SUBMISSION NO.168

Dear Sir/Madam,

Please find attached details on the status of the Ballarat Airport to assist the House of Representatives Standing Committee on Transport and Regional Service's enquiry into commercial regional aviation services in Australia.

Attached is a report commissioned by the City:

Ballarat Airport - The Case for Runway Improvements December 2000

This report was undertaken to identify the business case for the upgrade of the current airport runway.

Also provided is a summary of current infrastructure and business activity in and around the Ballarat Airport.

The City of Ballarat views the Ballarat Airport as a key strategic infrastructure asset which is capable of delivering significant economic development opportunities should it be appropriately upgraded.

The current runway infrastructure, although adequate for existing operations, is in need of upgrading to accommodate heavier aircraft types which can then potentially lead to increased business investment.

Ballarat currently does not have a regular, daily commercial air service but charter services currently exist. The City of Ballarat is keen to explore avenues with both State and Federal Governments to attract regular commercial air services and other synergistic developments in and around the Airport.

We trust that this information will assist your project and should you require any further information, please contact John Hartigan, Airport Manager on 03 5320 5881 or 0418 137 784

Regards
Fiona Davey

<<BALLARAT AERODROMEAug 2002.doc>> <<Executive Summary 2.doc>> <<Final Ballarat Report.doc>> <<Appendix 1. Regional Map.gif>> <<Appendix 2. Airport and Urban Area.doc>> <<Appendix 3. Urban Area.doc>>

<<Appendix 4. Camp St Model .bmp>> <<Appendix 5. Expenditure.doc>> <<Appendix 6. Major Events.doc>> <<Appendix 7. Acknowledgements.doc>>

Fiona Davey
Senior Economic Development Officer
Business Ballarat
City of Ballarat
PO Box 655
BALLARAT VIC 3353

EXECUTIVE SUMMARY

Ballarat is an important regional city which has a stable manufacturing, commercial and service base and a well developed tourist industry. It is however, like many regional areas, sensitive to economic downturns with resulting flow-on effects to the community. In spite of this, Ballarat has a diversity of industry and business which limits the impact of these downturns and enables Ballarat to maintain an economic equilibrium.

Ballarat enjoys many points of difference to other regional centres and supports a diverse, committed and globally focused industry, commercial, service and tourism sector. In order to sustain and develop the opportunities that these important contributors to Ballarat's socio-economic framework provide, the Ballarat Airport, a major infrastructure asset for the City, must be upgraded.

The present Airport infrastructure is in need of immediate attention to simply maintain current operations. However, this essential maintenance work can be further developed and enhanced to provide infrastructure that can provide for larger aircraft visitation and support associated industries thereby introducing new economic opportunities for the region. These opportunities include:

- offering cost competitive aircraft maintenance and servicing, reducing pressure on these services currently supplied in Melbourne which are reaching saturation point;
- attraction of other businesses related to the air industry eg. pilot training, aircraft refurbishment, technical support services, catering etc;
- linking with other developments in the City and region including a proposed 180 bed 4-5 star hotel and 1000 seat convention centre in the CBD and the development of a major freight centre linked to the Fast Train initiative; and
- improving accessibility for the high value tourist market.

Ballarat is already home to a range of large corporations and industries including McCain Foods, IBM Global Services, Mars Confectionery and Bendix Mintex. The City is able to offer attractive incentive packages for companies seeking to locate in the region and progressively and actively works to draw new investment. The prospect of being able to offer these national and international organisations a full range of transport options can only help to increase the likelihood of attracting further major investment to the City and surrounding area.

The tourist industry has potential to promote further economic diversification. Ballarat's gold rush past has left it with a heritage of important, historic buildings, a significant Fine Art Gallery and attractive botanical gardens. This heritage, combined with its history, forms the basis of its importance and potential as a tourist centre which will be further realised with the proposed improvements to the Ballarat Airport. Ballarat is also exploring the opportunities that are presented by the film industry in particular being able to offer cost effective resources and a extensive range of locations. This is supported by technical and artistic expertise from the University of Ballarat.

The high value tourist market in Australia is growing significantly. The relatively small investment of $4.62 million in runway improvements at the Ballarat Airport can add to Australia's ability to better serve this growth and allow economic benefits to occur in Ballarat. Analysis shows that the cost of the runway improvements can be recovered within ten years, without allowing for the flow-on effects or multiplier factors recognised as applying in the air and tourist industries.

