























approximately 117,713 in 2024/25. The data in the following table uses the expected vessel distribution profile to develop estimates of passenger and crew numbers.

### 3.4 Summary

There is significant industry interest in using the GCCST due the Gold Coast’s reputation as a premier tourism destination. The demand assessment provides a conservative assessment of potential vessel calls, which could be exceeded if the some legislative changes are enacted and if industry growth forecasts are exceeded

**Table 3.2. Estimated Cumulative Annual Cruise Ship Activity**

Characteristics	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Ship Calls</b>										
Low Scenario	36	40	42	45	48	52	53	58	62	66
Medium Scenario	48	52	53	58	62	66	70	75	81	85
High Scenario	58	60	65	70	75	78	83	88	95	101
<b>Passengers</b>										
Low Scenario	50,322	55,640	57,766	62,728	66,625	71,942	73,713	80,801	85,464	91,786
Medium Scenario	66,625	71,942	73,713	80,801	85,464	91,786	97,103	104,191	113,050	117,713
High Scenario	80,801	82,927	90,015	97,103	104,191	108,088	115,176	122,264	131,478	140,337
<b>Crew</b>										
Low Scenario	21,330	23,549	24,511	26,529	28,253	30,472	31,233	34,213	36,297	38,917
Medium Scenario	28,253	30,472	31,233	34,213	36,297	38,917	41,136	44,117	47,859	49,943
High Scenario	34,213	35,176	38,156	41,136	44,117	45,840	48,821	51,801	55,744	59,486
<b>Stay in Port (Hours)</b>										
Low Scenario	288	320	336	360	384	416	424	464	496	528
Medium Scenario	384	416	424	464	496	528	560	600	648	680
High Scenario	464	480	520	560	600	624	664	704	760	808

Source: AECgroup

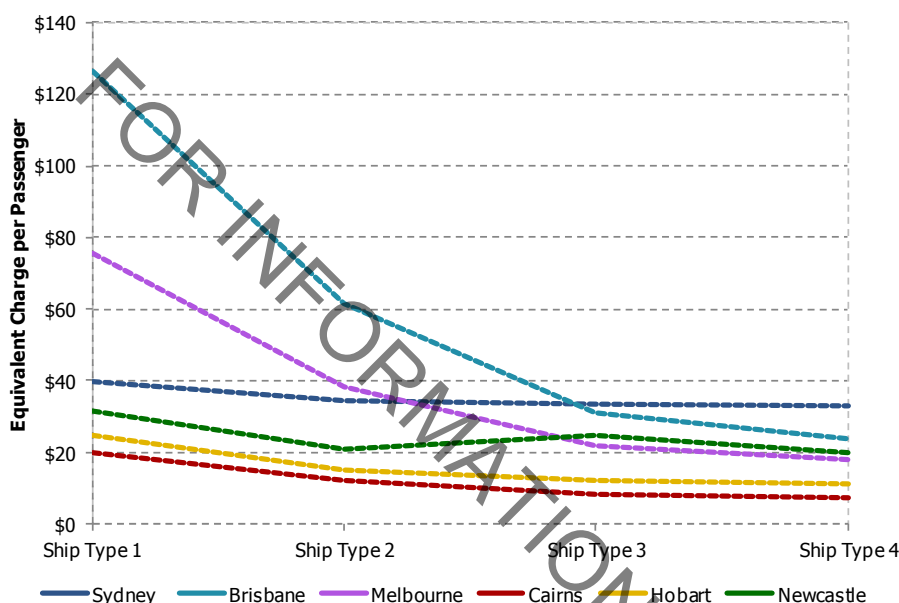
## 4. Project Assessment

The major Australian commercial ports have all been established using public sector investment, which has been typically justified through the broader economic impacts associated with these facilities. Subsequent private sector investment in additional facilities, including cruise ship terminals, has been possible due to the initial public investment.

