



Market Analysis for Potential Accommodation Development in Tennant Creek

Summary Report

Date: 18 November 2022



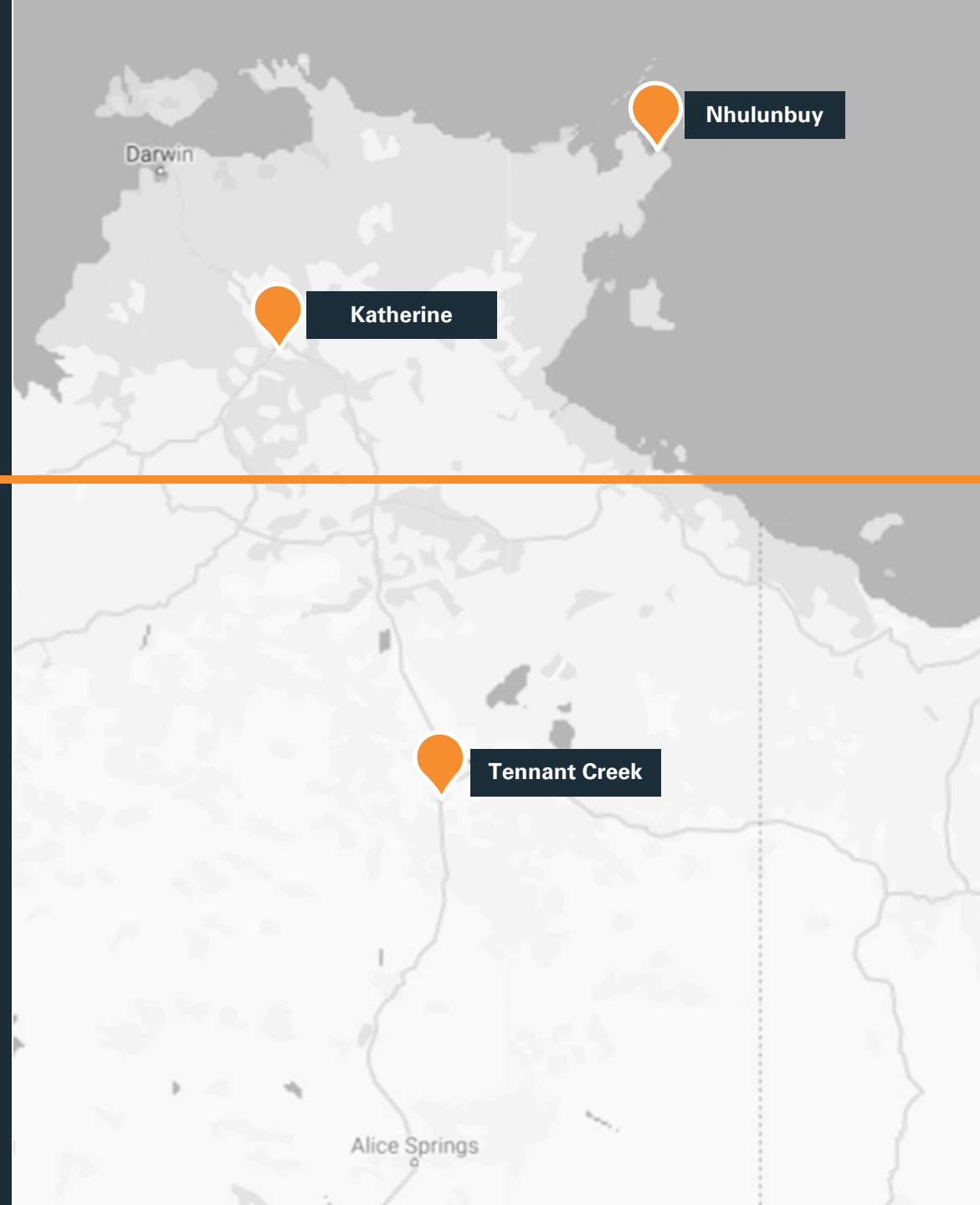
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Introduction



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.

