



Market Analysis for Potential Accommodation Development in Nhulunbuy

Summary Report

Date: 6 September 2022



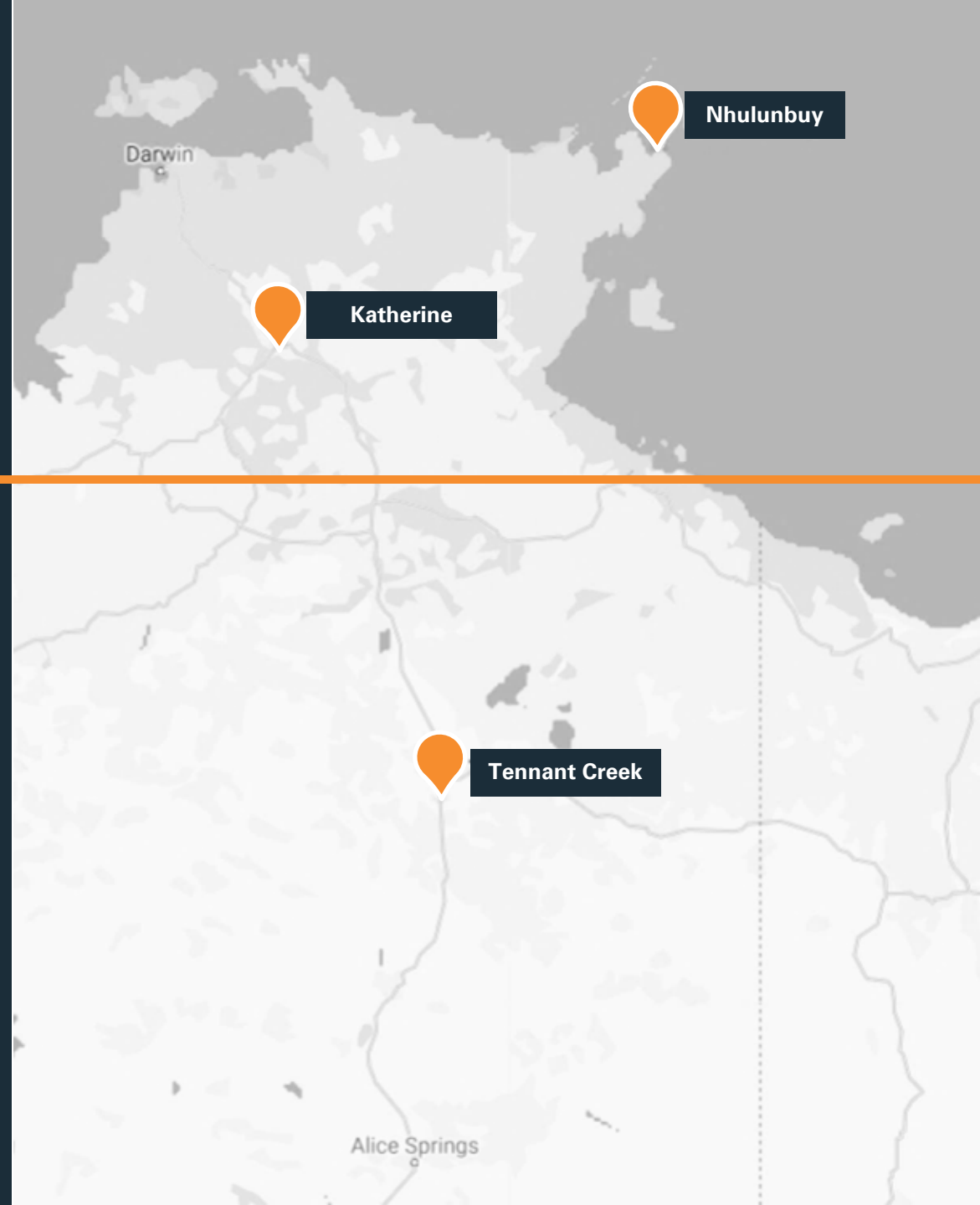
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Introduction



Background and study methodology

Study purpose

Katherine, Tennant Creek and Nhulunbuy local government areas and their broader regions include significant existing and developing industries that rely on the provision of commercial accommodation services for their operations.

