

DEVILS DEAL IS

It's not a question of whether Tasmania can afford a new AFL club and stadium — but whether it can afford not to. **John Perry** outlines the projected economic benefits and long-term impact

I've heard people point to the state's growing government debt and say don't support a stadium because Tasmania can't afford it. \$1.13bn is, after all, a huge amount of money and the state's share (\$875m) will add to government debt. But governments routinely borrow money to invest in public infrastructure or in projects that will grow their economy. So to answer the simple question "can the state afford it?" you need to assess whether the economic benefits created justify the actual costs.

In a previous life, I led the team of financial analysts at American Airlines who did the financial analysis, assessment and planning for the airline's budgets and investments across Europe, Middle East and Asia-Pacific and, like most large businesses, no material expenditure was made without detailed assessment of the risk and return from the expenditure.

For the past 10 years, I've worked for the Tasmanian government as the Coordinator-General to attract new businesses into the state.

I never comment publicly on political or policy matters. However, watching the claims and counter claims, questionable inclusions and startling omissions with respect to the Tasmanian AFL club, Macquarie Point precinct and the economic impacts, I've decided to offer my public thoughts and simplified analysis for the first time.

A FEW THINGS ARE CLEAR

- While \$980m for infrastructure (Tasmania's share of the build costs for the stadium and the high performance centre at Kingston) is a lot of money, that is not the actual ongoing cost to the state for finally having its own football teams and the required infrastructure.
- There is growing concern over the increasing costs of government services and health services in particular, but some confusion between government debt that creates an asset and drives ongoing economic benefits (eg stadium), versus borrowing to fund a recurring expense (eg health or other services).
- There are numerous different claims about what the stadium and AFL club will 'cost' each Tasmanian household and the same for what Tasmanians will get in return.

Potentially complicating that simple question are a few expert reports which contain a lot of projections and assumptions that many might find hard to assess.

So using as much publicly available data as possible, testing existing analysis and adopting conservative projections, and then sharing some reliable data we had commissioned or have access to, my team has calculated what we believe are the most-likely Tasmanian economic benefits the Tassie Devils club and stadium will generate every year once established.

We have compared that against the most likely actual ongoing 'holding'

cost every year of the club and stadium to Tasmania.

I note that we have done this work without any request by government or any other stakeholders.

OUR CONCLUSIONS ARE

- It will cost the state about \$44.5m per year to finance the debt for the club and stadium.
- The club and stadium will generate at least \$220.9m per year in new economic activity.
- Therefore, for every \$1 the government pays to finance the club and stadium per year (holding cost), there will be at least \$4.97 in new economic activity in the state.
- Assuming the government's total yearly revenue will be at least \$9bn, the annual holding costs for the club and stadium would represent as little as half of one per cent of that yearly revenue.

But the \$221m per year is not the end of the economic impacts. There are also some significant others that we haven't included in those calculations either because they aren't going to occur every year or we cannot extract the exact additional new benefit for Tasmania.

Using Economy.id; our recent Hobart hotel demand study undertaken by reliable experts BDA; 2021 Australian Census data; and our own data on Hobart hotel construction costs and outputs, there will also be:

- \$1.194bn just of flow-on economic activity to Hobart and the state from the three-plus years construction of the stadium and high-performance centre.
- Over \$930m in direct and flow-on economic impact from the construction phase of all the new hotels that are required by 2030 to accommodate the market growth the tourism industry expects (1330 rooms) as well as the extra rooms specifically required when adding the club and stadium (254 rooms). Note that the club and stadium will help underpin all the new hotel business cases because many events including most AFL games will occur in Hobart during the low winter season and so will also benefit the entire tourism sector. These new hotels will employ more than 672 people directly and ongoing, which will result in a further 356 indirect ongoing jobs being created.
- Over \$40m per year will be spent by



An image from a new fly through video of the proposed Macquarie Point stadium and (inset) artist renders of the precinct.
Pictures: Macquarie Point Development Corporation

Tasmanians in Hobart from game/event days.

- The stadium will provide new conference facilities that will mean further economic benefits from access to the larger business events segment, which we estimate will add another \$23m yearly. Hobart currently misses out on most conferences above 750 pax and it misses out on almost all of the 1100-1500 pax conferences across Australia (around 110 per year worth \$332m annually).
- The new Devils Club will employ at least 175 well-paid professionals including players, coaches, sports scientists, fundraisers and marketers, who together with their families will have an average age significantly lower than Tasmania's average age and most will be new to the state (which will help deliver and pay for services our ageing population needs) and having AFL and AFLW teams

based and playing in Tasmania will attract other younger people to the state addressing part of the 'brain-drain' issue.

