

# **Economic Impact Assessment Report**

## **Southern Highlands Multi-Purpose Indoor Sports Centre Development**

**MCa** <Michael Connell & Assocs.>

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## Executive Summary

### A. Southern Highlands Multi-Purpose Indoor Sports Centre

This report is an economic impact assessment of the redevelopment of the Southern Highlands Multi-Purpose Indoor Sports Centre (SHMISC), which is located in Wingecarribee Shire. The analysis is focused on both the construction phase and the operations phase (covering normal operations and the potential staging of larger events).

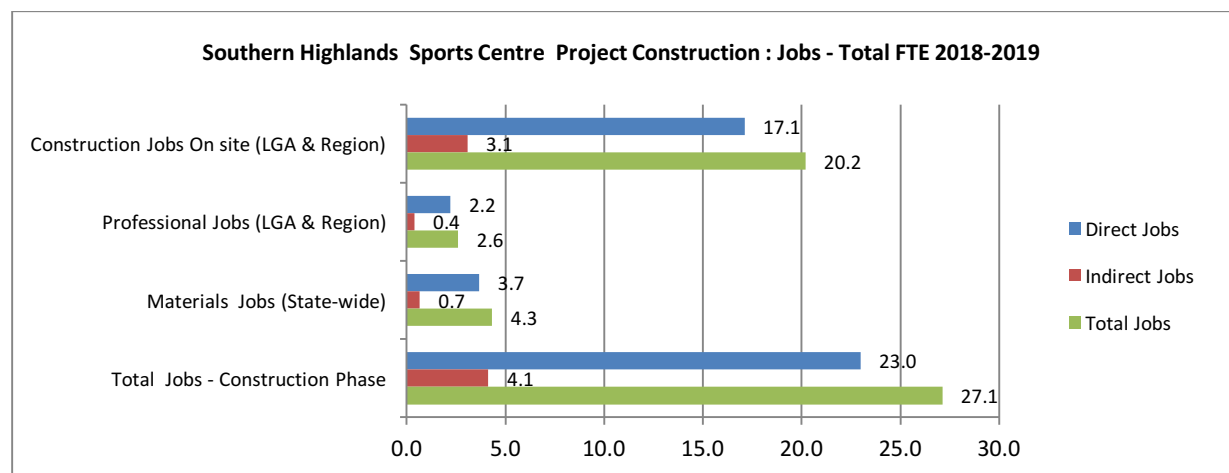
- The proposed development of the centre is based on a recognised need for additional indoor facilities to cater for the expansion of basketball and other sports in the Southern Highlands Region, and a growing demand for quality facilities for competition and training.
- The mix of activities at the current centre includes basketball and training in other sports. The centre also hosts birthday parties and other functions.

The economic impact analysis was conducted on two phases of the project: the construction phase covering an 18 month period assumed to commence at the beginning of 2018; and the operations phase covering ongoing operations from mid-2019 onwards (the analysis covers financial years). The operations analysis covered modelling of the new facilities comprising: normal annual use; and the securing of several larger events for the venue. Economic impacts are measured in terms of the increase in regional income and the increase in jobs in the region (Wingecarribee LGA).

### B. Construction Phase - Impacts

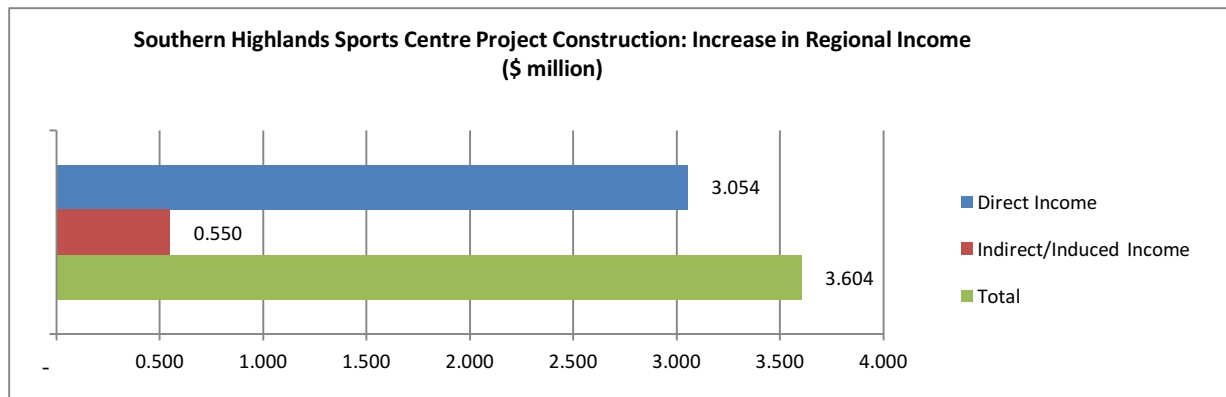
Total development cost for the project is \$7.6 million.

- A total of 23.0 direct jobs (FTE) would be generated during the 18 month construction period. This comprises 17.1 onsite construction jobs; 2.2 professional jobs and 3.7 jobs in the materials and equipment supply sectors. Construction and professional jobs are likely to be held by residents of the broader Illawarra Region and materials/equipment supply jobs would be spread across New South Wales.
- When the multiplier effects of employee spending are taken into account, total jobs (direct and indirect) associated with the construction phase is 27.1 jobs (4.1 indirect/induced jobs).
- The increase in regional income generated by the project was estimated to be \$3.604 million (\$3.054 million direct and \$0.550 million indirect/induced).<sup>1</sup>



Source: MCa Modelling and Analysis February 2017

<sup>1</sup> 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 February 2017

## C. Operations Phase Impacts

Data from the Otium Report was used as a foundation for the estimation of the operational impacts of the Centre. The operations comprise: normal activity over the year for competition, training and development programs; and the attraction and staging of several major tournaments and events. Detailed modelling was undertaken of the operations of the new facilities covering annual operations from the 2019/20 financial year.

### C.1 Centre Operations

The impact modelling covered: on site employees in the new facilities and jobs generated in the broader region from spending by Southern Highlands Multi-Purpose Indoor Sports Centre (SHMISC) users and visitors. This covered two categories - normal operations and event related activity. Spending was modelled based on conservative assumptions. Estimates were also made of the increase in regional income generated by activities at the redeveloped SHMISC.<sup>2</sup>

#### Normal Operations

Estimates were made of users and accompanying persons/spectators.

- An estimated 83,664 persons would use the centre annually.<sup>3</sup> For further analysis assumptions were made in relation to the percentage of users involved in competition/games (65% = 47,356) and Training and Centre Programs (35%=36,308).
- In addition to sports users (83,664) of the facility, competition events also attract spectators/accompanying persons. These were estimated at 40,444, making total annual visits to the centre 124,108.
- Regional economic impacts are generated by the expenditure patterns of visitors to the Centre. Onsite spending is captured in the revenues and P&L of the Centre and the jobs in the Centre. Broader benefits come from spending in the town. Expenditure estimates are based on total annual visitors to the Centre and an assumption that 30% spend in the town at the time of their visit.
- In the economic impact modelling an average spend per person of \$15 is used. At this level total annual spending in the region (outside the Centre) would be \$558,487.

<sup>2</sup> 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.

<sup>3</sup> Based on estimates by Otium Planning Group and analysis by MCA, February 2017

## Major Events

- For assessing the regional economic impacts of major events, this report analyses the impact of four (2 day/2night) events being secured in a year (3 basketball and 1 hockey).<sup>4</sup> In the modelling, assumptions were made in relation to the mix of overnight stays and local/day visits.<sup>5</sup>
- Total spending in the region associated with the 4 events was estimated at \$583,908 (\$490,041 for accommodation and \$94,867 on food and other spending).

