



SGS INPUTS TO DINOSAUR TRAIL MASTER PLAN



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REGIONAL ECONOMIC IMPACT

1.1 Introduction

The Bass Coast LGA and Phillip Island tourism region needs additional economic opportunities and jobs. As an important contributor to the local economy, the tourism industry is a priority sector for the region. Tourism is an important contributor to the sustainable development of regional areas. It is often advocated as a means for diversifying in rural and regional economies, by providing alternative sources of employment and income generation, in times of transition from traditional industries such as agriculture and forestry.

The task of economic development has become difficult for many regional towns in Victoria as traditional regionally-based industries such as agriculture and manufacturing have contracted, replaced by more knowledge-intensive professions, typically in larger cities.

Publicly-funded tourism infrastructure like the Trail should improve a destination's appeal to visitors by creating or updating unique experiences or by improving access to existing tourism attractions. Tourism infrastructure benefits not just visitors, but local communities as well through improved amenity and greater economic and employment opportunities.

In addition, the provision of publicly funded tourism infrastructure can lead to additional investment by the private sector in complementary products and services, including accommodation, attractions, and hospitality venues. This creates further employment opportunities and makes towns and regions better places to live.

Other positive impacts of tourism include:

- Helps preserve rural services like buses, local high street shops and post offices
- Increases demand for local food and crafts
- Tourists mainly come to see the scenery and wildlife, so there is pressure to conserve habitats and wildlife
- Tourist developments can provide new places for recreation
- Can diversify a region's tourist offer and relieve pressure on over-visited sites

1.2 Visitor impact

The development of the Trail presents as an opportunity to expand the visitor economy in Bass Coast, marginally improving the value of exports from the region. Exports refer to any product or service which is traded to anyone outside of the region, for example, the development of the tourism sector in this case. Tourism exports include new visitors drawn to visit the area due to the Trail who spend money in the local economy, for example getting lunch, fuel, or souvenirs etc. Capturing a larger share of passing traffic would also provide economic benefits to the region even if overall visitation does not increase.

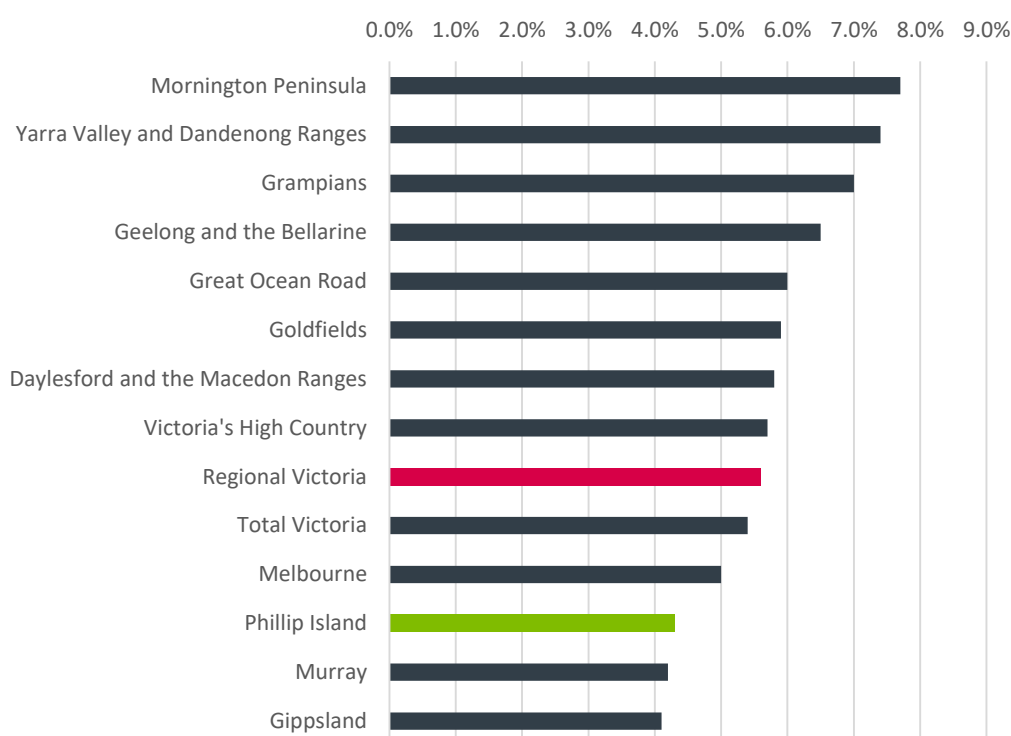
New income injected into the local economy is highly beneficial as the income creates a multiplier effect as businesses draw on local suppliers and workers to meet the increased demand from external customers. This multiplier effect, over time, would allow local businesses to invest in new equipment, hire more people and pay higher wages. Greater economic activity also means higher government revenues and more money to spend on better quality services for the community. Economic development enables a higher standard of living for people.