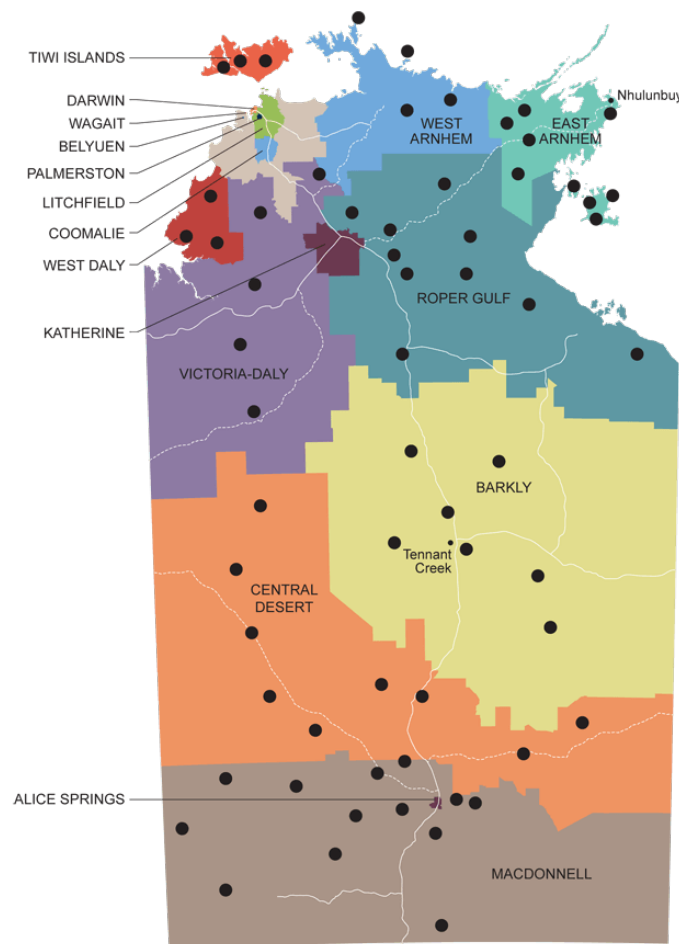
While qualitative evidence suggests that the availability, quality and pricing of current accommodation offerings in these regional centres is lacking, economic and commercial evidence is required to verify these claims – to quantify the nature and quantum of demand and the most appropriate accommodation options to meet it.

KPMG was engaged to assess if future market conditions – looking beyond COVID-19 impacts to take a long-term view over the next 5 to 10 years – can support new commercial and tourism accommodation options in these locations.

This document provides an overview of the study's approach and findings, including a summary of findings for Nhulunbuy.

- Nhulunbuy is located in the Litchfield Kakadu Arnhem tourism region and the East Arnhem LGA.
- Katherine is located in the Katherine Daly tourism region and the Katherine LGA.
- Tennant Creek is located in the Barkly tourism region and the Barkly LGA.

Northern Territory Local Government Areas



Source: Local Government Association of the Northern Territory

Method

Data collection: Consultation and data collection to determine the performance metrics for existing accommodation supply including a mixed methods approach to determine the impact of major project developments on commercial accommodation demand, as well as existing accommodation supply and relative accommodation quality.

Demand analysis: Forecasting future accommodation demand and estimating the quantum of unmet accommodation needs.

Data on accommodation supply and demand were brought together in a purpose-built model. Estimating existing accommodation demand involved applying assumptions to baseline visitation data (namely preferred accommodation type and relative quality depending on purpose of visit). To estimate future accommodation demand in five and ten years' time, growth assumptions were applied to baseline visitation data and adjusted for identified major projects.

The model estimates annual net accommodation demand for three different time horizons, and how this demand is distributed across accommodation type and relative quality, across three scenarios: 'minimum case', 'likely case' and 'maximum case'.

The model does not capture leakage – for example what actions visitors take if their preferred accommodation option is not available. It is also noted that seasonality will mean gaps in accommodation supply are felt more acutely at peak periods over the year.

Market sounding and options assessment: Validation of the modelled quantum of unmet accommodation needs and future options identification at each location, based on consultation with key stakeholders.

The Northern Territory's unique context

The relatively small size of the Territory economy means that major project investments can have a disproportionately large impact on overall growth, affecting short term accommodation supply and demand as project construction phases ramp up.