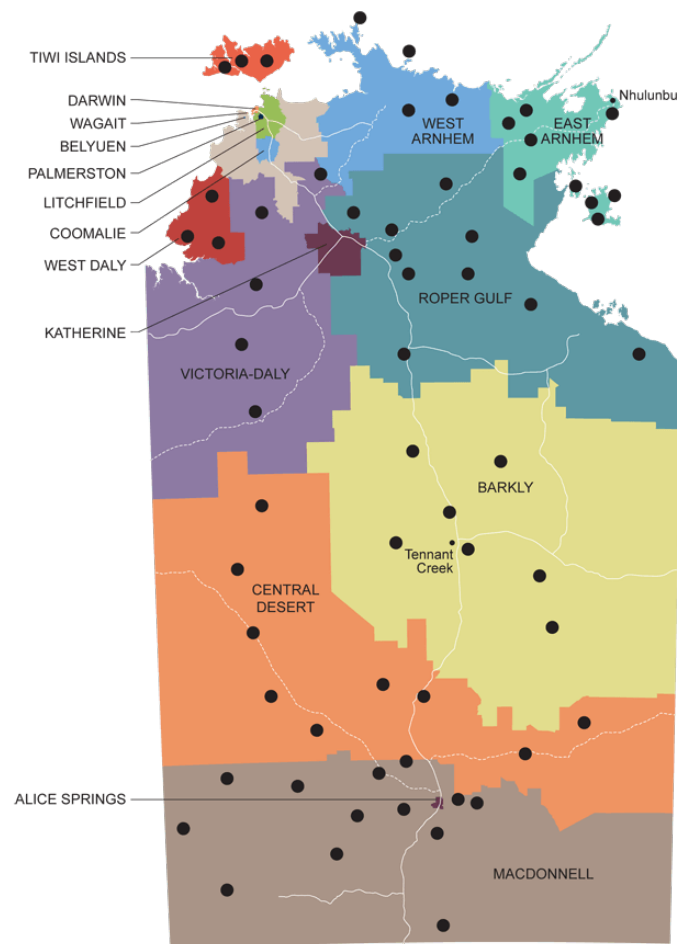
While qualitative evidence suggests that the availability, quality and pricing of current accommodation offerings in these regional centres is lacking, economic and commercial evidence is required to verify these claims – to quantify the nature and quantum of demand and the most appropriate accommodation 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, 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, for 'minimum case', 'likely case' and 'maximum case' scenarios. 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.

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
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.
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 Pangea 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>
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.