### 4.1 Gold Coast Cruise Ship Terminal Financial Assessment

The following figure shows the equivalent per passenger charge that would be applied by a range of Australian ports to each of the four generic ship types identified in the demand assessment.

**Figure 4.1. Equivalent Charges per Passenger at Selected Australian Ports**

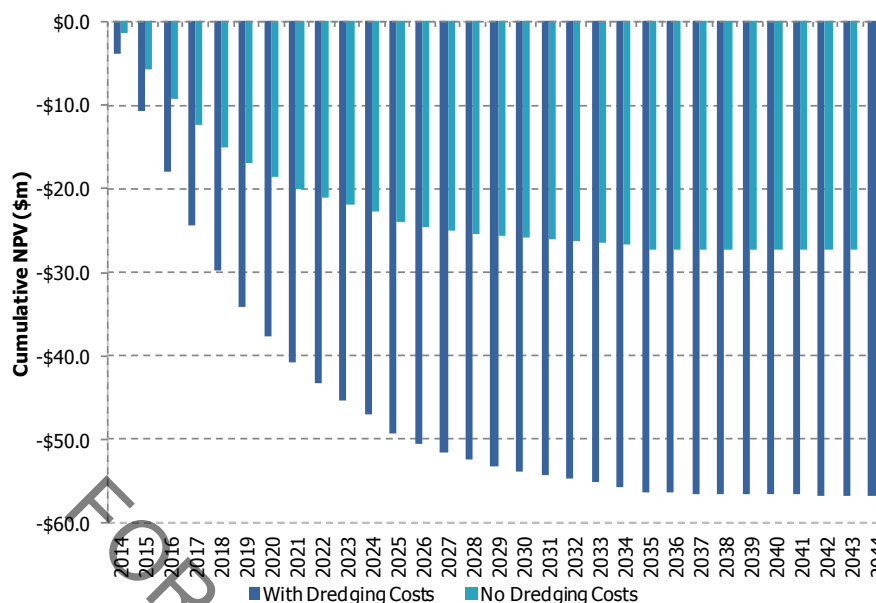


Note: Figure shows revised Sydney charges which will be applied from 1<sup>st</sup> July 2013  
Sources: Sydney Ports Corporation (2012), Port of Melbourne Corporation (2012), Port of Brisbane (2012), Ports North (2012), Tasmanian Ports Corporation (2012) and Newcastle Port Corporation (2012)

Between 2015/16 and 2025/24 the average operating costs per passenger at the GCCST (excluding return of or on investment) would be \$75.56 per passenger (2012/13 dollar values). These charges include an allowance for the additional cost of providing towage assistance at the GCCST compared to other ports.

It is clear the equivalent fees per passenger needed to recover the operating costs, excluding a return of capital (depreciation) and a return on capital to investors, are significantly higher than current cruise line market expectations. The following figure shows the cumulative net present value of the cash flows associated with the GCCST under a scenario where the facility pays the full capital and maintenance dredging costs and another where these costs are provided for by a third party. A 20% discount rate has been applied reflecting likely market expectations for an investment of this nature.

**Figure 4.2. GCCST Cumulative NPV With and Without Capital and Operational Dredging Costs**



Source: AECgroup.

The GCCST is not commercially viable as a stand-alone investment opportunity. The high cost of dredging, which must be recovered from a relatively small number of vessels, and the requirement that tugs must be available, if not always used, at a location which is some way from their current base port adds considerably to the charges which cruise lines would need to pay, compared to other ports.

However, there are potential actions which GCCST and Council could pursue to offset some of these costs including:

- Linking the GCCST development to a larger development opportunity;
- Seeking other funding sources to offset some of the capital and ongoing dredging costs;
- Seeking opportunities to increase the number of vessels using the facility through additional cruise ship calls and the attraction of super-yachts to the facility;
- Exploring opportunities to reduce costs associated with making tugs available for every vessel call; and
- Considering the use of incentives as a means of securing the estimated broader economic benefits.

