

JABIRU BUSINESS CASE





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STAFFORD STRATEGY

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1. EXECUTIVE SUMMARY

1.1. Introduction

Stafford Strategy (Stafford) was commissioned by Gundjeihmi Aboriginal Corporation (GAC) to undertake the development of a tourism and economic development study as part of a feasibility and business case for the repurposing of Jabiru township within Kakadu National Park (KNP) from mining to tourism. While the primary focus is the repurposing and redevelopment of Jabiru, this needs to be seen within the broader context of KNP because of its geographic position within KNP, along with offering a World Heritage designated area.

The purpose of the redevelopment and this Business Case is centred on the imminent closure of the Ranger Uranium Mine, operated by Energy Resources of Australia Limited (ERA) and the corresponding termination of the township lease over the mining town of Jabiru which was imposed by the Commonwealth Government and built by ERA and the Northern Territory (NT) Government 40 years ago.

In addition, it is also important to recognise that, shortly after the mine was commissioned, KNP was gazetted as a World Heritage Area (WHA) because of its significant fauna and flora and its connection to local aboriginal sites of significance.

This business case reflects on Jabiru's unique location and supports the GAC and Northern Territory (NT) Government's aspiration of turning Jabiru into a nationally and internationally recognised tourism destination. The business case tests the viability of achieving this aspiration and determines the mechanisms needed to attain this outcome.



1.2. Key findings

The following outlines the key findings. These relate to the specific elements of the project brief which are set out in the introduction section of this Business Case. The brief indicates the complexity of issues at play, and the challenge of getting varied stakeholders to align in their thinking.

Strong international brand awareness of Kakadu

KNP is recognised nationally and internationally as a major World Heritage Area in Australia, rich in its cultural history and significance, and recognised for its geographic size along with its various natural assets (waterfalls, gorges, fauna and flora).

But visitation has been declining

Though the brand name of Kakadu is well known, its appeal to international visitors especially (which are higher spenders and more likely to book cultural experiences than domestic visitors) has been dropping since the late 1980s from an estimated high of 150k (representing 50% of total visitation to KNP), to a mere 30k today (an estimated 18% of total visitation).

Total visitation has also reduced to 185k from close to 300k in the late 1980s though challenges exist in conflicting visitor numbers from various sources.

Competition is increasing

Over the last 20 years, the level of competition to KNP has considerably strengthened, with Uluru-Kata Tjuta National Park World Heritage Area and Litchfield National Park (amongst others) significantly growing visitor numbers as Kakadu has gradually declined.

Lack of year-round access constrains Kakadu

Industry operator feedback indicates that offshore wholesalers and travel intermediaries are less inclined to put Kakadu on itineraries as it is often only accessible for short periods of the year, creating high risk that waterfalls

and other sites within KNP will not be accessible for international visitors who have booked and paid to see sites.

There is also a need to open up access to key attractions in KNP for longer periods of the year including Ubirr, Twin Falls, Jim Jim Falls and Gunlom Falls, which have restricted access because of the long periods of time when park management closes access.

Without changes in the way that accessibility is managed within KNP, increasing visitation to KNP from higher yielding international and domestic markets, will be hard to achieve. It is not merely putting in sealed roads and bridges which is required.

The seasons can be a selling point

Currently, the low (wet) and shoulder seasons in KNP are considered “no go” periods for the vast majority of visitors. The potential exists to use the seasonal changes as a major selling point for encouraging greater numbers of visitors to come in the low and shoulder periods.

The scenery is often more spectacular during the wet seasons when rivers and waterfalls are actively flowing.

Activating the wet and shoulder seasons is dependent on Parks Australia modifying their approach to enable safe access during these periods. The Traditional Owners (TOs) need to be a true partner in this discussion.

Kakadu no longer rates

Social media sources indicate KNP no longer rates as one of the top 20 locations to visit by Tourism Australia, and Lonely Planet and other major online forums now place Uluru as a must see while Kakadu does not feature.

It is not just about greater marketing, it is about the product on offer, the ability to access it, and the way sites are managed and controlled.

Jabiru and Kakadu must have a symbiotic relationship to succeed

For Jabiru to succeed as a new tourism destination, it needs to leverage off Kakadu and through this process, help generate an upswing in higher yielding visitors which Kakadu has lost over time (both international and domestic overnight visitors).

