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Subject: Clay pigeons.
Date: Tuesday, 23 May 2017 2:06:00 PM
Attachments: [ACTA CBA Addendum FINAL.pdf](#)
[ATT00001.txt](#)

Fiona. Pls note the attached. With extra info now over bcr 1. Chris is now completing paperwork for insw.
Local member will be happy.

Cheers gary

Addendum - ACTA CBA

Note: This document is to be read in conjunction with, and as an addendum to, the Australian Clay Target Association Facility Cost Benefit Analysis (NSW Department of Premier and Cabinet, April 2017).

Background

The Australian Clay Target Association (ACTA) is planning the development of a large clubhouse / conference facility and associated infrastructure at their existing site in Wagga Wagga, NSW. Consultants GHD were engaged by Department of Industry (DoI) to complete a business case for the proposal in consultation with the proponent. The Investment Appraisal Unit (IAU) reviewed GHD's business case and completed an economic appraisal of the proposal in April 2017. The appraisal returned an estimated net cost to the referent group of 653,000 and benefit-cost ratio of 0.88. IAU's appraisal explicitly excluded any benefits from induced international and interstate expenditure and retained NSW expenditure resulting from the development of the conference centre:

"ACTA's proposal also calls for an expanded clubhouse that will include a conference facility. GHD has estimated that the conference facility will result in 3,200 additional visitors to the City of Wagga Wagga. No breakdown of visitors by place of residence was provided in the business case. Intrastate visitation will likely displace the use of other facilities in Wagga Wagga and it is considered highly unlikely that the conference facility will attract significant numbers of international and interstate visitors to NSW."

Following IAU's assessment GHD issued a memorandum to their original business case. The memorandum included a more detailed analysis and commentary on anticipated visitation to the proposed conference facility. It also included a list of potential events that may be attracted to the facility if the proposed facility is developed. The list was developed in consultation with ACTA and Wagga Wagga City Council and is reproduced below:

Table 1: Potential Conference Events advised by GHD

Table 10 Potential Conference Style Events

Organisation	Event	Feedback	Source
Country Women's Association (CWA)	National Conference 2019	Have approached ACTA about hosting the National Conference new conference facilities when constructed. Currently, the event is unable to be held in Wagga Wagga, as there is no suitable venue available.	ACTA
Royal Australian Air Force (RAAF)	National Functions, Reunions & Graduation Banquets	State parliamentary member Daryl Maguire has approached ACTA with the possibility of hosting various RAAF functions at the ACTA conference facilities when constructed. Currently, any functions listed are unable to be held in Wagga Wagga, as there is no suitable venue available.	ACTA
APEX Service Club	Conference Function	Have approached ACTA about hosting the National Conference in the ACTA conference facilities when constructed. Currently, the event is unable to be held in Wagga Wagga, as there is no suitable venue available.	ACTA
Lamb Industry	LambEX (National Exhibition)	An exhibition and industry showcase with 900 delegates and 60-70 exhibitors which host between holding the exhibition in metro and rural locations. The existing conference facilities in Wagga Wagga do not meet the requirements to host an event of this scale.	Events Coordination / Tourism Branch - WWCC
Artlands Festival	Festival / Conference	The existing conference facilities in Wagga Wagga do not meet the requirements to host the event.	Events Coordination / Tourism Branch - WWCC

Organisation	Event	Feedback	Source
Country Energy	Conference	Held their conference at the Wagga Wagga showgrounds and invested significant resources on essential infrastructure needed to successfully run the event. The existing conference facilities in Wagga Wagga do not meet their requirements.	Events Coordination / Tourism Branch - WWCC
Local Government NSW	Annual Conference, Water Management Conference, Human Resources Conference, Tourism Conference,	Existing conference facilities in Wagga Wagga do not meet their requirements.	Events Coordination / Tourism Branch - WWCC
Australian Local Government Women's Association	Conference	Existing conference facilities in Wagga Wagga do not meet their requirements.	Events Coordination / Tourism Branch - WWCC

Source: Wagga Wagga City Council, ACTA

In consideration of the new information IAU has completed this addendum to supplement the appraisal issued in April 2017.

Analysis

According to their memorandum, GHD estimates that the conference facility will annually attract 610 (lower estimate) to 2,236 (upper estimate) international visitors and 890 (lower estimate) to 6,014 (upper estimate) interstate visitors. The method by which these estimates were derived is unclear. The international visitors estimate in particular appears erroneous as it seems to be based on domestic business visitor nights to the Riverina region as a proportion of domestic total visitor nights to that region.

Based on the information provided, specifically the list of potential conference events that may be attracted (all of which are nationally, rather than internationally, focussed), IAU considers it highly unlikely that the project will attract a material number of specific purpose international visitors to NSW. IAU does accept, however, that there is scope for the conference facility to attract interstate visitors to Wagga Wagga and NSW.

A limited desktop search for conference facilities in the Wagga Wagga area has revealed that although like-sized 'spaces' are present in the area, their availability and fitness for use as venues for multiple day conventions is questionable. It is therefore likely that the proposal will result in some additional visitation to Wagga Wagga.

Visitation to Wagga Wagga will, however, displace visitation to competing facilities. Due to the nature of the potential conferences hosted at the proposed facility, it is considered unlikely that conference organisers will substitute venues in a capital city for Wagga Wagga, and it is also considered unlikely that regional Northern Territory and regional Western Australia would usually be in competition with Wagga Wagga due to their distance from the majority of conference delegates in south eastern Australia. Since 2010, all the conferences listed in Table 10 have been held in a regional location. Hence, it is assumed that there is a 'regional conference' market operating in south east Australia and that the proposed facility would compete in that market for conferences, with some of the new facility's business coming at the expense of other NSW venues and the rest coming at the expense of interstate venues.

