

SPRINGBROOK CABLEWAY PRE-FEASIBILITY ASSESSMENT PROSPECTUS

A few things with the Pre-feasibility Report -

Operational Costs

Looking at Figure 5.1, it appears as though operational costs (\$5.1M) only include maintenance of the infrastructure given it's been calculated as a percentage of construction costs. This is highlighted by Figure 5.2 which provides the calculated economic output. In it, it suggests Direct Wages & Salaries during Operation will be \$5.9M. Direct wages and salaries are an operational cost that should be included. Combined, operational costs are \$11M, which means the Years to Break Even would be more than double the 5.6 years calculated by Urbis.

Total Annual Passengers

It has been suggested the Cableway can expect 580,062 passengers per year. This has been based on an assumption that 12% of overnight visitors to the Gold Coast will choose to go on the Cableway. The 12% is based on the Kuranda Skyrail attracting a calculated 24% of overnight visitors. The 12% is considered conservative by Urbis because it doesn't account for day trippers using the Cableway.

It is highly questionable whether 12% is an accurate figure to use for the following reasons –

- The domestic overnight market of the Gold Coast is comprised of many repeat visitors travelling for weekends, school holidays and / or annual holidays. More than 30% of the market are people from Brisbane. The Cableway, due to what it offers and price point (\$85/adult and \$212/family), means it's unlikely people will choose to travel on a Springbrook Cableway on a regular basis
- Compared with Cairns, many domestic overnight visitors travel to the Gold Coast in their own vehicles. This means they are more likely to travel to Springbrook by car, rather than paying for the Cableway. This is even more likely given Springbrook's attractions are spread out and likely to be difficult to reach from a Cableway terminal
- The Gold Coast has many competing attractions. Dreamworld, for example, attracts about 1 million visitors per year with a similar price point. Dreamworld is also more than 30min closer to Brisbane than a Cableway terminal, so is more attractive to day visits. It also is more attractive for repeat visitors given its offering and its Annual Pass
- The Skyrail in Kuranda benefits for being part of package with the Kuranda Scenic Railway, offering an interesting and varied 'loop' service, which increases its appeal
- The Skyrail is only a 15min drive from downtown Cairns, the train station only 5min drive. The Springbrook Cableway is likely to be 30min from Surfers Paradise, decreasing its attractiveness to visitors

Overestimation of the number of passengers artificially inflates the profitability of the Cableway. A comprehensive visitor demographic analysis and survey is probably required in order to satisfy potential investors as to the supposed 'merits' stated by Urbis' report.

Taking a more conservative, and at this stage, more appropriate conversion rate of 6% halves the revenue to be generated and more than doubles the length until 'Year to break even'. Combining this with the more accurate Operational Costs as listed above, the Cableway is more likely to break even after 20 years, not the 5.6 years reported by Urbis.

Recommendation to extend Urbis' contract

Officer's report to Councillors recommends extending the contract entered into with Urbis to prepare the Pre-feasibility Report. Officer's suggest Urbis, in preparing the Pre-feasibility Report, has undertaken a 'significant body of work' and has 'a comprehensive knowledge of the prospect of a cableway to Springbrook and a fundamental awareness of the broad range of complexities'. Apparently, extending the original contract, which has so far cost \$175,000, to cover community consultation, represents value for money against sound contracting principles.

In reading over Council's Procurement Policy and Contract Manual, the following outlines when exceptions to seeking competitive offers may apply (see Section 4.2.12.1) –

The contract is made with a single sourced supplier as follows:

- *where continuity of a previous/current engagement is required to maintain the continuity of expert advice, making it disadvantageous or impractical to undertake a competitive process*
- *where the specialised nature of the services that are sought, makes it disadvantageous or impractical to undertake a competitive process*

Use of these exemptions, however, must be approved by the relevant Director, Chief Procurement Officer and/or Chief Executive Officer in accordance with the adopted City Contracting Plan.

Given the nature of the work already procured (a preliminary analysis of feasibility that was desktop-based), it is difficult to consider that the work being proposed requires a continuation of services. The recommendation is for Urbis to undertake community and Traditional Owner consultation. This body of work is significantly different and requires a different skillset to preparing a broad identification of financial, economic, social and environmental considerations and outcomes. In completing the Pre-feasibility report, it is highly unlikely that Urbis obtained any relevant embedded knowledge or experience that would uniquely place them as being solely capable of conducting community consultation.

The original tender proposal would have been considered by a certain type of consultancy. There are specialist communication consultancies that would likely be available to undertake community consultation that would not have tendered for the original contract. To be offering the contract to Urbis without tender, Council needs to be confident that it is fair to do so and that Urbis are most capable to undertaking the work. A couple of questions arise in relation to this –

- Does Urbis have previous experience and shown a capability in conducting community consultation on the Gold Coast?

- Does Urbis have the reputation among, and confidence of, the Gold Coast community to allow them to conduct consultation on behalf of Council in a manner that facilitates open dialogue without fear and production of fair and trusted results (noting their involvement in a number of recent high-profile developments that have been fought by the community such as Komune in Coolangatta, Ridong's development in Tallebudgera Valley, Awaken on Point Danger and Flow in Rainbow Bay?

Council's Procurement Policy and Contract Manual also requires a Significant Contracting Plan be developed for those contracts considered of 'high criticality'. Has this contract been considered as such and how does it affect the potential extension of the contract?