

Extract from submission to Maroochy Shire Council of analysis prepared by KPMG 20 Dec 2006 for President's Club regarding economic assertions in Lend Lease application to re-develop Hyatt Resort.

1 Executive summary

1.1 Background and purpose

KMG has been engaged to review the reasonableness of the SGS Economics & Planning's report' ("the SGS report") on the economic impacts of redeveloping the Hyatt Coolum Resort ("the Resort") It is understood that the SGS report has been submitted to the Maroochy Shire Council to support Lend Lease Development's (LLD) proposed Hyatt Coolum Resort development application. The salient points identified in reviewing the reasonableness of the SGS report are summarised in Section 2 (Note: *Available on request from CBP&RA*).

1.2 Definitions

Two key terms used throughout this report are defined below

- "Existing Masterplan" - the approved Hyatt Coolum Resort Masterplan, and
- "Proposed Masterplan" - the proposed Hyatt Coolum Resort Masterplan, as described in LLD's development application.

1.3 Key findings

In summary, our assessment has uncovered a number of oversights and inaccuracies in the SGS report The key being the-

- *Misleading description of the SGS report* - as the report did not compare the economic benefits of the Existing and Proposed Masterplans, though it purported to do so. Further, upon closer examination it was found that economic benefits generated by the Existing Masterplan are only marginally smaller than those generated by the Proposed Masterplan .
- *Impact assessment methodology* - Computable General Equilibrium (CGE) modelling, the preferred methodology of Queensland Treasury, has less limitations associated than the Input-Output (I-O) methodology adopted by SGS
- *Need for more detailed analysis (cost-benefit analysis) to support claim* - there are some important costs (economic, social and environmental) which need to be balanced against the benefits (including those to Council) claimed by SGS. Further, Queensland Treasury prefers the use of cost-benefit analysis when conducting financial and economic analysis of project options
- *Use of "gross " expenditure as opposed to "net" expenditure* - this approach has resulted in an over-estimation of economic benefits, as clearly not every new resident or visitor to the region would have based their decision to reside or visit the Sunshine Coast solely on the Proposed Masterplan development. In short, a significant proportion would have done so regardless of the Proposed Masterplan.
- *Double counting of resident expenditure* - residents' expenditure in the region has been double counted in the SGS assessment, given the components (food and beverage, recreation, etc) of household expenditure have also been included in measuring benefits arising from residents' expenditure at the resort
- *JLLH's assessment of Hyatt Coolum Resort's inability to support Resort expansion* - JLLH's dismissal of the Existing Masterplan as enviable on the basis of traditional funding / financial return model is simplistic and fails to take account of the other motivations of resort investors (capital growth, taxation, and lifestyle) .
- *JLLH projections of residents' expenditure at the Hyatt Coolum Resort* - it appears that the

resort expenditure level is significantly overstated, given its unlikely that 68% of residents' expenditure on food, non-alcoholic and alcoholic beverages, recreation and personal care will occur solely within the confines of the resort each day

~ *JLLH projections of guests expenditure at the Hyatt Coolum Resort* - it appears that additions to competitive supply have not been considered by JLLH when preparing its Resort occupancy projections. In short, it would be incorrect to assume that the additional 244 holiday units, to be let for short-term accommodation, will have no negative impact on demand for the existing Resort rooms. Particularly, given they are new and located in closer proximity to the beach .

Given the above, we conclude that the SGS report findings should not be relied upon to support decision-making, regarding LLD's Proposed Masterplan.