## C.2 Economic Impacts

### Employment Impacts

The employment impacts of the new Centre total 12 jobs (10.4 direct and 1.6 indirect jobs) and comprise:

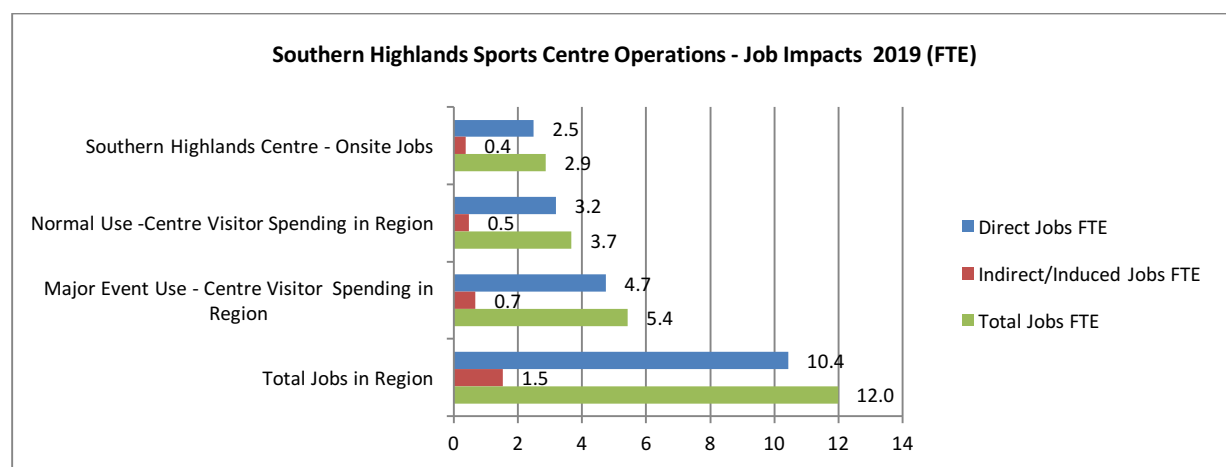
- SHMISC staffing - employment: total of 2.9 jobs - 2.5 direct jobs (FTE) in the centre (management and operations) and 0.4 in direct jobs.
- Normal operations - visitor spending in region: a total of 3.7 jobs - 3.2 direct jobs FTE (in food service/retail) in the region and 0.5 indirect jobs.
- Major events - visitor spending in region: a total of 5.4 jobs - 4.7 direct jobs FTE (accommodation and food service, retail) in the region and 0.7 indirect jobs.

Based on the modelled level of normal use and SHMISC continuing to be successful in securing major events, these would be ongoing jobs in the region.

**Table 1. Economic Impacts of Southern Highlands Sports Centre Operations: Jobs in the Region (FTE)**

Summary -Employment Impacts			
	Direct Jobs FTE	Indirect/Induced Jobs FTE	Total Jobs FTE
Southern Highlands Centre - Onsite Jobs	2.5	0.4	2.9
Normal Use -Centre Visitor Spending in Region	3.2	0.5	3.7
Major Event Use - Centre Visitor Spending in Region	4.7	0.7	5.4
<b>Total Jobs in Region</b>	<b>10.4</b>	<b>1.6</b>	<b>12.0</b>

Source: MCA Modelling and Analysis February 2017



Source: MCA Modelling and Analysis February 2017

4 Feasibility and Facility Concept Design – Southern Highlands Multi-Purpose Indoor Sports Centre (Draft Report), Otium Planning Group December 2016 P18

5 In estimating expenditure: assumptions have been made in relation to: visitor mix - overnight visitors (70%) and locals/day visitors (30%); overnight average spend \$190 per night (persons staying in commercial accommodation) - \$123.50 accommodation; \$66.50 food and other spending; and day visitors - \$86 per day on food and other spending (average spending based on Tourism Region Profiles, 2015 Capital Country, New South Wales, Tourism Research Australia (TRA)).

### Regional Income Impacts

The increase in activity and employment provides a boost to regional income and this is summarised in the following table.

- Annual regional income arising from the new facilities would be an average of \$0.679 million per year higher when both direct and indirect effects are taken into account.
- Over a 10 year period of operations of the new facilities, regional income would be \$6.799 million higher than otherwise (in constant 2019 prices), and over 20 years of operations it would be \$13.559 million higher.

**Table 2. Economic Impacts of SHMISC Operations: Annual Regional Income (\$2019 prices)**

	Direct Income \$	Indirect/Induced \$	Total Income \$
<b>Annual 1 Year 2019 Income Impacts from:</b>			
Southern Highlands Centre - Onsite Employment	163,800	24,570	188,370
Normal Use -Centre Visitor Spending in Region	165,871	29,695	195,566
Major Event Use - Centre Visitor Spending in Region	253,634	42,343	295,977
<b>Total Increase in Regional Income</b>	<b>\$583,305</b>	<b>\$96,608</b>	<b>\$679,912</b>
<b>Ten Years 2019-2028 Income Impacts from:</b>			
Southern Highlands Centre - Onsite Employment	1,638,000	245,700	1,883,700
Normal Use -Centre Visitor Spending in Region	1,658,706	296,952	1,955,658
Major Event Use - Centre Visitor Spending in Region	2,536,340	423,426	2,959,766
<b>Total Increase in Regional Income</b>	<b>\$5,833,046</b>	<b>\$966,078</b>	<b>\$6,799,124</b>

Source: MCA Modelling and Analysis February 2017

### D. Benefit Cost Analysis

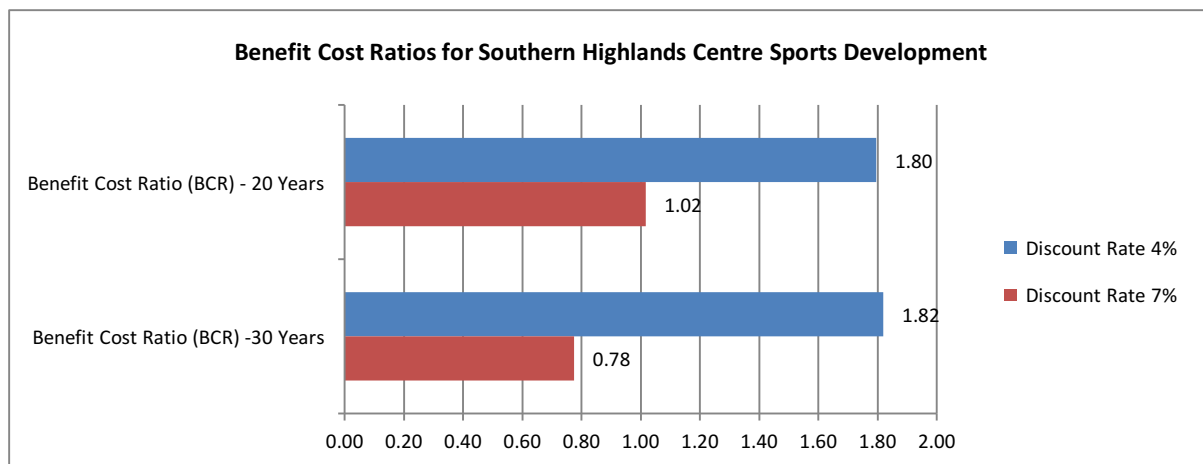
The measured benefits of the redevelopment comprise: the value to users of the services provided by the new facilities (at market value); and the increase in regional income arising from the increase in employment and activity in the centre and in the region.<sup>6</sup>

There are a number of additional benefits that are difficult to quantify and are not included in this assessment and these are: long term health benefits to individuals and the community from more persons exercising and playing sport (this is the case for young people continuing participation in sports training and competition and increasing numbers of older persons becoming involved in seniors competition in sports like futsal); lower workforce absentee rates from a fitter and more active workforce; career and training opportunities in the sports and recreational services; and volunteering benefits (with persons involved in coach and team management).

The capital cost used in the analysis is the total project cost (\$7.6 million in 2017 prices) for the new facilities. Two discount rates were applied to the total benefits of the project (discount rates of 4%, and 7%).

Using a 4% discount rate (an appropriate rate for community sports and recreation facilities) for the \$7.6 million cost, the development project delivers a Benefit Cost Ratio (BCR) of 1.80 over 20 years and 1.82 over 30 years. For a 7% discount rate the Benefit Cost Ratio (BCR) is 1.02 over 20 years and 0.78 over 30 years.

<sup>6</sup> 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 and game, club fees and other payments associated with participation in activities at the centre that are paid by users to third parties); and the increase in regional income generated by the operations of the new facilities.



Source: MCA Modelling and Analysis February 2017

**Table 3. Benefit /Cost Analysis of Southern Highlands Centre Development**

Benefit Cost Analysis	Nominal Discount Rate 4%	Nominal Discount Rate 7%
<b>Capital Cost: \$7.6 million</b>		
<b>Period : 20 Years</b>		
Capital Costs 2018 (\$) (Present Value)	7,567,947	7,567,947
Direct Benefits (users) (\$)	16,211,728	16,211,728
Indirect Benefits (region) (\$)	13,558,741	13,558,741
<b>Total Benefits- 20 years (\$)</b>	<b>29,770,469</b>	<b>29,770,469</b>
<b>Total Benefits (\$) Present Value</b>	<b>13,586,853</b>	<b>7,693,254</b>
Net Present Value (\$)	6,018,906	125,307
NPV/Capital Costs	0.80	0.02
<b>Benefit Cost Ratio (BCR)</b>	<b>1.80</b>	<b>1.02</b>
<b>Period : 30 Years</b>		
Capital Costs 2018 (\$) (Present Value)	7,567,947	7,567,947
Direct Benefits (users) (\$)	24,317,592	24,317,592
Indirect Benefits (region) (\$)	20,338,112	20,338,112
<b>Total Benefits – 30 years(\$)</b>	<b>44,655,704</b>	<b>44,655,704</b>
<b>Total Benefits (\$) Present Value</b>	<b>13,768,187</b>	<b>5,866,291</b>
Net Present Value (\$)	6,200,240	-1,701,656
NPV/Capital Costs	0.82	-0.22
<b>Benefit Cost Ratio (BCR)</b>	<b>1.82</b>	<b>0.78</b>

Source: MCA Modelling and Analysis February 2017

## 1 Introduction

This report is part of the feasibility assessment commissioned by Moss Vale and District Basketball Association (MVDBA). It provides an economic impact assessment of the development of the Southern Highlands Multi-Purpose Indoor Sports Centre (SHMISC), located in Wingecarribee Shire. The analysis is focused on the construction phase of the project and the operations phase (covering normal operations and the staging of larger events).