- The Tassie Devils will become one of the most significant businesses in the state from 2028, in fact they will be straight into the top 1 per cent of non-government wage payers spending over \$44m, per year on Hobart-based employees.

There are a lot of other benefits missing from our calculations because we do not feel confident calculating precise values for the more intangible benefits, such as improvements to Tasmanians' health, state aspiration, the Tasmanian Brand, business confidence, sports participation, youth engagement and crime reduction.

And while we also cannot accurately calculate the negative impacts of Tasmania losing its opportunity for comparable infrastructure to other capital cities or to have teams in the nation's biggest sports leagues, I know from my day job, a negative decision will have a huge impact on how interstate businesses see and are prepared to invest in Tasmania. No club and stadium will make our jobs attracting investment much harder and the state's chance of attracting younger Tasmanian diaspora back to live in Tasmania, much less.

So I believe the correct question is not can the state afford the club and stadium but can we really afford for the state not to make that investment?

DIGGING DEEPER

Below is more detail of, and assumptions for, our calculations and the different components that make up the new economic benefits we have calculated. We have also outlined some of those other economic benefits that either do not continue every year, or for which only the likely total can be calculated (i.e. we know part of the total will be extra economic benefit for Tasmania, but we don't know for certain how much of that total will be new or extra for Tasmania).

The state's share of investment for the club and stadium infrastructure will be \$980m. Regardless of which entity funds or borrows and in what proportions, we have assumed this ultimately gets financed from state borrowings. Interest rates move around but Tasmania's cost of funds is generally a little bit higher than the RBA's official rate (currently 3.6 per cent). Even though consensus is that rates will likely drop further, we have used 4.5 per cent for the state's average cost of funds, and that means the club and stadium will cost Tasmania about \$46m per year (less projected annual stamp duty receipts from 74 per cent of the club's employees who we have projected will buy a house in inner Hobart and own it for the Hobart average of five years). This is the holding cost, and obviously doesn't pay-off the stadium, but companies regularly debt-fund assets and those interest payments are only around 0.5 per cent of a very conservative estimate of the state government's an-

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ECONOMIC GOLD



nual revenue when the stadium is built.

What does Tasmania get in return? We have calculated that it is quite a lot. Below I have set out how those economic impacts have been determined. Tasmania's ongoing cost will result in Hobart attracting a substantial new company – the Tassie Devils club – to set up here. Typically AFL clubs employ between 200 and 300 people.

Using the financial statements of the lowest five, financially performing, AFL clubs and applying 3 per cent growth per annum (much lower than the salary cap growth or historical growth rates for AFL teams – especially interstate ones) out to 2028, the Tassie Devils will turn over at least \$65m in 2028. Of course, the turnover could grow to be much higher as the club develops. Last year interstate clubs grew revenue by 12 per cent and I note that during his successful time at Richmond, the Devils' inaugural chief executive, Brendon Gale, led Richmond to be the biggest club in the AFL by turnover (exceeding \$127m in 2024) and the average turnover for an AFL club was around \$75m in 2024.

We all know that AFL footballers are very well paid (average salary in 2024 for an AFL player was reported to be \$459,000, with 25 players earning over \$1m), but the AFL clubs also employ many other professionals – such as managers, marketers, sports scientists, coaches, logistics specialists and junior development, com-

munity engagement leaders and so on, with high disposable incomes to spend where they live. With AFL, AFLW, VFL and VFLW and all their coaches, other support and administrators, we have conservatively assumed the payroll will be 175. Clubs reports their data slightly differently, but the average of total employee and player costs reported represents around 69 per cent of the clubs' total expenditure (i.e. \$44.68m).

Virtually all the Devils' employees and players will live (and so regularly spend) in Hobart. Indeed, the Tassie Devils will be a new entrant into the top 1 per cent of non-government wage payers in Tasmania in 2028 and the tax payable on the average salary would be higher than the average salary paid in Hobart. Those extra tax receipts will ultimately contribute – every year – towards the essential government services that some people are calling for increased spending on.

The Tassie Devils will spend much of the bal-

ance of its turnover locally (eg the AFL pays for the team's travel expenses for games, not the clubs). Obviously merchandising spend (about 2.0-2.5 per cent) will largely go offshore and there will be fundraising and corporate activities interstate as well as Tasmania, so we assume another 15 per cent of the club's expenditure will be local (\$9.3m) with the balance going elsewhere.

Economy.id provides an online input/output modelling tool for high level projection of the economic impacts of a new project/investment on a chosen geographical area – such as Hobart – for a given industry sector. It gives a snapshot of the knock-on impacts that might be expected on a broad scale by a new activity (new capital expenditure, new business etc) in a given sector.

The state's investment will also see the AFL invest \$16m a year in the Tasmanian community to support and grow club and grassroots football.