Need for new investment

Because of the current market position of KNP and the increasing competition both within the NT and across northern Queensland (Daintree etc.) and northern Western Australia (The Kimberley etc.), just improving access to KNP key sites/attractions and a major marketing promotional campaign for KNP are unlikely on their own, to stimulate a sustainable turnaround required to strengthen visitation to KNP and help establish Jabiru as a viable tourism destination.

There is a multiplicity of factors which need to be addressed to create the ability to repurpose Jabiru as a successful tourism destination, and to also help future proof this outcome.

Buy in from all stakeholders is imperative

The support of all key stakeholders including TOs, land managers, Commonwealth and Territory Governments and industry are required, to work collaboratively to achieve the desired outcome or it will struggle to be realised.

The pathway forward

Improving KNP requires a holistic approach; marketing alone will not reverse the decline in visitation which has occurred. New and exciting product and experiences are required, along with a different approach to managing the Park.

Jabiru has the potential to offer a sustainable year-round reason to visit the area. The repurposing of Jabiru from mining to tourism is a key determinant for this.

1.3. Mega Issues

There are a number of issues which help create the context for the recommendations made in this study. The following issues are not in any priority order.

<p>1. Declining visitation</p> <p>The decline in visitation to KNP (which is a Commonwealth Reserve and part of the Federal Reserve System) from over 250k in the late 1980s through to 185k now, in particular, the reduction in international overnight visitation and lower higher spending visitors.</p>	<p>2. Traditional Owner Capacity</p> <p>The challenges associated with the limited number of TOs within the broader region and their desire to benefit from a refocus on tourism, whether this be via employment, production and sale of handicraft/art works, tour guiding etc.</p>	<p>3. Pressure on indigenous communities</p> <p>Avoiding a scenario where a stronger requirement for Aboriginal product (art and related items, tour guiding etc.) will put undue pressure on local communities to try and deliver (resulting in social carrying capacity problems/stress).</p>
<p>4. Delivering benefits to TOs</p> <p>Making sure that tangible benefits can be delivered to TOs from the improvements and repurposing of Jabiru, in particular.</p>	<p>5. Kakadu and Jabiru</p> <p>The need to recognise that Jabiru and Kakadu are intrinsically linked, with Jabiru being the township within the WHA, so both need each other to work well for visitation and visitor yield to improve.</p>	<p>6. Lack of Aboriginal Focus</p> <p>There is no outward obvious indication of Jabiru being an Aboriginal town. There is a need for a Bininj space, which can act as a showcase for Aboriginal culture and cultural preservation work based on traditional knowledge systems.</p>
<p>7. Marketing alone is not a solution</p> <p>Recognising that marketing alone will not turn around the decline in visitation to Kakadu and that a strong repurposing of Jabiru, including a world-class series of developments, is required to achieve the desired outcome.</p>	<p>8. Park Functionality</p> <p>To appeal to a higher-yielding market requires change to the current management approach of KNP, improving access to major sites, consistency and transparency of regulation together with collaboration and expertise from other Top End parks are needed to rebuild market confidence.</p>	<p>9. Need for a croc-free Lake Jabiru</p> <p>The ability to ensure that Lake Jabiru Precinct and Jabiru Town are absolutely crocodile free is essential to deliver the quality of lake experience which is required without compromise.</p>
<p>10. Technology is reliant on infrastructure</p> <p>Tech/innovation outcomes specifically desired by the NT Government will only be achieved after investment in quality infrastructure is put in place first. This should act as the catalyst for investment opportunities for philanthropists, tourism/technology operators and major national/international research institutes. An example could be the introduction of driverless cars and a high-tech fuel station.</p>	<p>11. Increasing Competition</p> <p>There is significant competitive pressure from destinations such as Litchfield National Park which is managed by Parks NT, and which has visitation over 365k per annum¹, and which is far more accessible as a day visitor experience from Darwin compared to Kakadu, so competition will not diminish; it will only get tougher.</p>	<p>12. Critical mass of product required</p> <p>Understanding that, for most of the development components which are recommended in this study, the ability to be economically viable as stand-alone components is often marginal, but when they are undertaken as a collective proposition, the “collective uplift” becomes strong and the economic and financial viability of elements becomes far more attractive.</p>
<p>13. Cost to redevelop Jabiru</p> <p>The need to create significant change in order to repurpose Jabiru, and the potential cost of developing a world class tourism precinct which could become a destination in its own right if developed appropriately.</p>	<p>14. Kakadu brand confusion</p> <p>There is a lack of understanding in the market place about what Kakadu is² and what its unique selling point is, comparative to other major natural attractions in Australia as well as other World Heritage Areas. There are many WHAs now nationally and globally.</p>	<p>15. The mining town image</p> <p>The need to remove any connection to the mining town image of Jabiru because it will limit market demand and effectively devalue eco-based environmental experiences which visitors will primarily come for.</p>