The proposed development is based on a recognised the need for additional indoor facilities to cater for the expansion of basketball and other sports in the Southern Highlands Region, and a growing demand for quality facilities for competition and training and other programs.

The assessment was undertaken by economic consultants MCa <Michael Connell & Assocs.>, utilising information from the other project consultants as major inputs.<sup>7</sup>

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<sup>7</sup> This comprised: Feasibility and Facility Concept Design – Southern Highlands Multi-Purpose Indoor Sports Centre (Draft Report), Otium Planning Group December 2016; Preliminary Cost Plan, Turner & Townsend December 2016



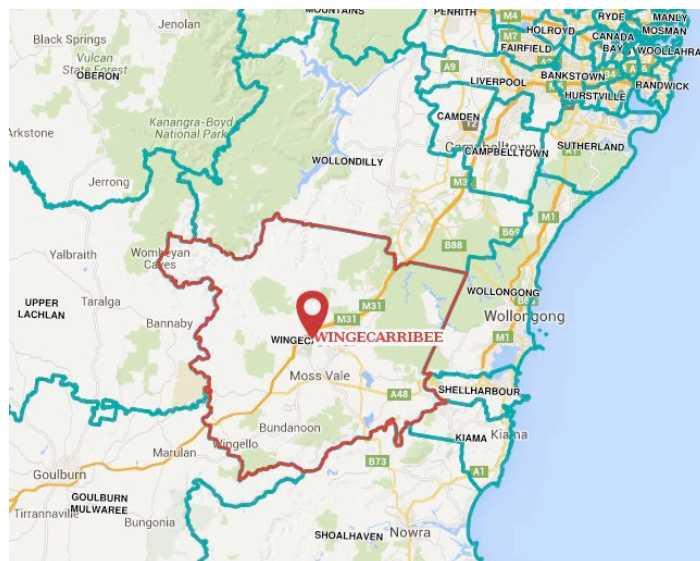
## 2 Regional Context

### 2.1 Existing Centre

#### Location

The current centre is located in Wingecarribee Local Government Area (LGA). Wingecarribee is part of the broader Illawarra Region and is bounded by Wollondilly Shire in the north, Wollongong City, Shellharbour City and the Municipality of Kiama in the east, Shoalhaven City and the Goulburn Mulwaree Council area in the south, and Upper Lachlan Shire in the west.

The LGA is largely rural, with urban areas in towns and villages. The main towns are Bowral, Mittagong and Moss Vale, with a smaller town at Bundanoon, and many smaller villages and townships.



The MVDBA site is located on Parkes Road, Moss Vale. It is owned by MVDBA and located adjacent to Lackey Park, a Crown reserve managed by Wingecarribee Shire Council.



Source: Feasibility and Facility Concept Design – Southern Highlands Multi-Purpose Indoor Sports Centre (Draft Report), Otium Planning Group December 2016

## Existing Facility

The existing facility consists of two main court areas that can each accommodate either a full-size basketball court or two mini courts. The Centre also has a range of amenity facilities, canteen, office space and function room. The main court (court 1) can accommodate up to 400 spectators in permanent and temporary seating. Current employment is a part-time position (25 hours per week) to oversee administration of Association programs and management of the facility.

The centre is used for training and competition on weekdays afternoon/evenings and weekends. There is some local school use and use for holiday programs.

The Otium Report shows that MVDBA has a significantly higher rate of participation (more than double) compared to Regional NSW and NSW averages. Data also shows that the Centre's utilisation rates are high, and there is limited capacity to expand with the current facility.<sup>8</sup>

## 2.2 Area Population

### Current Population

Future demand for sports facilities will be influenced by a number of factors including: population growth and age structure; sports participation rates; and older persons becoming more active with exercise and other programs. Within the Shire there are a number of areas that are identified for future residential growth. These factors are covered in full detail in the Otium Planning Group Report.

The following table shows the age structure of the population in 2006 and 2011. It also identifies a primary sports active group and a secondary group. The secondary group has the potential for a growth in participation rates in future, with the emphasis on health ageing and increasing exercise activities.

**Table 4. Age Structure of Population Wingecarribee LGA 2006 & 2011**

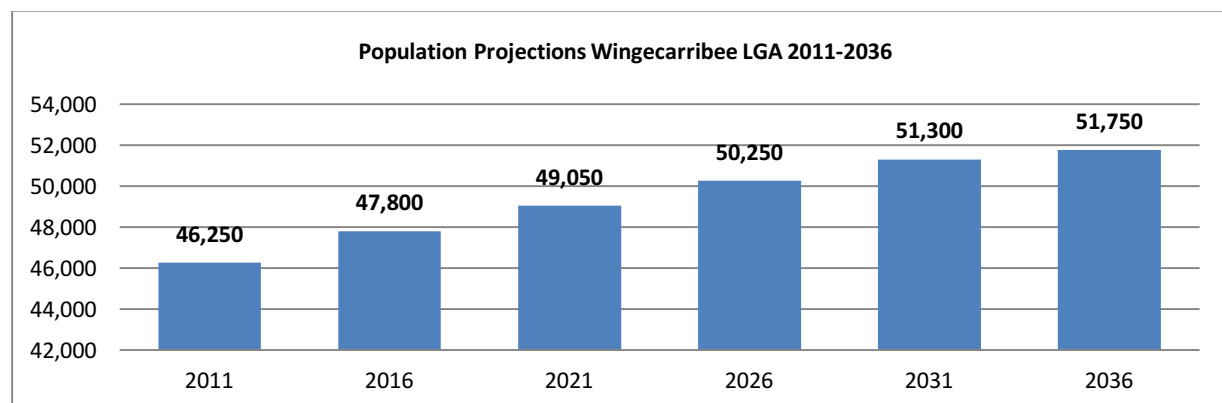
	2011	2011	2011	2006	2006
Wingecarribee LGA	LGA	LGA	Regional	LGA	LGA
Age Structure - Service Age Groups	No.	%	NSW %	No.	%
Babies and pre-schoolers (0 to 4)	2,583	5.8	6.3	2,533	6.0
<b>Sports Active - Primary Group</b>					
Primary schoolers (5 to 11)	4,104	9.2	9.0	4,260	10.1
Secondary schoolers (12 to 17)	3,833	8.6	8.2	4,029	9.5
Tertiary education and independence (18 to 24)	2,864	6.5	8.1	2,575	6.1
Young workforce (25 to 34)	3,306	7.4	10.4	3,680	8.7
<b>Total - Primary Group</b>	<b>14,107</b>	<b>31.8</b>	<b>35.8</b>	<b>14,544</b>	<b>34.4</b>
Share of Population (%)	31.8			34.4	
<b>Sports Active-Secondary Group (potential for seniors competitions/activities )</b>					
Parents and homebuilders (35 to 49)	8,580	19.3	19.5	8,939	21.2
Older workers and pre-retirees (50 to 59)	6,112	13.8	13.9	5,819	13.8
<b>Total Secondary Group</b>	<b>14,692</b>	<b>33</b>	<b>33</b>	<b>14,758</b>	<b>35</b>
Share of Population (%)	33.1			34.9	
<b>Total Primary &amp; Secondary Group</b>	<b>28,799</b>	<b>64.9</b>	<b>69.1</b>	<b>29,302</b>	<b>69.3</b>
Share of Population (%)	64.9			69.3	
Empty nesters and retirees (60 to 69)	6,500	14.6	11.9	5,214	12.3
Seniors (70 to 84)	5,362	12.1	10.3	4,376	10.4
Elderly aged (85 and over)	1,151	2.6	2.3	837	2.0
<b>Total Population</b>	<b>44,395</b>	<b>100.0</b>	<b>100.0</b>	<b>42,262</b>	<b>100.0</b>

Source: 2011 data Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). profile.id data and MCA estimates.