A large

part of the economic benefits of the club and stadium come from the increased tourism and hospitality spend. Using publicly available data for other stadiums and interstate attendances around Australia; the number of days those visitors spend visiting that state (and focussing on the Adelaide Oval and checking against Optus Stadium) together with the interstate visitation measured for Hawthorn games in Launceston; using the other events data from Stadiums Tas (i.e. not AFL) and applying actual proportions of interstate visitor numbers experienced for those other events/venues; using the actual interstate visitor spend data which Tourism Tasmania captures and publishes; we have calculated the economic impact of the interstate visitation from the club and stadium to be about \$74.5 million per year. This simple methodology using actual and comparative data has resulted in similar but slightly lower projected visitation and attendance numbers than the two main expert reports on the stadium's economics. This provides another data point which helps support the reasonableness of the more detailed analyses of those reports. Notwithstanding, we have then used our slightly lower projected interstate visitation and Tourism Tasmania's actual visitor spend data, to calculate the economic impact (i.e. the extra spend by these additional visitors).

In addition to more money spent directly in the Tasmanian economy from more interstate visitors, their increased visitation drives demand for more new hotels and serviced apartments. For our planning purposes and attracting new investment into hotels we commissioned in 2024 a new demand study for Hobart's hotel requirements by 2030. Our previously commissioned study has seen the about 43 per cent increase in new hotels and hotel rooms that BDA Market Research predicted Hobart would need by 2021. So we used BDA again and their assessment is that Hobart will need a further 1330 hotel rooms by 2030, for the overall growth that Tourism Tasmania's experts had independently projected for their planning purposes and growth from international flights. The club and stadium will add a further 254 rooms needed by 2030. Using our own data for hotel construction costs and employment outcomes, we know the 1330 rooms will add at least \$401m in new hotel investment and the 254 rooms will add at least a further \$73m in hotel investment. Using Economy.id we have projected the indirect benefits from this construction (\$385.4m and \$69.7m respectively) and the additional ongoing economic activity for Tasmania from the new hotels and their jobs and local expenditure. The extra hotel rooms just for the club and stadium will create a further \$30m per year and the rest of the new hotels will add another \$164m yearly to the economy.

Some may try to argue that we have double counted by including the total yearly economic activity from the new hotels developed because of the club and stadium, as well as the total spending by interstate visitors who attend the stadium (who will, of course, stay among all of the existing and new hotels as well as with family

and friends etc). There may be a small amount of overlap, however, this represents only about \$3.2m of the interstate visitor spend and given all the other benefits we have not included, this will be more than compensated for by all those amounts shown as not included in the estimate of yearly additional economic activity.

Importantly, a lot of the increased demand for hotel room nights will be during Hobart's low winter season, so the club and stadium will also disproportionately improve overall tourism and hospitality profitability as well as helping to underpin the business case for the other 1330 new hotel rooms (and various other hospitality) required by 2030.

We have not tried to quantify the benefit of having increased occupancy during winter or the additional high-quality investment that the tourism and hospitality industries could attract to be part of this growth due to the increased visitation during the winter months, but this will be considerable. Instead we have simply noted just the additional activity from the new hotels.

I would also point out that Economy.id projects there will be 1080 construction and other jobs during their construction periods and from our hotel employment data, we expect 568 new direct hospitality jobs ongoing, which will also add a further 301 other ongoing jobs into the local economy.

TWO FINAL MATTERS

Without many facts or analysis in the debate, lots of things seem to be getting blurred, omitted and misunderstood: sometimes it's because of rules many people don't understand (eg quoting or calculating "benefit cost ratio" (BCR) but not clarifying that it does not include a range of key economic benefits that will flow from the stadium and the club); and sometimes, it seems to be purely to add more impact to someone's argument. Regardless, I hope this analysis has helped break down the range of projected economic benefits, assumptions, impacts and risks into numbers more easily assessed and understood.

John Perry is Coordinator-General of Tasmania

John Perry's office was not involved in the AFL team negotiations and nor has it been involved with the Hobart stadium planning or assessment.

As the unsolicited guidelines required his office did manage – and he chaired the four-person Assessment Panel who assessed – the unsolicited stadium proposal to government last year, known more as Stadium 2.0.

His office commissioned the hotel demand study by BDA in 2016 and again in 2024 and they requested analysis of four scenarios where one was the AFL team and stadium to determine the additional hotel room investment required.

No one in government requested Mr Perry or his office do this analysis and his first discussion with any ministers about this work was to provide an overview and seek permission to publish an opinion piece on this work. Mr Perry lives in Launceston and usually goes to about two Hawthorn games a year for his current role to meet with different businesses and business-leaders. He is also one of the 210,000 paid-up members of the Tassie Devils.

Tasmania's Co-ordinator-general
John Perry