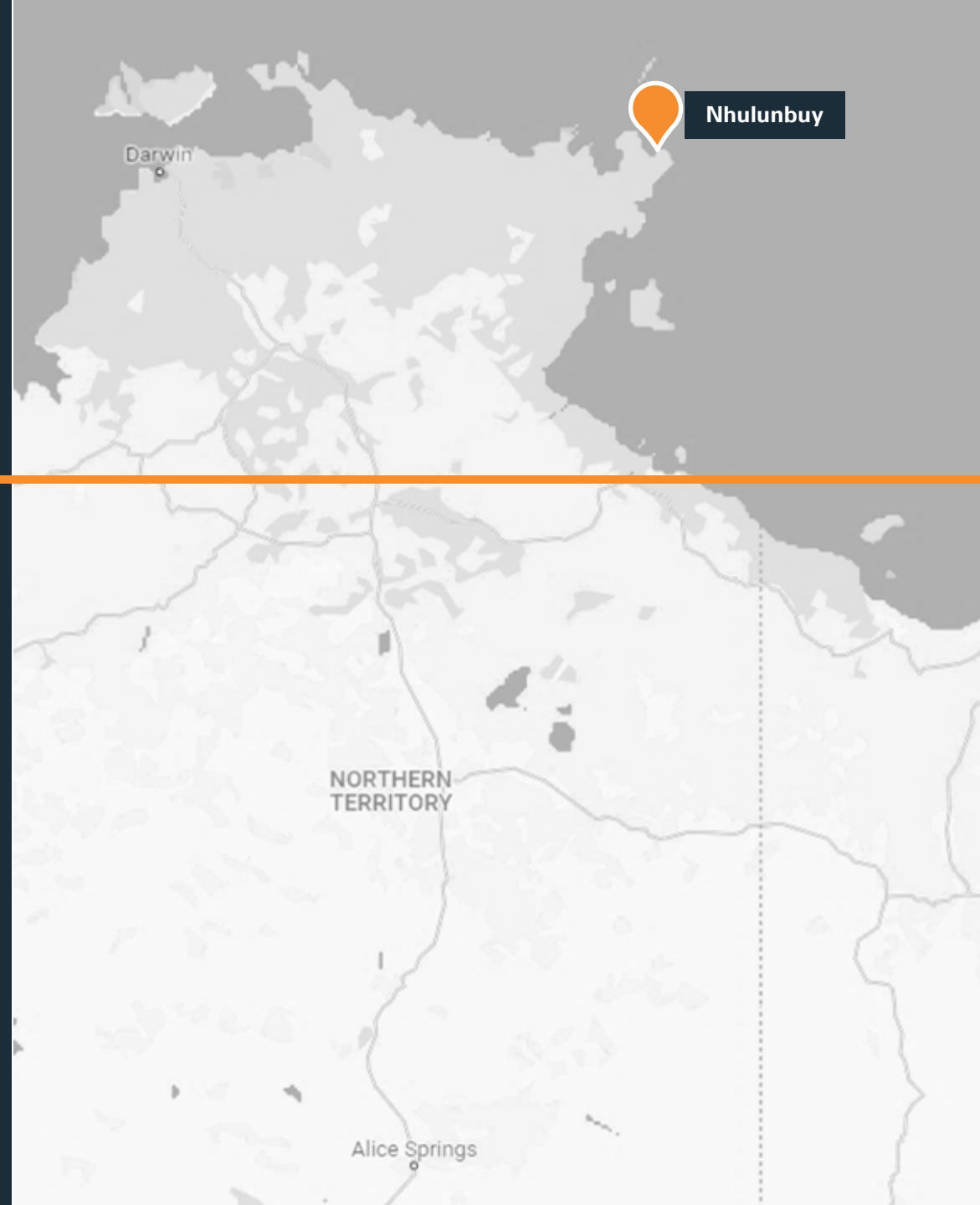
Based on output, the three largest industries in 2019-20 for the Northern Territory were mining (\$11,978 million or 26.6%), public administration and safety (\$5,077 million or 11.3%), and construction (\$4,435 million or 9.9%) (RDA NT). Together these industries make up 47.7% of the total output by total industry in the Territory. Key investments expected that may impact Katherine, Nhulunbuy and Tennant Creek are identified below.