The ability to offer specialised routes for small group travel can enable either international visitors attending conferences in Australia or tourists travelling on cruise liners, to visit Ballarat. Due to Ballarat's recognised strengths, this can be achieved despite the fact Melbourne Airport (Tullamarine) is only an hour away by road and which offers a wide range of fast and comfortable services to other locations.

The proposed development to the Ballarat Airport is seen as an important component in the continued economic development of the City and the integration of regional and national transport infrastructure. The Airport would be able to build significantly upon the considerable contribution it already makes to the local economy in tandem with other industries. Funding for the proposed runway improvements would be an important economic and social step forward for the Ballarat region.

BALLARAT AIRPORT
THE CASE FOR RUNWAY IMPROVEMENTS

Prepared for

(LOGO)

City of Ballarat
Town Hall, Sturt Street, Ballarat,
Victoria. 3350 Australia
Phone: (03) 5320 5620
Fax: (03) 5333 4117

December 2000

Cockburn Consulting Services 11 Deakin St, Malvern East 3145 *in conjunction with*
MacroPlan 130 Miller St, West Melbourne,

Contents

Page

Contents — Page

LIST OF TABLES

APPENDICES

1.0 INTRODUCTION

This study is about the consequences of relatively small infrastructure investment in an important regional city.

The city concerned, Ballarat, has a population of 80,000, with a forecast growth rate of 0.5%. It is an important manufacturing and service centre, but has unemployment higher than the Victorian average. Its gold rush past has left it with a heritage of fine buildings, a very important Fine Art Gallery and attractive botanic gardens. This heritage, combined with its history form the basis of its importance and potential as a tourist centre. The investment proposed is to improve the capacity of the present airport to handle larger aircraft, with the objective of increasing economic activity, principally tourism, in the local area.

The benefits of increased airport capability will fall primarily in two distinct areas - benefits within the aviation industry and benefits within the local manufacturing, tourist and service industries.

The benefits within the aviation industry from increased employment and activity will occur mostly outside the Ballarat region, since most of the aircraft involved will be based elsewhere. A high proportion of the tourism benefits will be within the Ballarat region but some will fall elsewhere, as the organisations of a number of the service functions will relate to the origin areas of the tourists concerned. Any benefits to local industry through improved accessibility would be mainly local.

The benefits of increased activity outside the Ballarat region are none the less real and need to be considered in decision making.

The forecasting of demand for aviation services is difficult and uncertain except for clearly defined markets, for example business travel between major centres. For the present purpose, particularly in the tourism area, a better approach is to examine the effect of the introduction of new tourism products made possible by increased airport capability. Such new services would develop slowly and it is necessary to assess the likelihood of a level of activity which would make a substantial economic contribution over the longer term.

This is the approach taken in this report.

2.0 EXISTING AIRPORT CAPABILITY

The airport has two sealed runways and one short grass strip, taxiways and an aircraft parking apron. There are hangars, fuel facilities for both piston engine and turbine engine aircraft, a small terminal building, runway lighting for the north-south runway and a radio beacon (NDB - non-directional beacon navigation aid). There are various other buildings remaining from its earlier function as a World War 2 RAAF training base.

In this configuration it can handle the usual category of general aviation (GA) aircraft ie up to 5700kg. This includes single engine and smaller twin engined aircraft. The upper limit of twin engined aircraft is typified by the De Havilland Twin Otter and Embraer Bandierante which are 12 to 18 passenger aircraft.

The north-south runway is at present 1300 metres long which is adequate for the use described above, and comparable with other GA airports, for example Moorabbin. Prior to the airport's hand-over to local Government, this runway was 1860m long. A section at the southern end now cut-off by the access road has fallen into disrepair but can be reinstated to the 1600m proposed in the upgrade study. The location of the airport, its position in relation to the urban area and the airport layout are shown on Appendices 1, 2 & 3. Appendix 3 shows the proposed extension of the north-south runway (described as Option 3 in Section 4 of this report).

3.0 PRESENT USE OF THE AIRPORT

3.1 Main Operations

Although the traffic level at the airport is small, it is the base for two locally important operations.

Field Air assembles the Air Tractor, a widely used agricultural aircraft, and also carries out spraying or dusting operations in Victoria and New South Wales. The Ballarat operation is its main base with subsidiary operations at Hay, Deniliquen, Finley and Jerilderie.

Field Air has 15 aircraft and about 20 employees (variable).

Maf (Missionary air fellowship) is an extensive operation providing social support services in central Australia, Arnhem Land and Cambodia. Aircraft are central to the mobility needed for these services. Ballarat is the main base for its air operations and provides engineering support, major maintenance and other services for its 55 to 60 aircraft. Ballarat provides pilot training and field training for its staff and can also provide private pilot training. There are 20 engineering employees, 4 flying instructors and 6 administrative employees.

