

DRAFT 3 November 25 2021

Economic Impact Assessment

Phillip Island Aquatic Leisure Centre Stage 1 & Stage 2



MCa <Michael Connell & Assocs.>

November 2021

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Executive Summary

This report is an economic impact assessment of the development of the Phillip Island Aquatic Leisure Centre Stage 1 & Stage 2. Stage 2 includes the indoor stadium. The analysis covers two phases – construction and a 10-year operations period.

Construction Phase – Economic Impacts

Construction activity was modelled, and estimates were developed for: onsite construction jobs in the region; professional jobs; and the jobs generated in the supply of materials and equipment to the project. Total cost of the project including contingencies is \$52.817 million.

- A total of 111.9 direct jobs (FTE) would be generated during the construction period.
- This comprises 91.0 onsite construction jobs; 8.7 professional jobs and 12.2 jobs in the materials and equipment supply sectors. Construction and some professional jobs are likely to be held by residents of Bass Coast LGA and the broader region and materials/equipment supply jobs would be spread across Victoria.
- When the multiplier effects of spending are taken into account, total jobs (direct and indirect) associated with the project in the construction phase is 139.3 FTE jobs.
- The increase in regional income generated by the project was estimated to be \$30.766 million (\$24.613 million direct and \$6.153 million indirect/induced).¹

Operations Phase - Economic Impacts

Detailed modelling was undertaken of the Phillip Island Aquatic Leisure Centre for a 10-year period following construction.

Jobs in Region

The PIALC will generate a substantial number of jobs in the region.

- The operations of the PIALC will account for 25.4 FTE jobs (22.1 direct PIALC employees on site and 3.3 indirect/induced jobs in the region).
- Spending in Cowes/Phillip Island by users and visitors generates an average of 14.6 FTE jobs (12.7 direct jobs, with a further 2.0 indirect/induced jobs in the region) over the 10 year period.²
- In total, PIALC employees and the spending by regular users/visitors would generate an average of 40.0 FTE jobs (34.8 direct and 5.2 indirect/induced jobs).
- Competitions and events would generate an average of 6.2 FTE jobs (5.3 direct jobs and 0.9 indirect/induced jobs)
- In total, activities at PIALC and spending would account for an average of 46.2 FTE jobs per year (40.1 direct jobs and 6.1 indirect/induced jobs).

Regional Income

- Over the 10 years, annual regional income arising from the new centre would be an average of \$3.023 million per year higher when all direct and indirect impacts are taken into account.
- Over the 10 year period regional income would total \$30.227 million.

1 Regional income is the total net income generated from the activity and covers wages and salaries of employees and profits of businesses within the region. It includes income generated directly within the business and indirect income, which is generated in other regional businesses (wages and profits) from the multiplier impacts of employee spending on the region. In the modelling of income generated income tax and GST on spending, are both treated as leakages from the region.

2 Differences due to rounding.

Benefits & Costs

The benefits and costs of the new facilities are analysed for the 10-year period of operations.

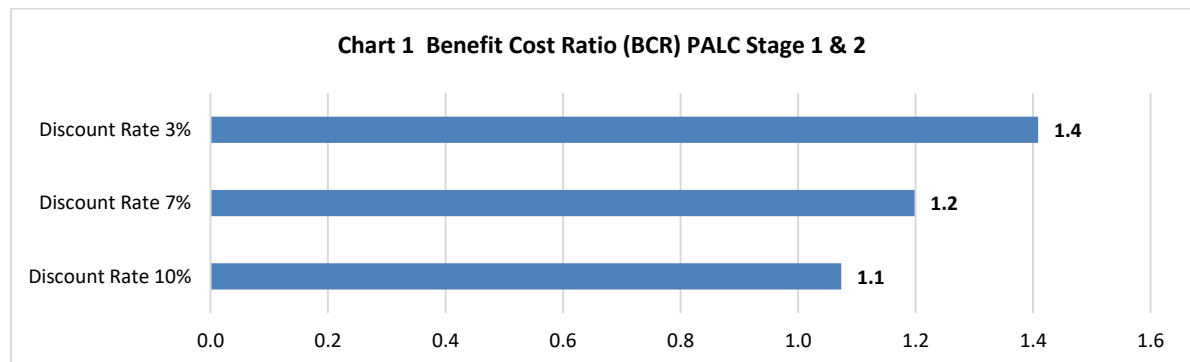
- Costs: The estimated cost of the project is \$52.817 million, and the 10-year maintenance costs are million \$1.620 million for a total 10-year project cost of \$54.437 million.
- The measured benefits comprise: the value of benefits to individuals from the new facilities (these are valued at market value, and this is measured by the revenue associated with the new facilities); the increase in regional income generated by the operations of the new facilities (by stadium employees and spending by facilities users/visitors in the area); health benefits associated with exercise; and workforce productivity benefits.
- There are a number of additional benefits that are difficult to quantify and are not included in this assessment: creation of career and training opportunities in the region for youth in the sports and recreational services sector; and volunteering benefits (personal satisfaction benefits to volunteers and the benefits to program participants from additional training and supervision).

Table 1. Benefit Cost Analysis - Phillip Island Aquatic Leisure Centre (Stage 1 & 2)

Project: PIALC S1 & S2	Discount Rate	Discount Rate	Discount Rate
Regional Cost Benefit (\$2021 prices)	3%	7%	10%
Period : 10Years			
Project Costs			
Capital Costs (\$2021)	\$52,817,299	\$52,817,299	\$52,817,299
Costs - Maintenance (10 years)	\$1,620,000	\$1,620,000	\$1,620,000
Total Costs	\$54,437,299	\$54,437,299	\$54,437,299
Project Benefits			
Direct Benefits (users) (10 years)			
Consumer Value	\$31,279,887	\$31,279,887	\$31,279,887
Regional Income Increase	\$30,226,581	\$30,226,581	\$30,226,581
Indirect Benefits			
Health Benefits	\$8,721,000	\$8,721,000	\$8,721,000
Workforce Productivity Benefits	\$17,442,000	\$17,442,000	\$17,442,000
Total Benefits (\$2021 prices)	\$87,669,468	\$87,669,468	\$87,669,468
Total Benefits (\$) Present Value	\$76,697,295	\$65,238,117	\$58,439,038
Benefits & Costs			
Net Present Value (\$) Total Benefits	\$22,259,996	\$10,800,818	\$4,001,739
NPV/Cost	0.41	0.20	0.07
Benefit Cost Ratio (BCR)	1.4	1.2	1.1

Source: MCA modelling & analysis November 2021.