¹ Which could potentially grow further if additional parking is offered.

² It is noted that Parks Australia have already started to look at this issue.

1.4. Recommendations for Jabiru

1.4.1. What is being recommended

Table 1 provides a summary of the various opportunities identified as part of this Business Case. They have been identified as opportunities offering the ability to sustainably grow visitation to Jabiru and Kakadu (which ultimately has flow on benefits to Darwin and the rest of the NT). They also offer future-proofing and help address the fundamental problem of significant seasonality.

This is followed by a graphical concept summary of the built opportunities proposed for Jabiru (Figure 1).

Table 1: The opportunities

CATEGORY	CATEGORY DESCRIPTION	OPPORTUNITIES
Tourism development opportunities 	Includes development opportunities which are focused on the visitor economy and which, if introduced, will likely maximise the profile of Jabiru and Kakadu, and draw a higher yielding visitor.	<ul style="list-style-type: none"> World Heritage Interpretive Centre (WHIC) Eco Recreation Hub Wellness Centre 5-Star Lodge and Glamping New Airport Improve access to key sites in KNP
Local services development opportunities 	Includes development opportunities which are focused on the town of Jabiru and provide enhancements for local residents, businesses and government. They are not specifically visitor generating elements but are key to delivering community services and better meeting community needs.	<ul style="list-style-type: none"> Bininj Resource Centre Education Precinct Government Service Hub Medical Facility Residential Property Management Community & Entertainment Hub
Innovation Opportunities 	Includes a range of innovation and technology opportunities to be further investigated and discussed with leading tech-based and innovation experts. They offer an important potential point of difference to support the repurposing of Jabiru and to deliver a unique tech-testing environment.	<ul style="list-style-type: none"> Introduction of renewable electricity production (e.g. solar energy) Introduction of electric cars and boats Robotics for delivering services in the WHIC Technology to croc-proof Lake Jabiru and to control cane toads Bio-tech for the future medicinal and health products within KNP Bio-security technology such as expanding the weevil farm operation Technology initiatives to assist with training and education Introduction of AR and VR to provide forms of cultural tourism experiences which do not necessitate high staffing numbers Food innovation and how to utilise unique NT produce for other purposes (e.g. food technology, health benefits, etc). Climate study noting Kakadu is one of five case studies for climate change in Australia Fuel station Drone technology including unmanned aerial vehicles (UAVs) for land management
Marketing 	Includes opportunities to help stimulate visitation to Kakadu as well as supporting the various product to be developed as Jabiru and how it may need to be jointly marketed.	<ul style="list-style-type: none"> Branding for Jabiru Destination Website The Six Seasons Campaign 101 Things to Do in Jabiru/Kakadu Understanding the Value of Tourism Product Packaging Targeting the International Market Attracting the Fly-in Market Linking to Uluru (including the potential for a Dream Time Package) Linking to Darwin Linking to Garig Gunak Barlu National Park and tours into Arnhem Land The Move to Stronger Overnight Visitation

CATEGORY	CATEGORY DESCRIPTION	OPPORTUNITIES
<p>Urban Design</p> 	<p>Includes opportunities to improve the design, layout and streetscape of Jabiru.</p>	<ul style="list-style-type: none"> ▪ Town Layout ▪ Link to Education Precinct, Town Centre Hub and Lakeside Tourism Precinct ▪ Jabiru Walkability ▪ The Link to Kakadu Highway
<p>Landscape Design</p> 	<p>Includes various forms of landscape enhancement which have been integrated into the overall design created by the design team for a repurposed Jabiru.</p>	<ul style="list-style-type: none"> ▪ Overall Look and Feel ▪ Townscape ▪ Lake Jabiru Tourism Precinct ▪ Recreational Elements ▪ Use of Technology ▪ Bininj worldview of plants and animals ▪ Edible landscapes ▪ Introduction of shade trees for sitting/relaxing outdoor areas

Figure 1: Jabiru development master plan



1.4.2. Indicative Capital Costs

As shown in the following figure, total capital costs for the redevelopment of Jabiru and KNP supporting elements are estimated at \$446m, comprising the following.

