



Market Analysis for Potential Accommodation Development in Katherine

Summary Report

Date: 11 November 2021



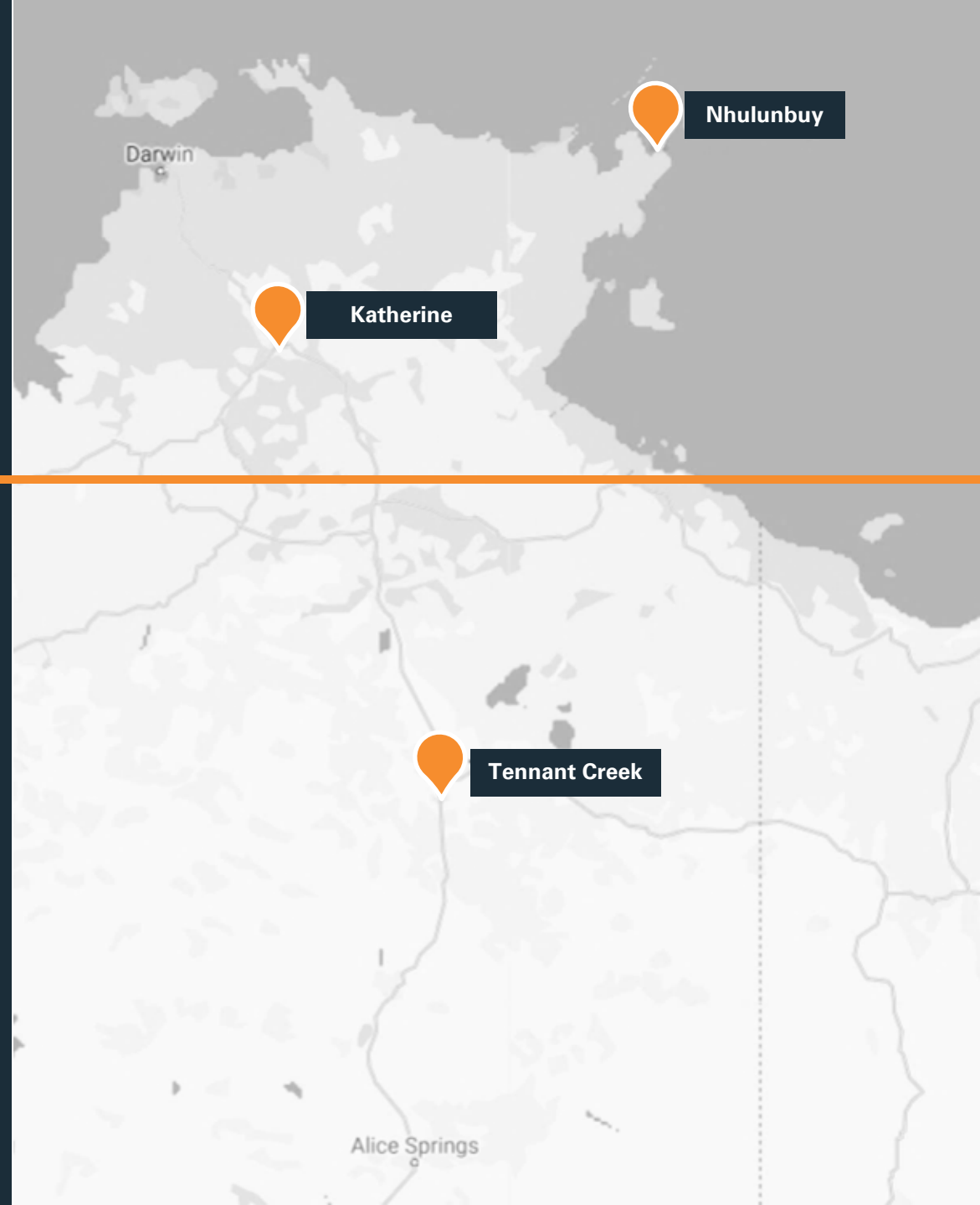
Contents

Introduction	3
Katherine Summary	8
Contact	14

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Introduction



Background and methodology of the study

Study purpose

Katherine, Tennant Creek and Nhulunbuy local government areas and broader regions include significant existing and developing industry that relies on the provision of commercial accommodation services, as either an intrinsic industry offering or industry by-product.

