

Aquis Great Barrier Reef Resort

By Femke Vrenegoor, Sarah Seidel and Elena Cavagnaro

Introduction

The Gold Coast in Queensland, Australia, is the most visited part of the country. It attracts masses of international tourists every year with such highlights as the world famous Great Barrier Reef and a variety of ancient nature reserves such as the Daintree Rainforest. Now, a new development is planned to attract Chinese visitors in particular, namely the Aquis Great Barrier Reef Resort, in short: Aquis. Aquis is a luxury resort featuring several top class hotels with a total capacity of 12,000 tourists. It plans to offer high quality facilities, such as a golf course, luxury shops and a sport stadium, all located within the resort. Naturally, a project of this size has significant economic, social and environmental impacts.

Different stakeholders, such as the government, local companies and individuals in the community, will be affected in different ways.

The aim of your case assignment is to analyse the impact of the Aquis development on the main stakeholders, and to design and defend a solution that creates environmental, social and economic value. For more information on how to work on the case and the requirements for your presentation during the seminar, please refer to Appendix 4.

The case description comprises five sections. The first two sections describe the people behind Aquis and their resort plans, while sections three and four elaborate the socio-economic and the environmental implications of the project in some detail. The fifth section contains instructions for your assignment.

The People Behind Aquis

The people behind the 8.15 billion Australian dollar Aquis project are Hong Kong billionaire/developer Mr. Tony Fung and his son, Mr. Justin Fung. The former is chairman and sole shareholder; the latter is chairman of operations in Australia.

Mr. Fung Sr. is a descendant of one of Hong Kong's best-known banking families, who has been active in business in Australia for over 15 years. During that time he has built up an investment portfolio in Australia that includes aviation, agriculture, equine and tourism & leisure businesses. He is a private investment banker, financier and investor. Furthermore, he sponsors a variety of organisations, such as

the Brumbies, a rugby team from Canberra, Australia. Mr. Justin Fung has worked in the family business in Hong Kong all his working life. After earning a bachelor's degree in business administration in the United States, he obtained a law degree there as well, so as to better serve the needs of the family business (Cairnspost, 2013; Coordinate, 2016, Aquis project book EIS, 2014).

Plans for the Aquis Great Barrier Reef Resort

Aquis Great Barrier Reef Resort (Aquis) is the largest single tourism development ever proposed for Queensland and Australia (Aquis project book EIS, 2014). The site acquired for Aquis is one of the last un-developed sites for major constructions along the Gold Coast (Courier Mail, 2016). The site is now a sugar cane farm called Yorkeys Knob that is located 15 km north of Cairns. With its 150,000 inhabitants, Cairns is the 5th most populous city in Queensland and a major centre in Far Northern Queensland. Cairns is located on a coastal strip between the Coral Sea, of which the Great Barrier Reef is a part, and the Great Dividing Range, Australia's most significant mountain range and home to the pristine wet tropical forests of Queensland (the Wet Tropics). Both the Great Barrier Reef and the Great Dividing Range are areas of breath-taking beauty. According to the Aquis project plan, the key feature of the resort is "its association with—and its proximity to—Australia's iconic World Heritage listed Great Barrier Reef and its close



(source: <http://www.abcboating.com/img/qld-blue.png>)

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Figure 2

Aerial view of the Aquis' design



(source: Aquis project book EIS, p.9, 2014)

proximity to the World Heritage listed Wet Tropics rainforests" (Aquis project book EIS, 2014, p.4).

The total site will cover 340.6 hectares, of which the resort premises will comprise 73 hectares. Within this area a 40-hectare resort complex will be created, surrounded by a 33-hectare artificial lake (Aquis project book EIS, 2014). Once completed, the resort will be the biggest hotel in Australia, and even one of the largest hotels in the world, with accommodation capacity for all of the outlets of up to 12,000 tourists. The integrated resort will consist of an agglomeration of 8 luxury hotel towers boasting a total of 7,500 rooms and suites,

1,200 apartments, 135 villas, a convention and exhibition centre, cinemas, luxury shops, a sport stadium, one of the world's largest aquariums, an 18-holes golf course and a reef lagoon (Daily Mail, 2016 and Aquis project book EIS, 2014). The resort expects to attract 1 million guests per year, plus half a million off-premises visitors. These guests will mostly be middle class Chinese tourists, flying in from China to Cairns international airport. The first stage of the project is estimated to involve 3,750 construction jobs and 11,000 operational roles. The second stage will require 3,500 construction workers and provide 9,000 jobs (The Cairns Post, 2015), and it expects to employ a workforce of approximately 20,000 people.