Sector	Significance	Future developments and commitments
Defence	<p>RAAF Base Tindal is located 15km from Katherine and is considered one of Australia's most strategic defence bases. The Bradshaw Field Training Area is also accessible from Katherine, as is the Delamere Air Weapons Range (albeit some 3hrs by road) but may also contribute to accommodation demand in Katherine as activity passes through.</p>	<p>The Australian Government has committed to significant investment in the RAAF Tindal Base (about \$1.6 billion), including the RAAF Tindal Redevelopment Project (Stage 5 completed, Stage 6 commenced), United States Force Posture Initiatives (USFPI), and Airfield Works and Associated Infrastructure Project.</p> <p>The Australian Government has also announced a \$711 million investment to upgrade military training bases, including the Bradshaw Field Training Area. Construction and ongoing operations of the base and training area will see a continued substantial volume of defence and supporting civilian personnel both living in the Katherine community, and regularly visiting in their duties.</p>
Shale-gas	<p>The Northern Territory Government's (NTG's) Vision for the oil and gas sector is outlined in the Northern Territory Gas Strategy (2019). The Strategy builds upon the previous actions of the NTG to consider an evidence-based approach to the regulation of industry development.</p> <p>The Northern Territory is home to the Beetaloo Sub-Basin, located within the McArthur Basin, between Tennant Creek and Katherine. The Beetaloo Sub-Basin is a high priority for the NTG. Extensive exploration of the region since 2013 has led to estimates that the Sub-Basin encompasses 178,200 petajoules of shale gas, equating to 70% of all shale gas resources in the Northern Territory. It is the largest basin in the Northern Territory and is the most likely to be developed in the next 5 years.</p>	<p>The Australian Government has identified the Beetaloo Sub-Basin as the first of five locations for significant development as part of Australia's gas-led recovery. Development of the Beetaloo Sub-Basin will enable the proposed Middle Arm Industrial Precinct in Darwin Harbour, which will accommodate large strategic industries for gas related developments. Funding has been committed to invest in exploration, including enabling infrastructure.</p> <p>Origin Energy, Santos and Pangaea are currently operating the largest exploration activities in the Beetaloo Sub-Basin. How the region develops will depend on how these companies proceed with exploration and drilling, and whether they develop their leases in parallel or concurrently with each other. This will significantly impact the level of workforce and infrastructure requirements in the region, in particular the need and timeline for accommodation.</p>
Tourism	<p>Tourism is an important economic driver for the Northern Territory. In 2019-20, it is estimated that the tourism industry directly contributed \$869 million or 3.3% to Gross State Product (ABS) despite the impact of the COVID-19 pandemic. Tourism is a significant industry in regional areas of the Northern Territory, and is an important contextual factor in understanding the supply and demand of accommodation.</p>	<p>The development and implementation of the NT's Tourism Industry Strategy 2030, through its identified targets, is projected to grow the industry's contribution to Gross State Product by \$117 million. For Katherine, Tennant Creek and Nhulunbuy, the emphasis is on increasing tourism through core investment in the Kakadu National Park, improving road access through Arnhem Land to Nhulunbuy, and further investigation into rail transport demand.</p>

The Northern Territory's unique context (cont.)