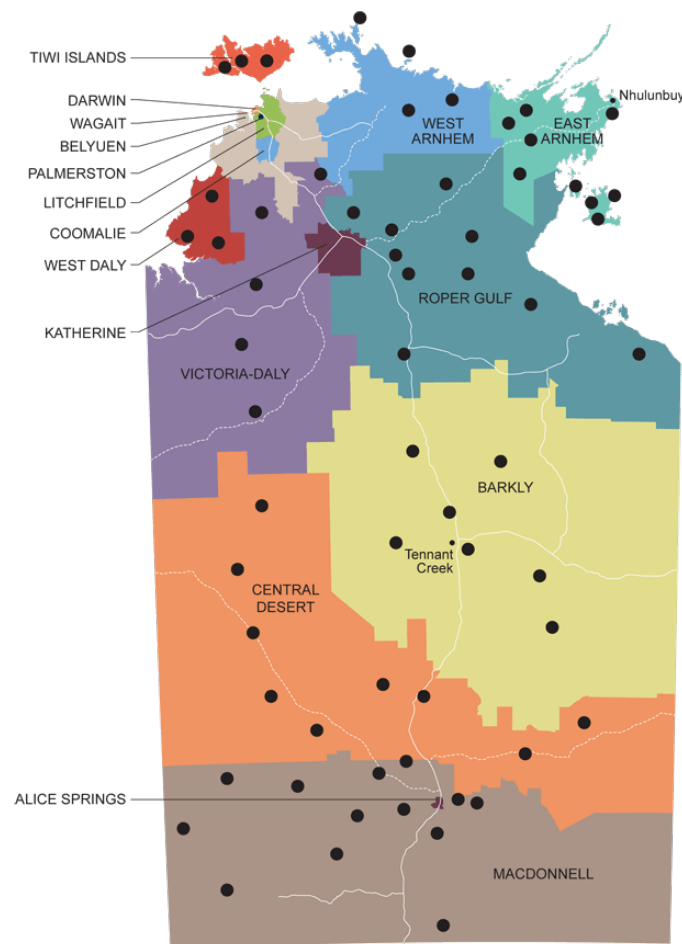
While qualitative evidence suggests that the availability, quality and pricing of current accommodation offerings in these regional centres is lacking, economic and commercial evidence is required to verify these claims – to quantify the nature and quantum of demand and the most appropriate accommodation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

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

- Katherine is located in the Katherine Daly tourism region and the Katherine LGA.
- Nhulunbuy is located in the Litchfield Kakadu Arnhem tourism region and the East Arnhem 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 relative accommodation quality, as well as anticipated major project developments and impact on commercial accommodation.

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 accommodation demand in the current time frame involved applying assumptions to baseline visitation, namely preferred accommodation type and relative quality depending on purpose of visit. To estimate unmet demand in five and ten years' time, growth assumptions were applied to baseline visitation demand and accommodation demand was estimated for the identified major projects.

The model estimated annual net accommodation demand at three different time horizons, as well as how this demand is distributed across accommodation type and relative quality, across three difference 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 will be felt more acutely at certain periods in a year.

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

The unique context of the Northern Territory

The 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 construction phases ramp up.