The proposed Dinosaur Trail and related visitor infrastructure will provide Bass Coast with a new iconic landmark attraction drawing attention. The attraction will make the area a more desirable destination for tourism and aims to assist in reducing visitor congestion and offer

support in achieving a more environmentally and socially sustainable visitor experience that is supported by the community.

Between 2011 and the end of 2020 (before COVID-19), the Phillip Island Tourism Region, including Wonthaggi and Inverloch, experienced an average annual growth rate (AAGR) in visitors of 4.3 per cent per annum (Tourism Research Australia, 2021). This growth in visits has been lower than the growth rates experienced in Victoria and Regional Victoria generally. Visitor numbers have increased by 5.6 per cent per annum over the same period in Regional Victoria. This difference means that Bass Coast has been losing market share in comparison to the rest of Regional Victoria, but also other destinations like the Mornington Peninsula, Yarra Valley and the Grampians.

FIGURE 1: ANNUAL AVERAGE GROWTH RATES (AAGR) IN VISITORS BY VICTORIAN TOURISM REGION



Source: SGS Economics and Planning using the National Visitor Survey, Tourism Research Australia (2021)

The proposed Trail and related visitor infrastructure will provide Bass Coast with a new iconic landmark drawing attention. The attraction will make the area a more desirable destination for tourism.

For the assessment, SGS made a series of assumptions to estimate the increase in new visitors to the region that could feasibly be attributed to the new Trail. Existing visitors and expected growth in the region without the Trail are not considered as these visitors would have spent money in the region regardless.

The proposed trail has been assumed to increase visitor numbers to the Wonthaggi- Inverloch sub-region of the Bass Coast in three ways:

- The COVID recession during 2020/21 has resulted in a significant decline in visitor arrivals. The development of the Dinosaur Trail will allow the region to recover quicker than if the trail is not developed.
- Adding an iconic tourist feature will increase overall visitor numbers over the medium and long-term.
- There will be an increase in visitor nights to Bass Coast as a share of the visitors will choose to stay in the region overnight

Figure 2, developed by SGS, shows historical and forecast visitor numbers in Wonthaggi-Inverloch (Phillip Island) sub-region.

The Base Case (green line) assumes that visitation will return to pre-COVID levels by 2025¹. But with the development of the Dinosaur Trail, visitor numbers will return to pre-COVID arrivals earlier, assumed to be one year earlier in 2024.

After the COVID recovery, the Base Case forecast (green line) assumes that the AAGR of visitors will match current levels (80% of the Victorian growth rate (as shown in Figure 1), equivalent to 2% per annum), and Bass Coast will fall further behind the rest of Victoria as a visitor destination.

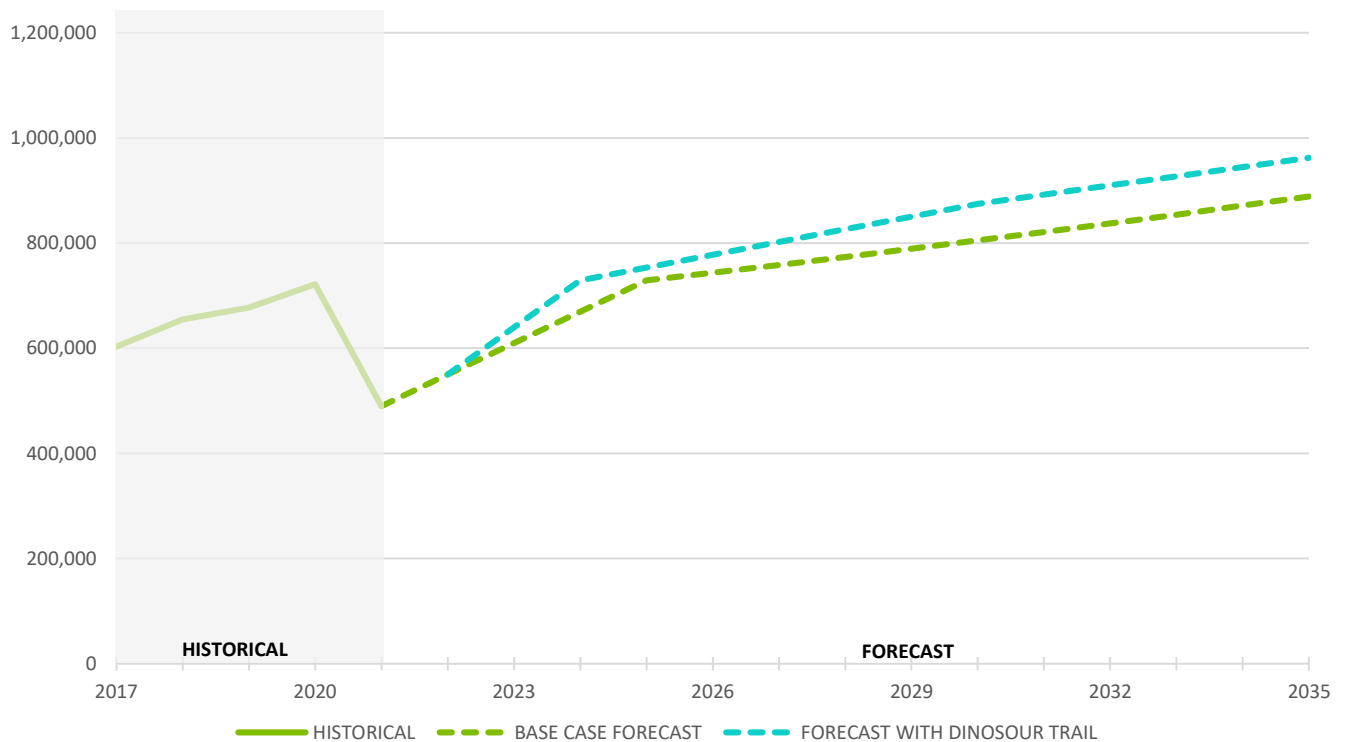
The blue line is the project scenario with the Dinosaur Trail and shows the forecast visitor numbers to the region after the Trail's development. The Bass Coast Dinosaur Tourism Master Plan outlines that:

- In the medium term (2025-2030), total visitation to Wonthaggi - Inverloch will increase to 801,900 to 874,800 based on the completion of the Dinosaurs Trail infrastructure and that the Trail is entrenched into education and school programs, and the assumption that international visitation will return to Phillip Island at pre-COVID levels (SGS has used the mid-point of this range).
- In the longer term (2030 and beyond), an additional 10% growth in visitation can be realised with a target visitation level increasing to 962,000.

If the Trail, acting as a core piece of infrastructure to be developed around, results in the projected visitation rising. The Project Case will see visitors to the sub-region increase by 74,000 per annum by 2035 over the Base Case. This is an increase in visits of 8 per cent over a scenario where the Trail is not developed. The increased visitation will be a mix of international and domestic.

These forecasts (reflected in the blue line in the chart) have been used to estimate the Trail's economic impact from increased visitation.

FIGURE 2: HISTORICAL AND FORECAST VISITS TO WONTHAGGI- INVERLOCH SUBREGION



¹ 729,000 for Wonthaggi- Inverloch subregion

1.3 Visitor expenditure impacts

One of the main objectives in the creation of a demand driving signature attraction for the region is to attract an increase in overall tourist expenditure for economic development.

Visitor expenditure in the region, prior to the impacts of COVID-19, was estimated at \$578 million (TRA, 2019). The expenditure includes:

- Domestic overnight expenditure of \$416 million, with visitors spending an average of \$142 per night and \$383 per visitor.
- Daytrip visitors spent an estimated \$137 million, spending an average of \$90 a day.
- International overnight expenditure estimated to be \$26 million, with international guests spending \$451 per visitor in the region.

Using these per visitor expenditure estimates from TRA, an additional 74,000 visitors to the region per annum by 2035 (as shown in Figure 2) will result in additional visitor expenditure in the region of \$7.1 million per annum by 2035 (\$90 per person per day). Over the period from the present to 2035, this equates to an increase in expenditure of \$62.9 million.

If it is assumed that 1 in 4 of the new visitors also stay the night in the region due to the Trail, this increases expenditure further. The additional visitor nights generate an additional \$7.3 million in visitor expenditure to 2035.

The additional spending will have economic benefits for the Bass Coast in terms of size of local economy size employment.

1.4 Economic Impact Assessment

This section presents the findings of an economic impact assessment of the proposal on the Bass Coast economy in terms of contribution to gross regional product and local employment.

An economic impact assessment (EIA) differs from the CBA in that it provides no judgement on the overall benefit of the project compared to the costs. EIA does not assess the merits of a project but traces how project implementation influences overall economic activity levels over time, e.g., jobs creation and income generation.

The assessment model

An economic impact assessment (EIA) is utilised to estimate the economic impact of the stimulus generated by the Trail, which results in changes to total economic activity levels after measuring the cumulative effects of all the buyer/ supplier transactions.