The Phillip Island Aquatic Leisure Centre (Stages 1 & 2) has a Benefit Cost Ratio (BCR) of 1.4 for a 3% discount rate and for the suggested discount rate for a large project (7%) yields a BCR of 1.2.



Source: MCA modelling & analysis November 2021.

1. Introduction

This report is an economic impact assessment of the development of the Phillip Island Aquatic Leisure Centre (Stages 1 & 2), which includes the indoor stadium. The analysis covers the construction phase and a 10-year period of operations.

The assessment was undertaken by MCa <Michael Connell & Assocs.> - economic consultants, utilising information from the other project consultants as major inputs.

Phillip Island Aquatic Leisure Centre (Stages 1 & 2)

As part of the Phillip Island Aquatic Leisure Centre Feasibility Study, Bass Coast Shire Council engaged Otium Planning Group to undertake a further investigation into the feasibility of a multi-purpose indoor sports centre. The stadium is Stage 2 of the Aquatic Leisure Centre development. These facilities would replace the current indoor sport court and squash courts at the Phillip Island Leisure Centre.

The proposed Stage 2-Phillip Island Indoor Stadium would include the following key facility components: two new full size compliant multi-sport court suitable for a variety of indoor sports including basketball, netball, volleyball, badminton, gymnastics and indoor soccer/futsal; spectator seating for up to 200 people; storage space for equipment; and a future expansion area for an additional court. It would share amenities, facilities and reception with the aquatic and leisure facility.

This analysis covers development of both stages of the Phillip Island Aquatic Leisure Centre and draws on the analysis for all of the centre's facilities and programs, including the stadium.



Source: Phillip Island Aquatic Leisure Centre Feasibility Study Report, September 2021, Otium Group P31

2. Economic Impact Analysis – Phillip Island Aquatic Leisure Centre

The economic impact analysis was conducted on two phases of the project: the construction phase and the operations phase. The operations analysis covered modelling of the Phillip Island Aquatic Leisure Centre (including Stage 2 - the indoor stadium) and the measurement of benefits (economic) associated with operations and activities over a 10 year period.

2.1 Economic Impacts – Construction Phase

The construction phase was modelled using the cost figures for the new facilities.

Table 2. Construction Cost Estimate – Phillip Island Aquatic Leisure Centre (PIALC)

Phillip Island Aquatic Leisure Centre Indicative Capital Costs (\$2021)	Costs \$
Building Works	
Building Works	\$24,926,099
Aquatic works 25 m pool	\$9,360,800
External Works & Services	\$4,719,400
Total Construction	\$39,006,299
Design Contingency	\$3,901,000
Total with Design Contingency	\$42,907,299
Other Costs	
Construction contingency	\$4,291,000
Professional fees	\$4,248,000
Authority Fees & Charges	\$391,000
Substation contribution	\$150,000
Fixtures , fittings , equipment,	\$430,000
Audio/IT etc.	\$400,000
Total	\$9,910,000
Project Total	\$52,817,299

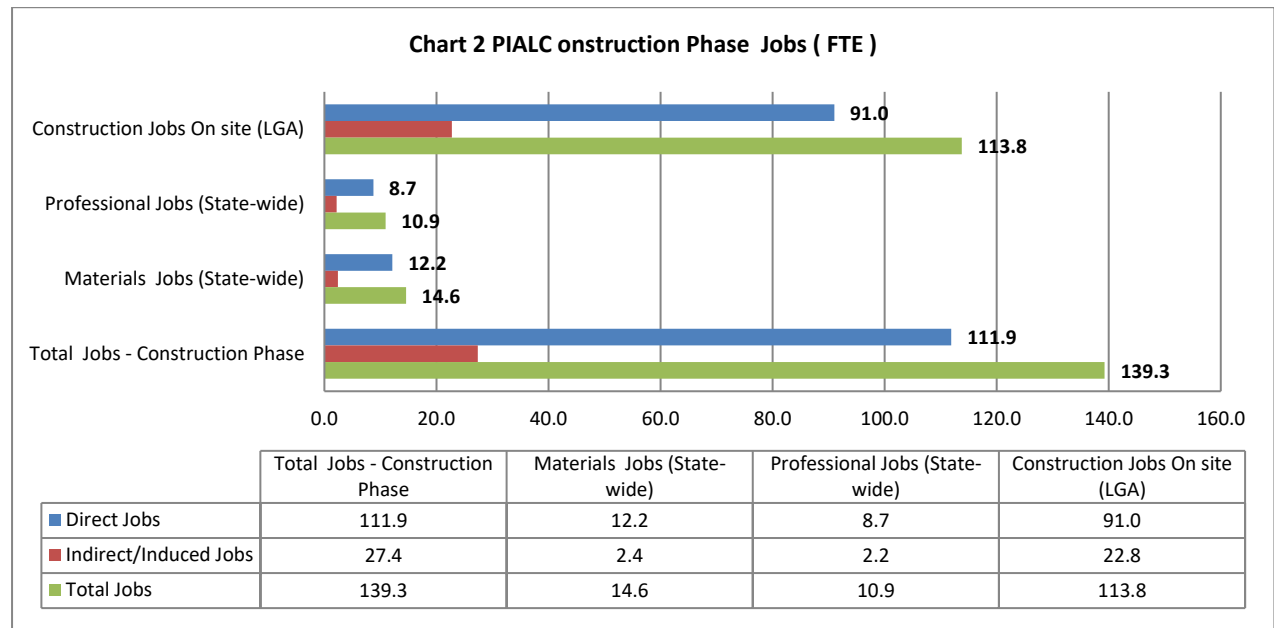
Source: Turner & Townsend Costings, April 16 2021³

The modelling provides estimates for: onsite construction jobs in the region; professional jobs; and the jobs generated in the supply of materials and equipment to the project. The number of indirect jobs generated through the spending of construction, professional and material supply employees was also estimated. The development is a major project that will generate a substantial number of construction jobs in the region.