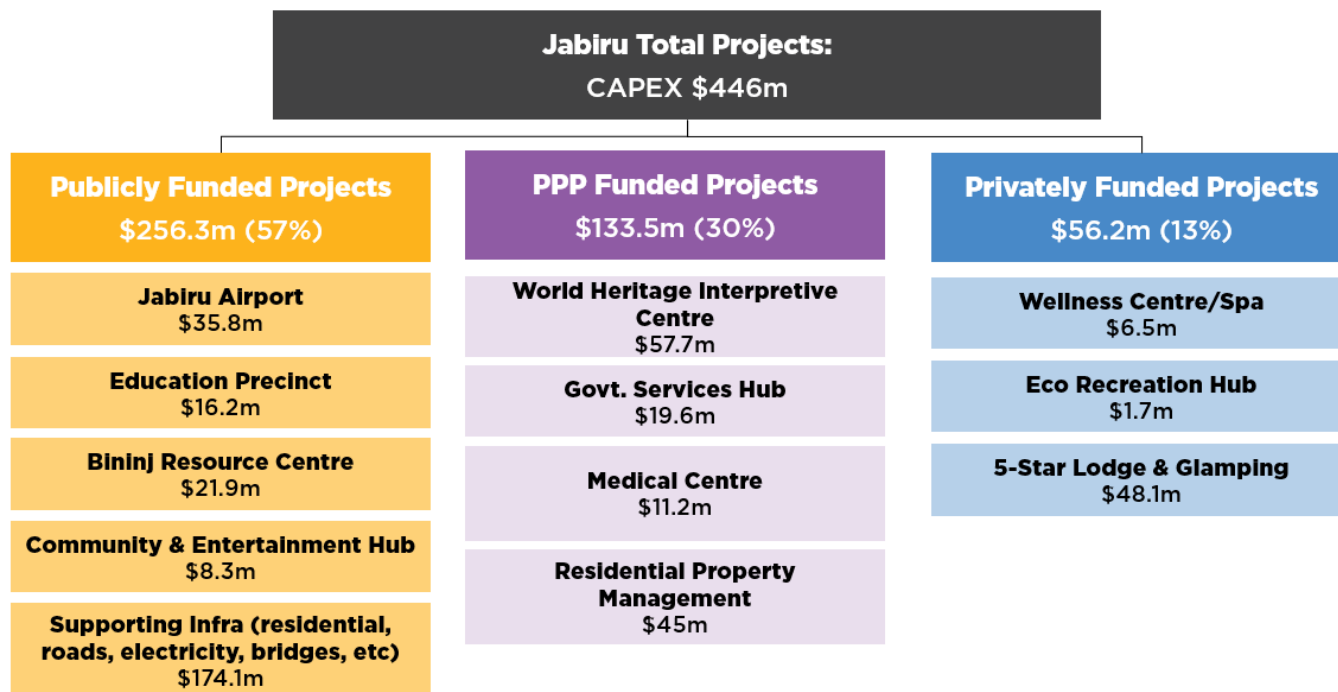
- \$256.3m (or 57%) in publicly funded projects³, including supporting infrastructure for the town of Jabiru and including \$51m for KNP.
- \$133.5m (29%) in joint private/public projects (PPP). This represents four public projects (the WHIC, property management services supporting the residential properties, the Government Services Hub and the Medical Centre) that are able to generate positive cash flows and at such, offer the chance to potentially attract private sector investment. For the WHIC, this is correlated with the unique immersive technology attraction which is a paid element and which, therefore, may offer a financial partnership arrangement. For the Government Services Hub, the potential exists to get private sector investment to

build this and lease the facility back to government, and for property management services, up to 180 residential properties provide an opportunity for a company to lease these out (and manage their maintenance and refurbishment) to government, lodge and other staff, visiting research institutes and corporates amongst others.