Both Field Air and Maf can provide fuel and servicing for visiting aircraft. These two organisations constitute a stable and very capable aircraft engineering capability at the airport.

3.2 Other Organisations

The Ballarat Aero Club has 5 aircraft and as well as serving its members also provide flying training. There are also 10 other private aircraft resident at the airport.

There is also an aviation museum displaying a collection of aircraft, an unusually extensive display of aero engines, and other aviation memorabilia.

3.3 Aircraft Movements

Field Air

Traffic by Field Air is a maximum in January-February, with about 30 to 40 movements a day.

Maf

Traffic is estimated at about 10 movements per day.

Aero Club

Aero Club traffic is also estimated at about 10 movements per day.

Other Flying Training

There is apparently a readily observable level of movements by Melbourne based pilot training aircraft using Ballarat for circuits to avoid congestion or charges at other locations. Ballarat is also used as a location for navigation exercises and for night flying and navigation. The runway lighting, the NDB beacon and freedom from congestion would be attractive for this purpose.

Air Ambulance

The Air Ambulance is a regular user, estimated to make at least one visit per week.

Tourist Safari

A DC3 aircraft operating Air Safaris out of Sydney is a regular visitor on a monthly basis for about eight months of the year. The safari route includes Kangaroo Island and it is understood the stop at Ballarat sometimes allows passengers to visit Sovereign Hill while the aircraft is re-fuelled.

Charter Flights

There is apparently a quite low level of charter operations for private passenger travel, typically to other rural centres and a very low level of scenic/joy flights.

Private Flying

There is also some use by resident private aircraft.

Conclusion

In summary, the combined level of movements is quite low, perhaps of the order of 15,000 movements per annum.

3.4 Non Aviation Activities

Minor buildings on the airport are let to other users such as recreational activities and clubs.

3.5 Aircraft Noise

There is no apparent aircraft noise problem, with the nearest residential area at Alfredton some three kilometers south on the centreline of the N-S runway. Additional traffic as a result of the proposed upgrade is not anticipated to cause a problem, as the number of movements expected is very low.

3.6 Economic Return

An earlier study by Cockburn Consulting Services for the Victorian government in 1990 related employment, wages and turnover in the general aviation sector. Turnover per employee was found to be $49,000 per annum, compared with average wage of $31,400 pa. Expanded by the consumer price index, these figures indicate an estimated turnover of $60,200 per employee in 2000. For the 50 employees at the airport this indicates a turnover of $3million. Present building rental is $50,000 per annum, an amount which just covers general airport maintenance.

4.0 THE PROPOSED CAPABILITY UPGRADE

The purpose of the proposed upgrade is to allow use of the airport by a wider range of aircraft and enhance opportunities for the economic growth of the region. A study carried out for the City of Ballarat by Hyder Consulting set out three runway upgrade options, which could be regarded as discrete choices or a staged program. The options are:

Option 1	PCN 8 (8000kg)	$2,700,000
Option 2	PCN 10 (10000kg)	$3,500,000
Option 3	PCN 12 (12000kg)	$4,200,000

These options all provide strengthening of only the North-South runway. Options 2 and 3 provide for the increased length required by heavier aircraft. Included in these costs are associated taxiway and apron strengthening, access road re-alignment for runway lengthening and upgrading of the runway pavement sub-soil drainage system. The costs shown are without GST, and are in June 2000 dollars.

The increased aircraft handling capability of these options can be typified by ability to handle these aircraft:

Option 1 Small business jets eg Cessna 550 Citation II

Option 2 Medium business jets including the Hawker Siddely 125 (Australian VIP Fleet)

Option 3 Small regular public transport (RPT) turbo-prop aircraft seating up to 30+ passengers. Also included is the next larger group of business jets, is the Dassault Breuget Falcon used in the Australian VIP Fleet.

It will be seen later in this report that the added capability of Option 3 provides the widest range of possible benefits. It should also be noted that for each of the options, occasional use by overweight aircraft, or by aircraft without a full load could be accommodated. If this option is implemented, the ability to further extend the length should be protected, as some aircraft within the weight capability, particularly for occasional use, may need additional length for take-off with sufficient fuel load.

Although Option 3 provides the widest range of benefits, it should be noted that the works included in Option 1 are needed to protect the ability to sustain in the short to medium run, the current operations which inject the present turnover of $3 million into the local economy.