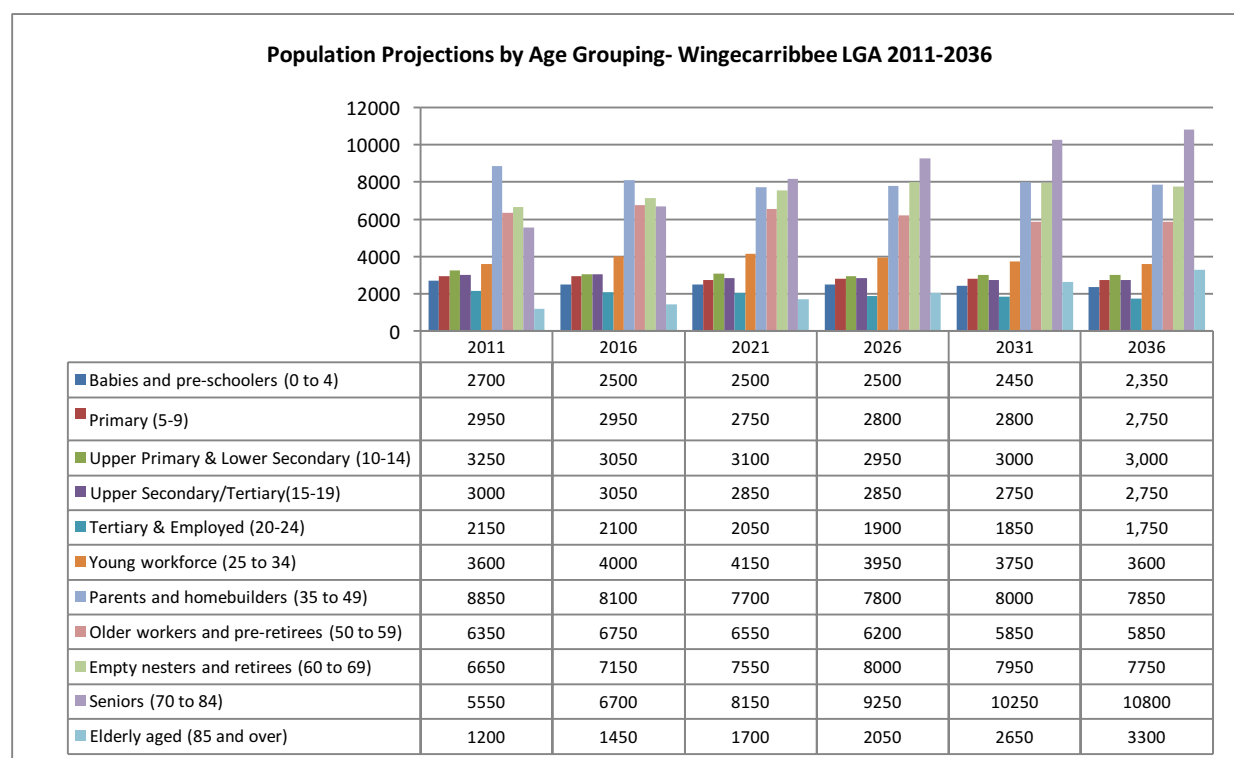
<sup>8</sup> Feasibility and Facility Concept Design – Southern Highlands Multi-Purpose Indoor Sports Centre (Draft Report), Otium Planning Group December 2016 P8

## Population Projections

Based on NSW Planning & Environment data, the population of Wingecarribee LGA will increase to 50,250 by 2026 and 51,750 by 2036. The following charts show projections for the total population and for age groups.



Source: New South Wales State and Local Government Area Population and Household Projections - 2016, NSW Planning & Environment



Source: New South Wales State and Local Government Area Population and Household Projections - 2016, NSW Planning & Environment

The population projections to 2036 show an ageing of the population over time. From a sports centre perspective there are a number of issues, which are likely to increase participation rates over time. These are detailed in the Otium Feasibility Report and include: an emphasis on participation of young people in sports programs; and positive ageing and an emphasis on increasing levels of exercise activity, including seniors' sports competitions. In addition the new sports centre will be servicing a broader regional catchment, which extends into adjacent LGAs.

**Table 5. Population Projections Age Group - Wingecarribee LGA 2011-2036**

Wingecarribee LGA	2011	Share 2011 %	2016	2021	2026	2031	2036	Share 2036 %
Babies and pre-schoolers (0 to 4)	2700	5.8	2500	2500	2500	2450	2,350	4.5
<b>Sports Active - Primary Group</b>								
Primary (5-9)	2950	6.4	2950	2750	2800	2800	2750	5.3
Upper Primary & Lower Secondary (10-14)	3250	7.0	3050	3100	2950	3000	3000	5.8
Upper Secondary/Tertiary(15-19)	3000	6.5	3050	2850	2850	2750	2750	5.3
Tertiary & Employed (20-24)	2150	4.6	2100	2050	1900	1850	1750	3.4
Young workforce (25 to 34)	3600	7.8	4000	4150	3950	3750	3600	7.0
<b>Total - Primary Group</b>	<b>14,950</b>	<b>32.3</b>	<b>15,150</b>	<b>14,900</b>	<b>14,450</b>	<b>14,150</b>	<b>13,850</b>	<b>26.8</b>
<b>Share of Population (%)</b>	<b>32.3</b>		<b>31.7</b>	<b>30.4</b>	<b>28.8</b>	<b>27.6</b>	<b>26.8</b>	
<b>Sports Active-Secondary Group (potential for seniors competitions/activities )</b>								
Parents and homebuilders (35 to 49)	8850	19.1	8100	7700	7800	8000	7850	15.2
Older workers and pre-retirees (50 to 59)	6350	13.7	6750	6550	6200	5850	5850	11.3
<b>Total Secondary Group</b>	<b>15,200</b>	<b>32.8</b>	<b>14,850</b>	<b>14,250</b>	<b>14,000</b>	<b>13,850</b>	<b>13,700</b>	<b>26.5</b>
<b>Share of Population (%)</b>	<b>32.9</b>		<b>31.1</b>	<b>29.1</b>	<b>27.9</b>	<b>27.0</b>	<b>26.5</b>	
<b>Total Primary &amp; Secondary Group</b>	<b>30,150</b>		<b>30,000</b>	<b>29,150</b>	<b>28,450</b>	<b>28,000</b>	<b>27,550</b>	
<b>Share of Population (%)</b>	<b>65.2</b>		<b>62.8</b>	<b>59.4</b>	<b>56.6</b>	<b>54.6</b>	<b>53.2</b>	
Empty nesters and retirees (60 to 69)	6650	14.4	7150	7550	8000	7950	7750	15.0
Seniors (70 to 84)	5550	12.0	6700	8150	9250	10250	10800	20.9
Elderly aged (85 and over)	1200	2.6	1450	1700	2050	2650	3300	6.4
<b>Total</b>	<b>46,250</b>	<b>100.0</b>	<b>47,800</b>	<b>49,050</b>	<b>50,250</b>	<b>51,300</b>	<b>51,750</b>	<b>100.0</b>

Source: New South Wales State and Local Government Area Population and Household Projections - 2016, NSW Planning & Environment & MCA analysis February 2017

### 3 Economic Impact Analysis – Southern Highlands Centre Development

### 3.1 Overview

The economic impact analysis was conducted for two phases of the project: the construction phase covering an 18 month period from the beginning of 2018; and the operations phase covering ongoing operations from 2019 onwards (financial years). The operations analysis covered modelling of the new facilities for normal annual use and the securing of several larger events for the venue. Economic impacts are measured in terms of the increase in regional income and the increase in jobs in the region.

### 3.2 The Development

The development involves the construction of a new stadium with additional courts and an upgrade of facilities in the existing building. The scope of the development includes: Sports Hall(s); Courts (4-5); Spectator Facilities; Change/Amenities; Car Parking; Community and meeting space; allied health facilities; administration office.



### 3.3 Economic Impacts – Construction Phase

The following are the indicative cost estimates for the development, which total \$7.6 million.

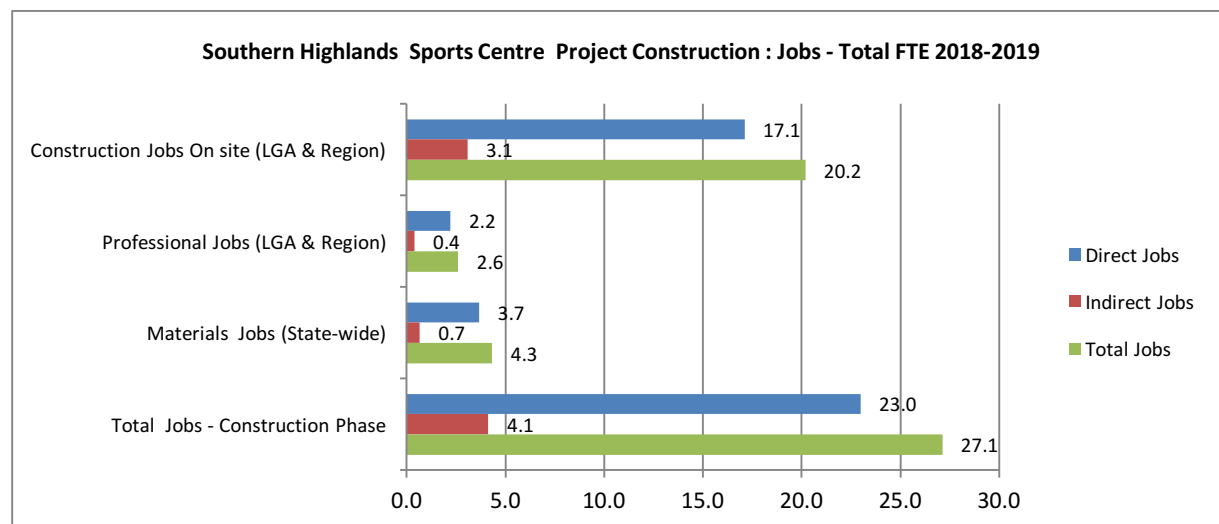
**Table 6. Southern Highlands Sports Centre Development - Construction Cost Estimate (2018-2019)**

Activity	Estimated Cost \$
Building Works	4,782,187
External Works & Services	1,326,760
<b>Construction Total</b>	<b>6,108,947</b>
Professional Fees	607,000
Contingencies	627,000
Furniture Fittings & Equipment (FF&E)	123,000
Authority Fees & Charges	102,000
<b>Total Project</b>	<b>\$7,567,947</b>

Source: Preliminary Cost Plan, Turner & Townsend December 2016

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. The number of indirect jobs generated through the spending of construction, professional and material supply employees was also estimated.