Originally, a large casino was planned as one of the main facilities of the resort, for which the Fung family intended to buy up the poorly performing Reef Hotel Casino in Cairns. However, to date, the Fung family has not been successful in acquiring the required license from Queensland government: The Office of Liquor and Gaming Regulation (OLGR) required further information from Aquis about funding and future cash flows to get probity approval. Even though Mr. Tony Fung had given the OLGR a deadline for granting approval, the OLGR would not be rushed (the Guardian, 2014). According to Aquis, waiting for the license process would lead to delays in acquiring the building permits, and therefore the plans for the casino have been dropped – at least

for the time being. In fact, the Fung family has not ruled out the possibility of pursuing a casino license for the Aquis Resort at a later stage. Without having to wait for the gambling license, the actual building of the resort is expected to start as early as in 2017.

After Aquis announced it had dropped its efforts for getting a gambling license, the question has been raised whether the project is still viable. From its start Aquis considered wealthy Chinese gamblers, with an average spending of 300 – 500 USD per played hand, as its main target group. It was anticipated that this strategy would be especially effective, as the well-known Macau resort industry is currently suffering huge revenue falls due to the Chinese government coming down hard on high rollers in casinos in order to chase corruption and dirty money / black market money. Combined with the smoking ban inside Macau casinos, this has resulted in unfavourable gambling conditions in Macau, causing high rollers to seek gambling entertainment elsewhere (BBC, 2014). The question now arises whether without the planned casino of 750 playing tables and 1,500 slot machines, Aquis will remain equally attractive to wealthy Chinese travellers. According to the Brisbane Times (2014), Mr. Tony Fung has said that he sees the customer base for the projected resort to stretch from the West Coast of America all the way to the Middle East; as long as they would have nonstop flights to Cairns. He also mentioned that the natural wonders of the area would remain there as an attraction, and that the mostly Asian tourists, especially the Chinese, would still come to the area. Indeed, even though the economic growth in China seems to be stagnating, the number of Chinese tourists to Australia is not. From 2014 to 2015 there was a 22% increase in the number of visitors, resulting in more than a million Chinese visiting Australia in 2015 (Hotel Management, 2016). The proximity of Aquis to two major natural areas, as Mr. Tony Fung stressed, would provide for forms of entertainment, such as boat trips, that may still appeal to the growing market of Asian tourists. And, last but not least, the Hong Kong based airline Cathay Pacific has already told the Australian government that if the resort goes ahead, they will increase the number of direct flights from Hong Kong to Brisbane and Cairns (Courier Mail, 2015).

Aquis: Socio-Economic Implications

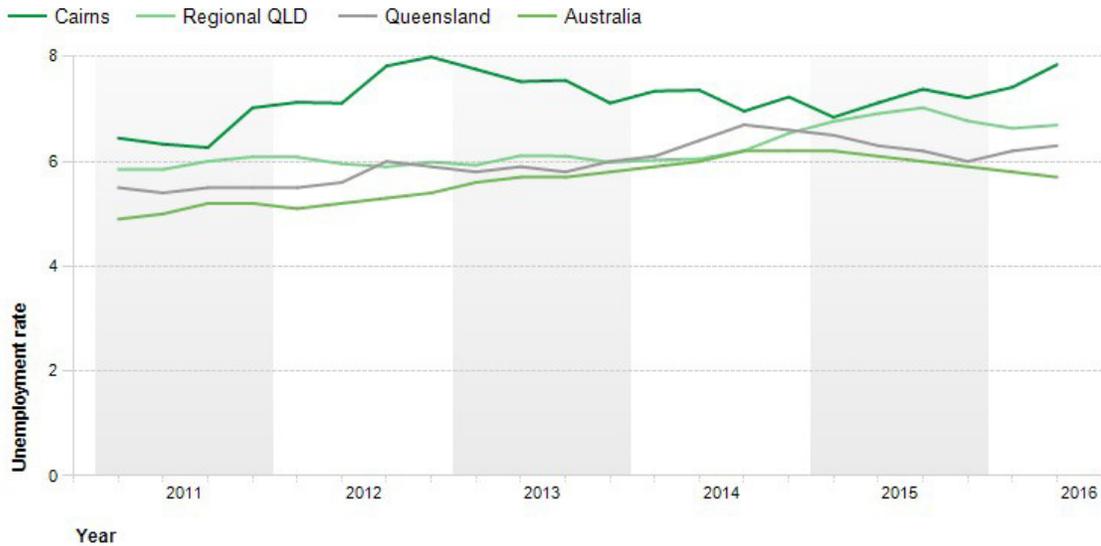
A project of the scope and scale of Aquis causes by its own nature major socio-economic impacts. This section highlights some of these impacts on the socio-economic conditions of Queensland and the Cairns region.

