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3. Project Justification and Alternatives

3.1 Development Need

3.1.1 *Future Tourism Need*

Several submissions suggested that the data presented supporting the demand for a tourism development in Section 4.1.1 of the EIS were not accurate or representative of regional trends.

Gladstone is considered by both the Queensland Government and the Commonwealth Government to be one of Australia's most important and strategic industrial development regions. Over \$20 billion of industrial and port projects are either under development or in the planning and design phase of development. In the Gladstone hinterland major mining expansion, with associated transportation infrastructure, is underway. The Queensland Government median projections forecast there will be population growth from the current 50,000 to 81,000 in 2026. If industrial development were to meet the State Government's expectations the population could increase by 40,000 to 90,000 over the 20 year period. These figures do not include population growth in the mining development areas in the Gladstone hinterland which are also expected to grow significantly.

Tourism is not a major activity for the region at present, with Gladstone only receiving 2% Queensland's domestic tourism market and 3% of the international tourism market. However Central Queensland region has a significant number of high quality natural attractions for the visitor and holiday maker, including:

- the southern end of the Great Barrier Reef Marine Park and islands including:
 - Heron Island
 - Wilson Island
 - Lady Musgrave Island
 - North West Island
 - Masthead Island
 - Curtis Island
- National parks including Deepwater National Park, Eurimbula National Park, Krombit Tops, Isla Gorge, Cania Gorge National Park, Carnarvon Gorge;
- beaches and coastal communities at Agnes Waters and 1770, some 125 km by road from Gladstone and 60 km from the Bruce Highway. These communities have shown a rapid growth in the past 5-10 years and are attracting high levels of investment in tourist infrastructure;
- coastal and offshore fishing and boating; and
- Awoonga Dam which offers boating and picnicking, about 35 km by road from Gladstone.

Improved tourism accommodation and leisure facilities will certainly attract greater numbers of tourists to the region.

The development on Hummock Hill Island will provide Gladstone and the mining areas of Central Queensland with a high quality tourist, residential and recreational destination that is not currently



available in the region. There are no major tourism/recreational developments on the horizon to service this rapidly expanding region.

With the exception of the Rydges resort at Yeppoon, the majority of tourist offerings within Central Queensland provide principally for the intra-regional and (to a lesser degree) intra-state markets, with very limited interstate and international tourist expenditure in the region. There is significant potential to increase Gross Regional Product through increased tourism expenditure from tourists originating from outside the immediate region. Certainly, within the Gladstone region, there are no similar island (or mainland) based resort-style tourism offerings available, and currently no other proposals for similar development.

The HHI Development will contribute significantly to tourism within the central Queensland region providing flow on effects to the regional economy. It will also attract and cater to, a wide ranging market of potential visitors with little impact on existing tourist infrastructure.

The HHI Development is projected to accommodate on average approximately 2,300 tourists per night (at full capacity) once fully developed.

The Queensland Tourism Strategy: *A 10-year vision for sustainable tourism (2006)* has been endorsed by the Queensland Government as the plan to develop the tourism market in Queensland as outlined in Section 4 of the EIS. Four key goals are proposed by Tourism Queensland over the next 10 years, these being:

- Goal 1 - increase visitor expenditure by \$1.43 billion above forecasts to \$21.6 billion;
- Goal 2 - increase Queensland's market share from overnight visitors to 29.1%;
- Goal 3 - increase tourism's economic contribution to Gross State Product (GSP) by \$900 million above forecasts to \$12.5 billion; and
- Goal 4 - create an additional 11,000 tourism jobs above forecasts.

The HHI Development will contribute significantly to achieving these goals. The contribution of the HHI Development on the tourism market will include the following¹:

- by 2016 around \$65 million in tourism expenditure will result from the proposed HHI Development, and by 2024, around \$95 million in tourism expenditure will result from the proposed HHI Development;
- by 2016 expenditure from the HHI Development is anticipated to contribute 0.5% of the Queensland Tourism Gross State Product (GSP) target;
- the number of jobs created is expected to rise steadily over the life of the development and is expected to peak at approximately 700 people in 2024; and

¹ The figures provided include expenditure from domestic, inter-state and international tourists, and does not exclude expenditure from tourists diverted from other Queensland destinations.



- at the Fitzroy region level the proposed HHI Development is anticipated to generate around 350 jobs directly related to tourism by 2016 (refer to Section 17 of the EIS), 5% of the Tourism Queensland 10 year target for the Fitzroy region. Indirect job creation within the Fitzroy region will be greater by 2016 with over 400 jobs created regionally.