- \$56.2m (or 13%) in privately funded commercial projects, which are predominantly designed for tourism and recreation and which offer attractive commercial returns.

The capital costs estimated include 25% contingencies. The Jabiru only CAPEX is \$395m, of which 52% is public funded, 34% are PPP projects and 14% are purely privately funded projects. The remaining \$51m (public funded) includes elements to improve accessibility to key attractions in KNP, including bridges and road sealing.

Figure 2: Indicative Capital Costs



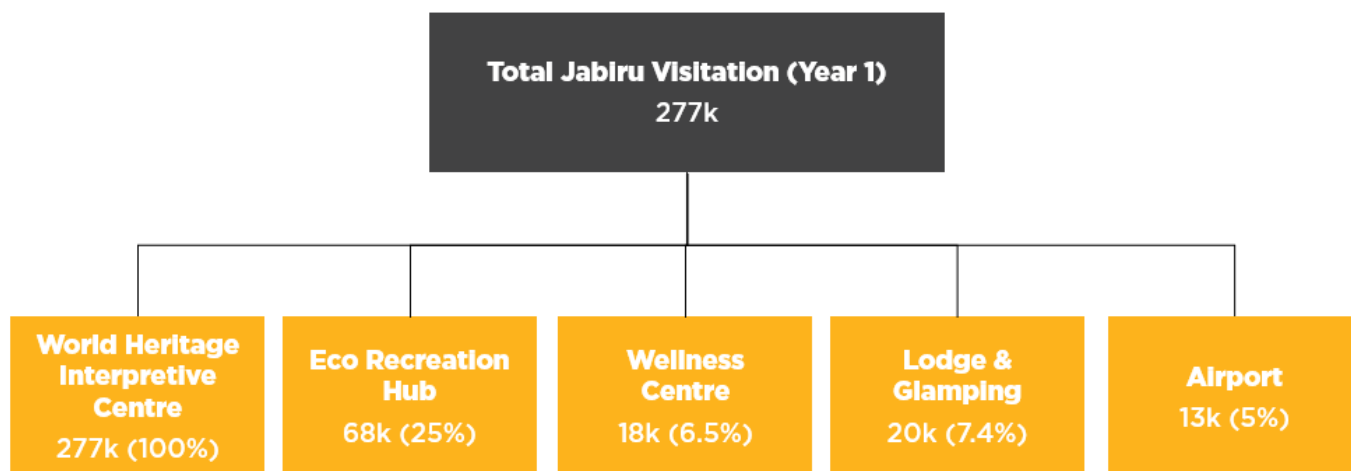
³ It is also important to note that some projects are for KNP, rather than Jabiru, as they are needed to help extend the visitor season by improving access to waterfalls etc.

1.4.3. Market Demand

The following figure (Figure 3) illustrates that potential exists to stimulate strong visitation to Jabiru and KNP through the introduction of various new attractions and amenities. The figures on visitation reflect total visitation (building on the 185k estimated current visitors) and which add a further estimated 92k new visitors in the first full year of operation. This assumes that all of these various development elements are operational and all the supporting facilities and amenities are developed as well.

Importantly, it is likely to be far harder to generate the estimated visitor growth forecasts without the critical mass of attractions and facilities all being operational together; a staged approach to delivery of elements would therefore likely struggle to generate the same level of visitor growth and likely returns.