Sector	Significance	Future developments and commitments
Agribusiness	The gross value of agricultural production in the Northern Territory was \$1,275 million in 2018-19 (NT Department of Industry, Tourism and Trade). 2,600 people are employed in the agriculture, forestry and fishing sector (ABS 2020). The Katherine and Tennant Creek regions in particular include significant agricultural holdings, activity and potential, across a diverse range of commodities (beef cattle, buffalo, crocodile, horticulture, aquaculture etc.).	The Northern Territory Government has committed to establishing the Katherine Logistics and Agribusiness hub to support not only a diverse range of agricultural commodities, but also the mining, Defence, transport and tourism sectors. It is expected that the hub will provide short term employment in the form of construction jobs, and longer term employment directly in logistics, manufacturing, and administrative roles, in-directly through the development of new agribusinesses in the region.
Space	The Australian space industry is worth approximately \$3.9 billion and employs over 10,000 people and the Australian Government expects this to more than double over the next 10 years. This industry offers significant growth opportunities for the Northern Territory, which is geographically well placed to provide for launch sites.	Developing East Arnhem Limited (DEAL), a not-for-profit, has invested in Equatorial Launch Australia to establish the Arnhem Space Centre (commercial launch facility) near Nhulunbuy. Operational workforce estimations are challenging due to the early stage of development, however it is anticipated that operational workforce will be largely housed in commercial accommodation in Nhulunbuy. There is also a level of uncertainty regarding the timing of future launch campaigns, however NASA is preparing for a sub-orbital launch campaign in 2022.
Renewables	The Northern Territory Roadmap to Renewables identifies a goal of reaching 50% renewable energy by 2030. The Territory Economic Reconstruction Commission noted that the Northern Territory has the resources to meet the growing demand for renewable energy from Australia and the broader region, with substantial areas of land with high solar irradiance.	The most significant proposed renewable energy project is the Sun Cable's proposed solar farm located in the Barkly region (Australia-ASEAN Power Link). The \$22 billion project is expected to supply electricity for Darwin and meet up to 20 per cent of Singapore's power supply. Desert Bloom Hydrogen was awarded major project status at the end of 2021, a staged commercial-scale green hydrogen operation with the potential to grow to a \$15 billion project and deliver around 410,000 tonnes of hydrogen per annum.
Mining	Mining is the largest industry contributor to the Northern Territory's economic output (26.6% in 2019-20). The Northern Territory has some of Australia's largest deposits in non-ferrous metals (such as zinc), battery and high-technology minerals (such as lithium), fertiliser commodities, gold and uranium.	Mining is identified as a key sector that will support NT economic growth by the Territory Economic Reconstruction Commission. Although a new major mine has not opened since 2005, there is a strong pipeline of potential projects. The NTG recently announced approval for the recommencement of operations of the Mt Todd mine located 50km north of Katherine. Significant exploration is also underway around Tennant Creek. In Nhulunbuy, the Rio Tinto mine is set to close by 2030.
Transport	Transport connections are critical enablers of economic development in regional areas of the Northern Territory. Construction is also a key economic contributor for the Northern Territory.	Significant investment has been committed into roads, including \$217 million announced by the Australian Government to upgrade roads connecting the Beetaloo Sub-Basin, and \$225 million committed by the NTG and Australian Government for upgrades to Central Arnhem Road. A further \$125 million is committed for upgrades to the Buntine Highway, while a rail-line connecting Mt Isa to Tennant Creek is in the prefeasibility study stage.

Nhulunbuy



Nhulunbuy

Location profile

Nhulunbuy is an important regional service hub for the Arnhem region. It is located approximately 1,000 km east of Darwin, accessible by road during the Dry Season and by air year round (with regular flights direct to Darwin and Cairns). Nhulunbuy has a resident population of more than 3,000 people, and over 14,000 living in the East Arnhem area. Mining and related services are a major employer, followed by health care and social assistance, and education and training. Nhulunbuy is also developing its reputation and offering as a tourist destination.

Accommodation supply

Existing accommodation options in Nhulunbuy include motel-style accommodation and short stay units for rent. There are seven establishments with a total of 94 rooms, generally considered mid-range in quality. Walkabout Lodge is the largest provider offering en-suite rooms as well as seasonal camp options for drive tourist visitors. There are a small number of high-range options, including Banubanu Beach Retreat and East Arnhem Real Estate Holiday Rentals.

Current accommodation demand

While the perceived quality of available accommodation may impact the development of tourism there is strong existing demand for commercial accommodation from industry and government, in conjunction with significant seasonal peaks inflated by annual events such as the Garma Festival.

Future growth drivers

Nhulunbuy has a significant pipeline of projects across Space, Roads, Mining, Tourism, and Forestry likely to impact commercial accommodation demand, including development of the Arnhem Space Centre, development of the Gove Port Tourism Precinct, and construction of Central Arnhem Road upgrades.

Of those planned, the new Arnhem Space Centre is likely to have the greatest impact. NASA's launch campaign scheduled for 2022 will require around 80 workers to travel to the area at varying times over an initial four-month period. Further accommodation demand is likely from local employment growth generally as well as from further growth in domestic tourism.

Projected local employment growth

In addition to the growth of new and emerging industries, projected employment growth rates to 2024 for Outback Northern Territory see a growth in Health Care and Social Assistance employment of more than 13%, and in Education and Training by more than 6%. This will somewhat counter the anticipated decrease in mining employment at Nhulunbuy following closure of the Rio Tinto mine.

Domestic tourism

There is continued strong demand for domestic tourism, with upgrades to the Central Arnhem Road likely to help in attracting domestic drive tourism in particular. The NT Tourism Industry Strategy 2030 identifies key goals for visitation targets, with a growth rate of 3.9% for domestic visitor nights and 3.6% for international visitor nights in the next five years.