3.1.2 Population Projections

Several submissions questioned population projections presented in Section 4.1.3 and Section 4.1.5 of the EIS and suggested that there was no evidence that the population demand would be sufficient to justify the proposed HHI Development.

The population projections presented in the EIS were obtained from the Population Information and Forecasting Unit (PIFU) (Central Queensland Regional Information System), and Queensland Office of Economic and Statistical Research (OESR). These are reputable sources of population data.

In relation to projected population demand, it is clear that the Central Queensland region is experiencing rapid population and economic growth, fuelled by a variety of factors, principally the mining resources boom, owing to the significant coal resources in the area as well as secondary industry, tourism and 'sea change' and 'tree change' migration. The popularity of seaside locations such as Yeppoon, Emu Park and Tannum Sands have seen a rapid uptake of developable land and strong population growth in these locations.

In the period 2001-2006, the Fitzroy Statistical Division (SD) grew by a total of 14,462 people, at a rate of 7.9%, with a concomitant addition to dwelling stock of 3,167 occupied private dwellings, representing a growth of 5.1%. From 2001-2006, the Miriam Vale SLA Division grew by a total of 801 people, at a rate of 16.3%, with a concomitant addition to dwelling stock of 284 occupied private dwellings, representing a growth of 17.7%. This compares against the forecast growth of 9,790 people (5.4%) for the Fitzroy SD and 712 people (14.5%) for the Miriam Vale SLA, demonstrating an underestimation of 4,672 people for the Fitzroy SD or approximately 48% over the period 2001-2006. This degree of underestimation is common in strong population growth areas as forecasts typically take a conservative approach based around a middle series, when actual growth tends towards the high growth scenario, which in the case of Central Queensland are likely to be sustained as the fundamentals of the resource-based economy are strong, and are likely to remain so over the life of the proposed HHI Development.

Current PIFU population forecasts show a projected growth for the Central Queensland Region of 87,440 people (42.4%) from 2006-2026, with significant demographic change expected to occur over this period. As with other parts of Australia, the population profile is expected to age significantly over this period, fertility is expected to decline on a per-capita basis, with in-migration expected to comprise the greatest component of population change. These trends, when combined with the existing population profile of the major settlements in the region (high numbers of single persons and couples without children households) indicate that overall dwelling demand is expected to be high.



Based on these factors, a forecast household formation rate of one additional dwelling requirement per 2.3 additional persons² gives rise to a need for 38,000 approximately additional dwellings over the 20 year period to 2026. This equates to an additional demand of 1,900 dwellings per annum across regional catchment. HHI Development only has the potential to provide a small contribution towards meeting this target.

3.1.3 Future Residential Need

Submissions questioned the demand for residential accommodation in the region, and more specifically on Hummock Hill Island. The future residential need associated with the HHI Development will be driven by population and tourism generated demand. The HHI Development will offer a range of accommodation types and styles to suit a diversity of needs and budgets.

The former Councils of Miriam Vale, Gladstone, Calliope, Rockhampton and Livingstone all made provision for future growth within their planning schemes. This includes a range of planning initiatives which have committed land to development for urban and tourism purposes.

An analysis has been undertaken of the region in terms of the provision of residential land, with the results as follows:

- The current planning schemes were prepared in an environment where the effects of the mining and industrial boom and these demographic changes were yet to be fully appreciated. Although significant provisions for future growth are included within the planning schemes, take up of planned residential areas may exceed forecast levels.
- The majority of planned residential capacity within the Gladstone Regional Council and Rockhampton Regional Council areas is in the form of suburban detached dwellings, with limited capacity in other forms of housing or in a variety of residential settings. The limited choice of housing types and settings available within the region may lead to the loss of more affluent workers as they may choose to reside elsewhere in the state or Australia (fly in - fly out).
- The long construction timelines of the HHI Development (16 years) and the rate of development (125 dwellings per annum) means that the HHI Development is unlikely to 'flood the market' for residential dwelling stock in the region in any given year. The presence of the range of housing types at HHI Development, including detached residential, small-lot/cottage/semi-detached housing, townhouses and apartments, and the setting (resort-style, island location) gives a greater depth and variety to residential markets in the region.
- HHI Development would not lead to unacceptable levels of impact on existing and planned commitments for residential housing supply within the region. Regional growth would accommodate the relatively minor increase in supply provided by HHI Development (approximately 700 houses for permanent residences over 17 years).
- Further strong demand is expected for additional housing stock in the region, with the diminution of opportunities in the vicinity of existing coastal locations limiting supply and increasing scarcity, even in consideration of current and planned supply. This may in turn

² Based on the Qld average



impact on the affordability of dwellings in both coastal locations and other urban centres in the region as demand substitution for coastal localities occurs within the region.

