


Nicholas Gruen
Port Melbourne
Victoria, 3207



Ruth Forrest
Chair
Parliamentary Accounts Committee,
Tasmanian Parliament

John Ramsay AM
Executive Commissioner
Tasmanian Planning Commission
tpc@planning.tas.gov.au

Dear Chair, Executive Commissioner,

re: Macquarie Point Multipurpose Stadium Integrated Assessment

I recently completed [an independent review](#) of the analysis supporting the assessment of the Macquarie Point Precinct (including financial modelling and assessments of the social, economic and environmental costs and benefits of the project).

The Government has accepted my report and indicated that it is continuing with the project. This is a decision for it to make. However, I am concerned that the advice it is receiving is not frank and fearless. In this regard, I was happy with my own interaction with various parts of the Tasmanian public service with one exception, which was the Macquarie Point Development Corporation. I found it evasive and, despite undertakings the Government had given to share information with me if necessary on a confidential basis, it remained reluctant to

share information with me throughout the process — for instance from its quantity surveyors.

MPDC appears to have a similar approach to its own responsibilities through various mechanisms of parliamentary scrutiny — particularly the Public Accounts Committee. In this context, I am particularly concerned about a document they have recently provided the Tasmanian Planning Commission (TPC).

Specifically, KPMG's [Supplementary Report](#) of 31 January 2025, which was produced in response to a letter from the TPC of 19 November 2024, is deficient in two ways:

1. It does not adequately respond to — indeed, it ignores or dismisses — the Commission's explicit guidance to model an alternative public project; and
2. Professional analysis should contribute to a process of dialogue that gets progressively closer to the truth. While public figures, including politicians, often strategically ignore critiques in an attempt to starve them of 'oxygen', it is surely inappropriate for a professional analyst to do the same. KPMG's Supplementary Report implicitly suggests that subsequent critiques of their analysis require no response — a stance that, particularly in light of points I address below, suggests a lack of professional self-respect.

I elaborate on these points below.

Comparison with an alternative public project

As you are aware, the Commission's guidelines for assessing the project specified: "The economic impact report should also consider the opportunity cost of domestic investment - for example, a "counter-factual" estimate of the impact of an alternative investment of equivalent public funds."¹ For example, this could

¹ [Project of State significance - Macquarie Point multipurpose stadium - final guidelines 16 February 2024](#), p. 9.

be a new publicly funded educational facility, which was the counterfactual I explored briefly in my review.

KPMG, however, dismisses the Commission's request for a comparison for an alternative investment. It claims that "[c]hoosing an alternative government project as a counterfactual for considering the economic impact of the stadium is based on a false premise that the opportunity cost of the stadium is an alternative investment that the government may choose to do".² Further, it notes that it does not have sufficient information to model the economic impact for an alternative public investment.³

First, it is surely up to the Commission to specify what information it needs to make a satisfactory decision, not KPMG.

Second, and more importantly, KPMG's arguments seem obviously specious to me. The Commission rightly asked KPMG to compare the stadium with an alternative project because a significant part of the case for the stadium relates to its economic impacts and benefits. Hence, the Government should consider whether alternative projects, or not spending the money at all and avoiding additional debt, would be better options. That is, the opportunity cost of the stadium is the forgone benefit from the next best use of the resources expended, which may well be on an alternative public investment. It takes some nerve to argue that the TPC requirement is based on a 'false premise'. It is, rather, based on the textbook application of the most fundamental concept in economics — that of opportunity cost.

² KPMG (2025, p. 14), https://www.planning.tas.gov.au/_data/assets/pdf_file/0004/798709/Annexure-H-KPMG-Economics-Analysis-Report-31-January-2025.PDF

³ Ibid., p. 15.

Critique of KPMG's cost-benefit analysis

I summarise below the significant problems with KPMG's cost-benefit analysis, which have still not been adequately addressed, and I include relevant page references to my independent review report.

- a. **It did not include the opportunity cost of land.** A cost-benefit analysis should recognise the opportunity cost of the land in its best alternative use. Infrastructure Australia notes in its 2021 *Guide to Economic Appraisal*, "in the case of land, the capital costs should include the opportunity cost of the land used, even where this is currently owned by government".⁴ By failing to do so, KPMG underestimated the cost of the project by at least \$156 million.⁵
- b. **It underestimated capital costs.** It provided insufficiently for contingencies and excluded essential related infrastructure spending associated with the stadium. This means there are an additional \$322 million of costs on top of the cost estimate presented in the Project of State Significance project, bringing total capital costs to \$1,096 million compared with the claimed \$775 million.⁶
- c. **It overestimates likely interstate visitors.** It estimated the number of interstate visitors by extrapolating from Hawthorn games in Launceston. It made two simple mistakes in doing so. First, these games involve *two* interstate teams, whereas Devils games will involve one. Given this, it seems reasonable to start from the assumption that Devils games will attract around half the interstate visitors as games between two interstate teams. Second KPMG

⁴ Infrastructure Australia (2021) *Guide to Economic Appraisal*, p. 23.

⁵ Gruen, Nicholas, 2025. "[Independent review of the Macquarie Point Stadium](#)", p. 97.

⁶ *Ibid.* p. 6.

forecast that Devils games will attract larger audiences than Hawthorn or North Melbourne games. I agree. But KPMG then calculated interstate visitation by assuming it was a stable proportion of total attendance, thus further inflating their own calculation of interstate visitation.⁷ I can see no warrant for doing so.

- d. **It overestimates the net economic benefit of tourism.** KPMG also overestimates the tourism benefits by effectively assuming 35 cents in every dollar of additional tourism spending provides a net benefit via additional producer and consumer surplus. The 35 cents in the dollar benefit was twice as large as that assumed by MI Global Partners, and in my view, is excessive. The KPMG analysis fails to adequately recognise the opportunity cost of resources in Tasmania. Recognising the alternative uses of labour and capital resources in the Tasmanian economy while at the same time acknowledging there may be some net benefit from additional tourism spending, I assume only 10 percent of new tourism spending can be treated as a net benefit to the state.⁸

⁷ *Ibid.*, pp. 107-108.

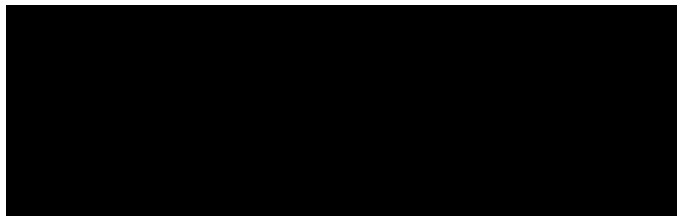
⁸ *Ibid.*, pp. 104-107.

In the upshot, MPDC and KPMG's strategy appears to be that if they behave as if my report did not exist, this might strengthen the hand of others who would like to do the same.

Conclusion

I would be happy to discuss any of these concerns at a mutually convenient time.

Yours sincerely,



Nicholas Gruen

cc: Andrew Bryant
Principal Director, Head of Ethics and Independence
KPMG Australia

=]-[p0o9i8u7y6t5r
Level 38, Tower Three, International Towers Sydney
300 Barangaroo Avenue, Sydney, New South Wales, 2000