- A total of 111.9 direct jobs (FTE) would be generated during the construction period.
- This comprises 91.0 onsite construction jobs; 8.7 professional jobs and 12.2 jobs in the materials and equipment supply sectors. Construction and some professional jobs are likely to be held by residents of Bass Coast LGA and the broader region and materials/equipment supply jobs would be spread across Victoria.
- When the multiplier effects of spending are taken into account, total jobs (direct and indirect) associated with the project in the construction phase is 139.3 FTE jobs.
- The increase in regional income generated by the project was estimated to be \$30.766 million (\$24.613 million direct and \$6.153million indirect/induced).⁴

³ PIALC Feasibility Study Final Report September 2021, Otium Group

⁴ Regional income is the total net income generated from the activity and covers wages and salaries of employees and profits of businesses within the region. It includes income generated directly within the business and indirect income, which is generated in other regional businesses (wages and profits) from the multiplier impacts of employee spending on the region. In the modelling of income generated income tax and GST on spending, are both treated as leakages from the region.



Source: MCA Modelling and Analysis, November 2021 Note may be some differences due to rounding.

Table 3. Phillip Island Aquatic Leisure Centre Construction - Employment Impacts (FTE no.)

Construction Phase Jobs	Direct Jobs FTE	Indirect Jobs FTE	Total Jobs FTE
Construction Jobs Onsite (LGA)	91.0	22.8	113.8
Professional Jobs (State-wide)	8.7	2.2	10.9
Materials Jobs (State-wide)	12.2	2.4	14.6
Total Jobs - Construction Phase	111.9	27.4	139.3

Source: MCA Modelling and Analysis, November 2021. Note may be some differences due to rounding.

Table 4. Phillip Island Aquatic Leisure Centre Construction - Regional Income Impacts (\$ million 2021 prices)

Phillip Island Indoor Stadium	
Construction Phase - Regional Income	\$ million <2021 prices>
Regional Income (Direct)	\$24.613
Total Indirect /Induced(Expenditure Impacts)	\$6.153
Total Regional Income	\$30.766

Source: MCA Modelling and Analysis, November 2021. Note may be some differences due to rounding.

2.2 Economic Impacts – Operations Phase

2.2.1 Economic Impact Modelling

Detailed modelling was undertaken of the operations the new PIALC (Stages 1 & 2) for a 10-year period. This operational modelling (including user estimates and financial projections prepared by Otium Planning Group) was the foundation for the economic impact assessment. This economic impact modelling covered:

- Employment in the Centre: this uses the Otium estimates of the full time equivalent jobs by category and salary rates. Estimates were also made of the indirect/induced jobs generated in the region by the spending of these employees.
- Jobs generated in the broader precinct by spending by PIALC users and visitors. Spending was modelled based on conservative assumptions in relation to the percentage of users and visitors who spend on Phillip Island before or after their visit to the Centre.
- The impacts of competitions and events and spending of attendees.

Employment

The Centre would have a total of 22.1 FTE employees, managing operations and delivering services to users and visitors

Table 5. Estimated Jobs Phillip Island Aquatic Leisure Centre (FTE no.)

Staffing Summary	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Full Time Equivalent										
Centre Manager	1	1	1	1	1	1	1	1	1	1
Guest Experience Manager/Coordinator	1	1	1	1	1	1	1	1	1	1
Customer Service	1	1	1	1	1	1	1	1	1	1
Operations Coordinator/Team Leader	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Aquatics Manager/Coordinator	1	1	1	1	1	1	1	1	1	1
Duty Managers	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Lifeguards	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Aquatic instructors	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Café/kiosk	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Health and Fitness Manager/Coordinator	2	2	2	2	2	2	2	2	2	2
Health Club Coordinator/Team Leader	1	1	1	1	1	1	1	1	1	1
Membership consultants/Admin Team Leader	1	1	1	1	1	1	1	1	1	1
Gym instructors	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Group fitness instructors	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Total	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1

Source: Otium Planning Group estimates, September 2021

2.2.2 Centre Location

The Centre is located in Cowes. With the proximity to the town centre, there will be considerable spill over of spending by users and visitors to PIALC and the indoor stadium. In this modelling of expenditure conservative assumptions have been used, and spending is restricted only to purchases of food and beverages and some other miscellaneous spending (mainly at cafes and food outlets). This is additional spending that is linked to a visit to the PIALC. Any other spending by users at the town centre during a visit (e.g. at a supermarket or other stores) is treated as normal spending and not included in this impact assessment.

Total visitors to the Centre would increase from 301,000 in year 1 to 333,000 in year 10.⁵ For the analysis, it is assumed that 90% of these are facilities users and 10% are accompanying persons or spectators.

Table 6. Users & Visitors to Phillip Island Indoor Stadium (Base Case Estimates)

PIALC	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Centre Visitors										
Visitors (All) - PIALC & Stadium	301,000	311,000	320,000	324,000	325,000	327,000	328,000	330,000	331,000	333,000
Facilities Users	270,900	279,900	288,000	291,600	292,500	294,300	295,200	297,000	297,900	299,700
Accompanying persons/Spectators	30,100	31,100	32,000	32,400	32,500	32,700	32,800	33,000	33,100	33,300

Source: MCa modelling & analysis November 2021 . Based on information in Otium Feasibility Report.

We have also assumed that events and competitions will be held at the Centre, and these will attract locals, persons from the adjacent region and those from further away. We have assumed that events and competition matches will attract around 15,000 to 16,650 competitors and visitors (of these 85% would be day visitors and 15% overnight visitors).