- The tourism component of HHI Development is the main focus of development, with the residential and commercial components included to support the tourism offering. The presence of a permanent population will support the viability of facilities and services, provide a resident workforce and contribute to a sense of community on Hummock Hill Island. The tourism industry and the town centre/village centre would create localised employment that would contribute to self-containment on the island, reducing travel demand and ensuring that Hummock Hill Island does not operate as an isolated dormitory community.

3.1.4 Future Recreation Need

A number of submissions raised the issue that the need for recreation facilities on Hummock Hill Island had not been established, particularly that there are other facilities within the region that are under-utilised and that these facilities are located closer to the large population centres.

A response to this submission has been provided in Section 14.6.4 of the Supplementary Report.

3.2 Dilution of Tourism Market

Two submissions expressed concern that the HHI Development would dilute existing tourism activities in the region.

Hummock Hill Island offers the only real opportunity for a major seaside tourism, holiday and recreational development in the Gladstone region. The coast from 1770 to Gladstone is mostly National Park and the coast north of Gladstone is quarantined for industrial development and oil shale exploitation. The natural beauty of the Hummock Hill Island with its abundance of beaches and warm seas, elevated hillsides with spectacular views, natural bushland and calm waterways and anchorages in a protected estuary will attract international, interstate and local visitors and holiday makers.

As discussed in Section 4.1.1 of the EIS, recent data for the Gladstone region indicates growth in the domestic tourism market and increasing demand for quality and affordable accommodation region with access to beaches and waterways. This coupled with increasing population pressure and increasing economic activity in the Bowen Basin and the Gladstone State Development Area will place strain on existing tourist infrastructure and associated centres. The HHI Development will provide much needed capacity to service the anticipated tourist growth within the region.

HHI Development represents the only significant opportunity to establish a destination tourism development within the Gladstone Region. It represents a tourism opportunity that differs from existing offerings within the region, namely an integrated resort community within an island setting surrounded by the natural environment. The scale and mixture of tourist activities and accommodation types is unlikely to be replicated within the region, and when combined with the difference in setting, the HHI Development is expected to compliment, rather than directly compete with existing tourism offerings. This will provide added depth to the tourism industry in the region, boosting the regional economy.



Hummock Hill Island is also well located to support and build upon the tourism centres of Agnes Water, 1770 and Turkey Beach which lie to its south. These tourist localities provide unique experiences and the HHI Development would provide an integrated tourist resort experience which is in turn different to those experiences. Hummock Hill Island would provide additional tourism opportunities for residents and workers from the Gladstone industrial and urban area to the north as well as inter-region, inter-state and international visitors.

The HHI Development will expand and diversify the tourism market in the region rather than compete with the other tourist centres. The development of tourist facilities on Hummock Hill Island would also allow authorities and the tourism industry to manage other tourist centres that are at-capacity or where attractions are under pressure.

3.3 Economic Costs and Benefits

The HHI Development will contribute significantly to the local and regional economy, both in terms of expenditure during construction and operation, and diversification of the economic base.

The cost of installing infrastructure and undertaking initial development of the project is estimated at \$145 million to be spent in the local, regional and State economies over a 15 year development period. Building construction costs are likely to be in the order of \$950 million to be spent in the local and regional economy over a period of about 20 years.

The construction of the HHI Development will provide an average of 190 jobs over a 20 year period, with a peak employment of 350 people. The indirect employment from construction will include a further 70 people in the region and an additional 40 people at State level. The Project will employ local contractors who currently have the skills and expertise to undertake the majority of the construction and building works.

Substantial employment opportunities will also arise from the tourism activity generated by the project. The number of jobs created is expected to rise steadily over the life of the development and is expected to peak at approximately 700 people in 2024. At a State level, the tourism expenditure is estimated to directly and indirectly generate up to 850 jobs per annum by 2024.

Employment in these areas will allow diversification of the regional economy and employment base and provide opportunities for those growing up in the region to remain as residents.

3.3.1 Regional Benefit

A number of submissions questioned the benefit of the HHI Development to the region and the State. In particular submitters expressed concern about the following issues:

- HHI Development would adversely impact existing population centres; and
- the benefits were not unique to HHI Development and would occur because housing infrastructure would be built anyway.

The location and characteristics of the HHI Development will create a unique tourism and residential setting that will not compete against the more dormitory residential suburbs. Its long



construction timeframe (17 years) means that only small numbers of residential allotments will become available annually.

An economic assessment of the costs and benefits of the HHI Development to the State and region was undertaken in Section 17 of the EIS and a revised assessment is provided in **Appendix B2** and in **Section 15** of the Supplementary Report.