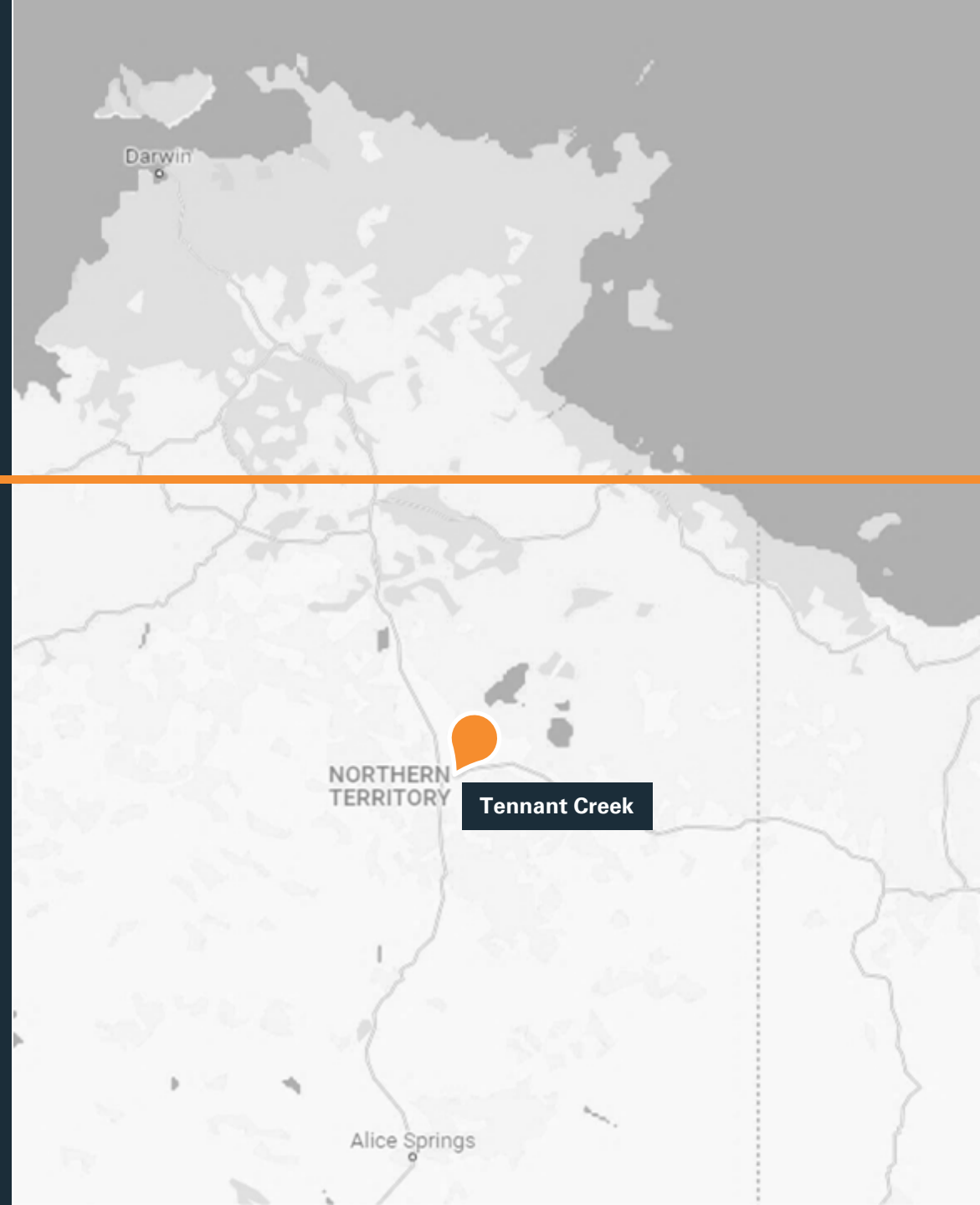
The Northern Territory's unique context (cont.)

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.
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.
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.	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. 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.

The Northern Territory's unique context (cont.)

Sector	Significance	Future developments and commitments
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.
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.

Tennant Creek



Tennant Creek

Location profile

Tennant Creek is an important service and transit hub for the Barkly region, located approximately 1,000 km south of Darwin and 500 km north of Alice Springs on the Stuart Highway. It is accessible year-round by road, with regular scheduled flights to Alice Springs and Darwin. Tennant Creek has a population of over 3,200 people, with over 7,400 people in the surrounding area. Major industries of employment include health care and social assistance, and public administration and safety.

Accommodation supply

The current supply of commercial accommodation in Tennant Creek consists of six establishments with a total of 239 rooms. There are no higher-range options, with the majority of accommodation being motel-style and considered low to mid-range in quality. Bluestone Motor Inn is the largest motel, with the lowest price point offering at Tennant Creek Caravan Park.

Current accommodation demand

Demand for commercial accommodation in Tennant Creek is driven by government, tourism and industry. While demand can peak in response to the needs of specific projects, industry consultations identified a lack of clean and affordable accommodation. Some safety concerns were also expressed.