5.0 POTENTIAL FUTURE USE

5.1 The Context - Surface Access to Ballarat

Ballarat Airport has significant infrastructure and sufficient land for expansion of aviation activities. Its potential to increase its contribution to the community through wider use is limited in some respects by its location in relation to a major airport. One hour away by road is Melbourne Airport (Tullamarine) which offers a wide range of fast and comfortable services to other locations. Ballarat is closer in travel time to Melbourne Airport than many Melbourne suburbs. Melbourne Airport provides frequent , diverse and easily accessible services with which Ballarat cannot compete. Its role will always be different from that of other regional airports in more distant parts of Victoria.

Flying from Melbourne to Ballarat is an unlikely event, except as a short stop on a longer journey. From other Australian cities the regular public transport system run by the main airlines provides good accessibility for most purposes.

The exceptions are for trips to or from other less major locations which involve changing aircraft and may even involve overnight stays for business travel where time is important, and for tourist trips involving centres away from the major cities.

5.2 Local Business and Tourist Access

Discussions were held with twelve local business and tourism operators on the 17-18 October, to identify any demand for airport services in terms of their needs or the needs of their clients, business associates or customers. The organisations represented in the discussions were as follows:

Tourism

1.	Ballarat Fine Art Gallery	Margaret Rich	Director
2.	Ballarat Tourism	Diane Smith	Executive Director
3.	Sovereign Hill Ballarat	Peter Hiscock	Executive Director
4.	Eureka Stockade	Heather Hunt	Manager
5.	Ballarat Airport	John Hartigan	Manager

Business

6.	Hilton Fabrics	David Cox	Financial Controller
7.	Hemco Trans World	Des Hemphill	Managing Director
8.	Skilled Engineering	Bruce Elliott	General Manager
9.	Causon International Freight	Colin Causon	General Manager
10.	Haymes Paint	David Haymes	Managing Director
11.	McCain Foods	Steven Yung	Managing Director
12.	Amcor Beverage Cans	Gary Thompson	Operations Manager
13.	Bendix Mintex	Paul Mracek	Group Director, Operations
14.	Mars Confectionery	Tony Chew	External Relations Manager

Discussions in relation to current airport usage and anticipated future demand revealed that:

- there is no evidence of other than occasional use of the airport at present for access by tourists
- there is little use of the airport for either business travel or air freight
- the needs of local businesses are met through the use of Melbourne Airport and freight forwarders, using Melbourne Airport
- it is apparent that there is no perception by business that needs were likely to change
- there was a perception that given the right product mix there could opportunities to bring tourists to the region via the Ballarat airport.

Not withstanding the above, there were anecdotes of occasional use by senior company managers making inspection tours, and of visiting people being surprised that there was no RPT service. Of the industries consulted, Mars was the most frequent airport user, and indicated some interest in the potential use of larger aircraft.

The consultants also record that on Wednesday 18 October they observed a business jet, probably a Citation, parked on the apron. Business use is not non-existent, just infrequent.

It is worth noting however that Ballarat has long had a significant industrial base. Two of the industrial plants surveyed produce the whole of the Australian output of their particular product (Amcor: 2.7 billion ring-pull beverage can tops per annum; Bendix Mintex: friction materials for brakes and other purposes). Although new industrial developments may have higher air transport needs, in the consultants view, the overall picture of industry needs is unlikely to change to a great extent. There is also some potential for the expansion of pilot training activities and hangarage for privately owned aircraft.

Conclusion

It is evident therefore that increased future use resulting from increased airport capability would be tourism based. The increased future use of the airport will continue to be principally from tourism, with flexibility in available routing the key advantage.

6.0 THE TOURIST INDUSTRY

6.1 Tourism Demand - Ballarat's Attractions

Ballarat has five major tourist attractions which already form a major part of the local economy. These are the Sovereign Hill replica goldfields village and Goldfields Museum, the Eureka Stockade Interpretation Centre, the Fine Art Gallery, the sound and light show associated with Sovereign Hill (Blood on the Southern Cross) and the Wildlife and Reptile Park. There is also the architectural heritage of fine buildings from the gold boom era, with fine streetscapes providing a good sense of pride of place.

Visits to Sovereign Hill give an indication of the size of the industry. There are approximately 600,000 visitors to the centre per year of which approximately 24% are international tourists, 26% interstate tourists and 50% domestic tourists.

For the kind of tourist which might use the airport, Ballarat has three principal attractions which are quite specific to the area. These include the history of the Goldfield and the events at Eureka, the historic buildings from the boom era, and the special interest in the Fine Art Gallery and its collections of Australian and local landscapes and the Heidelberg school.