Table 7. Events - Competitors & Spectators (estimates)

Events	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Competitors & Spectators										
Locals/Regionals - Day Visits (85%)	12,793	13,218	13,600	13,770	13,813	13,898	13,940	14,025	14,068	14,153
Overnight stays (15%)	2,258	2,333	2,400	2,430	2,438	2,453	2,460	2,475	2,483	2,498
Total Competitors & Spectators	15,050	15,550	16,000	16,200	16,250	16,350	16,400	16,500	16,550	16,650

Source: MCa modelling & analysis November 2021 (MCa assumptions)

Spending by Users & Visitors

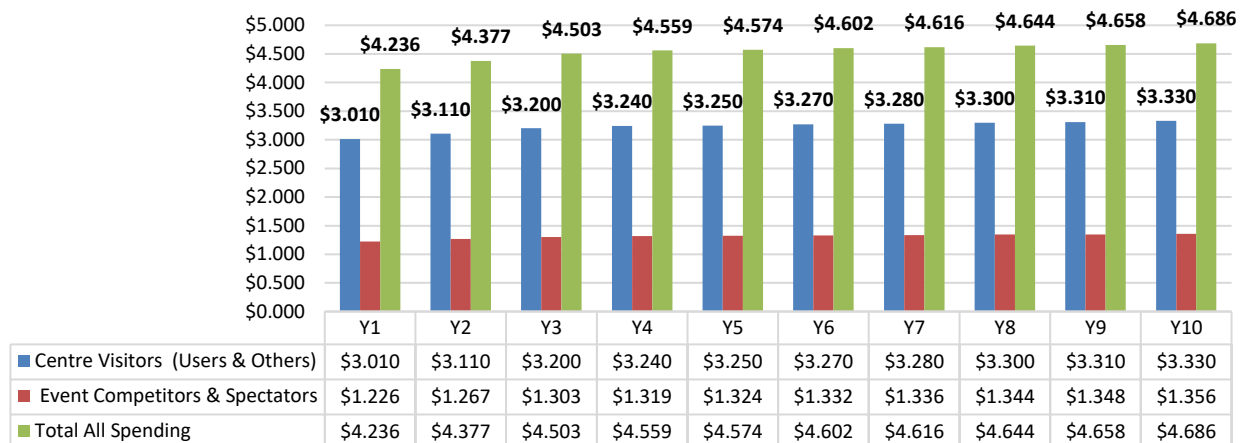
The following are estimates of spending in Cowes and elsewhere on Phillip Island by visitors to PIALC. The assumptions used in modelling are in Appendix A. Total spending (outside the centre) is estimated at \$4.2 million in year 1 increasing to \$4.7 million in year 10. This expenditure in Cowes town centre and elsewhere on Phillip Island supports a number of jobs mainly in food service and retail.

Table 8. Estimated Expenditure by Users/Visitors to PIALC (\$ million 2021 prices)

Spend in Region	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total 10 Years
Users & Visitors											
Users Spending	\$2.709	\$2.799	\$2.880	\$2.916	\$2.925	\$2.943	\$2.952	\$2.970	\$2.979	\$2.997	\$29.070
Accompanying persons/Spectators	\$0.301	\$0.311	\$0.320	\$0.324	\$0.325	\$0.327	\$0.328	\$0.330	\$0.331	\$0.333	\$3.230
Total Centre Visitors	\$3.010	\$3.110	\$3.200	\$3.240	\$3.250	\$3.270	\$3.280	\$3.300	\$3.310	\$3.330	\$32.300
Competitions & Events											
Events - Day Visitors	\$0.768	\$0.793	\$0.816	\$0.826	\$0.829	\$0.834	\$0.836	\$0.842	\$0.844	\$0.849	\$8.237
Events - Overnight Visitors	\$0.458	\$0.473	\$0.487	\$0.493	\$0.495	\$0.498	\$0.499	\$0.502	\$0.504	\$0.507	\$4.918
Total Events	\$1.226	\$1.267	\$1.303	\$1.319	\$1.324	\$1.332	\$1.336	\$1.344	\$1.348	\$1.356	\$13.154
Total Spending											
Total Spending - Users & Events	\$4.236	\$4.377	\$4.503	\$4.559	\$4.574	\$4.602	\$4.616	\$4.644	\$4.658	\$4.686	\$45.454

Source: MCa modelling & analysis November 2021 Note may be some differences due to rounding.

Chart 3 Spending in Region by Visitors to PIALC (\$million 2021 prices)



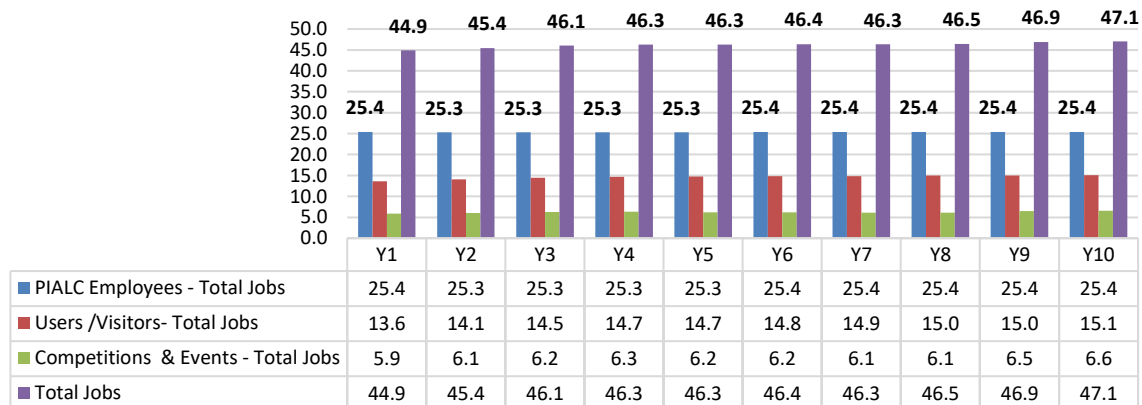
Source: MCa modelling & analysis November 2021 Note may be some differences due to rounding.

2.2.3 Employment Impacts

The table and charts show the estimated FTE jobs generated by activity at the PIALC. This is a combination of direct jobs in the centre and the jobs generated in the region (Cowes) by visitors' (users and other visitors) spending in the town centre.