Figure 3: Top line market demand summary to each tourism element



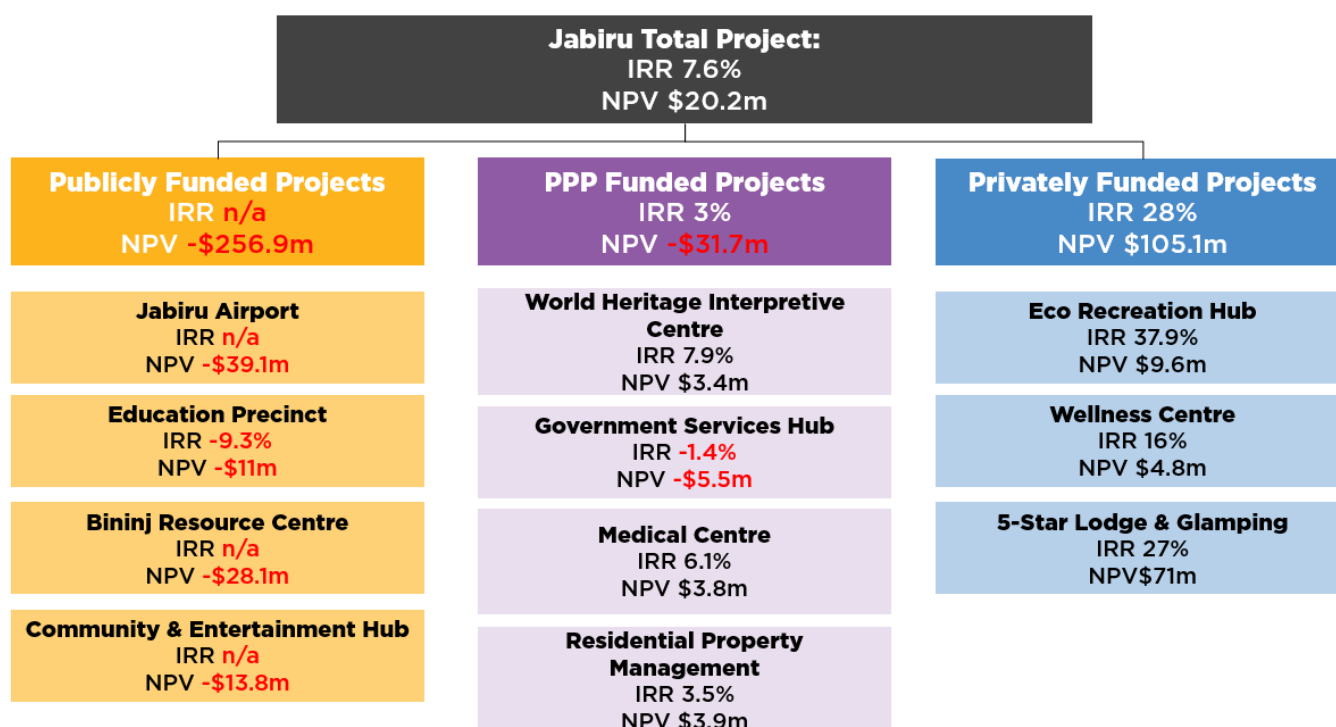
1.4.4. Project Value

A key requirement has been the need to estimate financial and economic returns from each element and to show the impact on their returns through sensitivity analysis. Figure 4 details the overall project value for each development element, offering its Internal Rate of Return (IRR) and Net Present Value (NPV) as key metrics. The results indicate that:

- The total Jabiru project, including all development and supporting infrastructure, is expected to generate a range of economic and financial benefits in addition to various social and cultural benefits.
- The publicly funded projects, when combined, will likely result in a negative IRR and NPV due to these being important public goods rather than commercial projects with high capital costs and more modest revenue streams.
- The joint private/public projects (PPP) should result in a small positive IRR but a negative NPV due to the level of capital required for some of these developments and the more modest revenue streams generated (through most projects show positive IRR and NPV results when assessed individually).
- The expected privately funded, commercial tourism projects are expected to generate solid financial and economic returns evidenced in positive IRR and NPV results and attractive annual cash flows.

The sensitivity analysis undertaken, which applies a reduction in visitation and spend levels of up to 25%, indicates that the PPP and privately funded projects are mostly able to generate acceptable returns on investment.

Figure 4: Financial and Economic Impact of Projects (over 10 years)⁴



⁴ It is important to note that some projects are unlikely to generate a cost-neutral position without ongoing government or GAC support. These projects include: the Bininj Resource Centre, the Airport and the Community & Entertainment Hub. Some of the other public projects are able to generate a positive cash flow and are, therefore, less likely to require additional ongoing government support.