- A total of 23.0 direct jobs (FTE) would be generated during the 18 month construction period. This comprises 17.1 onsite construction jobs; 2.2 professional jobs and 3.7 jobs in the materials and equipment supply sectors. Construction and professional jobs are likely to be held by residents of the broader Illawarra Region and materials/equipment supply jobs would be spread across New South Wales.
- When the multiplier effects of employee spending are taken into account, total jobs (direct and indirect) associated with the construction phase is 27.1 jobs (4.1 indirect/induced jobs).
- The increase in regional income generated by the project was estimated to be \$3.604 million (\$3.054 million direct and \$0.550 million indirect/induced).<sup>9</sup>



Source: MCa Modelling and Analysis February 2017

<sup>9</sup> 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.



**Table 7. Southern Highlands Sports Centre Construction: Employment Impacts (2018-19)**

Construction Phase Jobs	Direct Jobs	Indirect Jobs	Total Jobs
Construction Jobs On site (LGA & Region)	17.1	3.1	20.2
Professional Jobs – Design (LGA & Region)	2.2	0.4	2.6
Materials Jobs (State-wide)	3.7	0.7	4.3
<b>Total Jobs - Construction Phase</b>	<b>23.0</b>	<b>4.1</b>	<b>27.1</b>

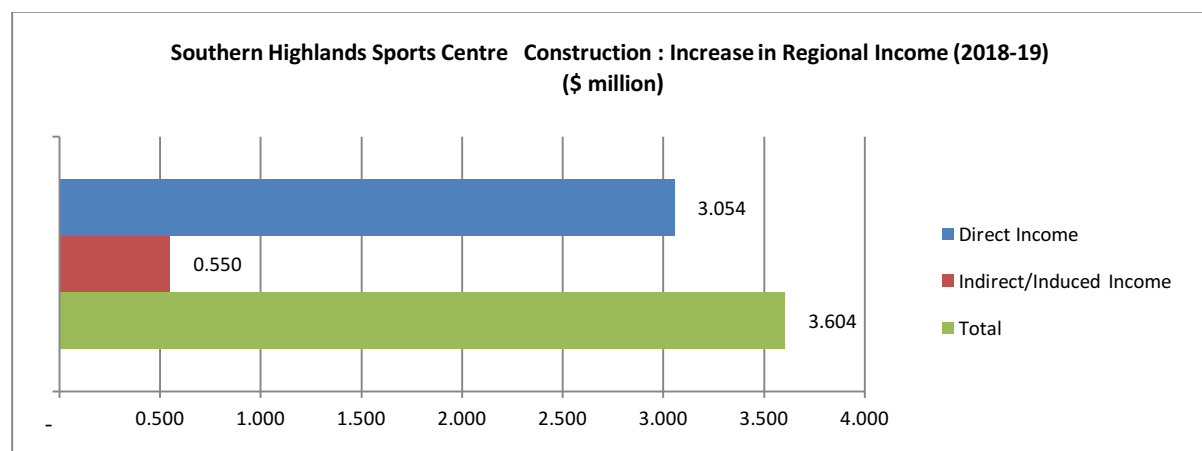
Source: MCA Modelling and Analysis February 2017

The following table shows the increase in regional income generated during the construction phase.

**Table 8. Southern Highlands Multi-Sports Centre Project Construction: Regional Income Impacts (2018-19)**

Southern Highlands Sports Centre Development Construction Phase : Increase in Regional Income	\$m
Regional Income (Direct) <sup>10</sup>	3.054
Indirect/Induced Income (expenditure impacts)	0.550
<b>Total</b>	<b>3.604</b>

Source: MCA Modelling and Analysis February 2017



Source: MCA Modelling and Analysis February 2017

<sup>10</sup> 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.

### 3.4 Economic Impacts – Operations Phase

Data from the Otium Report (which underpins the Centre's business model) was used as a basis for the estimation of the operational impacts of the Centre. The operations comprise: normal operations of the centre over the year for competition, training and development programs; and the attraction and staging of major tournaments and events.

#### 3.4.1 Normal Operations

##### Centre Users

In their business model for the Centre, Otium Planning Group have made assumptions in relation to utilisation rates and these are summarised below.

Key Utilisation Assumptions	
<b>Winter Season</b>	
MVDBA will be main user (domestic competition and training and representative season) – 78	
o Minor school use – 6 court hours per week	
o Minor futsal and netball competitions – 20 court hours per week	
o Minor cricket training and development programs – 5 court hours per week	
o Other community/general use – 6 court hours per week	
<b>Summer Season</b>	
MVDBA main user (domestic competition and training only) – 67 court hours per week	
o Major futsal use (competitions) – 36 court hours per week	
o Moderate school use – 10 court hours per week	
o Moderate netball use (competitions) – 17 court hours per week	
o Moderate cricket use (training and development) – 10 court hours per week	
o Other community/general use – 6 court hours per week	
o Minor hockey use (competitions) – 6 court hours per week	
<b>Holidays and Events</b>	
o Allowance for sport and general community events	
o Allowance for training, development programs and casual use	
o Allowance for sport and general community events	

Source: Otium Planning Group Analysis December 2016

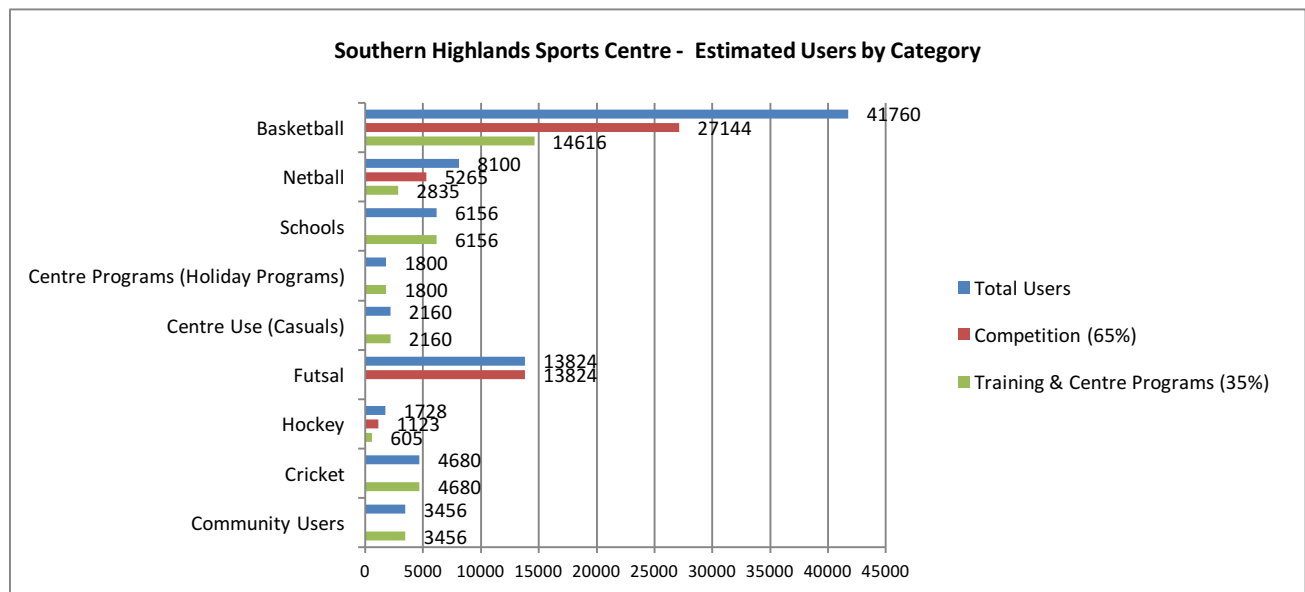
The following table shows estimates of annual users of the new facilities. An estimated 83,664 persons would use the centre annually. For further analysis assumptions were made in relation to the percentage of users involved in competition/games (65% = 47,356) and training and Centre programs (35%=36,308).