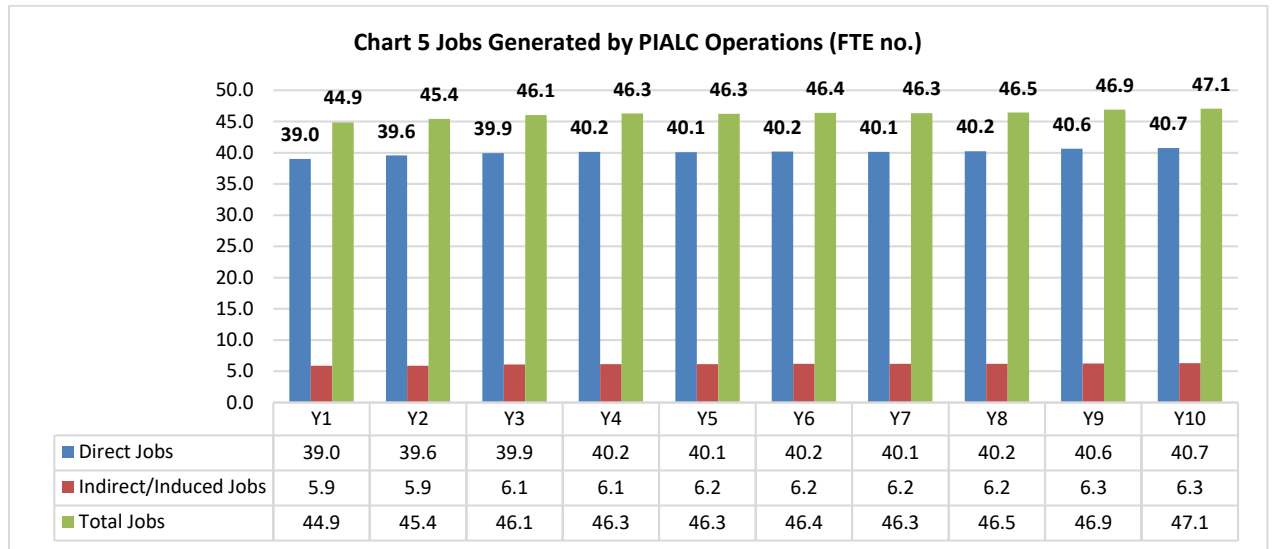
- The operations of the PIALC will account for 25.4 FTE jobs (22.1 direct PIALC employees on site and 3.3 indirect/induced jobs in the region).
- Spending in Cowes/Phillip Island by users and visitors generates an average of 14.6 FTE jobs (12.7 direct jobs, with a further 2.0 indirect/induce jobs in the region) over the 10 year period.⁶
- In total, PIALC employees and the spending by regular users/visitors would generate an average of 40.0 FTE jobs (34.8 direct and 5.2 indirect/induced jobs).
- Competitions and events would generate an average of 6.2 FTE jobs (5.3 direct jobs and 0.9 indirect/induced jobs).
- In total, activities at PIALC and spending would account for an average of 46.2 FTE jobs per year (40.1 direct jobs and 6.1 indirect/induced jobs).

Chart 4 Total Jobs Generated in Region by PIALC Operations (FTE no.)



Source: MCa modelling & analysis November 2021. Note may be some differences due to rounding.

⁶ Differences due to rounding.



Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding

Table 9. Economic Impacts of PIALC Operations: Jobs (FTE no.)

Employment Impacts PIALC	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Ave. 10 Years
Operations Phase : Jobs FTE											
PIALC Employees											
Direct Jobs - Centre	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Indirect /Induced Jobs	3.3	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.3
Total Jobs	25.4	25.3	25.3	25.3	25.3	25.4	25.4	25.4	25.4	25.4	25.4
Regular Users/Visitor (Spend in Precinct & Phillip Island)											
Direct – Precinct	11.8	12.2	12.5	12.7	12.7	12.8	12.9	12.9	13.0	13.1	12.7
Indirect /Induced Jobs	1.8	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total Jobs	13.6	14.1	14.5	14.7	14.7	14.8	14.9	15.0	15.0	15.1	14.6
PILAC Employees & Regular Users/Visitors											
Direct – Precinct	33.9	34.3	34.6	34.8	34.8	34.9	35	35	35.1	35.2	34.8
Indirect /Induced Jobs	5.1	5.1	5.1	5.2	5.2	5.3	5.3	5.3	5.3	5.3	5.2
Total Jobs	39.0	39.4	39.8	40.0	40.0	40.2	40.3	40.4	40.4	40.5	40.0
Events Spending											
Direct Jobs – Competitions & Events	5.1	5.3	5.3	5.4	5.2	5.3	5.2	5.2	5.6	5.6	5.3
Indirect /Induced Jobs	0.8	0.8	1.0	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9
Total Jobs - Carnivals & Events	5.9	6.1	6.2	6.3	6.2	6.2	6.1	6.1	6.5	6.6	6.2
Total All Jobs											
Direct Jobs	39.0	39.6	39.9	40.2	40.1	40.2	40.1	40.2	40.6	40.7	40.1
Indirect /Induced Jobs	5.9	5.9	6.1	6.1	6.2	6.2	6.2	6.2	6.3	6.3	6.1
Total Jobs	44.9	45.4	46.1	46.3	46.3	46.4	46.3	46.5	46.9	47.1	46.2

Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding

The following table shows the sectors where the jobs occur. PIALC employees account for around half the total jobs (22.1 FTE). The major sectors are food and beverage – average 10.8 jobs (cafes, restaurants, takeaway food etc.), other visitor services (5.6 jobs), retail (1.5 jobs) and recreation (1.5 jobs).

Table 10. Economic Impacts of PIALC Operations - All Jobs by Industry (FTE no.)