Other NSW regional centres have similar sized venues to the project: Dubbo (Regional Convention Centre), Orange (Orange Function Centre and Civic Theatre), Albury (Entertainment Centre) and Port Macquarie (Port Macquarie Panthers). The extent to which interstate visitation to the proposed venue in Wagga Wagga will displace these is unknown. However, assuming that the 'common market' for these events is the regional area of Australia's eastern seaboard, a proxy for displacement may be assumed using the population distribution, as shown in Table 2.

Table 2: Population of regional areas in Australia's eastern states and ACT as at 30 June 2016¹

Region	Population	% of total
Regional NSW	2,721,566	38.0%
Regional VIC	1,428,000	19.9%
Regional SA	381,781	5.3%
Regional QLD (excl Gold Coast)	1,937,996	27.1%
Regional Tasmania	296,261	4.1%
ACT (incl Canberra)	396,294	5.5%
Total	7,161,898	

Assuming that the distribution of existing and future venues (similar to the one proposed for Wagga Wagga) in this area is identical to the population distribution, and that these venues represent a 'single market', 38% of the project's interstate visitation has been deemed to be the result of displacement from other NSW venues and is not considered additional.

¹ Australian Bureau of Statistics (ABS) Cat No. 3218.0 – Regional Population Growth, Australia, 2015-16, 30 March 2017.

This analysis accepts GHD's lower bound estimate (890) for annual interstate visitation to the venue as the most likely visitation outcome. All these visitors are assumed to be specific attraction visitors (where the primary purpose of the visit to NSW is an event held at the proposed venue). Assuming 38% displacement, the annual additional interstate visitation to NSW as a result of the new venue is estimated at 552.

The analysis also assumes that the new venue will result in the prevention of some NSW residents travelling interstate to attend a conference. Given the largely regional focus of the anticipated events, NSW resident attendance (and therefore retention) at these events is estimated at 38%. This equates to the annual retention of 338 NSW residents that would travel interstate.²

All retained and induced (from specific visitation) expenditure will result in returns to NSW labour, NSW-owned businesses and the NSW Government. The method used to estimate these surpluses is outlined in IAU's original appraisal issued in April 2017.

GHD has estimated that interstate conference attendees will stay in Wagga Wagga for three nights and spend \$220 per night. IAU has accepted GHD's length of stay estimate as the average NSW stay. This is consistent with Destination NSW data for domestic business visitors to regional NSW.³ This analysis has used Destination NSW's lower estimate for per night expenditure (\$186) for business visitors.⁴ Total trip expenditure is therefore estimated at \$558. The retained expenditure per NSW resident trip interstate is assumed to be identical at \$558.

Results

Based on the inclusion of additional interstate visitors and retained NSW residents resulting from the proposed conference venue, and on the assumptions in GHD's memorandum and in this addendum, it is estimated that the project represents a net benefit to the referent group of \$535,000 and achieves a benefit/cost ratio of 1.10 over the 25 year assessment period.

A comparison of this analysis to the original that excluded induced interstate visitation is provided below:

Table 3: Net Benefits to the Referent Group (\$'000) (present value)

	Original	Addendum
Returns to NSW labour	1,795	2,227
Returns to NSW-owned businesses	2,930	3,669
Returns to NSW Government (payroll tax)	69	85
Cost of project	(5,447)	(5,447)
Total project benefit (cost)	(653)	535
Benefit/cost ratio	0.88	1.10

It is noted that the change from the original analysis hinges entirely on the venue displacement assumption of 38%. This assumption cannot be made with a high degree of certainty - the estimate using the population distribution is the only reasonable proxy that is available.

Sensitivity Analysis

Given the importance of the venue displacement assumption in moving the net present value of the project from 0.88 to 1.10 (and therefore negative to positive present value), this assumption has been sensitivity

² Because the event displacement proportion (38%) estimate is equal to NSW resident attendance proportion assumption the entire GHD estimate for interstate visitation (890) in effect is treated as additional. The NSW resident attendance is likely to differ for identical conferences in Wagga Wagga and interstate due to the time and cost to travel interstate. The extent of this 'dilution' effect for interstate events cannot be estimated with reasonable accuracy. Assuming an unlikely high dilution rate of 50% yields a NPV of \$257,000 and BCR of 1.05 for the analysis.

³ Destination NSW Snapshot, Business Travel to Regional NSW, Year ended December 2016

⁴ Ibid.

tested in this section at a range of levels to inform decision makers the scale of potential outcomes that hinge on this variable.

Table 4: Displacement Sensitivity

Displacement Assumption	(100%) Original	80%	(66%) Breakeven	50%	(38%) Addendum	25%	0%
Total project benefit (cost)	(653)	(267)	0	306	535	783	1,260
Benefit Cost Ratio	0.88	0.95	1.00	1.06	1.10	1.14	1.23

The analysis is highly sensitive to this assumption around the breakeven point. At the breakeven point it is assumed that two-thirds of the conferences held at the new venue in Wagga Wagga displace other NSW venues. In the unlikely scenario where all the conferences held at the proposed venue are additional to NSW the proposal represents a net benefit of \$1.26 million and BCR of 1.23.