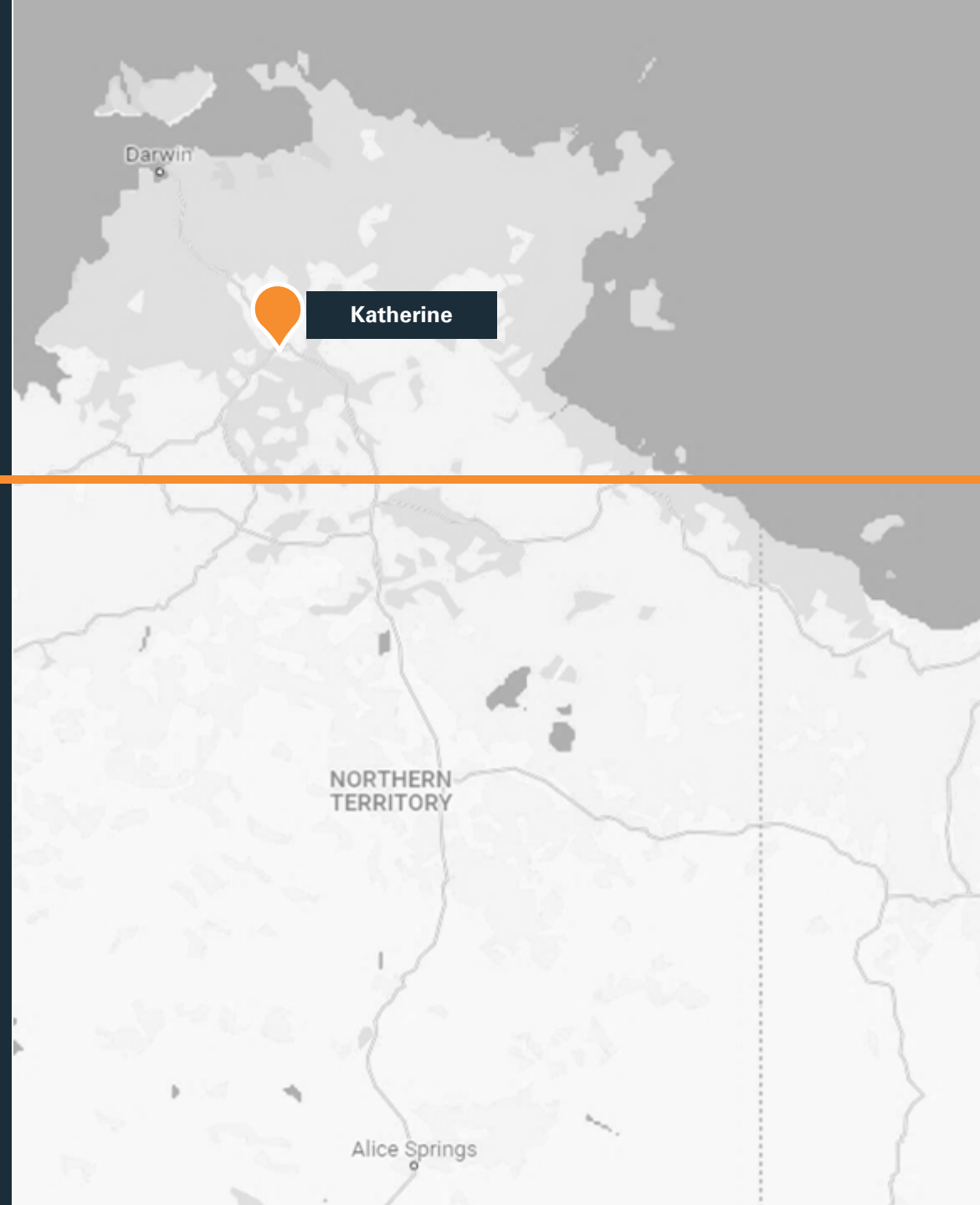
Based on output, the three largest industries in 2019-20 for the Northern Territory were mining (\$11,978 million or 26.6%), public administration and safety (\$5,077 million or 11.3%), and construction (\$4,435 million or 9.9%) (RDA NT). Together these industries make up 47.7% of the total output by 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	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>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 in the Northern Territory, 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.</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. 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 Territory.</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 Empire Energy are currently operating the largest exploration activities in the Beetaloo Sub-Basin. This will significantly impact the level of workforce and infrastructure requirements in the region, in particular the need and timeline for accommodation.</p>
Tourism	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.	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.

The unique context of the Northern Territory (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.	Equatorial Launch Australia are currently planning for establishment of the Arnhem Space Centre near Nhulunbuy, a commercial launch facility. This project will take advantage of existing infrastructure offering access to a range of accommodation and services, including accommodation otherwise in place for the minerals and resources sector.
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 \$30 billion capital project is expected to supply electricity for Darwin and meet up to 20 per cent of Singapore's power supply.
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.

Katherine



Katherine

Location profile

Katherine is a major tourist destination in the Northern Territory and an important regional service delivery hub for the Big Rivers region, located some 320km southeast of Darwin and accessible by drive or air. It has a population of over 10,500 people, with key industries of employment including government, healthcare and education. Defence is also a significant employer of people living in the area.

Accommodation supply

The majority of commercial accommodation options in Katherine are motels, followed by hotels. The existing supply of commercial accommodation in Katherine consists of 17 establishments with a total of 653 rooms. There are a small number of relatively high-range options, including Contour (the former Ibis Styles Katherine).¹

Current accommodation demand

Consultations identified that there is a lack of quality accommodation options and limited surplus capacity in Katherine. Industry stakeholders report there being ongoing issues with availability and quality of accommodation, impacting the ability of government and business to accommodate staff and do business. There is also significant domestic demand for tourism, with tour operators reported to operate at capacity during peak periods.