Stadium Operations Industry	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Ave. 10 Years
PIALC Employees	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Accommodation	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Food & Beverage	10.2	10.5	10.7	10.9	10.9	10.9	10.9	11.0	11.1	11.2	10.8
Retail	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.6	1.5	1.5	1.5
Health	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Transportation	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.4
Communication	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Recreation	1.4	1.4	1.6	1.6	1.6	1.5	1.4	1.4	1.6	1.7	1.5
Education	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other Visitor Services	5.2	5.4	5.5	5.6	5.6	5.6	5.6	5.6	5.7	5.8	5.6
Total	44.9	45.4	46.1	46.3	46.3	46.4	46.3	46.5	46.9	47.1	46.2

Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding

2.2.4 Regional Income Impacts

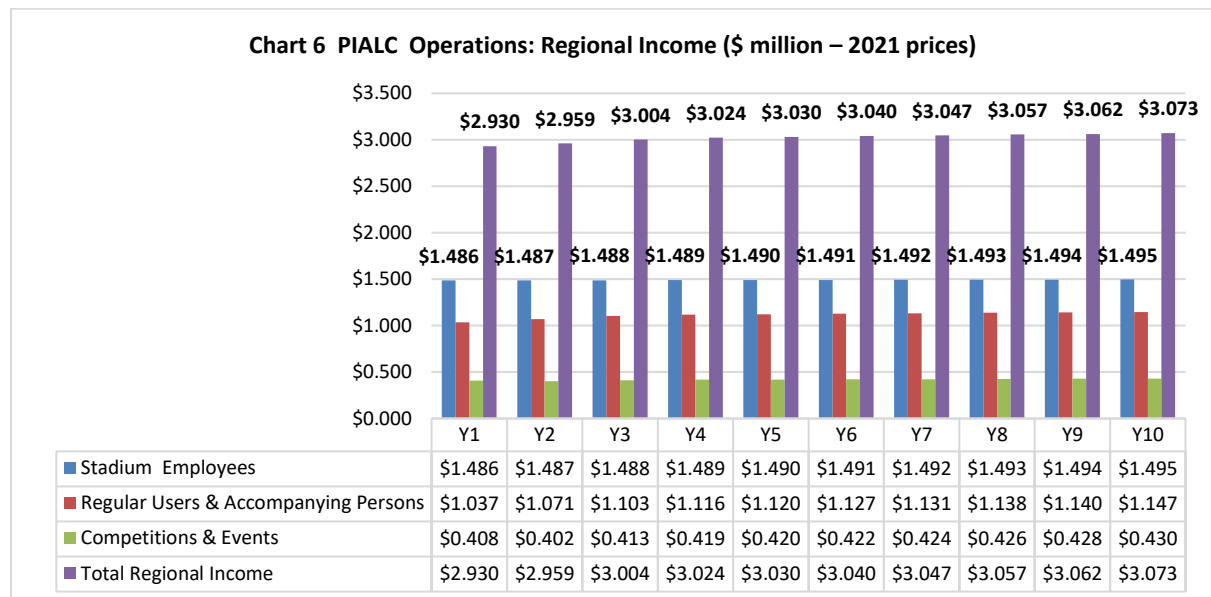
The increase in activity and employment provides a boost to regional income and this is summarised in the following table, which covers the PIALC operations.

- Over the 10 years, annual regional income arising from the new centre would be an average of \$3.023 million per year higher when all direct and indirect impacts are taken into account.
- Over the 10 year period regional income would total \$30.227 million (in \$2021 prices).

Table 11. Economic Impacts of PIALC Operations: Regional Income (\$ million 2021 prices)

Regional Income	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Ave. 10 Years
Operations Phase : (\$m 2021 prices)											
Stadium Employees											
Direct – Income	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227	\$1.227
Indirect /Induced Income	\$0.259	\$0.260	\$0.261	\$0.262	\$0.263	\$0.264	\$0.265	\$0.266	\$0.267	\$0.269	\$0.264
Total Regional Income	\$1.486	\$1.487	\$1.488	\$1.489	\$1.490	\$1.491	\$1.492	\$1.493	\$1.494	\$1.495	\$1.490
Precinct (User Spend)											
Direct – Income	\$0.894	\$0.924	\$0.950	\$0.962	\$0.965	\$0.971	\$0.974	\$0.980	\$0.983	\$0.989	\$0.959
Indirect /Induced Income	\$0.143	\$0.147	\$0.152	\$0.154	\$0.155	\$0.156	\$0.157	\$0.158	\$0.157	\$0.158	\$0.154
Total Regional Income	\$1.037	\$1.071	\$1.103	\$1.116	\$1.120	\$1.127	\$1.131	\$1.138	\$1.140	\$1.147	\$1.113
Carnivals & Events											
Direct Regional Income	\$0.389	\$0.402	\$0.413	\$0.419	\$0.420	\$0.422	\$0.424	\$0.426	\$0.428	\$0.430	\$0.417
Indirect /Induced Income	\$0.019	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.002
Total Regional Income	\$0.408	\$0.402	\$0.413	\$0.419	\$0.420	\$0.422	\$0.424	\$0.426	\$0.428	\$0.430	\$0.419
Total All Income											
Direct – Income	\$2.509	\$2.552	\$2.590	\$2.608	\$2.612	\$2.620	\$2.625	\$2.633	\$2.637	\$2.646	\$2.603
Indirect /Induced Income	\$0.421	\$0.407	\$0.413	\$0.416	\$0.418	\$0.420	\$0.422	\$0.424	\$0.425	\$0.427	\$0.419
Total Regional Income	\$2.930	\$2.959	\$3.004	\$3.024	\$3.030	\$3.040	\$3.047	\$3.057	\$3.062	\$3.073	\$3.023

Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding



Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding

3. Project Benefit & Cost Analysis

The benefits and costs of the new facilities are analysed for the 10-year period of operations.

3.1 Project Costs - 10 Years

The estimated cost of the project is \$52.8 million, and the 10-year maintenance costs are million \$1.6 for a total 10-year project cost of \$54.4 million.

Table 12. Total Costs of Indoor Stadium Project - 10 Years (\$2021 prices)

Summary	Indoor Stadium <\$ 2021 Prices>
Development Cost	
PIALC – stage 1 & 2 Costs (including contingencies)	\$52,817,299
Maintenance Costs	
Total Maintenance (10 Years) ⁷	\$1,620,000
Total Costs 10 Years	
Total Construction / Maintenance Cost	\$54,437,299

Source: Phillip Island Indoor Stadium Project, Indicative Capital Costs, Turner & Townsend April 13, 2021

3.2 Measuring Benefits – 10 Years

The following table shows estimate benefits of the operations of the Phillip Island Indoor Stadium.

