

29 March, 2011

Bancor Developments Pty Ltd
Sungki Lee
Managing Director
Suite 501, 480 Pacific Highway
St Leonards, NSW 2065

Dear Sungki,

Re: Employment Analysis, 6-16 Atchison Street, St Leonards

Hill PDA has been engaged by Bancor Developments Pty Ltd to assess the economic benefits of a new mixed use building at 6 - 16 Atchison Street, St Leonards.

It is understood a preliminary assessment was lodged with the NSW Department of Planning in 2010, however the proponent is now reviewing their submission in light of reducing the overall height and scale of the proposal. The revised proposal includes 20,700sqm of gross building area (not including basement car parking) and provides a mix of residential (173 units), serviced apartment (78 rooms), and retail (329sqm) accommodation.

As a result, Hill PDA has been engaged to address the employment capacity of the revised proposal. The proposed development will generate employment in two ways – through construction and through operations. The assessment results are detailed below.

Direct Employment from Construction

It is estimated that one full time construction position for 12 months is created for every \$193,700 of construction work undertaken¹.

Hill PDA has been advised the construction costs associated with the proposed development are in the order of \$79.47m over a 30 month construction period. Based on this assumption, the proposed development will generate 410 job years directly in construction related activities, equivalent to 164 jobs per annum over the project period.

¹ Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0). This equates to 1 employee for every \$111,111 of construction output in non-inflated terms. Inflated to June 2009 dollars based on the Building Price Index for Australian Capital Cities (Rawlinsons Construction Handbook 2010), this equates to \$193,700 per construction employee.

Multiplier Impacts from Construction

The construction industry is a significant component of the economy. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

Production induced made up of:

- First round effect: which is all outputs and employment required to produce the inputs for construction; and
- An industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect.

Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment

The source of the multipliers adopted in this report is ABS and Australian National Accounts: Input-Output Tables 1996-97 (ABS Catalogue 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of \$0.466, \$0.438 and \$0.962 respectively to every dollar of construction.

Table 1 - Construction Multiplier Effect

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.33	0.45	2.33	4.11
Employment No. per \$million	5.16	1.70	2.32	12.03	21.22
Total Job Years Created	410	135	185	956	1,686

* Source: ABS Australian National Accounts: Input-Output Tables 1996-1997 (ABS Pub: 5209.0).

Therefore, based on a construction cost of \$79.47m, during construction the proposed development as a whole will generate 1,686 job years in the economy, equivalent to around 674 jobs per annum over the project period.

Furthermore, a construction cost of \$79.47m will generate \$71.84m of activity in production induced effects and \$76.45m in consumption induced effects. Total economic activity generated by the construction of the proposed development is therefore approximately \$227.76m.

Table 2 – Contribution to the Economy

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.466	0.438	0.962	2.866
Output (\$million)	\$ 79.47	\$ 37.03	\$ 34.81	\$ 76.45	\$ 227.76

Data Sources: Australian National Accounts: Input-Output Tables 1996-97 (5209.0), Price Index of the Output of the Building Industry - Producer Price Indexes (6427.0), CPI All Groups - RBA Bulletin (Table G2).

Note that the multiplier effects are national, and not necessarily local. The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction

activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

Operations Generated Employment

The operation of the retail and serviced apartment components of the project upon completion will also generate employment. Calculations have been based on the following assumptions:

- 1 job per 20sqm (NLA)² of general retail space; and
- 0.44 jobs to 1 room in a serviced apartment building³.

As a result, the proposed development will employ around 42 full time and part time workers as indicated in the following table.

Table 3 – Jobs on Site Post Construction

Land Use	Quantity	Number of Jobs
General Retail	329sqm	16
Serviced Apartments	78 rooms	34
Total		50 jobs⁴

In Summary

- The project will contribute around \$79.47m in construction direct to the economy.
- This is equivalent to 410 job years (or 164 jobs per annum) directly in construction related activities.
- The construction industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of construction. Multipliers refer to the level of additional economic activity generated by a source industry.
- Based on national benchmarks⁵, a construction cost of \$79.47m will generate \$71.84m of activity in production induced effects and \$76.45m in consumption induced effects.
- Total economic activity generated by the construction of the proposed development is therefore approximately \$227.76m.
- During construction the development as a whole will generate 1,686 job years in the economy (direct and multiplier impacts), equivalent to 674 jobs per annum.
- The project will provide at least 50 full time and part time jobs on site post construction.

² Source: ABS Retail Industry 1998-99 Cat. 8622.0

³ Source: ABS Cat: 8635155001DO001_200906 Tourist Accommodation, Small Area Data, NSW, Jun 2009. Note average of 0.44 employees to 1 room in a 4 star facility in Sydney.

⁴ EFT = Effective full time equivalent jobs

⁵ Data Sources: Australian National Accounts: Input-Output Tables 1996-97 (5209.0), Price Index of the Output of the Building Industry - Producer Price Indexes (6427.0), CPI All Groups - RBA Bulletin (Table G2). Note that the multiplier effects are national, and not necessarily local. The ABS notes that “Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy.”

Should you require any further information or explanation please don't hesitate to contact us.

Regards,

A handwritten signature in black ink, appearing to read 'Victoria Tompsett', with a stylized flourish at the end.

Victoria Tompsett
Principal, Hill PDA

DEFINITIONS

Multipliers - Additional activity (measured in dollars) and employment (jobs) in other industries resulting from increased production in a particular type of industry.

Initial Effects - The initial requirement for an extra dollar's worth of output of a given industry.

Production Induced Multiplier - All the outputs and employment required by other industries to produce the inputs for the subject industry.

Consumption induced Multiplier - The demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

Job Year - Refers to one full time job over one year.