Gap analysis and key opportunities

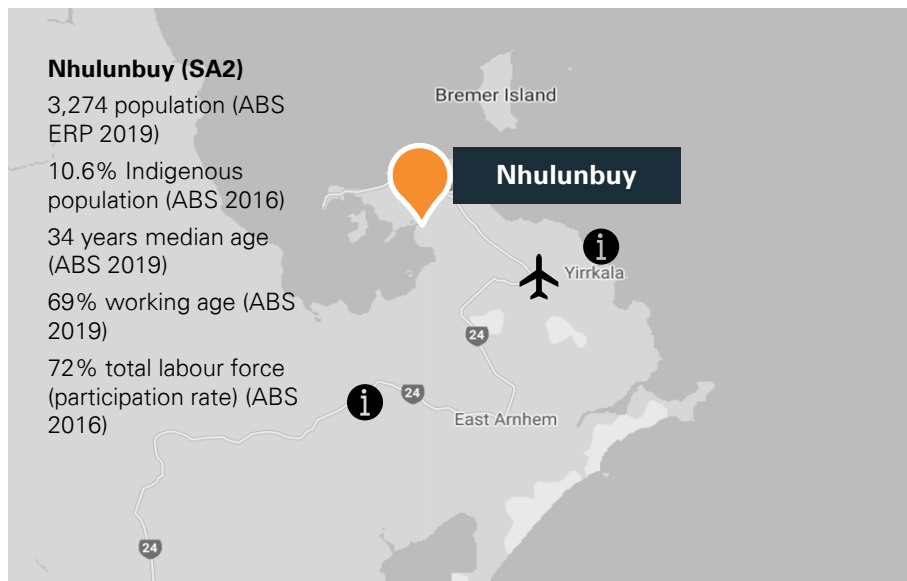
Unmet demand for high-range accommodation

Consultations highlighted that Nhulunbuy has significant potential as a strategic location for tourism and industry. Demand for high-range quality accommodation in Nhulunbuy currently outstrips supply throughout the year. While high-end accommodation supply is currently 6,078 room nights (or 17 rooms across a year) there is annual excess demand for high-range accommodation of 4,744 room nights (or around 13 rooms).

Demand for such accommodation is likely to increase in future years, with modelling outcomes driven by the Arnhem Space Centre and growth in local employment across government, healthcare and social assistance. Under the likely case scenario, there is an estimated annual excess demand of 25,151 high-range room nights or around 69 high-range rooms in the long term.

The increase in net excess demand for accommodation is mainly driven by the potential impact of the Arnhem Space Centre, which demonstrates how a major project can have a significant impact on commercial accommodation demand in smaller and geographically isolated locations.

Location profile



Map: Nhulunbuy (Google Maps)

Demographics

14,565 population (ABS ERP 2020)
 88.2% Indigenous population (ABS 2016)
 34 years median age (ABS ERP 2019)
 70% working age (ABS ERP 2019)
 44% total labour force (participation rate) (ABS 2016)
 5,734 local jobs (NIEIR 2020)
 4,902 employed residents (NIEIR 2020)

East Arnhem LGA (which includes the SA2 areas of East Arnhem, Anindilyakwa and Nhulunbuy)

Value add by industry

East Arnhem LGA
 \$466m or 53.1% Mining
 \$95.7m or 10.9% Health Care and Social Assistance
 \$70.7m or 8.1% Education and Training

Source: East Arnhem LGA – Nhulunbuy – Alyangula 2019/20 (NIEIR)

Industries of employment

Nhulunbuy (SA2)
 Of the 1,562 people employed in Nhulunbuy in 2016:
 18% Mining
 14.9% Health Care and Social Assistance
 13.2% Education and Training

Source: Nhulunbuy SA2 (ABS 2016)

Major businesses by industry

Nhulunbuy (SA2)
 Of the 180 businesses in Nhulunbuy in 2019:
 19% Construction
 15% Transport, Postal and Warehousing
 9% Rental, Hiring and Real Estate Services

Source: Nhulunbuy SA2 (ABS 2019)

Nhulunbuy is located approximately 1,000km east of Darwin. It is a regional hub for the Arnhem region and is developing its reputation and offering as a tourist destination.

There are over 3,000 people living in the town, and over 14,000 people in the surrounding East Arnhem area. Most people in Nhulunbuy are employed by mining, followed by health care and social assistance, and education and training.

