

# **The Economic Significance of the Australian Alpine Resorts**

## **Summary Report**

**Prepared for:  
Alpine Resorts Co-ordinating Council**

**With:  
Australian Ski Areas Association  
NSW Department of Environment and Conservation  
NSW Department of Planning  
Parks Victoria  
Victorian Alpine Resort Management Boards  
Victorian Department of Sustainability and Environment**

**By the  
National Institute of Economic and Industry Research**

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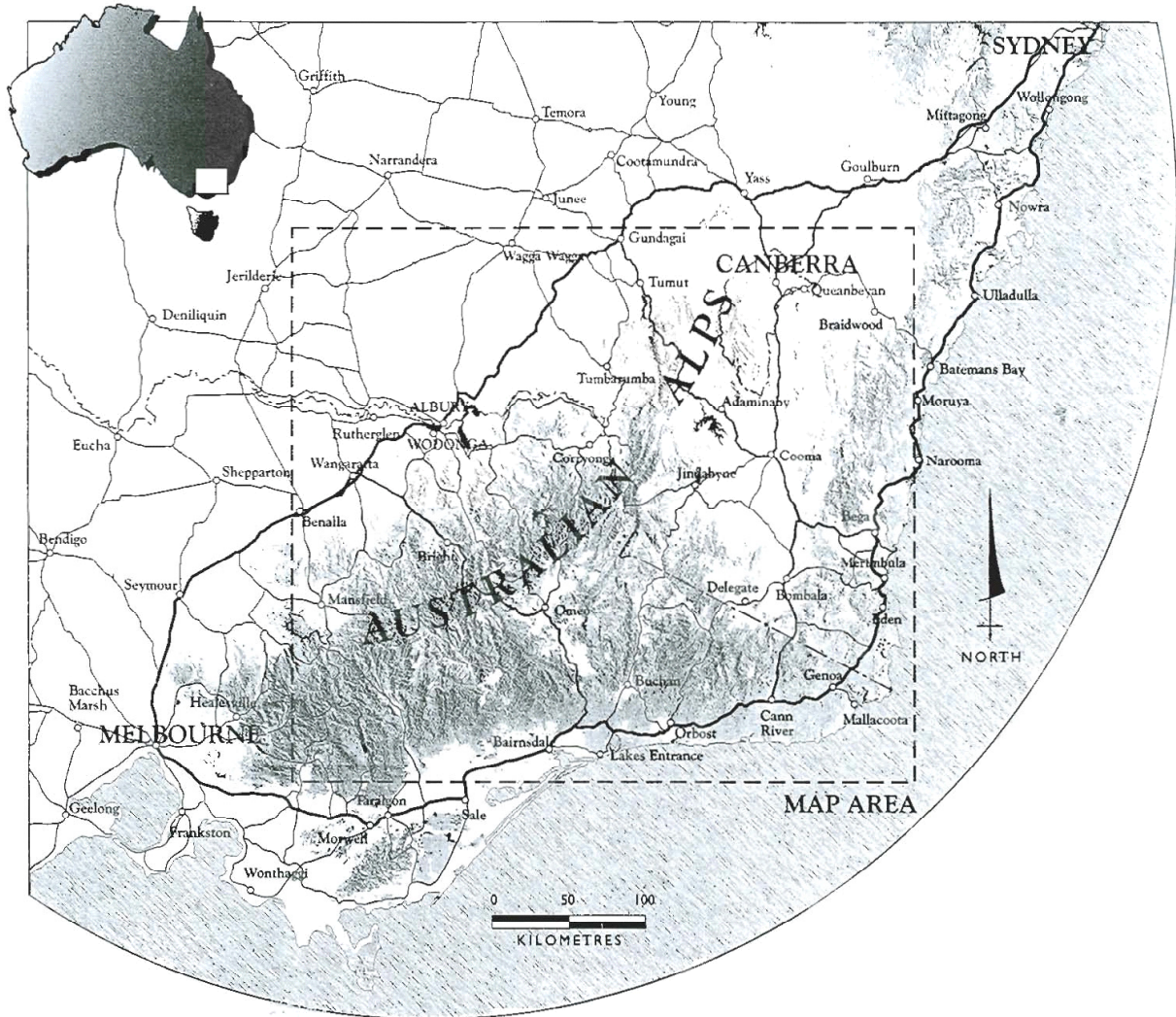


**Alpine Resorts  
Coordinating  
Council**



**NIEIR**

## The Victorian and New South Wales alpine resorts



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## – Summary report

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### 1. Introduction

An alpine resort is defined as an area which has been developed for snow sports activities. Such an area may include diverse supporting infrastructure such as accommodation, ski lifts, ski hire, restaurants and other businesses; alternatively an alpine resort may simply comprise snow sports areas with little or no other supporting infrastructure.