The measured benefits comprise: the value of benefits to individuals from the new facilities (these are valued at market value, are measured by the revenue associated with the new facilities); the increase in regional income generated by the operations of the new facilities (by stadium employees and spending by facilities users/visitors in the area); health benefits associated with exercise; and workforce productivity benefits. These combined benefits total \$87.7 million over 10 years.

Table 13. Summary Estimated Benefits of Indoor Stadium

Total Benefits - 10 Years Operations	Total 10 Years (\$ 2021 Prices)
Direct Benefits	
Consumer Value (Centre Revenue)	\$31,279,887
Increase in Regional Income	\$30,226,581
Indirect Benefits	
Health Benefits	\$8,721,000
Workforce Productivity Benefits	\$17,442,000
Total Benefits	\$87,669,468

Source: MCA modelling & analysis November 2021.

⁷ Maintenance costs are from the Phillip Island Aquatic Leisure Centre - 10 Year Base Case Financial Model , Otium Planning Group , October 2021

3.3 Direct Benefits

Consumer Value

A benefit of a service is the value that a user places on it and is prepared to pay for it. As a measure of this benefit total centre revenue (less café and merchandise revenue) is used. The consumer value averages \$3.128 million per year over the 10-year period, for a total benefit of \$31.279 million (in constant \$2021 prices).

Table 14. PIALC (S1 & S2) - Estimated Consumer Value (\$ million 2021 prices)

Consumer Value - Centre Revenue (\$ million 2021 prices)	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total 10 Years	Ave. per year
PIALC Revenue	\$2.559	\$2.715	\$2.878	\$2.989	\$3.088	\$3.191	\$3.297	\$3.406	\$3.519	\$3.636	\$31.279	\$3.128

Source: PIALC 10 Year Base Case Financial Model, Otium Planning Group, September 2021 Note may be some differences due to rounding.

Increase in Regional Income

The new facilities provide a boost to regional income mainly through spending in Cowes and Phillip Island by centre employees and users/visitors. The total boost to regional income averages \$3.023 million per year over the 10-year period, for a total benefit of \$30.227 million (constant \$2021 prices).

Table 15. PIALC (S1 & S2) - Increase in Regional Income (\$ million 2021 prices)

Increase in Regional Income (\$ million 2021 prices)	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total 10 Years
Direct Regional Income	\$2.509	\$2.552	\$2.590	\$2.608	\$2.612	\$2.620	\$2.625	\$2.633	\$2.637	\$2.646	\$26.032
Indirect /Induced Income	\$0.421	\$0.407	\$0.413	\$0.416	\$0.418	\$0.420	\$0.422	\$0.424	\$0.425	\$0.427	\$4.194
Total Regional Income	\$2.930	\$2.959	\$3.004	\$3.024	\$3.030	\$3.040	\$3.047	\$3.057	\$3.062	\$3.073	\$30.227

Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding.

3.4 Indirect Benefits

Health Benefits

A report for Sport and Recreation Victoria prepared by Marsden Jacob estimated the health benefits from indoor exercise.⁸ The benefit is measured as the net (adjusted for injury) avoided costs to the national healthcare system (private costs and government costs) attributable to exercise activities. For the PIALC this was estimated at \$3 per user (\$1 per hour of exercise by an average of 3 hours per exercise session). The total for all users averages \$0.872 million per year over the 10-year period, for a total benefit of \$8.721 million (constant \$2021 prices).

Table 16. PIALC (S1 & S2) Operations - Health Benefits (\$ million 2021 prices)

Health Benefits ' (\$ million 2021 prices)	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total 10 Years
Total All Users	\$0.813	\$0.840	\$0.864	\$0.875	\$0.878	\$0.883	\$0.886	\$0.891	\$0.894	\$0.899	\$8.721

Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding.

Workforce Productivity Benefits

The Marsden Jacob report also provided a methodology for estimating workforce productivity benefits. Persons who exercise are fit and have lower levels of absence from work. In the study this benefit was estimated at \$5.00 per hour of exercise and for the PIALC an average exercise period of 3 hours has been used (for a benefit of \$15.00 per user). The total for all users averages \$1.744 million per year over the 10-year period, for a total benefit of \$17.442 million (in constant \$2021 prices). For the analysis it has been assumed that 40% of centre users are in employment.

⁸ Active impacts - The economic impacts of active recreation in Victoria, Prepared for Sport and Recreation Victoria, Marsden Jacob March 2018

Table 17. PIALC (S1 & S2) Operations – Workforce Productivity Benefits (\$ million 2021 prices)

Workforce Productivity Benefits			(\$ million 2021 prices)									
<Assumes 45 % of users are in jobs>	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Total 10 Years	Ave. per year
Benefits Employed Users Only	\$1.625	\$1.679	\$1.728	\$1.750	\$1.755	\$1.766	\$1.771	\$1.782	\$1.787	\$1.798	\$17.442	\$1.744

Source: MCA modelling & analysis November 2021. Note may be some differences due to rounding

3.5 Benefits and Costs

The following table show the benefits and costs associated with the new Indoor Stadium project.