**Table 9. Southern Highlands Sports Centre Development - Estimated Centre Users (Annual)**

Centre Users: Competition, Training and Programs Sport	Total Annual Users 2019	Competition (65%)	Training & Centre Programs (35%)
Basketball	41,760	27,144	14,616
Netball	8,100	5,265	2,835
Schools	6,156	0	6,156
Futsal	13,824	13,824	0
Hockey	1,728	1,123	605
Cricket	4,680	0	4,680
Community Users	3,456	0	3,456
Centre Programs (Holiday Programs)	1,800	0	1,800
Centre Use (Casuals)	2,160	0	2,160
<b>Total</b>	<b>83,664</b>	<b>47,356</b>	<b>36,308</b>

Source: Sports: Otium Planning Group Analysis December 2016; Community Users Centre Programs, Casual Users MCA estimates





Source: Sports: Otium Planning Group Analysis December 2016; Community Users Centre Programs, Casual User MCA estimates

### Total Visitors

In addition to sports users (83,664), competition events also attract spectators/accompanying persons. The following table shows estimates of spectators (40,444) and total visits to the centre (124,108).<sup>11</sup> For basketball and netball competition we have assumed an average of 1 person per competitor and for futsal an average of 0.5 persons per competitor.<sup>12</sup>

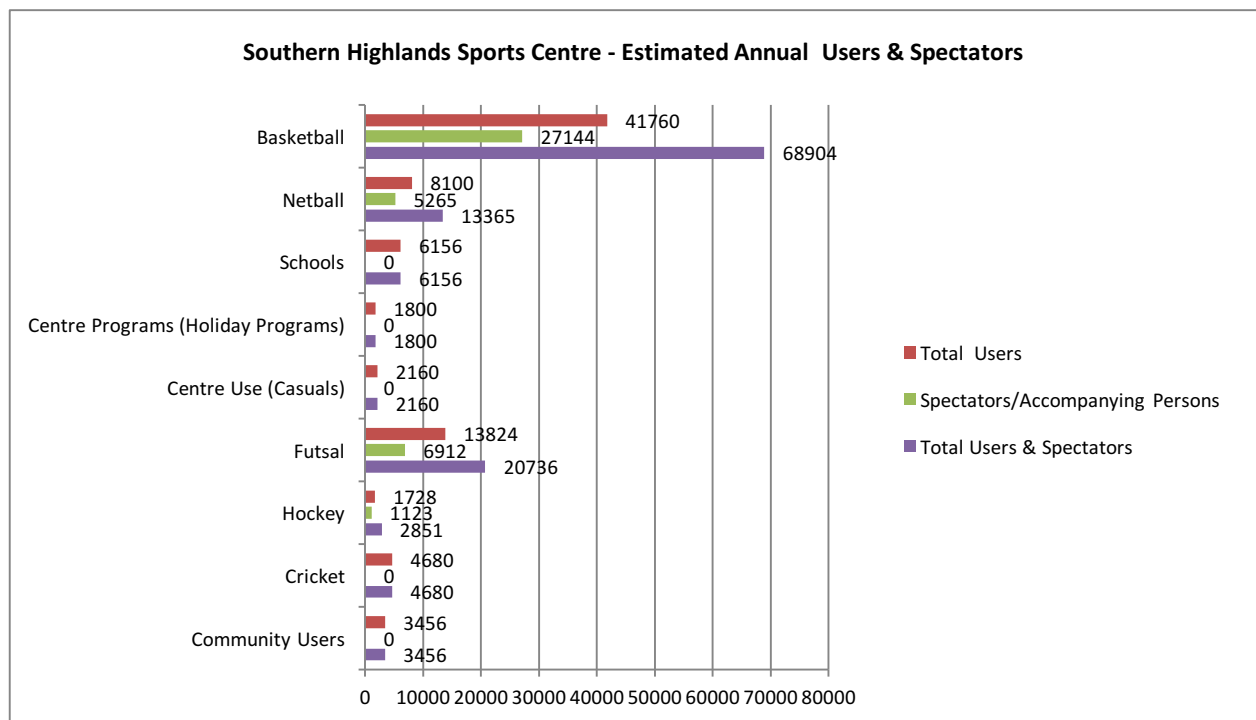
**Table 10. Estimated Annual Users & Spectators - Southern Highlands Sports Centre**

Centre Visitors	Total Annual Users	Competition	Training & Centre Programs	Total	Spectators	Total Competitors & Spectators
Sport		<65%>	<35%>			
Basketball	41,760	27,144	14,616	41,760	27,144	68,904
Netball	8,100	5,265	2,835	8,100	5,265	13,365
Schools	6,156		6,156	6,156	0	6,156
Futsal	13,824	13,824		13,824	6,912	20,736
Hockey	1,728	1,123	605	1,728	1,123	2,851
Cricket	4,680		4,680	4,680	0	4,680
Community Users	3,456		3,456	3,456	0	3,456
Centre Programs (Holiday Programs)	1,800		1,800	1,800	0	1,800
Centre Use (Casuals)	2,160		2,160	2,160	0	2,160
<b>Total</b>	<b>83,664</b>	<b>47,356</b>	<b>36,308</b>	<b>83,664</b>	<b>40,444</b>	<b>124,108</b>

Source: MCA Modelling and Analysis February 2017 Visitor assumptions – Basketball & Hockey – average 1 person per competitor; Futsal average 0.5 persons per competitor.

<sup>11</sup> Estimates by Otium Planning Group and MCA, February 2017

<sup>12</sup> That is one spectator for every 2 competitors, reflecting that for most seniors' games only players attend.



Source: MCA Modelling and Analysis February 2017

### Spending by Users and Spectators

Regional economic impacts are generated by the expenditure patterns of visitors (users and spectators) to the Centre. Onsite spending is captured in the revenues and P&L of the Centre and the jobs in the Centre. Broader benefits come from spending in the town. The following table shows expenditure estimates based on total annual visitors to the Centre and an assumption that 30% spend in the town at the time of their visit.

In the economic impact modelling an average spend per person of \$15 is used, and at this level total annual spending outside the Centre would be \$558,487.

**Table 11. Estimated Spending in the Region by Users/Visitors to SHMISC**

Sport/Activity	Total Spectators & Competitors (no.)	Total Spectators & Competitors <30% spend rate> (no.)	Spending outside Centre		
			Food/Drinks ave spend \$15	Food/Drinks ave spend \$10	Food/Drinks ave spend \$20
Basketball	68904	20671	\$310,068	\$206,712	\$413,424
Netball	13365	4010	\$60,143	\$40,095	\$80,190
Schools	6156	1847	\$27,702	\$18,468	\$36,936
Futsal	20736	6221	\$93,312	\$62,208	\$124,416
Hockey	2851	855	\$12,830	\$8,554	\$17,107
Cricket	4680	1404	\$21,060	\$14,040	\$28,080
Community Users	3456	1037	\$15,552	\$10,368	\$20,736
Centre Programs (Holiday Programs)	1800	540	\$8,100	\$5,400	\$10,800
Centre Use (Casuals)	2160	648	\$9,720	\$6,480	\$12,960
<b>Total</b>	<b>124,108</b>	<b>37,232</b>	<b>\$558,487</b>	<b>\$372,325</b>	<b>\$744,649</b>

Source: MCA Modelling and Analysis February 2017

### 3.4.2 Event Opportunities

The redeveloped Centre with high quality facilities would have the potential to attract major regional/state events. The Otium Planning Group report identified 22 potential events – 18 in basketball, 1 volleyball and 3 indoor hockey. The attraction process for events is competitive with other locations.

The Otium Planning Group Report also identified event opportunities beyond purely sporting events, including: Exhibitions and Expos; Trade Shows; Exhibitions; Music and Entertainment; Martial Arts; Μαρκετο and Fairs; and Χορμουνιψ Events.

**Table 12. Potential Annual Event Market Summary – Four Court Facility**

Sport	Potential Number of Events
Basketball	18
Volleyball	1
Futsal	2
Indoor Hockey	3
<b>Total</b>	<b>22</b>

Source: Otium Planning Group Report - Moss Vale & District Basketball Association  
- SHMISC – Feasibility & Facility Concept Design Draft Report. 22/12/16 P 18

For the purposes of assessing the regional economic impacts of events, this report analyses the impact of four (2 day/2night) events being secured in a year (3 basketball and 1 hockey).<sup>13</sup> The following table provides estimates of spending associated with the events. This expenditure in the region covers: accommodation and food; and other expenses. In estimating expenditure: assumptions have been made in relation to: visitor mix - overnight visitors (70%) and locals/day visitors (30%); overnight average spend \$190 per night (persons staying in commercial accommodation) - \$123.50 accommodation; \$66.50 food and other spending; and day visitors - \$86 per day on food and other spending.<sup>14</sup>

Total spending in the region associated with the 4 events was \$583,908 (\$490,041 accommodation and \$94,867 on food and other spending).