The alpine resorts industry is located in three adjacent Australian states, New South Wales, Victoria and Tasmania. It is an important part of the Australian tourism industry and provides significant benefits not only in the resort areas themselves but also to the surrounding towns, many of which have come to rely quite heavily on the industry for employment and local business activity. The industry provides significant employment, especially for younger people who might otherwise be attracted out of the regions to the larger cities. The industry also supports many specialist businesses that provide clothing and equipment for the range of alpine activities, these businesses may also be located in major cities as well as within the alpine regions.

While the National Institute of Economic and Industry Research (NIEIR) study focused on resort visitation and economic activity during the snow sports season through surveys covering some 20,000 visitors, employees and businesses, these surveys also sought answers to employment and business activity outside the snow sports season.

**The total combined summer and winter benefit for the New South Wales alpine resorts in 2005 was found to be \$812 million for additional gross state product and 10,459 additional annual equivalent employment opportunities. While for Victoria the benefit was \$505 million for additional gross state product and 6,571 additional annual equivalent employment opportunities.**

**Including Tasmania, the combined benefit for the three States with resorts was \$1,319 million for additional gross state product and 17,050 additional annual equivalent employment opportunities.**

The cumulative discounted value of the winter and summer impact of the alpine resorts, in terms of additional gross state product, over and above what would have been the case in the absence of the resorts, for the period 2006 to 2020 is:

- \$9.0 billion in 2005 prices for New South Wales; and
- \$5.6 billion in 2005 prices for Victoria.

This calculation is based on an average season, 1 per cent growth in underlying demand for ski services and a 6 per cent discount rate.

## 2. Study objectives

The objectives of the study were to quantify:

- the economic benefits that are generated by alpine resorts for New South Wales, Victoria, Tasmania, the rest of Australia and Australia as a whole;
- the regional benefits generated by alpine resorts, with regions defined as the Local Government Areas (LGAs) of New South Wales and Victoria; and
- the distribution of economic benefits for the LGAs that contain the alpine resorts.

## 3. Visitors to the alpine regions

It is estimated that there were 3.1 million visitor days for New South Wales and Victorian resorts for the 2005 snow sports season.

- There were 2.1 million skier days and 1.0 million other visitor days, including people who participated in non-lift snow sports and people who did not engage in snow activities.
- 57 per cent, or 1.8 million visitor days were to New South Wales resorts.
- 43 per cent, or 1.3 million visitor days were to Victorian resorts.
- For New South Wales resorts visitors from other states made up 23.3 per cent of total visitors representing 419,400 visitor days.
- For Victorian resorts visitors from other states made up 15.8 per cent of total visitors or 205,400 visitor days.
- On average 1.5 per cent of visitors at Australian resorts were from overseas representing around 46,500 visitor days.
- Visitors to the main Tasmanian alpine resort of Ben Lomond are typically less than 30,000 in a year.

Visitor levels at Australian resorts during the snow sports season vary significantly (typically  $\pm 15$  per cent) from one season to another, depending largely on snow conditions.

## 4. Key findings: summary of the economic impact

This section summarises the economic impact generated by the alpine resorts. All \$million values are in 2005 prices.

### *Winter season – New South Wales and Victoria*

- (i) Total gross direct expenditure generated by the New South Wales resorts was \$537 million and \$369 million for the Victorian resorts. The combined total was \$906 million. These expenditures cover all items of visitor expenditure, from food and drink to lift passes, entry fees and travel from place of residence to the resort.