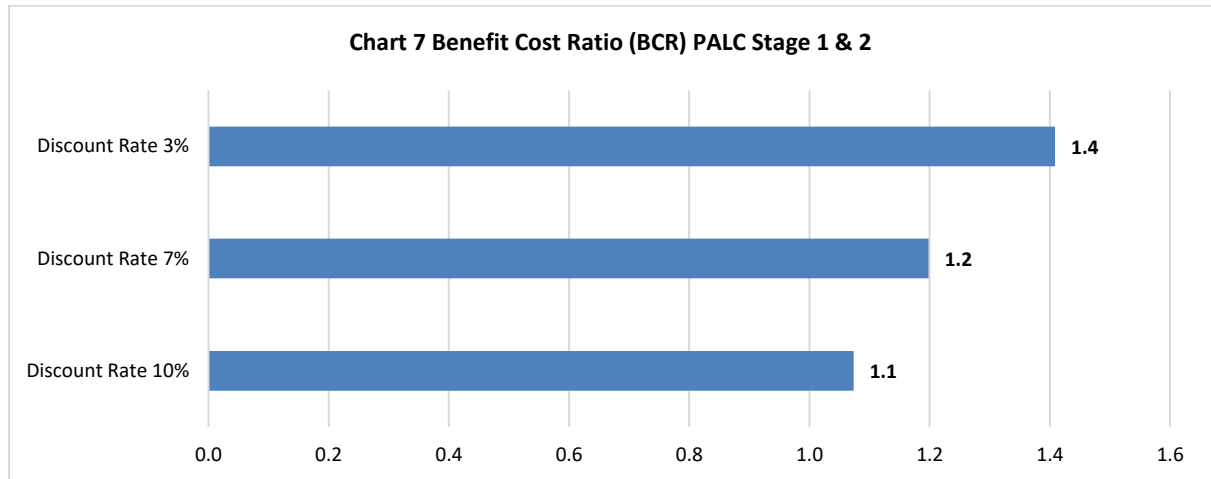
- The measured benefits comprise: the value of benefits to individuals from the new facilities (these are valued at market value, and this is measured by the revenue associated with each of the new facilities); the increase in regional income generated by the operations of the new facilities (by stadium employees ; spending by facilities users/visitors in the precinct); health benefits associated with exercise; and work productivity benefits (fitter persons mean less absenteeism). These benefits total \$87.669 million (in \$2021 prices).
- The estimated total cost of the project is \$52.817 million (including contingencies), and the 10-year maintenance costs are \$1.620 million for a total 10-year project cost of \$54.437 million.
- In line with the guidelines for the Building Better Regions Fund (BBRF) and other Victorian and Commonwealth funding programs, three discount rates were applied to the annual benefits (discount rates of 3%, 7% and 10%).

The project has a Benefit Cost Ratio (BCR) of 1.4 for a 3% discount rate and for the suggested discount rate for a large project (7%) yields a BCR of 1.2 for the PIALC.

Table 18. Benefit Cost Analysis - Phillip Island Aquatic Leisure Centre Project (Stages 1 & 2)

Project: PIALC S1 & S2	Discount Rate		Discount Rate
Regional Cost Benefit (\$2021 prices)	3%		10%
Period : 10Years			
Project Costs			
Capital Costs (\$2021)	\$52,817,299		\$52,817,299
Costs - Maintenance (10 years)	\$1,620,000		\$1,620,000
Total Costs	\$54,437,299		\$54,437,299
Project Benefits			
Direct Benefits (users) (10 years)			
Consumer Value	\$31,279,887		\$31,279,887
Regional Income Increase	\$30,226,581		\$30,226,581
Indirect Benefits			
Health Benefits	\$8,721,000		\$8,721,000
Workforce Productivity Benefits	\$17,442,000		\$17,442,000
Total Benefits (\$2021 prices)	\$87,669,468		\$87,669,468
Total Benefits (\$) Present Value	\$76,697,295		\$65,238,117
Benefits & Costs			
Net Present Value (\$) Total Benefits	\$22,259,996		\$10,800,818
NPV/Cost	0.41		0.07
Benefit Cost Ratio (BCR)	1.4		1.2

Source: MCA modelling & analysis November 2021.



Source: MCA modelling & analysis November 2021.

References

Active impacts - The economic impacts of active recreation in Victoria, Prepared for Sport and Recreation Victoria, March 2018, Marsden Jacob

Local Government Area Profiles 2019 , Bass Coast Shire, Tourism Research Australia

Phillip Island Aquatic Leisure Centre Feasibility Study Report, September 2021, Otium Planning Group

Phillip Island Aquatic Leisure Centre - 10 Year Base Case Financial Model , October 2021 , Otium Planning Group

Phillip Island Aquatic And Leisure Centre : Indicative Capital Costs, Turner & Townsend April 2021

Appendix A : Modelling Assumptions

The following are the assumptions used in modelling users, spending in the region and benefits and costs.

PIALC (Stage 1 & 2) Modelling Assumptions	Description	Source
Users		
PIALC Users /Visitors	Projections 10 Years Year 1 301,000 to Year 10 333,000	Otium Planning Group – Base Case Financial projections, October 2021 Phillip Island Aquatic Leisure Centre Feasibility Study Report, September 2021, Otium Planning Group
Mix of Users/Visitors	Facilities Users = 90% Accompanying persons/Spectators = 10%	MCa assumption
Competitions & Events	Competitors & Spectators projections = 5% of total users/visitors	MCa assumption
Spending		
PIALC Users /Visitors	40% spend in Cowes or elsewhere on Phillip Island during visit to PIALC Average spending per person = \$25	MCa assumption
Event - Competitors & Spectators	Locals & Day visitors = 85% Average spend = \$60 per person Overnight visitors = 15% and average stay 1 night Average spend = \$203 per person	Mix day & overnight : MCa assumption Spending Locals & Day visitors –MCa assumption Overnights – Tourism Research Australia LGA Profile 2019 Bass Coast LGA
Employees - Centre		
PIALC Centre Employees	Employees by occupation & wage rates	Otium Planning Group Feasibility Study
Benefits		
Consumer Value	Measured by PIALC total revenue – minus revenue from café and merchandise sales	Otium Planning Group – Base Case Financial projections, October 2021
Health Benefits (Value of health cost savings for persons who exercise)	Based on benefit of \$1 per hour for all centre <u>users</u> and average exercise period of 3 hours	Marsden Jacob Report , March 2018
Productivity Benefit (Value of productivity benefits for persons who exercise – more productive & less absences from work)	Assumed 40% of PIALC users are in employment Based on benefit of \$5 per hour for all centre <u>users</u> and average exercise period of 3 hours	MCa assumption Marsden Jacob Report , March 2018
Costs		
PIALC Project Capital Cost	Development, construction , fit out & contingencies	Phillip Island Aquatic And Leisure Centre : Indicative Capital Costs, Turner & Townsend April 20, 2021
Asset Maintenance Costs	Maintenance costs associated with PIALC – all facilities. Annual costs aggregated for 10 years	Otium Planning Group – Base Case Financial projections, October 2021

Disclaimer

Disclaimer

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The report has been prepared on the basis of information available at the time of writing. While all possible care has been taken by the authors in preparing the report, no responsibility can be undertaken for errors or inaccuracies that may be in the data used.

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