future.

There are also going to be many properties that attract Land Tax as a result of property owners holding a high value of land. Again, there are many variables in this equation, but an indication of the Land Tax likely to be paid to the State Government is in the order of \$4 million per annum once Ella Bay is fully developed.

Larger employers involved during construction and operation will be subject to payroll tax, and these have been estimated at \$27 million during the first ten years.

In total, there will be over \$85 million paid to the State Government in various forms of duties and taxes over the first ten years of the project.

Federal Government Taxes

The main components of Federal taxes that have been looked at for the Ella Bay project are personal income tax, GST and company tax. Personal income tax has been estimated at an average rate of 20%, giving an average of \$17 million per annum during the first ten years. This peaks in year 7 at the peak of construction. Ongoing personal income taxes arising from operational activity and consumption induced employment is estimated at \$10 million per annum.

Company tax and GST on the ten year development component is estimated based on average profit margins and industry value added for the development industry⁴. Company tax is estimated at \$38 million and GST at \$51 million over the ten year construction timeframe, giving a total of \$261 million in Federal taxes paid over ten years.

⁴ Australian Bureau of Statistics, *Private Sector Construction Industry 2002-03*, Cat. 8772.0, December 2004.

10. Multiplier Effects

Previous sections have dealt with the direct impacts of the Ella Bay project on the regional economy. An analysis of the flow-on effects through the regional economy is given in this section.

This study has used the input-output multipliers developed by the Office of Economic and Statistical Research⁵ to calculate the flow-on effects through the local economy. Whilst multiplier analysis has limitations because of its heavy reliance on assumptions about behaviour and spending patterns, it provides an indication of the level of flow-on impacts through the economy and the gross activity generated for a given impact on the economy.

The flow-on or indirect impacts arise as a result of subsequent rounds of purchases occurring through the local economy. This could be Ella Bay workers and families spending their wages and salaries in local shops and buying services, and subsequent spending by these retail outlets and service providers and so on. Or it could be local businesses purchasing inputs as a result of Ella Bay related businesses purchasing from them.

Construction Phase

As a result of construction activity occurring on site at Ella Bay, there will be approximately 515 more jobs per annum created offsite involved in supplying the demand of the construction activity. As for the direct employment, these offsite jobs reflect the amount of development occurring year by year, peaking at 1,180 jobs in year 7.

Further employment is generated as a result of the consumption induced expenditure by these construction related businesses and workers in the region. This is estimated at an average of 610 jobs per annum, peaking at 1,400 jobs in year 7.

It is expected that some of these jobs will be created outside of the immediate Johnstone Shire locality, however, it is reasonable to assume that there will be significant additional benefits to the Shire, and that the Far North Queensland region as a whole will capture the lion's share of the additional employment.

Operational Phase

Once fully operational, the various resort and commercial facilities will generate 175 supporting jobs offsite. The consumption induced expenditure will add a further 195 jobs.

⁵ Office of the Government Statistician, *Queensland Regional Input-Output Tables – 1996-97*, 34 Industries.