**Table 1 Direct expenditures – Total expenditure (2005 \$m)**

Residents of	Resort visitation expenditures		
	New South Wales	Victoria	Total resorts
New South Wales	381.80	37.13	418.94
Victoria	17.12	243.61	260.73
Queensland	71.73	30.61	102.34
South Australia	4.21	23.49	27.70
Western Australia	11.84	24.68	36.51
Tasmania	3.60	4.55	8.15
Northern Territory	1.03	1.32	2.35
Australian Capital Territory	39.74	0.62	40.36
Overseas	5.97	3.00	8.97
<b>Total</b>	<b>537.03</b>	<b>369.02</b>	<b>906.05</b>

- (ii) Expenditures induced by the resorts are estimated at \$326 million for New South Wales and \$212 million for Victoria. These estimates include allowances for effects on savings, for the expenditure which New South Wales and Victorian residents would have made elsewhere in the absence of the resorts, and for total spending of \$208 million attracted to New South Wales and Victoria from the non-resort States. Many of these allowances cancel out and the net increase in expenditures nationally is estimated at \$330 million.
- (iii) Total net additional annual investment expenditures generated by winter activity in the alpine resorts was found to be \$56 million in New South Wales and \$26 million in Victoria.
- (iv) The flow-on consequences of the net additional expenditures were analysed using national and state input-output based models, with the underlying input-output tables updated to 2004. From the analysis, total gross state product in New South Wales was increased by \$624 million, compared to what would have been the case without alpine resorts in winter. The finding for Victoria was an increase in gross state product of \$361 million, compared to what would have been the case in the absence of the alpine resorts in both New South Wales and Victoria. The net national increase in gross product was \$638 million, with \$347 million of gross product being redistributed from the other States and Territories to New South Wales and Victoria.
- (v) Total winter season employment generated in annual equivalent terms was 8,045 in New South Wales and 4,694 in Victoria. Importantly, job opportunities generated were almost 15,800 in New South Wales and 9,600 in Victoria.
- (vi) The benefit to Tasmania of Ben Lomond was estimated at an increase of \$2 million in total gross state product and 20 annual equivalent employment opportunities.

### ***Winter and summer seasons***

- (vii) For New South Wales the economic benefit of the summer season was 30 per cent of the winter season, while Victoria's summer benefit was found to be 40 per cent of the winter season benefit.

- (viii) The flow-on consequences of the net additional expenditures were analysed using national and state input-output based models. Total gross state product in New South Wales was increased by \$812 million, compared to what would have been the case without alpine resorts. The finding for Victoria was an increase in total gross state product of \$505 million. Additional annual equivalent employment opportunities for New South Wales were 10,459 and for Victoria 6,571
- (ix) Including Tasmania, the combined benefit for the three States with resorts is \$1,319 million in additional gross state product and 17,050 additional annual equivalent employment opportunities.

**Table 2.2 Summer and winter value of the alpine resorts**

	<b>New South Wales</b>	<b>Victoria</b>	<b>Tasmania</b>	<b>Three State total</b>
Winter gross state product (2005 \$m)	624	361	2	987
Summer gross state product (2005 \$m)	188	144	0	332
<b>Total gross state product (2005 \$m)</b>	<b>812</b>	<b>505</b>	<b>2</b>	<b>1319</b>
Winter annual equivalent employment (number)	8045	4694	20	12759
Summer annual equivalent employment (number)	2414	1877	0	4291
<b>Total annual equivalent employment (number)</b>	<b>10459</b>	<b>6571</b>	<b>20</b>	<b>17050</b>

### ***Benefit from good seasons***

- (x) The 2005 season was an average one. There have been better seasons in terms of snow depth, duration of season and overall visitor numbers. Based on the weather conditions of the 2004 season, the additional benefit to New South Wales in terms of gross state product, compared to the 2005 season, would have been \$80 million and 1,051 annual equivalent employment opportunities. For Victoria the corresponding benefits would have been \$47 million and 626 annual equivalent employment opportunities.

### ***Regional impacts***

- (xi) The existence of the alpine resorts provides very significant benefits to regional areas. The benefits to the economies of the resorts' local shires are described in this section.

#### **Snowy River Shire**

- (xii) The gross regional product generated in the Snowy River Shire was \$290 million, or 46 per cent of the New South Wales total. Total annual equivalent employment opportunities generated were 3,264, which is 41 per cent of the New South Wales total. Within the Snowy River Shire, 28 per cent of gross regional product was generated by the Perisher Blue Ski resort, 3.5 per cent by Charlotte Pass resort and 17 per cent by the Thredbo Village resort. Thirty nine per cent was generated by the town of Jindabyne.

- (xiii) It was found that, directly and indirectly, 57 per cent of gross regional product and 51 per cent of total annual equivalent employment in the Snowy River Shire were generated by the winter alpine resorts.