**Table 13. Estimate of Visitor Expenditure Associated with 4 Events (in a year)**

Events Modelling	No Events	Total Competitors & Accompanying Persons <3 events>	Domestic Overnight (per day) <70%>	Locals/Day Visits <30%>	Total Overnights & Day Visitors Spending
<b>Basketball Event &lt; 2 day event/2 night stay&gt;</b>					
Competitors & Accompanying Persons	3	1,578 <average 526 each event>	1105	473	
Accommodation Spend			\$136,461		\$136,461
Food Spend & Other			\$73,479	\$40,725	\$114,204
<b>Total Spend (per night/day)</b>			<b>\$209,941</b>	<b>\$40,725</b>	<b>\$250,666</b>
Number of nights /days			2	2	
<b>Total Spend 2 nights/days</b>			<b>\$419,881</b>	<b>\$81,451</b>	<b>\$501,332</b>
<b>Volleyball Event &lt; 2 day event/2 night stay&gt;</b>					
Competitors & Accompanying Persons	1	260	182	78	
Accommodation Spend			\$22,477	-	\$22,477
Food Spend & Other			\$12,103	\$6,708	\$18,811
<b>Total Spend (per night/day)</b>			<b>\$34,580</b>	<b>\$6,708</b>	<b>\$41,288</b>
Number of nights /days			2	2	0
<b>Total Spend 2 nights/days</b>			<b>69,160</b>	<b>13,416</b>	<b>8,2576</b>
<b>Total &lt;4 events&gt;</b>					
<b>Total Spending (4 Events)</b>			<b>\$489,041</b>	<b>\$94,867</b>	<b>\$583,908</b>

Source: MCA Modelling and Analysis February 2017

<sup>13</sup> Otium Report Moss Vale & District Basketball Association- SHMISC – Feasibility & Facility Concept Design Draft Report. 22/12/16 P18

<sup>14</sup> Based on Tourism Region Profiles, 2015 Capital Country, New South Wales, Tourism Research Australia (TRA).

### 3.4.3 Economic Impact Modelling

Detailed modelling was undertaken of the operations of the new facilities covering annual operations from the 2019/20 financial year.

This economic impact modelling covered:

- Employment estimates for the operation of the new facilities. Estimates were also made of the indirect/induced jobs generated in the region by the spending of these employees.<sup>15</sup>
- Jobs generated in the broader region by spending by Southern Highlands Multi-Purpose Indoor Sports Centre (SHMISC) users and visitors. This covered two categories - normal operations and event related activity. Spending was modelled based on conservative assumptions.
- Estimates were also made of the increase in regional income generated by activities at the redeveloped SHMISC.<sup>16</sup>

### 3.4.4 Employment Impacts

The employment impacts of the Centre total of 12 jobs (10.4 direct and 1.6 indirect jobs).

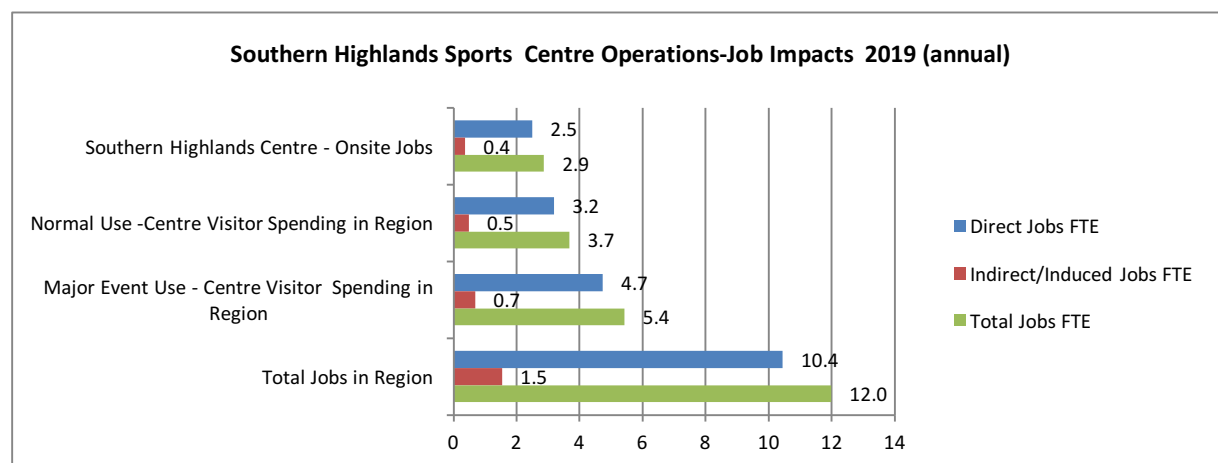
- **Southern Highlands Centre** - total 2.9 jobs: 2.5 direct jobs FTE in the centre (management and operations) and 0.4 indirect jobs.
- **Normal use** - Centre Visitor Spending in Region – total of 3.7 jobs: 3.2 direct jobs FTE (accommodation and food service) in the region and 0.5 indirect jobs.
- **Major event use** -Centre Visitor Spending in Region – total of 5.4 jobs: 4.7 direct jobs FTE (accommodation and food service) in the region and 0.7 indirect jobs.

Based on the modelled level of normal use and the Centre being successful in securing major events, these would be ongoing jobs.

**Table 14. Economic Impacts of Southern Highlands Sports Centre Operations: Jobs in the Region (no. FTE)**

Summary -Employment Impacts	Direct Jobs FTE	Indirect/Induced Jobs FTE	Total Jobs FTE
Southern Highlands Centre - Onsite Jobs	2.5	0.4	2.9
Normal Use -Centre Visitor Spending in Region	3.2	0.5	3.7
Major Event Use - Centre Visitor Spending in Region	4.7	0.7	5.4
<b>Total Jobs in Region</b>	<b>10.4</b>	<b>1.6</b>	<b>12.0</b>

Source: MCA Modelling and Analysis February 2017



Source: MCA Modelling and Analysis February 2017

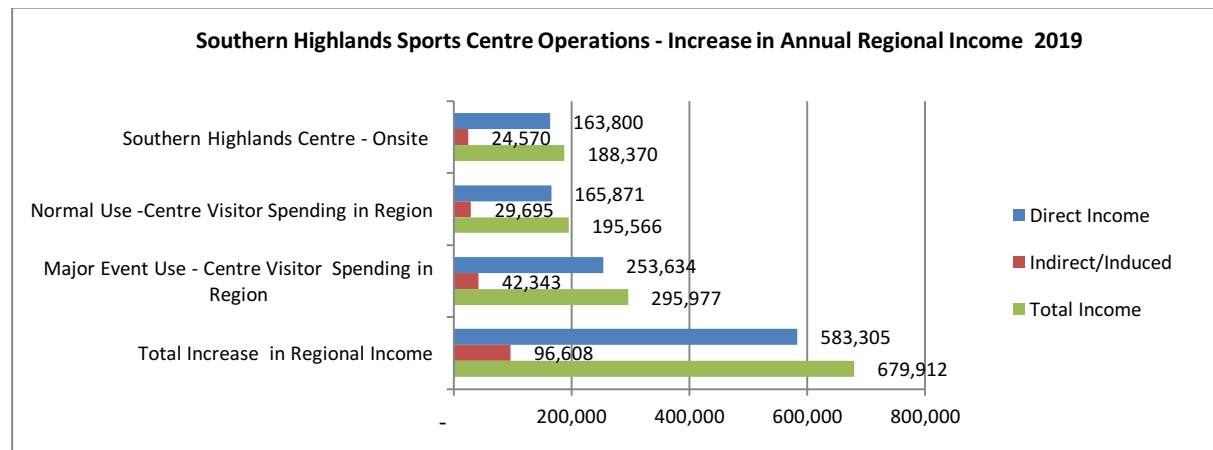
<sup>15</sup> The model allows for a significant leakage outside of the LGA/region in the case of consumer spending and other spending by employees.

<sup>16</sup> 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.

### 3.4.5 Regional Income Impacts

The increase in activity and employment provides a boost to regional income and this is summarised in the following table.

- Annual regional income arising from the new facilities would be an average of \$0.679 million per year higher when both direct and indirect effects are taken into account.
- Over a 10 year period of operations of the new facilities, regional income would be \$6.799 million higher than otherwise (in constant 2019 prices). Over 20 years of operations it would be \$13.559 million higher.