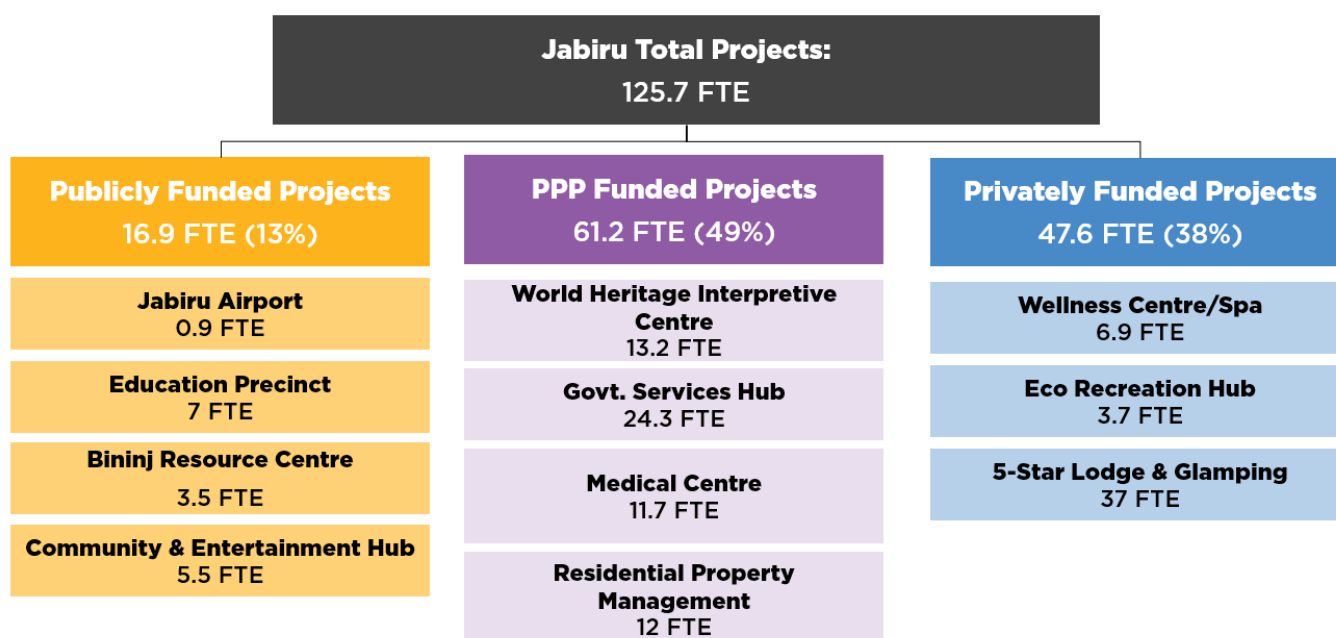
1.4.5. Employment Impact

The employment impact of the projects, in the form of FTE creation (both full time and part time) demonstrates the importance of these projects in helping to support the sustainability of Jabiru into the future as a viable tourism regional services centre.

The jobs are estimated for when the various elements are fully operational. There is forecast to be additional jobs in the construction phase for creating the facilities in Jabiru as well, though many of these are likely to come from Darwin.

In addition, there is also the potential for additional employment in all of the various existing accommodation facilities and tour operations in KNP, which could happen as an indirect result of the redevelopment of Jabiru as recommended. The uplift in visitation will not all be able to be accommodated within the new lodge and high-end glamping facility proposed. This creates opportunity for existing accommodation providers to benefit from higher occupancy levels leading to the need for more full- and part-time employees. This opportunity has not been quantified as data on existing employment levels has not been provided for current KNP accommodation and tour operators yet.

Figure 5: Employment impact of Projects (Year 1)



1.5. Economic Impacts for Jabiru, Darwin and the NT

The Jabiru project is of a size, scale and function that will generate increases in employment, visitation and expenditure, and will benefit the Kakadu and West Arnhem Region along with Darwin, and the Northern Territory in general. A summary of economic flow-on effects is shown in Table 3, which includes the impact of the construction phase as well as the operational phase at Jabiru.

There are likely to be significant economic benefits to Darwin, as the staging post for most visitors to Jabiru, including in the supply of goods and services during the construction phase and ongoing during the operational phase through the supply of supporting services such as coach and road transport supply, flights ex Darwin, and the supply of produce etc. for guests staying in Jabiru and KNP accommodation etc.

A summary of total economic benefit across the NT, including Jabiru and Darwin impacts, are outlined in Table 2. Importantly, the operational phase benefits reflect cumulative figures over the 10 years which have been modelled.