It would be anticipated some combination of these approaches could significantly reduce the costs applied to each vessel call. Any reduction in costs is likely to be critical as the cruise lines clearly indicated the costs associated with using a port weigh heavily in planning itineraries and their decision to use a port. Higher costs must be passed on to passengers and therefore have implications for cost competitiveness and ultimately the operator's profit margins and market share.

For the GCCST to break even it would need to charge approximately 5-6 times more than the current market. This is a significant detractor for the attractiveness of the facility, particularly in consideration of the relative proximity of the Port of Brisbane and the potential competition from other areas (e.g. Tangalooma and/ or Luggage Point), which are currently under investigation.

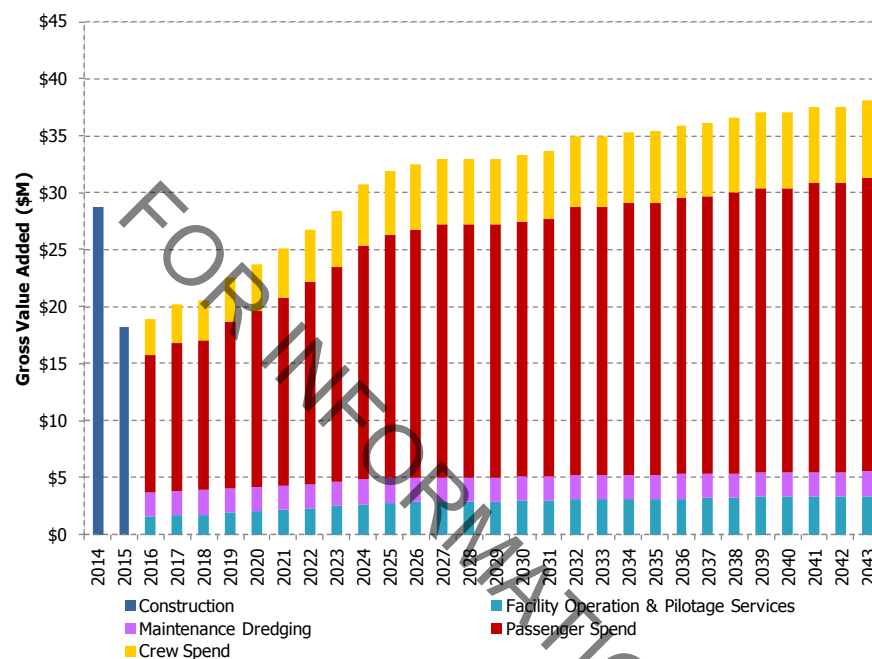
A detailed overview of the financial assessment and associated sensitivities is contained in *Technical Report C: Financial Assessment*.

## 4.2 Economic Impact Assessment

### 4.2.1 Impact on the Gold Coast Economy

The expenditure associated with establishing the GCCST would be expected to generate a positive and beneficial stimulus to the Gold Coast economy, supporting between \$15 million and \$30 million in gross value added activity between 2013/14 and 2022/23 and more than \$30 million per annum thereafter primarily associated with additional passenger and crew expenditure.

**Figure 4.3. Annual Gross Value Added Activity Supported by the GCCST in the Gold Coast, by Financial Year (Year Ended June)**



Source: AECgroup.

Industries which would receive the greatest direct benefit would include 'transport, postal and warehousing', primarily as a result of direct passenger expenditure on tours and transport within the Gold Coast, but also due to operation of the GCCST. The 'retail trade' and 'accommodation and food services' sectors would also be expected to receive a large share of the economic activity supported by the GCCST primarily through direct passenger and crew expenditure on services provided by these industries.

### 4.2.2 Economic Analysis

The economic analysis examines the net economic benefit (cost) of developing the GCCST. The economic analysis examines the flows of benefits and costs over time and converts values to present value terms to identify the overall net present value of the development to the Queensland economy.