#### **Tumut Shire**

- (xiv) In the case of the Tumut Shire, which serves Selwyn Snowfields, \$28 million, which is 7.7 per cent of its gross regional product, was directly or indirectly generated by the alpine resorts. Total annual equivalent employment opportunities generated were 557.

#### **Alpine Shire**

- (xv) The winter resorts of Falls Creek and Mt Hotham generated an additional \$106 million in gross regional product for the Alpine Shire, which represented 20 per cent of its gross product. The Shire's gross product increase represented 29 per cent of the overall increase in Victorian gross state product. Total annual equivalent employment opportunities generated were 1,375, or 21 per cent of the Shire's total employment.
- (xvi) The distribution of total gross regional product within the Alpine Shire was 34 per cent at the Falls Creek resort, 25 per cent at the Mt Hotham Village and 20 and 17 per cent respectively for the towns of Bright and Mt Beauty.

#### **Combined Shires of Mansfield and Benalla**

- (xvii) The combined Shires of Mansfield and Benalla contain the significant alpine resorts of Mt Buller and Mt Stirling. As a result of the winter use of these resorts, the gross regional product of the combined Shires is increased by \$49 million over and above what would have otherwise been the case. This represents 7.6 per cent of the Shires' total gross regional product. Forty six per cent of the Shires' increase in gross regional product is at the Mt Buller-Mt Stirling resort and 35 per cent is generated in the town of Mansfield. Total annual equivalent employment opportunities generated were 555.

#### **Murrindindi Shire**

- (xviii) Murrindindi Shire contains the resort of Lake Mountain which contributes \$7.3 million to the Shire's gross regional product. Total annual equivalent employment opportunities generated were 127.

#### **Baw Baw Shire**

- (xix) Baw Baw Shire contains the resort of Mt Baw Baw which contributes 7 million to the Shire's gross regional product. Total annual equivalent employment opportunities generated were 94.

#### ***Benefits from greater usage of the alpine resort assets***

- (xx) An achievable task would be to increase the marketing of the alpine resorts to attract an additional 35,000 visitors by targeting international visitors or Australians who now go overseas for skiing. This would yield a benefit of \$96 million in gross state product for New South Wales and \$40 million for Victoria. The total increase in annual equivalent employment opportunities for the two states would be almost 2,000.

## **5. Taxation revenue**

Total net additional taxation revenue will be approximately \$106 million from direct taxes and \$54 million from indirect taxes, giving a total of \$160 million.

The New South Wales Government will receive an additional \$37 million from its own taxes and its share of GST revenue. The Victorian Government will receive an additional \$22 million. Nearly all of the remaining revenue will accrue to the Federal Government. There is likely to be a second round distribution of resources to the States.

## **6. International visitors**

Although the number of international tourists visiting the alpine resorts in Australia is still relatively low, at approximately 43,000 visitor days for New South Wales and Victoria, (representing approximately 1.5 per cent of total visitor days), when compared to the overall Australian tourist industry there are significant international opportunities, particularly in relation to China. Skiing in China is undergoing rapid growth as incomes rise. Some large US ski resort operators are said to be making very large investments in the Chinese ski industry, predicated on extremely large growth, based on the emergence of a large middle class. There would seem to be an opportunity to attract significant numbers of Chinese visitors to Australian alpine resorts, especially given the close relationship between Australia and China.

## **7. Climate change**

Global mean temperature has increased by about 0.6 to 1°C over the last 100 years. The 1990s were the warmest decade ever recorded and global temperatures are forecast to continue to increase in the future.

The alpine resorts industry around the world is facing the challenges that possible climate change will bring. It is likely therefore that the combined actions of the industry internationally will create strategies and markets to ensure the sustainability of many of these important recreational centres. Key strategies already in place include snow making expansion and the move to four season operations. For example, Thredbo, in New South Wales has become a highly successful four season resort and is recognised as a model for the future development of resorts within this industry.

It is worthy of note that many other industries, including coastal resorts and the Great Barrier Reef also face the challenges that climate change is likely to bring.

## **8. Investing for the future**

Whilst the Australian industry is largely made up of small companies, there are also some very large publicly listed corporations, and some very significant private investors. Investment plans across the resorts to provide more and higher standards of accommodation and infrastructure are positive, with major plans in some resorts for further development. There has also been considerable investment in snow making and grooming equipment to extend snow sports opportunities. Four season strategies will also require further investment and product innovation to ensure that resort facilities can be successfully utilised all year round.