Future growth drivers

Several major projects across mining, minerals and energy, agriculture, renewables, and transport are expected to increase demand for commercial accommodation in Tennant Creek. Notable projects identified by KPMG with a 'high likelihood' include minerals and energy exploration in the Barkly Tablelands, development of Singleton Horticulture Project, major works to support job creation and the expansion of Tennant Creek, and the \$22 billion investment in development of the Sun Cable solar farm. Available employment modelling or reporting suggests that in total this activity will create more than 1,500 direct jobs and 12,000 indirect jobs during construction over the next 5 years, and over 350 jobs to meet ongoing operational needs.

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%. Further demand for commercial accommodation may also be driven by additional mining and energy projects both local to Tennant Creek and within the Beetaloo sub-basin, while the Desert Bloom Hydrogen development, should this go ahead, will also have an impact.

Domestic tourism

There is continued strong demand for domestic tourism. 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 over the next five years.

Gap analysis and key opportunities

Unmet demand for high-range accommodation

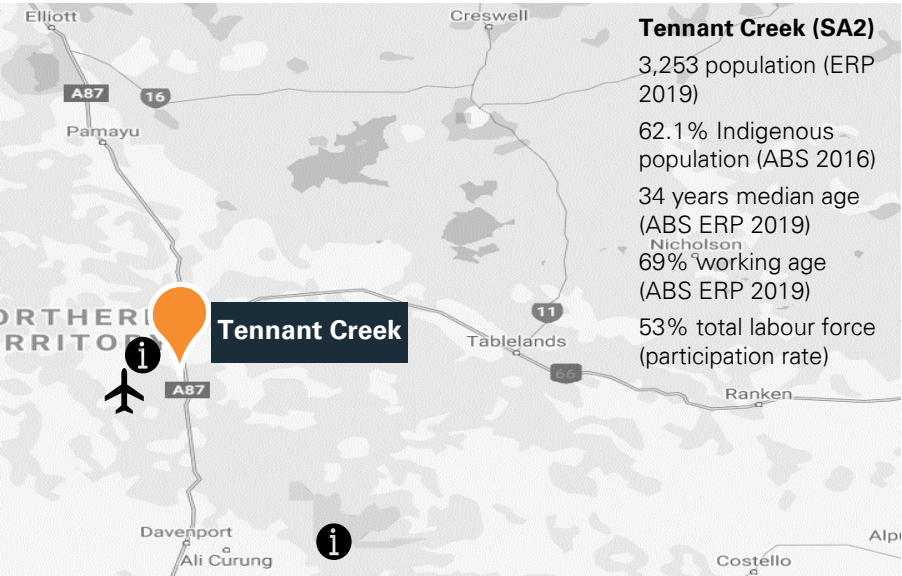
While demand for commercial accommodation in Tennant Creek is currently met by supply, demand for higher quality accommodation outstrips supply throughout the year. Estimated excess demand for high-range accommodation is currently 7,375 room nights or 20 rooms.

Development of the Sun Cable solar farm is a key driver of demand for higher quality accommodation in the short term during the project's construction phase, contributing to an estimated shortfall in supply of 19,306 room nights (or around 53 rooms) over the next five years.

Over the longer term, as the Sun Cable solar farm and Singleton Horticulture Project become operational, unmet demand for high-range accommodation in the likely case scenario stabilises to 14,847 room nights or around 41 rooms (and with overall demand close to outstripping supply across all accommodation types).

These estimates will be exceeded under a maximum case scenario where minerals and energy exploration within the Beetaloo sub-basin adds significantly to demand.

Location profile



Map: Tennant Creek (Google Maps)

Industries of employment

Tennant Creek (SA2)

Of the 1,157 people employed in 2016:

- 22% Health care and social assistance
- 18.1% Public Administration and Safety
- 10.6% Education and Training

Source: Tennant Creek SA2 (ABS 2016)

Major businesses by industry

Tennant Creek (SA2)

Of the 192 businesses in Tennant Creek in 2019:

- 17% Construction
- 15% Rental, Hiring and Real Estate Services
- 11% Retail trade & Accommodation and food services

Source: Tennant Creek SA2 (ABS 2019)