The steps in undertaking an EIA include:

1. Isolating how the offer will stimulate the Bass Coast economy. These are direct impacts and include the money spent by new visitors. The capital costs of construction and maintenance are other direct stimuli, but have not been included in this analysis.
2. Tracing how visitors spend money in different industries during their trip to Bass Coast.
3. Generating region-specific econometric models and subsequently deriving economic multipliers for major industry groups, i.e. construction, food and beverage services, arts and recreation services and so on.
4. Applying these multipliers (by relevant industry group) to the direct impacts to estimate total regional impacts in terms of value-added and employment. The modelling represents how money 'flows' through the economy. For example, a visitor to the region to visit the Trail may not have to pay an entry fee but will purchase meals and beverages, equipment, petrol, and perhaps even stay the night, visit other attractions or do a tour. This money accrues to the business but also their suppliers. This chain of transactions generates further economic activity in the Bass Coast economy.

Consideration of the economic impacts is in terms of value-added to gross regional product (GRP) and employment (full-time equivalent jobs). Value-added is a broad measure of the income effect. This measure essentially reflects the sum of wage income and business profit generated. Employment is measured as annual full-time equivalent jobs (FTE).

The impacts are considered from a Bass Coast local government area perspective.

Economic impact results

By 2035, the increase in tourist expenditure can be expected to generate \$36 million in direct value-added and support 418 FTE new and existing jobs (one job is one FTE job for 12 months) in the Bass Coast's hotels, restaurants, cafes, stores, visitor attractions and other places tourists visit.

In addition, supplier and contractor linkages lead to flow-on (or indirect) effects as the stimulus circulates through the local economy. This flow-on impact, which are shown in the table below, sum to give a total impact. When the flow-on effects are incorporated, this stimulus translates to a combined (direct and indirect) economic impact of:

- Value-added to GRP \$99.2 million to 2035
- Employment 513 FTE annual jobs supported to 2035

TABLE 1: TOTAL TOURISM IMPACTS – BASS COAST LGA

Source of Stimulus	Value-added to GRP	Employment (FTE)
Direct	\$36.2 million	418
Indirect flow on impacts	\$62.9 million	95
Total	\$99.2 million	513

Source: SGS Economics and Planning, 2021

On a per annum basis, this equates to a total value-added to the economy of \$11.2 million in 2035, supporting 58 jobs in the region.

The majority of GRP and employment is captured in the accommodation and food services industry. Still, the local arts and recreation services, manufacturing, and retail sectors (amongst others) also benefit. Manufacturing is benefited by tourism through food and drink product manufacturing, for example, wineries, breweries or bakeries.

1.5 Contributing factors to expenditure

The Trail will contribute significantly to the existing tourism offer, visitor demand and expenditure. These changes are expected to increase the number of visitors.

The above economic estimates are based on current average expenditure levels per person, but if higher spending visitors can be attracted, the expenditure per visitor, or yield, will increase. The key drivers impacting the increase in spending will be the following:

Accommodation as an experience

Many of the existing accommodation options in the region are dated and in need of a refresh and an upgrade, or new offers added. Higher quality accommodation with greater comfort, modernity and cleanliness can attract a higher price and visitors who will spend more money elsewhere.

Accommodation can represent more than a practical solution to house visitors. A unique experience for guests can be a demand attractor in their own right. A range of additional services and events offered to guests that are inaccessible to other visitors provide a premium experience, which in turn generates a premium for revenue. Provision of accommodation onsite increasing the self-containment of a tourism destination, capturing additional expenditure. The creation of a unique accommodation experience building on the

natural and cultural assets of the precincts provides a significant opportunity to build a unique experience. The provision of different experiences should be considered to capture tourists with different budgets and interests.

Improve food and drink offering

At present, the food and drink offering is limited. Any potential visitors who do not wish to self-cater have a limited range of high-quality options. Many travellers take into consideration high-quality restaurants and bars when choosing a destination.

Improved activities

Adding new attractions has the potential to encourage more visitor numbers and encourage visitors to stay longer, e.g. three nights instead of two. Potential visitors who can be assured that there are a number of activities in addition to the natural offer will feel confident booking longer stays.

Repackage the tourist offer

There is an opportunity to develop visitor itineraries and packages including accommodation, transport (personal or gear) and trail entry points that allows guests to experience a broad range of experiences easily. Visitors are willing to pay more money for convenience and well organised trips.

Partnerships with other operators and businesses can drive success for all

Partnering with nearby tourism operators and local businesses can also increase visitation across the region's attractions and develop an identity for the broader area.

Partnerships could focus on the creation of a tourism trail, linking key attractors and marketing the unique experiences of the region. Partnerships with organisations should be pursued to drive overnight and multi-night stays in the region and generating additional visitor expenditure across the region.

The financial viability of tours, café, shops etc. are dependent on a critical mass of visitors coming to the area to stay and whether they spend money. Increasing the number of people who visit connected towns will be necessary to ensure that there are sufficient visitors in the area to make these businesses viable, which will then attract additional visitors if offered at a high quality.



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