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¹ Note that quality assessments were undertaken for modelling purposes. Assigned quality levels are relative to the local market context and may not be considered high quality in other markets.

Future growth drivers

There are several major projects either committed or planned for the Katherine region, across mining, agriculture, oil and gas, tourism and defence that are anticipated to increase demand for commercial accommodation. Available employment modelling or reporting suggests that in total this activity will create more than 500 jobs during project construction phases for the next 5 years, and over 800 jobs to meet ongoing operational needs. This excludes demand associated with the Beetaloo Sub-Basin and Defence related projects due to limited available data and plans to generally accommodate workers onsite. Workers required for project construction will continue to drive demand for short stay accommodation.

Defence investment

Significant investment at RAAF Base Tindal is anticipated to drive increased demand from a mixture of sources, including rotating and visiting Defence personnel, visiting civilian personnel, contractors for unplanned and planned maintenance and contractors not accommodated on base.

Domestic tourism

With uncertainty in international tourism, there may continue to be strong domestic demand for tourism in Katherine, supported by \$15 million investment in enhancements to infrastructure at Nitmiluk National Park.

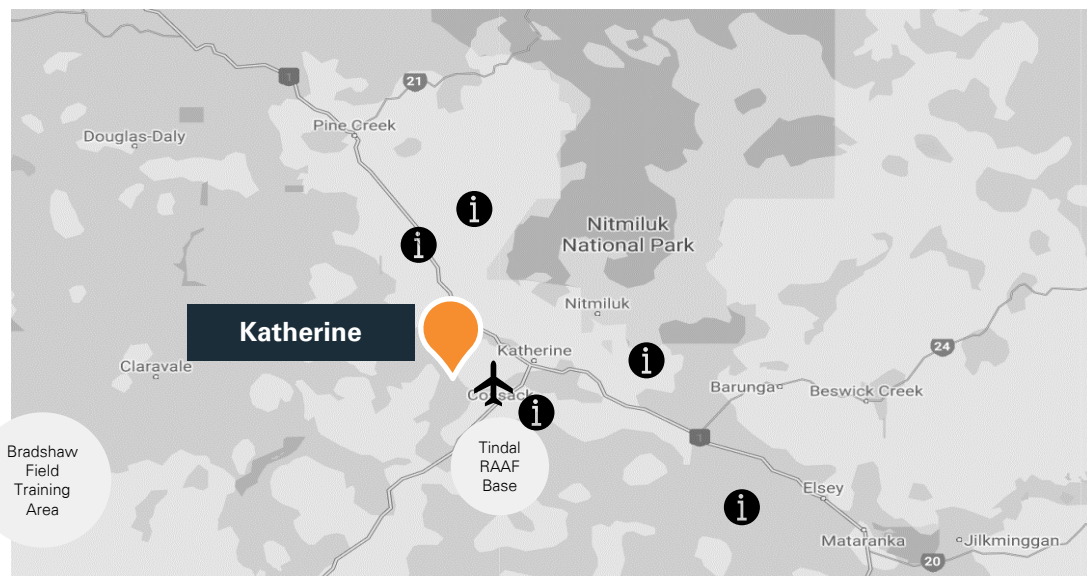
Gap analysis and key opportunities

Unmet demand for high-range accommodation

Modelling results show that net accommodation demand is close to exceeding supply, with an unmet demand for high quality accommodation of about 49 rooms currently. This is likely to increase in future, reaching an unmet demand for 80 rooms in the long term under the likely case scenario. Stakeholders identified an opportunity for resort-style accommodation that supports meeting rooms and business function facilities with an on-site restaurant.

The Northern Territory Government is currently seeking proponents interested in developing crown land at Lot 3017 in Katherine into a four star quality hotel. The site is 1.98 hectares overlooking the Katherine River. There are a number of vacant lots available in Katherine for development and land has been allocated for tourism and commercial use in a new land release earmarked east of Katherine.

Location profile



Map: Katherine (Google Maps)

Industries of employment

- 22.9% Public Administration and Safety (1,174 people)
- 19.4% Health Care and Social Assistance (998 people)
- 9.3% Education and Training (475 people)

Source: Katherine Town Council LGA 2019/20 (NIEIR)



In 2016, **521 people or 13% of employed people** in Katherine worked in **defence** (ABS – Katherine LGA).

