88 Mill Point Rd Development

Economic Stimulus and Job Creation Summary

PAXON GROUP

Corporate Finance
Management Consulting
Project Finance and Infrastructure

Perth • Sydney • Melbourne • Brisbane • Adelaide • Darwin | December 2020 – Version 1.1

1 Overview

Paxon Group (Paxon) have been engaged through NS Projects and South Link Investments to provide advice in relation to the economic stimulus and job creation impacts of a proposed development at 88 Mill Point Rd (the Project).

The job creation impacts are required as a component of completing an Application for Development Approval for a designated Significant Development, through completion of Form 17B.

This report provides the values required for completion of Form 17B, as well as the methodology for determining these values. A broader economic benefit is also determined and described within this report.

2 Results Summary

The WAPC Form 17B for Significant Development requires two figures in relation to Economic Stimulus and Job Creation. These values are shown in the table below, with the methodology for determining these values outlined within the report.

Table 1: Summary of Employment Benefit

Form 17B Requirement	Value
Jobs generated during the construction phase	1,800
Jobs generated post construction	29

In addition to these employment benefits, the economic benefit of the development has been determined. Table 2 summarises the economic output and Gross State Product benefits derived from the development phase of the project.

Table 2: Summary of Economic Benefit

Form of Benefit	Value
Economic Output Benefit	$273.3 million
Additional Benefit – Gross State Product	$124.5 million

3 Inputs and Assumptions

The economic and employment benefits determined through the analysis have been based on a number of input and assumptions, as detailed below.

3.1 Development Cost

The estimated cost of the development has been provided NS Projects as part of the Development Feasibility Model for the Project. The total cost of construction is $150m, which is the GST exclusive figure. Land purchase costs, as well as fees, contingencies and financing costs, are excluded from the construction cost for the purposes of determining employment benefit, as only direct construction costs will contribute to this benefit.

The construction cost is not broken down by trade or works type, with the approach of using an aggregate construction cost and corresponding aggregated multipliers to determine employment impacts being a generally used approach.

3.2 Post Construction Cost

Benefits post construction are calculated on the basis of an estimated spend on maintenance and lifecycle costs associated with the development. The percentage of development cost which would be incurred as maintenance and lifecycle costs over the first twenty years of the development has been determined based on experience from precedent projects involving high-density residential development.

3.3 Benefit Multipliers

Both employment and economic benefits have been calculated using a multiplier approach. The multipliers utilised have been determined from the outputs of the Victoria University TERM-Australia model. TERM-Australia is a multiregional economic model of Australia developed using a computable general equilibrium (CGE) framework capturing the behaviour of economic agents (producers, households, investors, importers/exporters and government) in Australian regions linked by interregional trade and economy-wide constraints.

For the purposes of this analysis, WA-specific employment and Gross State Product multipliers have been developed, while the Output multiplier used to determine expenditure within the economy uses an Australia-wide Type 2B multiplier.

4 Methodology

4.1 Employment Benefit – Construction Phase

The employment benefit during construction is determined based on the total development cost of $150m. Applying the appropriate multiplier from the TERM-Australia model shows a total employment impact of 1,800 jobs.

This includes both direct and indirect employment. Based on precedent Australian Bureau of Statistics multipliers for both direct and indirect employment impacts, this total employment impact can be broken into a direct employment and indirect employment figure. Of the 1,800 jobs calculated, 438 of these are direct employment. It is, however, considered reasonable to include both direct and indirect employment in the Form 17B response.

4.2 Employment Benefit – Post-Construction

The employment benefit post construction is based on the average annual spend on maintenance and lifecycle replacement for the development. This is likely to cover elements of the facility such as central plant, lifts and external facilities which require maintenance or lifecycle replacement over the period post-construction.

To determine the annual value of works, an average value over twenty years has been determined. This is calculated as a percentage of total capital cost, based on precedent projects for which asset management plans are available. This amount is averaged over twenty years, noting that the actual expenditure will be a lumpy profile over that time, with increased expenditure in years where significant lifecycle replacement works are required. Expenditure is also likely to be weighted towards the end of the twenty year period.

Based on the precedent values, and average annual spend of approximately $2.4 million is calculated, which translates to an employment benefit of 29 jobs on an annualised basis.

4.3 Construction Phase Economic Benefit

In addition to the employment benefits calculated in response to Form 17B, the broader economic benefits of the development have been determined to further demonstrate the positive impact of the proposed development.

4.3.1 Economic Output Benefit

The total economic output arising from the development can be calculated. This represents the total value of expenditure in the economy, including both direct spend on the development and subsequent spend with suppliers and contractors.

An appropriate multiplier is derived from the CGE-based TERM-Australia model, which then determines the overall Economic Output Benefit to be $273.3m.

4.3.2 Additional Value Achieved – Gross State Product

The Economic Output Benefit does not take into account additional value achieved for the State, which is captured within Gross State Product (GSP). GSP is a measure of value adding that occurs in an economy. Broadly speaking, GSP represents income accruing to individuals and firms in the economy as wages, profits and other forms of compensation (such as superannuation).

The additional benefit to GSP has also been calculated based on the CGE model outputs, which derive a multiplier of 0.83x for GSP. This indicates that the total economic benefit achieved in terms of additional GSP is $124.5 million.

Perth

Level 5, 160 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9476 3144

Sydney

Level 15, 56 Pitt Street
Sydney NSW 2000
Telephone: +61 2 8379 6144

Melbourne

Level 27, 101 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9111 0046

Adelaide

Level 30, 91 King William Street
Adelaide SA 5000
Telephone: +61 8 8113 5739

Darwin

Level 16, 19 Smith Street, The Mall
Darwin NT 0800
Telephone: +61 8 6270 7108

Brisbane

Level 19, 10 Eagle Street
Brisbane QLD 4000

www.paxongroup.com.au

providingvalue