Major attractions

Garma Festival of Traditional Cultures – attendance of 2,600 people over four days and nights in 2019

Fishing competitions, including the Airnorth Ladies Fishing Classic

Central Arnhem Road

Dhimurru recreational areas

Fishing and fishing charter opportunities

Aboriginal Cultural experiences

Buku Larrnggay

Accessibility

Nhulunbuy is over 11 hours' drive from Darwin. Road access to Nhulunbuy is only available by 4WD and only during the Dry Season, often being cut off by flood waters during the Wet Season. Transit permits are required for the Central Arnhem Road.

Air access to Nhulunbuy is regular via Darwin and Cairns Airports. Airnorth offer regular flights in and out of Nhulunbuy direct to Cairns and Darwin.

There are three car rental companies in Nhulunbuy.

Current accommodation supply

Commercial accommodation options in Nhulunbuy are motels and units for rent. The existing supply of commercial accommodation in Nhulunbuy consists of seven establishments with a total of 94 rooms. There are a small number of high-range options, including Banubanu Beach Retreat (located on Bremer Island, several kilometres from Nhulunbuy accessible via a 15 minute flight or 45 minute boat ride), as well as East Arnhem Real Estate Holiday Rentals (better suited to longer stays). Motel prices range from \$168 to \$285 and are considered mid-range in quality. Walkabout Lodge is the largest motel in Nhulunbuy, with prices ranging from \$230 to \$285 with seasonal rates. The lowest price point offering is Wallaby Beach Workers Camp at \$55 per night, which provides fully furnished single rooms and access to a communal kitchen and large laundry area about 10 minutes drive from Nhulunbuy. In terms of business events, stakeholder consultations identified that there may be some opportunities in Nhulunbuy for smaller retreats.

Visitation to Nhulunbuy is driven by business travel. Available visitation data for Nhulunbuy is limited, with data reported for the Litchfield Kakadu Arnhem region. Excluding Litchfield National Park data from the regional data provides limited insights for visitation to the East Arnhem region (Tourism NT, East Arnhem Land Destination Management Plan (DMP) – Draft). 51,000 visitors are estimated to have visited the East Arnhem region, spending 330,000 nights (2017-19 average). It is thought that the majority of visitors to the East Arnhem region are domestic and for work-related purposes. NT Government data on staff movement requisitions indicates 1,699 return trips to Nhulunbuy and 4,026 nights (September 2019-20).

Consultations identified strong demand for commercial accommodation in Nhulunbuy. Although consultees reported that the current available accommodation in Nhulunbuy is dated, due to a lack of available alternatives, this is generally accepted by. The lack of quality accommodation options is thought to impact the development of tourism products and experiences to drive further visitation.

Walkabout Lodge is a popular choice in Nhulunbuy and the largest accommodation option. Walkabout Lodge is regularly used by governments for business trips. Journey Beyond regularly books out one third of the rooms available at the lodge (approx. 17) for their tours between May and October. They run approx. 65 tours over a year (two nights, approx. 20 to 24 people) and book additional rooms for drivers and coach relocation. Wallaby Beach Workers Camp was reported to be fully booked until October 2021, and potentially onwards to June 2022.

Seasonality can have a significant impact in Nhulunbuy. Significant events such as the Garma Festival of Traditional Cultures (four days and nights) can lead to shortages of commercial accommodation in Nhulunbuy.

There is currently limited impact on commercial accommodation in Nhulunbuy being felt by major projects, with the main current project being managed closure of the Rio Tinto mine. Strong future growth prospects do exist, however, in space-industry and tourism sectors. Rio Tinto plans to accommodate all workers and contractors in either residential accommodation or onsite accommodation. Rio Tinto have 354 single rooms currently available on site or in workers camps, with plans to install or refurbish a further 180 if required. Their demand on commercial accommodation is therefore limited, with a stated intention to not distort accommodation availability and affect the development of the tourism sector.



Consultations identified that while current commercial accommodation is perceived to be out-dated, it is generally accepted by commercial visitors and tourists.

There is strong existing demand for commercial accommodation in Nhulunbuy driven by business travel. Seasonality has a significant impact, with major tourism events creating shortages in available accommodation.



Detailed Visitor Data

Visitor data is only reported at the Litchfield Kakadu Arnhem region level. The East Arnhem Land Draft DMP identified 51,000 visitors to the East Arnhem region (Tourism NT).