Demographics

7,453 population (ABS ERP 2020)
 68% Indigenous population (ABS 2016)
 29 years median age (ABS ERP 2019)
 67% working age (ABS ERP 2019)
 51% total labour force (participation rate) (ABS 2016)
 2,812 local jobs (NIEIR 2020)
 2,844 employed residents (NIEIR 2020)

Source: Barkly LGA

Value add by industry

Barkly LGA

\$103.3m or 31.1% Agriculture, Forestry and Fishing
 \$62.5m or 18.8% Public Administration and Safety
 \$47.7m or 14.4% Health Care and Social Assistance

Source: Barkly Regional Council LGA 2019/20

For many visitors, Tennant Creek is a transit destination between Alice Springs and Katherine, located just under 1,000km from Darwin. There are a limited number of visitor attractions in the surrounding area. The township of Tennant Creek has a population of over 3,200 people and there are over 7,400 people in the surrounding area. Most people working in Tennant Creek are employed in health care and social assistance and public administration and safety.

Major attractions

Nyinkka Nyunku Art and Culture Centre
 Winanjjikari Music Centre
 Kunjarra sacred site
 Iytwelepenty/Davenport Ranges National Park

Accessibility

Tennant Creek is over 10 hours' drive from Darwin via Stuart Hwy. There are also two car rental companies in Tennant Creek.
 The Greyhound bus service stops in Tennant Creek.
 Air access to Tennant Creek is available via Tennant Creek Airport with scheduled flights to Alice Springs to Darwin. Outback Airlines currently provide mining charters between Alice Springs and Tennant Creek with seats available to the general public.

Current accommodation supply

Commercial accommodation options in Tennant Creek are motels and caravan parks, with no high-range options.

The existing supply of commercial accommodation in Tennant Creek consists of six establishments with a total of 239 rooms. Motel prices range from \$140 to \$280 and are considered mid-range in quality.

Bluestone Motor Inn is the largest motel in Tennant Creek, with prices ranging from \$165 to \$280 with seasonal rates. The lowest price point offering is Tennant Creek Caravan Park with rates starting at \$100 per night, which offers a range of accommodation from unpowered camping sites and van sties, to fully equipped cabins with ensuite, and access to a camp kitchen with fridge, shaded swimming pool and a coin operated laundry, about 10 minutes walk from Tennant Creek.

Industry consultees identified that a need for basic clean and affordable accommodation was not being met, and this acts as a disincentive to use Tennant Creek as a location for industry meetings. The lack of quality accommodation options is thought to impact the development of tourism products and experiences to drive further visitation.

Most visitation to Tennant Creek is anticipated to be people visiting for business or holiday. Visitation data available for the broader Barkly region estimates 125,000 visitors or 325,000 visitor nights in an average year (2017-19). The average length of stay is around two nights. NT Government data on staff movement requisitions indicates 2,615 return trips to Tennant Creek and 8,576 nights (September 2019-20). Outback Caravan Park reported about greater than 80% occupancy rate even during the second half of 2020 due to government workers and has a policy to only book up to 60% short-stay occupancy to allow for last minute or urgent visitations should they arise.

In addition to government and tourism, demand for commercial accommodation is also driven by industry. As an example, Jemena operates the Northern Pipeline between Tennant Creek and Mount Isa. Shutdowns may be required, which most recently saw the company book for across four hotels for staff (utilising a minimum of 20 rooms per night for four months and peaking well beyond this for a period of three weeks).

Consultations did note some safety concerns for visitors that are currently being addressed. There is a need to continue to address known social issues causing safety concerns for some visitors and for providers of accommodation to ensure facilities are secure. The Barkly Regional Deal is a major opportunity that is supporting social and economic investment in the region and which may facilitate investments that encourage visitors to remain longer in Tennant Creek.



Commercial accommodation options in Tennant Creek are limited to motels or caravan parks (cabins), with consultations identifying a need for additional basic clean and affordable accommodation.

There is consistent demand for commercial accommodation from government workers and industry in Tennant Creek. The average length of stay in the Barkly region is just over two nights.