**Table 4.1. Economic Analysis Results**

Discount Rate	PV Costs	PV Benefits	NPV	BCR
4.0%	\$230.0	\$332.5	\$102.6	1.45
<b>7.0%</b>	<b>\$183.8</b>	<b>\$225.2</b>	<b>\$41.4</b>	<b>1.23</b>
10.0%	\$156.2	\$161.0	\$4.8	1.03
15.0%	\$130.5	\$101.6	-\$28.8	0.78

Source: AECgroup

Key findings include:

- The development of the GCCST is economically desirable across discount rates up to 10.5%, with the benefits outweighing the costs of the development to Queensland at discount rates below 10.5%.

- Sensitivity testing indicates the net present value (NPV) of the development has a 90% probability of ranging between -\$1.4 million and \$68.5 million at a 7% discount rate based on the benefits and costs examined. Key findings of the sensitivity testing include:
  - The analysis is sensitive to the discount rate used, and is not economically desirable at discount rates above 10.5%.
  - The analysis is highly sensitive to demand projections, the proportion of demand that is 'net new' to Queensland, and expenditure by passengers/ crew members disembarking. Variances in these values provide the greatest fluctuation in NPV and benefits cost ratio (BCR). In particular, activity supported by passenger (and crew) expenditure is critical to providing an economically desirable development. As such, providing a product that encourages both cruise organisations and cruise passengers to visit the Gold Coast is paramount. Factors influencing cruise organisation and passenger preferences are outlined in *Technical Report B: Market Sounding and Demand Assessment*.
- A range of costs and benefits were identified but not quantified for inclusion in the economic analysis due to data limitations (e.g., disruptions to Seaway access; risks of collision; increased vehicle traffic; potential benefits to other third party operators; reputation and brand awareness of the Gold Coast; potential for boutique cruises; and potential for a 'Race Week' or similar style event). It is uncertain whether inclusion of these costs and benefits would, on balance, increase or decrease the NPV and BCR of the economic analysis. However, in comparison to the costs and benefits included these impacts are expected to be immaterial, with the potential exception of economic benefits that could be realised if the GCCST encouraged a 'Race Week' or similar style event/ festival on the Gold Coast.

A detailed overview of the economic analysis and associated sensitivities is contained in *Technical Report D: Economic Assessment*.

### 4.3 Summary

For the GCCST to proceed a commercial investor will require an innovative approach to the funding structure of the investment and require the support of multiple stakeholders. In isolation, the investment is commercially unviable. Setting equivalent fees per passenger at the rates required to generate a commercial return would mean GCCST users would be faced much higher charges than at other Australian ports. The higher charges are due to the need to fund all of the establishment costs from the private sector and the absence of other commercial vessel types from which to recover fixed costs. However, there are possible mitigation techniques which if successful could unlock large economic benefits to the Gold Coast regional economy.

## 5. Summary

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The strong market interest in the Gold Coast as a destination and the expectation of continued growth in the cruise ship sector suggest there would be demand for the GCCST. Should the development go ahead, it is estimated there would be significant economic benefits to the Gold Coast region. However, there are a series of financial impediments which must be overcome.

It is recommended GCCC give consideration to:

- Identifying potential sources of capital funds to complete the initial capital dredging task;
- Clarifying the requirement and options for the appropriate provision of tugs, including:
  - Consultation with the relevant regulatory authorities and cruise operators to ascertain the requirement for towage assistance be it on standby or available at short or medium term notice;
  - Opportunities to use vessels engaged in other activities (i.e. dredging support vessels or permanently deployed emergency vessels);
  - Vessel numbers needed to justify a tug permanently located at the Gold Coast; and
  - Level of demand at which a Gold Coast tug would become viable.
- The structure and quantum of incentives which could be applied to secure the anticipated economic benefits to the region; and
- Identifying other opportunities that could be packaged alongside the GCCST development to leverage establishment and ongoing operational costs (i.e. primarily dredging).



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