In 2015, Cairns had a population of approximately 148,000, and Yorkeys Knob, which is located about 13 km north of Cairns, counted a population of 2,800 in 2011 (Australian Bureau of Statistics (ABS), 2010 and 2013).

According to Carr, one of Australia's leading economists, Cairns has been in recession for much of the past decade (Tropic Now, 2016).

Figure 3

Quarterly unemployment rate



(source: ABS, 2016, in Cairns Community Profile, n.d.)

This is reflected in the comparatively high unemployment rate and comparatively low household income in Cairns in general and Yorkeys Knob in particular (see Figure 3). The Australian Bureau of Statistics (ABS) reckons that in 2011 the unemployment rate in Yorkeys Knob was 7.5% (ABS, 2013). More recent figures for this specific area could not be found. However, when the Cairns' June 2016 unemployment rate of 7.85% is compared to that of all of Queensland (6.30%) and the whole of Australia (5.70%), it is clear that the unemployment rates in this area are higher than the national and state averages (ABS, 2016 and Australian Government – Department of Employment, 2016).

A further analysis of the household income levels in Yorkeys Knob shows that on average, compared to Cairns, the household incomes are lower. In 2011 8.2% of the households in Yorkeys Knob earned a high income compared to 12% for Cairns, and 25.2% were low income households in Yorkeys Knob, compared to 20.5% for Cairns (Cairns Community Profile, n.d.). In this context it is important to note that in 2014/15 tourism and hospitality provided 11.7% of all jobs in Cairns, to which another 5.7% indirect jobs should be added, whilst these figures for Queensland were 5.0% and 2.6% respectively (Cairns Community Profile, n.d.).

Figure 4: Value of tourism and hospitality in 2014/15 (Source: NIEIR < 2016, in Cairns Community Profile, n.d.)

It can be concluded from these figures that the economy, and thus the livelihood, of the inhabitants of Yorkeys Knob and the Cairns region is fragile. The Cairns region is surely in need of an economic boost. Aquis has projected the creation of many jobs, as already noted in the introduction to the Aquis plans. Moreover, the projected increase in

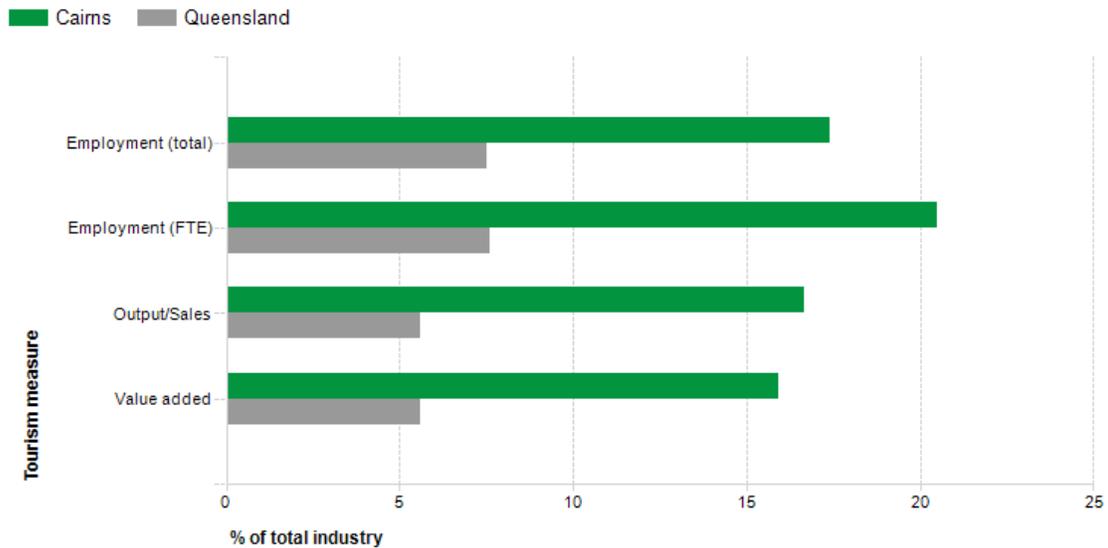
tourism flows is expected to generate tax income for the government, which can be used to invest in education, healthcare, infrastructure, and so on. These positive spin offs claimed by Aquis are in line with results of studies showing that an increase in the inflow of tourists in a region may lead to an increased standard of living in that region, and to the strengthening of the local cultural values and traditions (Matias, Nijkamp, & Romão, Chapter 16, 2016; Remoaldo et al. 2014).