Detailed Visitor Data

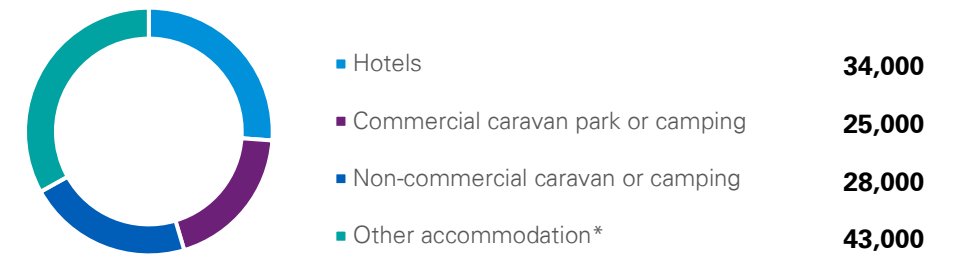
Visitor data is only reported at the Barkly region level (average 2017-19).

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

Visitors	125,000	Holiday	65,000
Visitor Nights	325,000	Visiting friends/relatives	9,000
		Business	43,000
		Other*	10,000

Source: Provided by DITT

Where are visitors staying in the Barkly 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



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

Intra-Territory	47,000	1.5 nights
Interstate	64,000	2.7 nights
International	14,000	5.6 nights

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	88,000
Commercial caravan park or camping	44,000
Non-commercial caravan or camping	34,000
Other	159,000
Total	325,000

Source: Provided by DITT

Some increase in visitation

Although not directly comparable, the three year average for 2009-11 was **308,000 visitor nights** in the Barkly region.

Source: Tourism Research Australia



Proportion of visitors arriving by aircraft:

- 9% Intra-Territory
- 10% Interstate
- 3% International

Source: Barkly Regional Report 2017-19 (Tourism NT)

Investment and growth impacting demand

Several major projects are expected to increase demand for commercial accommodation in Tennant Creek.

Consultations indicate that several large-scale projects across mining, agriculture, renewables, and transport will contribute significant additional economic activity and associated accommodation requirements for Tennant Creek.

Notable projects categorised as 'high likelihood' include: minerals and energy exploration activities in the Barkly Tableland, development of Singleton Horticulture Project, major development works to support job creation and the expansion of Tennant Creek, and a \$22 billion investment in development of Sun Cable solar farm, supplying energy to Singapore.

Available employment modelling or reporting suggests that in total this activity will create more than 1,500 direct jobs and 12,000 indirect jobs during construction over the next 5 years, and over 350 jobs to meet ongoing operational needs.

Further demand for commercial accommodation may also be driven by additional mining projects, while the Desert Bloom Hydrogen development is also likely to have an impact (although the timing and exact location of the project is yet to be confirmed).

Employment growth locally 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. Public Administration and Safety employment is expected to grow by 1.7%, Health Care and Social Assistance employment by 13.2% and Education and Training employment by 6.3%.

The projected decline in population for Tennant Creek over the next five is forecast to reverse beyond 2026. The average annual population change for the Barkly region between 2021 to 2026 is expected to be -0.3% for Aboriginal people, and -0.6% for non-Aboriginal people. Between 2026 and 2031, the Aboriginal population change is expected to be at an average rate of -0.1% each year, while the non-Aboriginal population is expected to grow at an average rate of 0.7%.

Overall growth in tourism may also drive increase demand for commercial accommodation. Stakeholder consultations identified ongoing strong domestic demand for tourism post the COVID-19 pandemic. The NT Tourism Industry Strategy 2030 identifies key targets for visitation, with a projected growth rate of 3.9% for domestic visitor nights and 3.6% for international visitor nights over the next five years.



Several major projects either committed or planned with a high degree of certainty, such as the Sun Cable solar farm, will increase demand for commercial accommodation in Tennant Creek.

Extensive mineral exploration in the surrounding area may lead to further increases in demand for commercial accommodation with future mining developments.





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