Table 2: Economic Benefit Summary

Phase	Key Metrics
Construction Phase	<ul style="list-style-type: none"> 1,751 unique jobs created across NT, including: <ul style="list-style-type: none"> 178 in Jabiru 1,574 in Darwin
	<ul style="list-style-type: none"> \$1.02b in total economic output, including direct construction costs and broader economic multiplier effects, including: <ul style="list-style-type: none"> \$222.6m generated in Jabiru \$795.7m generated in Darwin
	<ul style="list-style-type: none"> Total construction worker spend of \$4.3m across the NT, including <ul style="list-style-type: none"> \$187k spent in Jabiru \$4.1m spent in Darwin
	<ul style="list-style-type: none"> Total Government Benefit of \$52.3m, including <ul style="list-style-type: none"> \$7.2m in payroll tax (NT Government) \$45m GST revenue (Federal Government)
Operational Phase	<ul style="list-style-type: none"> A total of 125.7 FTE generated to operate the Jabiru redevelopment, including: <ul style="list-style-type: none"> 78.1 FTE in publicly and PPP funded projects 47.6 FTE in privately funded projects
	<ul style="list-style-type: none"> Total additional operational employee spend of \$1.5m
	<ul style="list-style-type: none"> Additional total visitation of 2.7m across the NT (over 10 years), comprising: <ul style="list-style-type: none"> Additional Jabiru visitation of 1.3m Additional Darwin visitation of 1.2m Additional visitation to rest of NT of 131k
	<ul style="list-style-type: none"> Additional direct visitor spend of \$2.1b across the NT (over 10 years), comprising: <ul style="list-style-type: none"> Additional Jabiru visitor spend of \$1.3b Additional Darwin visitor spend of \$663.6m Additional visitor spend in rest of NT of \$175.5m
	<ul style="list-style-type: none"> Additional indirect visitor spend of \$683.5m across the NT (over 10 years), comprising: <ul style="list-style-type: none"> Additional Jabiru visitor spend of \$346m Additional Darwin visitor spend of \$305.3m Additional visitor spend in rest of NT of \$32.3m
	<ul style="list-style-type: none"> Total Government Benefit of \$282.8m (over 10 years), including <ul style="list-style-type: none"> \$5m in payroll tax (NT Government) \$278m in GST revenue (Federal Government), from employee spend and total additional visitor spend.

1.6. Conclusion

This Business Case recognises the challenge confronting all stakeholders, with a desire to repurpose Jabiru to a tourism destination and through this endeavour, help create a visitation upswing for Kakadu and, in turn, the Top End. The research and analysis which offers the evidence base for this Business Case illustrates that there are exciting solutions to achieving this aspiration. But a quick fix solution and a lower level of capital investment will no offer a lasting solution and future proofing.

There is a need for solutions which gives future proofing; which won't result in the same or similar problems reoccurring in the medium (next 10 plus years) term. That's what this business case provides. Whilst the devil is always in the detail, the top line cost benefit analysis for each and every element provided, is based on solid market demand research and robust assumptions. It reflects positive and attractive results providing that the recipe for repurposing which is offered, is followed.

The analysis is also based on global best practice comparative analysis, gathered from various sources and focussed on not only successful remote repositioning exercises for towns and tourism hubs, but on unique remote attractions established in testing climatic environments.

The determination of what is likely to be required to create a sustainable repurposing at Jabiru, included reviewing the existing substantial body of research into Kakadu and Jabiru, along with global comparative research, interviews with leading tourism industry stakeholders and others, and our experience in not dissimilar projects throughout Australia and the Asia-Pacific region.

The key element is a redefined Lake Jabiru, along with the need for globally significant attractions and facilities which leverage off this unique man-made location. They are needed to offer the critical mass of facilities and attractions to build the position of Jabiru as a must see, globally significant tourism destination within a World Heritage park setting. These are the value adds which are needed to help turn Jabiru from a mining town into a sustainable tourism destination and to offer a year-round attraction to offset seasonality challenges.

In conclusion, this is a highly complex area, with competing interests and land ownership challenges, centred on the Ranger Uranium Mine and its imminent closure. This generates a window of opportunity, however, to create solutions to many of the existing problems confronting the area, and to repurpose Jabiru from mining to tourism. In turn, this should help create an upswing in interest from higher yielding visitor markets, which KNP needs.

There appears to be a genuine intent amongst key stakeholders to work collaboratively, to generate a beneficial outcome most are looking for. The solutions offered in this Business Case support this and offer a pathway forward. Most importantly, the solutions provide ways to improve the quality of life of TOs and offer sustainable ways of engagement and involvement.





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