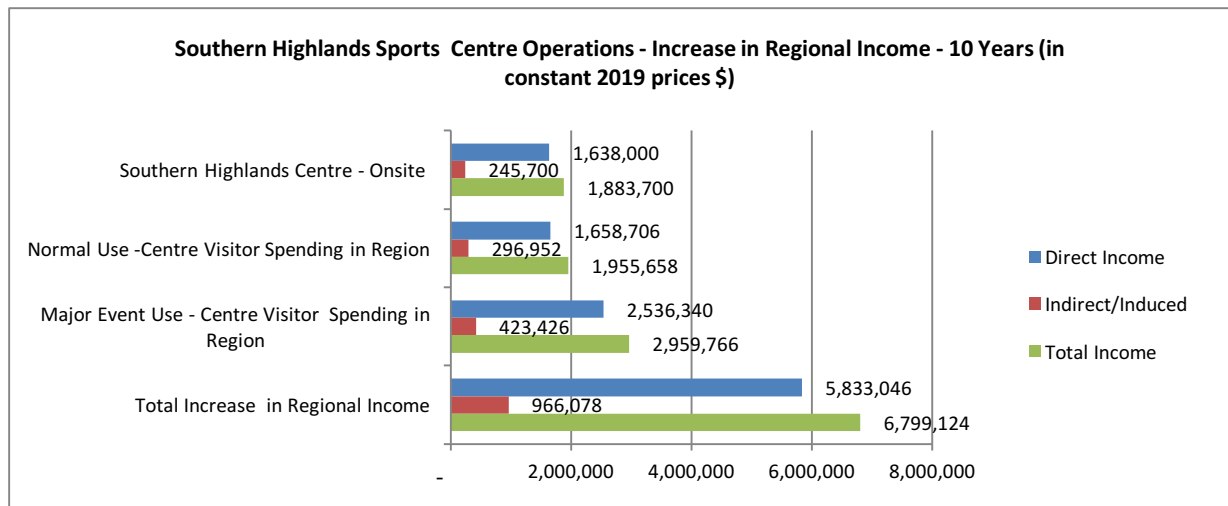


Source: MCA Modelling and Analysis February 2017

**Table 15. Economic Impacts of Southern Highlands SC Operations: Annual Regional Income (\$2019 prices)**

Summary -Regional Income Impacts (Annual 2019 \$)			
	Direct Income \$	Indirect/Induced \$	Total Income \$
<b>Annual 1 Year 2019</b>			
<b>Income Impacts from:</b>			
Southern Highlands Centre - Onsite Employment	163,800	24,570	188,370
Normal Use -Centre Visitor Spending in Region	165,871	29,695	195,566
Major Event Use - Centre Visitor Spending in Region	253,634	42,343	295,977
<b>Total Increase in Regional Income</b>	<b>\$583,305</b>	<b>\$96,608</b>	<b>\$679,912</b>
<b>Ten Years 2019-2028</b>			
<b>Income Impacts from:</b>			
Southern Highlands Centre - Onsite Employment	1,638,000	245,700	1,883,700
Normal Use -Centre Visitor Spending in Region	1,658,706	296,952	1,955,658
Major Event Use - Centre Visitor Spending in Region	2,536,340	423,426	2,959,766
<b>Total Increase in Regional Income</b>	<b>\$5,833,046</b>	<b>\$966,078</b>	<b>\$6,799,124</b>

Source: MCA Modelling and Analysis February 2017



Source: MCA Modelling and Analysis February 2017

## 4 Benefit Cost Analysis

### 4.1 Measuring Benefits

This section provides a benefit cost analysis for the proposed development of the Southern Highlands Multi-Purpose Indoor Sports Centre (SHMISC).

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 and game, club fees and other payments associated with participation in activities at the centre that are paid by users to third parties); and the increase in regional income generated by the operations of the new facilities. These two components were estimated over a 20 year period and 30 year period and present values calculated using two discount rates (4% and 7%).

**Table 16. Estimated Benefits of Southern Highlands Sports Centre Operations – 20 & 30 Year Periods (\$ 2019 Prices)**

Benefits	Total 20 Years	Total 30 Years
Direct Benefits (users)	\$16,211,728	\$24,317,592
Indirect Benefits (region)	\$13,558,741	\$20,338,112
<b>Total Benefits</b>	<b>\$29,770,469</b>	<b>\$44,655,704</b>

Source: MCA Modelling and Analysis February 2017

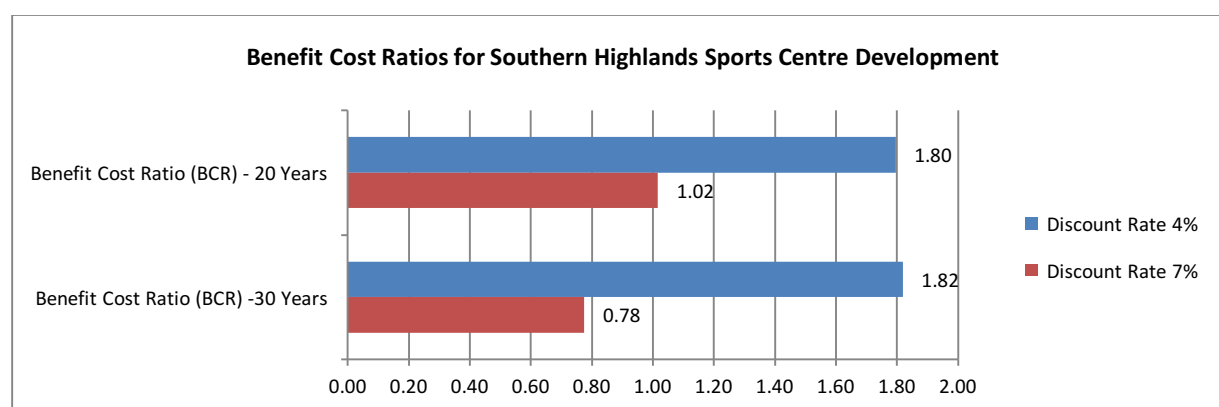
There are a number of additional benefits that are difficult to quantify and are not included in this assessment.

- Long term health benefits to individuals and the community from more persons (including older persons) being engaged in exercise, sport and active recreation; and lower workforce absentee rates from a fitter and more active workforce.
- Ensuring youth are able to participate in active sports and recreational activities on an ongoing basis and that this translates to post-education period participation.
- Volunteering benefits - personal satisfaction benefits to volunteers and the benefits to program participants from additional training and competition.

### 4.2 Benefits and Costs

The following table show the benefits and costs associated with the development of the new facilities.

- The benefits measured are: the value to users of the services provided by the new facilities (at market value); and the increase in regional income arising from the additional employment and activity in the Centre and in the region.
- The capital cost used in the analysis is the total project cost (\$7.6 million in 2017 prices) for the new facilities.
- Two discount rates were applied to the benefits of the project (discount rates of 4% and 7%).
- Using a 4% discount rate (an appropriate rate for community sports and recreation facilities) for the \$7.6 million cost, the development project delivers a Benefit Cost Ratio (BCR) of 1.80 over 20 years and 1.82 over 30 years. For a 7% discount rate the Benefit Cost Ratio (BCR) is 1.02 over 20 years and 0.78 over 30 years.



Source: MCA Modelling and Analysis February 2017

**Table 17. Benefit /Cost Analysis of Southern Highlands Sports Centre Development**

Benefit Cost Analysis	Nominal Discount Rate 4%	Nominal Discount Rate 7%
<b>Capital Cost: \$7.6 million</b>		
<b>Period : 20 Years</b>		
Capital Costs 2018 (\$) (Present Value)	7,567,947	7,567,947
Direct Benefits (users) (\$)	16,211,728	16,211,728
Indirect Benefits (region) (\$)	13,558,741	13,558,741
<b>Total Benefits (\$)</b>	<b>29,770,469</b>	<b>29,770,469</b>
<b>Total Benefits (\$) Present Value</b>	<b>13,586,853</b>	<b>7,693,254</b>
Net Present Value (\$)	6,018,906	125,307
NPV/Capital Costs	0.80	0.02
<b>Benefit Cost Ratio (BCR)</b>	<b>1.80</b>	<b>1.02</b>
<b>Period : 30 Years</b>		
Capital Costs 2018 (\$) (Present Value)	7,567,947	7,567,947
Direct Benefits (users) (\$)	24,317,592	24,317,592
Indirect Benefits (region) (\$)	20,338,112	20,338,112
<b>Total Benefits (\$)</b>	<b>44,655,704</b>	<b>44,655,704</b>
<b>Total Benefits (\$) Present Value</b>	<b>13,768,187</b>	<b>5,866,291</b>
Net Present Value (\$)	6,200,240	-1,701,656
NPV/Capital Costs	0.82	-0.22
<b>Benefit Cost Ratio (BCR)</b>	<b>1.82</b>	<b>0.78</b>

Source: MCA Modelling and Analysis February 2017



## References

ABS Census 2006 and 2011 - Resident Population Data

Age analysis of 2011 Census Data, ID data

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New South Wales State and Local Government Area Population and Household Projections - 2016, NSW Planning & Environment

Preliminary Cost Plan, Turner & Townsend December 2016

Tourism Region Profiles, 2015 Capital Country, New South Wales, Tourism Research Australia (TRA)

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