Major businesses by industry

- 18.6% Construction
- 17.5% Agriculture, Forestry and Fishing
- 11.7% Rental, Hiring and Real Estate Services

Source: Katherine Town Council LGA 2019/20 (NIEIR)

Value add by industry

- \$174.2m or 26.8% Public Administration and Safety
- \$107.6m or 16.5% Health Care and Social Assistance
- \$98.1m or 15.1% Construction

Source: Katherine Town Council LGA 2019/20 (NIEIR)

Demographics

- 10,617 population (ABS ERP 2020)
- 22% Indigenous population (ABS 2016)
- 33 years median age (ABS ERP 2019)
- 69% working age (ABS ERP 2019)
- 58% total labour force (participation rate) (ABS 2016)
- 5,132 local jobs (NIEIR 2020)
- 5,334 employed residents (NIEIR 2020)

Katherine LGA

Major attractions

Katherine is located close to major nature-based attractions, as well as hosting major events that attract large audiences from across the Territory and Australia.

- Nitmiluk National Park and Nitmiluk Gorge
- Jatbula Trail
- Edith Falls
- Bitter Springs
- Mataranka Thermal Pools
- Cutta Cutta Caves
- Barunga Festival – 4,000-strong audience over three days
- Katherine Cup race day – over 3,000 racegoers
- Katherine Show

Accessibility

Katherine is approximately 3 hours' drive from Darwin. There are also two car rental companies in Katherine.

It is situated on the southern end of a popular touring route for tourists travelling around the Top End to Darwin and Kakadu National Park.

Katherine's domestic airport is served by AirNorth services.

Overview of current accommodation supply

The majority of commercial accommodation options in Katherine are motels, followed by hotels. The existing supply of commercial accommodation in Katherine consists of 17 establishments with a total of 653 rooms. There are a small number of high-range options, including Contour (the former Ibis Styles Katherine). Although priced from \$120 to \$220 per night, the majority of this offering is considered low-to-mid range, typically providing motel-style and cabin (Caravan Park) accommodation with limited on-site amenity, particularly for business travellers. The lack of quality is compounded by a lack of 'value for money'.

Katherine's higher-range offerings for this market are limited to the Ibis Styles (rates from \$195 to \$250) or for longer stays, to the St Andrews Serviced Apartments (rates from \$240 to \$290). Tourists choosing to stay at a resort-style venue have the choice of either the Knotts Crossing Resort (from \$145 to \$260) or Cicada Lodge (from \$616 per night). Excluding Cicada Lodge, some 25 minutes drive out-of-town, these three establishments provide 221 rooms (or one-third of total supply). In terms of business events, stakeholder consultations estimated that Katherine could accommodate 120 to 200 people, inclusive of overnight stays.

Visitation data shows that around half of visitation to Katherine is for holiday purposes, equating to 241,000 visitor nights. This is closely followed by people travelling for work. NTG data on staff movement requisitions indicates 5,886 return trips to Katherine and 13,536 nights (September 2019-20). Business and holiday visitors consume 144,000 visitor nights in hotels (average 2017-19), which represents a demand of around 46% of all quality accommodation, or over 200% of high quality accommodation.

Consultations identified that there is limited surplus capacity in Katherine. Agricultural, mining, non-government organisation, and government industry stakeholders all report there being ongoing issues with availability and quality of accommodation. Defence industry contractors without access to on-base accommodation are having difficulty with the availability and quality of accommodation. Anecdotally there is an increased incidence of cancelled or delayed trips, day trips, and trips of a shorter duration because short-term workers could not find accommodation, or were wanting to reduce the length of stay in available accommodation. The price and availability of commercial and residential accommodation is impacting on businesses ability to attract staff to Katherine and do business in Katherine. There is also significant domestic demand for tourism, with one tour operator commenting that all their tours are full. The lack of quality accommodation options is thought to impact the development of tourism products and experiences to drive further visitation.

This current latent demand is being impacted by major projects underway close to Katherine. There are several large projects underway and commencing at RAAF Base Tindal and the Bradshaw Field Training Area. Defence is unable to provide forecasts of defence, civilian and contractor personnel associated with project and ongoing works. However, extensive consultation with defence industry stakeholders has been undertaken to develop a picture of current and future demand these works will place on commercial accommodation for the purposes of this project. The Australian Government's announcement in the recent Federal Budget that the Beetaloo Sub-Basin is the first of five key basins to be explored as part of the Strategic Basins Plan, including \$28.3 million of supporting funding, is resulting in increased visitation of NT and Federal government employees to Katherine.