International tourism expenditure (excluding domestic and interstate tourists) alone is estimated to make a direct contribution to regional value-added of \$151.2 million (NPV) over a 30 year period from the date of development inception.

Estimates of total domestic, interstate and international expenditure is predicted to be \$65 million by 2016 and \$95 million 2024. These values represent predicted expenditure rates per year, and are effective from the dates stated.

It is estimated that construction and building work will also contribute substantial economic benefits to the region by providing an average of 190 jobs over a 20 year period, with a peak employment of 350 people with a focus on maximising local contractors and tradespeople.

3.3.2 Costs to Council

Submitters expressed concerns that the local Council would inherit some costs as a result of the implementation of HHI Development.

The Proponent will provide all necessary infrastructure for the development as well as contributions for external infrastructure so that local and State infrastructure providers are not affected. The Proponent proposes to enter into an operation and maintenance agreement with the Gladstone Regional Council to maintain and operate the service infrastructure for a period of years to be agreed and until such operation and maintenance costs can be covered by income from rates and service charges applied to the developed land. This period is likely to occur 12 years after commencement of development of Hummock Hill Island.

3.3.3 Environmental Costs

Several submissions expressed concern around the potential economic costs associated with the environmental impact of the proposed HHI Development.

This issue is considered in the Net Benefit Assessment included as **Appendix B2** and also discussed in **Section 15.1** of the Supplementary Report.

3.4 Development Alternatives

3.4.1 Alternative Locations

Several submissions raised the issue that the EIS did not consider alternative locations within the region for the development. In particular, submissions suggested that the development could be located on grazing land within the region or land already cleared near Wild Cattle Island or near Innes Head.



None of the locations identified in the submissions provide the unique attributes of Hummock Hill Island for a tourism and residential development. As stated in section 4.2.1 of the EIS, the location is integral to the proposed HHI Development, and has indeed been conceived specifically for this location.

Hummock Hill Island is available to the Proponent through a Special Lease with the Queensland Government and no other such opportunities are currently available to the Proponent within such close proximity to the transport hub of Gladstone.

While it would be possible to provide an equivalent number of residential and tourism accommodation units elsewhere in the Central Queensland region, and potentially within 45 minutes drive of Gladstone, the particular attributes of Hummock Hill Island make it favourable over any other location in easy reach of Gladstone. In particular:

- the coastal location provides a micro climate that is more comfortable for tourists and residents, and reduces the need for artificial cooling minimising energy consumption and associated greenhouse gas production;
- the beach and surrounds are attractive and provide outdoor recreational opportunities that cannot be recreated anywhere else on the Central Queensland coast; and
- the land for the proposed HHI Development is available and has long been identified by the Queensland Government for this type of development under a Special Lease.

The HHI Development area is the only location in the central Queensland area that provides the diversity of settings, proximity to a service centre and is available for development. As a result Hummock Hill Island is considered the only viable alternative for the development.

3.4.2 No Project Option

Several submissions raised the issue that the assumption that the “no project” scenario has no benefit to the local and regional community is incorrect. The submitters felt that the undeveloped Hummock Hill Island has economic benefits through tourism to the region, particularly the Great Barrier Reef.

Hummock Hill Island currently provides no significant economic benefit to the region or the State. The island is currently not accessible to general public and can only be accessed by small boats and 4WD vehicles at low water. The current economic benefits from tourism are extremely limited. The economic benefit is unlikely to increase if Hummock Hill Island is left undeveloped.

Cost Benefit Analysis (CBA) modelling for the HHI Development, consistent with Queensland Treasury *Cost Benefit Guidelines* shows that for every dollar of state cost the HHI Development will deliver \$1.60 of State benefit (**Appendix B2**). These figures were assessed against a base case or “no project” option, which includes the current environmental value of the coastal sand dunes, together with the limited net use value as noted above.



Modelling shows that the “project” option will provide significantly greater economic benefits to the local area, the region and the State when compared to the “no project” option.

3.4.3 Previous Development Proposals

One submission raised concerns regarding the inability of previous development proposals to demonstrate a net benefit to the state. In particular, the submitter questioned the current CBA methodology and the ability of this proposal to adequately obtain a net benefit to the state.

The position of previous development proposals and their inability to obtain a net benefit to the State is not relevant to the HHI Development. This Supplementary Report provides an analysis of the proposed HHI Development of which Eaton Place Pty Ltd is the Proponent.

As discussed in Section 3.4.2 of this chapter, CBA modelling found that for every dollar of State cost the HHI Development will deliver \$1.60 of State benefit. An overview of the HHI Development Net Benefit Assessment and methodology has been provided in Section 15 the Supplementary Report, the detailed report can be found in Appendix B2.