In this context it is important to note that Aquis has released a statement promising to commit to local businesses, to create enduring benefit to the neighbouring community, and to minimise or mitigate any possible negative effects of the project (Aquis EIS, 2014). This is interesting because the Fung family, the people behind the Aquis plans, originate from Hong Kong, China. China is a collectivist culture where, when it comes to hiring and promoting people, preference may be given to those belonging to the closest in-group, like family members and close friends, or other Chinese citizens (Hofstede, n.d.).

It is also important to consider that, though tourism initiatives may generate income for a region, this does not automatically lead to a better quality of life for the people living in that region. Benefits from development projects often end up going to members of society who are already well off and not to those most in need (Fayos Solà, 2014). According to Fayos Solà (2014) 'tourism often produces massive changes and foreign investments, while seriously distorting the local culture, social fabric and environment, and rarely involving the local institutions and individuals in its strategic decision making' (p. 33). Other authors point to 'crime, noise levels, violence, pollution, drug

Figure 4

Value of tourism and hospitality in 2014/15



(Source: NIEIR < 2016, in Cairns Community Profile, n.d.)

and alcohol consumption, gambling, increase of cost of living, the destruction of local ecosystems, the loss of traditional values in host communities, and changes in moral conduct for the locals' as a result of (mass) tourism (Rodgers, 2001, p. 11). Overcrowding may also lead to conflicts between visitors and residents (Matias, Nijkamp, Romão, Chapter 16, 2014). In summary, although the benefits ensuing from employment should not be played down, people's quality of life also depends on other factors that could be negatively affected by a specific tourism development project. Therefore, a development initiative should not just focus on minimising eventual negative impacts, but also on maximising the added value to the local community.

To create value for the local community serious attention should be given not only to their needs but also to their views about the proposed development. A perusal of the report on 'Community Submissions and Issues' published by Aquis in reaction to the 'Environmental Impact Statement' (EIS), and of online discussion boards, such as the Facebook page of the Aquis Casino, shows that the local community's reactions to the project are mixed and somewhat contradictory. Some citizens welcome the employment opportunities it will bring, as well as the 'spotlight' set on the Cairns region, while others fear that the money will only go to Chinese companies and employees and that Aquis will destroy the natural flood plain area.

Some citizens also fear that Aquis will not reach the number of visitors it needs to be successful and to add value to the region, as Aquis itself indicates in the EIS report. As already stated before, Aquis' main target group is middle class Chinese tourists. Though China's

middle class is growing, progress is slow and China still remains far from being an actual middle class society (Wang, 2009). Furthermore, tourism as an industry is highly impacted by the downturns and upturns of the national and international economy. Currently the world, including China, is still recovering from the global financial crisis of 2009/2010. It could fully recover in the future, or the world could face another financial crisis in a few years' time.

Aquis: Environmental Implications

The Aquis resort is planned in a breath-taking but highly sensitive natural environment: the Daintree Rainforest and the Great Barrier Reef. The Daintree Rainforest, the single largest block of rainforest in Australia, is about 180 million years old - older than the Amazon rainforest. In the course of the centuries, it has developed a striking diversity of flora and fauna that can only be found in this area. Moreover, the Daintree Rainforest is also home to one of the country's oldest indigenous people, the Kuku Yalanji. Threats to the Daintree Rainforest have long been a concern (Daintree Tourism Services, 2011; rainforestrecovery, 2014). The other natural area touched by the Aquis development, the Great Barrier Reef, belongs to the most popular areas of Australia. However, it is also one of Australia's most endangered areas. A group of local Australians, tour operators and NGOs have recently drawn attention to the problems of overexploiting this very sensitive region (e.g. Courier Mail, 2016).

Since Aquis will be built in the Great Barrier Reef and Daintree Rainforest area, the building plans need to comply with the development criteria of World Heritage natural areas. In accordance with these criteria,

Aquis has published an Environmental Impact Statement (EIS). This EIS covers the intent of the project, and its environmental and social impacts.