KPMG consultations identified that the limited availability and high unit price of commercial accommodation is impacting the ability of businesses and government agencies to meet operational objectives in the Katherine region.

Anecdotally there is an increased incidence of cancelled or delayed trips, day trips at the expense of overnight stays and trips of a shorter duration than required because workers cannot find suitable accommodation.



Detailed Visitor Data

Visitor data (three year average 2017-19) is available for the Katherine SA2 region. NT Tourism visitor data identifies where and how long people stay in a location based on where they are visiting from, as well as the reason for their visit.

How many people are visiting Katherine and why? (Average 2017-19)

Visitors	180,000	Holiday	100,000
Visitor Nights	626,000	Visiting friends/relatives	14,000
		Business	59,000
		Other*	7,000

*Includes employment, education, other reason, no other reason and in transit.

Source: Provided by DITT

Where are visitors staying in Katherine? (Average 2017-19)



Hotels	69,000
Commercial caravan park or camping	35,000
Non-commercial caravan or camping	24,000
Other accommodation*	53,000

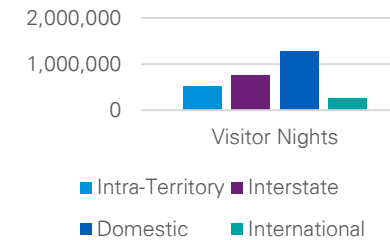
*Includes guest house / bed & breakfast, rented house/apartment/flat or unit, other commercial accommodation (e.g. boat, glamping, other), own property, other private accommodation, other accommodation, in transit and not stated/asked, backpacker or hostel and friends or relatives property.

Source: Provided by DITT

Where are people visiting Katherine from and how long are they staying? (Average 2017-19)

Intra-Territory	75,000	1.9 nights
Interstate	84,000	4.2 nights
International	21,000	6.5 nights

Source: Provided by DITT



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

	Visitor nights
Hotels	144,000
Commercial caravan park or camping	74,000
Non-commercial caravan or camping	43,000
Other	366,000
Total	626,000

Source: Provided by DITT

General increase in visitation

Although not directly comparable, the three year average for 2009-11 was **422,000 visitor nights** spent in the Katherine SA2 region.

Source: Provided by DITT



Proportion of visitors arriving by aircraft:

- 4% Intra-Territory
- 14% Interstate
- 4% International

Source: Provided by DITT

Overview of anticipated investment and growth impacting demand for commercial accommodation

There are several major projects that are anticipated to increase demand for commercial accommodation:

Consultation results indicate that several large-scale projects across Defence, Mining, Agriculture, Oil and Gas, and Tourism will contribute significant additional economic activity and associated accommodation requirements, with notable projects categorised as 'high likelihood' including: development of the Mt Todd gold mine, construction of an Agriculture logistics hub, major civil engineering works to support future land release and the expansion of Katherine, and a \$15 million investment in enhancements to infrastructure at Nitmiluk National Park.

Available employment modelling or reporting suggests that in total this activity will create more than 500 jobs during project construction phases over the next 5 years, and over 800 jobs to meet ongoing operational needs. This excludes demand associated with the Beetaloo Sub-Basin and Defence related projects – proponents for Beetaloo Sub-Basin development plan to accommodate workers on site if operations are established with accommodation in Katherine likely to only be required by transiting personnel (estimation unknown).

While Defence does not provide a public forecast for worker demand, RAAF Tindal, 15 km south of Katherine, is a major Defence base and home to an RAAF fighter squadron. RAAF Tindal regularly hosts training deployments from US forces in the region and will see significant infrastructure works over the next 8-10 years.

Target growth in tourism is expected to increase demand for short stay accommodation: Stakeholder consultations identified strong domestic demand for tourism due to closed international borders. 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, and 4.1% for domestic visitor nights and 4.0% for international visitor nights.

Population: While ABS data is only available at a regional (Local Government Area) level, the base population of Katherine is forecast to grow marginally, sustaining the demand for NT Government and NGO service delivery to the region.



Several major projects either committed or planned with a high degree of certainty are likely to exacerbate longstanding challenges with the limited supply of accommodation.

Significant investment at RAAF Base Tindal is anticipated to drive increased demand from a mixture of sources, including rotating and visiting Defence personnel, visiting civilian personnel, contractors for unplanned maintenance and contractors not accommodated on base.





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