How many people are visiting the Litchfield Kakadu Arnhem region and why? (Average for the 3 Year period 2017-19)

Visitors	329,000	Holiday	189,000
Visitor Nights	1,204,000	Visiting friends/relatives	19,000
		Business	120,000
		Other	-

Source: Provided by DITT

Where are people visiting the Litchfield Kakadu Arnhem region from and how long are they staying? (Average for the 3 Year period 2017-19)

Intra-Territory	180,000	ALOS (all)	3.7 nights
Interstate	112,000		
International	37,000		

Source: Provided by DITT

Where are people staying in the Litchfield Kakadu Arnhem region? (Average for the 3 Year period 2017-19)



*Includes guest house / bed & breakfast, rented house/apartment/flat or unit, other commercial accommodation (e.g. boat, glamping, other), own property, other private accommodation, other accommodation, in transit and not stated/asked, backpacker or hostel and friends or relatives property.

Source: Provided by DITT

What are the total number of visitor nights at each type of accommodation? (Average for the 3 Year period 2017-19)

	Visitor nights
Hotels	195,000
Commercial caravan park or camping	129,000
Non-commercial caravan or camping	228,000
Other	652,000
Total	1,204,000

Source: Provided by DITT

General increase in visitation

Although not directly comparable, the three year average for 2009-11 was **849,000 visitor nights** in the Litchfield Kakadu Arnhem region.

Source: Provided by DITT



Passenger arrivals have increased by an average annual growth rate of 0.5% since 2015.

28% increase in passenger arrivals in the dry season.

Source: Draft East Arnhem Land DMP

Investment and growth impacting demand

While there is a degree of uncertainty regarding the impact on commercial accommodation, Nhulunbuy has a significant project pipeline. Consultations indicate that several large-scale projects across Space, Roads, Mining, Tourism, and Forestry will contribute significant additional economic activity. Notable projects categorised as ‘high likelihood’ include: development of the Arnhem Space Centre, development of the Gove Port Tourism Precinct, and upgrades to the Central Arnhem Road (likely to increase tourist traffic to the Gove Peninsula) and increase local economic activity.

Of the planned major projects, the new Arnhem Space Centre is likely to have the most impact on commercial accommodation. NASA has a launch campaign scheduled for 2022 which will require around 80 workers to travel to the area at varying times within a four-month period. It is anticipated that workers travelling to the region will rely on commercial accommodation. The timing of future launch campaigns is, however, uncertain and it is also noted that launch services provided by Equatorial Launch Australia are expected to reduce the duration that visiting workers will be required to be on-site.

Overall growth in tourism will drive increased demand for commercial accommodation. Stakeholder consultations identified continued strong domestic demand for tourism post the COVID-19 pandemic. The NT Tourism Industry Strategy 2030 identifies key goals for visitation targets, with a growth rate of 3.9% for domestic visitor nights and 3.6% for international visitor nights in the next five years. Jobs and tourism in Nhulunbuy are expected to be created by construction of the Gove Port Tourism Precinct. While a proportion of visitors by sea are expected to stay on their vessel, along with upgrades to the Central Arnhem Road, this will contribute further growth in domestic tourism to the town.

The population of Nhulunbuy is projected to grow in the next five and ten years. The average annual population change for the East Arnhem region between 2021 to 2026 is expected to be 0.7% for Aboriginal people, and -0.3% for non-Aboriginal people. Between 2026 and 2031, the Aboriginal population is expected to again grow at an average of 0.6% each year, while the non-Aboriginal population is expected to grow at an average rate of 0.9%. This may increase demand for commercial accommodation by government employees and service providers visiting the location.

Standard employment growth may also have an impact on demand for commercial accommodation. Projected employment growth rates to 2024 are available for regional areas, including Outback Northern Territory. Mining employment is expected to shrink by 3.7%, Health Care and Social Assistance employment is expected to grow by 13.2% and Education and Training employment by 6.3%. This will somewhat counter the anticipated decrease in mining employment at Nhulunbuy following closure of the Rio Tinto mine.



Despite a degree of uncertainty regarding the impact of planned major projects on commercial accommodation in Nhulunbuy, major projects such as the new Arnhem Space Centre are likely to have a significant impact for this location.

Tourism, in particular domestic tourism, may increase the demand for commercial accommodation in the short-term with key developments planned including the upgrades to the Central Arnhem Road.





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