In the EIS, Aquis dedicates a full chapter of 311 pages (Chapter 22, volume 3) to the analysis of the natural environment, highlighting special geographic characteristics of the area, referring to the indigenous flora and fauna and affirming the importance of protecting this unique natural environment. In this respect, Aquis plans to integrate all buildings in the natural environment and to ensure their smart positioning so that, for example, sunlight can be used to save energy. There is, however, little evidence in the EIS for the use of bio-based materials and for the implementation of specific measures that are generally associated with environmentally friendly buildings and operations. However, the EIS does elaborate extensively on the positive economic impacts of the project.

Alongside transportation, hotels and resorts are the main contributors to CO₂ emissions worldwide (Ayala, 1995; Simpson & Wall, 1999). Therefore, hotels and resorts have excited the attention of tourism researchers both in the past and in the present (Pierce, 1986; Prideaux, 2004). In the EIS, an estimated increase in greenhouse emissions of approximately 51.5 kilotons per year is calculated (EIS, Chapter 22). However, this figure may be considered to be an underestimate at least for two reasons: because it does not consider the CO₂ emitted by the additional flights planned to cater for the increased number of tourists and because it does not take into account the CO₂ imbedded in building materials, food and beverages (Gössling et. al., 2015).

In addition to building and transportation, the environmental and social impacts of a hotel's operations should also be considered. These impacts are arguably more intense as a hotel offers more facilities and more luxury (Gössling et. al., 2015). Generally, resorts feature a larger variety of facilities than hotels to keep the tourists on property during the day and to push them in spending additional money (Pierce, 1986; Simpson & Wall, 1999). With its 8 luxury hotel towers, 1,200 apartments, 135 villas, a convention and exhibition centre, cinemas, luxury shops, a sport stadium, aquariums, 18-holes golf course and reef lagoon (Daily Mail, 2016 and Aquis project book EIS, 2014), Aquis is no exception to this rule.

It would go too far to discuss the environmental impact of all the facilities that Aquis proposes to build. As an example, let us consider the planned 18-holes golf course. Golf courses have long been proven to be one of the facilities with the highest impact on the local destination, both environmentally and socially speaking (Neo, 2001). On the social side, golf is still an upper class sport and is less accessible to people from lower social classes due to the costs of the equipment, club membership fees and green fees. In addition, golf courses withdraw a large area from other uses that could be valuable to the community, such as recreation or agriculture. Because the area of a golf course, and particularly the grass, is very sensitive, access to golf courses is usually prohibited to non-players (Neo, 2001). The environmental impact of golf courses has been researched since the mid-1990s, also due to

uproars of locals in Southern European countries – such as Greece and Spain – who farmed near tourist destinations and who could not irrigate their land in summer because the water was needed for the golf courses (Wheeler & Nauright, 2006). The length and structure of the grass in the green areas of a golf course has a significant impact on the type, speed and total quality of the game. Therefore, the grass is a special monoculture breed, is usually treated with pesticides to grow to a proper 'green carpet' and has to be trimmed and watered daily (Wheeler & Nauright, 2006). Golf courses therefore have a wide impact on both the quantity and the quality of the water left for the surrounding community (Gössling et. al., 2015).

The Aquis EIS report was published in June 2014, after which a period of 30 business days applied for agencies and citizens to respond. A period of 30 working days is the minimum time span required by law. Submissions had to be handed in to the Australian state's government Coordinator General and to Aquis, who evaluated and responded to the submissions. Aquis created three reports in response to the submissions, namely a report on 'Community Submissions and Issues', a report on 'Agency Submissions and Issues', and a report on 'Supplementary Information'. In these documents Aquis describes the reactions and proposes mitigations to address them. Topics covered range from the project itself via its economic and community-related impacts to infrastructure. As a result of this process, the state's Coordinator-General gave the federal government's conditional approval to the Aquis EIS in December 2014, subject to 13 strict conditions (Accommodation Association of Australia, 2015).

Instructions for the Casework

Based on the description of the Aquis development provided above it is evident that a project of the size of Aquis has significant impacts on the economic, environmental and social development of the region in which it occurs. Your first task is to start exploring these impacts and to discover whether they affect different stakeholders differently.

During the lecture dedicated to the case and under the guidance of the case developers, you will list the key stakeholders, their main needs and the source of their power, legitimacy and urgency. After the lecture, your work as a group will consist of preparing the seminar as outlined in Appendix 4. Consider that you, in a small group, will examine the case from the specific viewpoint of one of the stakeholders. You may wish to use the Seven Steps of Van Luijk and Mitchell et. al. stakeholders' approach to start analysing the case.

NB: A comprehensive list of sources can be found in the teaching notes.