These attractions form a base from which more international demand might be created with improved accessibility.

The City of Ballarat has well developed urban improvement proposals for the Camp Street Precinct area in the centre of the city which reinforce the tourist potential. The components of the development include extensions to the Gallery, a conference centre, commercial and retail activities including cafes, walkways, open space etc. Construction of the Gallery extensions has already begun. (See Appendix 4).

The following tables illustrate the importance and market position in Victoria's tourism industry of the goldfields area and the nearby Great Ocean Road, for which Ballarat is one of the major gateways.

Table 1. Persons Attending Cultural Venue / Activity

Venue / Activity	*Number*	*Attendance Rate*	
	Victoria	**Victoria**	**Australia**
Cinema	2,559,100	68%	67%
Botanic Gardens	1,532,300	41%	36%
Library	1,403,800	38%	38%
Animal or marine parks	1,354,100	36%	34%
Zoological gardens	948,700	25%	21%
Popular music	934,100	25%	25%
Art Gallery	786,200	21%	21%
Other performing arts	685,100	18%	18%
Opera or musical	653,200	17%	16%
Theatre	649,500	17%	17%
Museum	601,000	16%	20%
Circus	372,600	10%	9%
Dance	320,000	9%	9%
Classical Music	305,100	8%	9%

Source: Attendance at Selected Cultural Venues Cat No. 4114.0 April 1999

The attendance rate for an Art Gallery ie a person visiting an Art Gallery during the past year is 21% and likewise for Australia. Botanic gardens (41%) animal or marine park (36%) and zoological gardens (25%) all have relatively high attendance rates and these types of activities / venues current exist in Ballarat as major tourist attractions.

6.2 Domestic Travel - Day Trip Visitors

Table 2. Day Trip Visitors to Victoria's Regions - 1998

Region	*Total Visitors*	*Total Expenditure*
1. Melbourne	19,121,000	$1,361,000
2. Bays & Peninsulas	7,046,000	$419,000
3. Great Ocean Road	5,416,000	$358,000
4. Goldfields	4,382,000	$338,000
5. Phillip Island & Gippsland Discovery	3,726,000	$205,000
6. Yarra Valley, Dandenongs & The Ranges	3,636,000	$153,000
7. Goulburn Murray Waters	3,288,000	$197,000
8. The Murray	1,723,000	$119,000
9. Macedon Ranges & Spa Country	1,365,000	$78,000
10. Legends, Wine & High Country	1,110,000	$59,000
11. Grampians	917,000	$75,000
12. Murray Outback	845,000	$66,000
13. Lakes & Wilderness	517,000	$77,000
Victoria	**43,949,000**	**$2,900,000**

Source: Produced by Tourism Victoria and based on the National Visitor Survey, Bureau of Tourism Research, 1998 International Visitor Survey, Bureau of Tourism Research.

Domestic overnight travel to Victoria in 1998 was dominated by intrastate travel with 76% of all visits and 65% of all nights to Victoria from visitors who live within the State.

There were 4,382,000 visitors to the Goldfields region in 1998 that generated $338,000 in spending thourghiout the region. The most popular activities participated in while staying in Victoria included visiting friends and relatives (43%), eating out (34%), sightseeing (26%) shopping (19%) and visiting national parks (15%).

6.3 Domestic Travel - Overnight Visitors

Victoria has a 25% market share (second highest) of all domestic overnight stays in Australia. Victoria currently holds a 21% market share of interstate overnight visitors and a 16% market share of interstate nights dominated by the short trip market.

Ballarat is located in the Goldfields region, which performs very well on a regional basis, being the third most popular destination after Melbourne. It experiences an average overnight stay figure of 2.2 night and there are currently over 2 million visitors to the region.

Over 66% of visitor nights to Victoria were spent in regional areas. Interstate visitors from South Australia (43%), Northern Territory (33%) and New South Wales (34%) were more likely to visit regional Victoria.

Table 3. Overnight Visitors to Victoria's Regions - 1998

Region	*Total Visitors*	*Total Expenditure*	*Average Stay (nights*
1. Melbourne	6,377,000	$3,595,000	3.0
2. Bays & Peninsulas	2,513,000	$375,000	2.5
3. Great Ocean Road	2,729,000	$525,000	2.7
4. Goldfields	2,004,000	$364,000	2.2
5. Phillip Island & Gippsland Discovery	1,976,000	$300,000	2.8
6. Yarra Valley, Dandenongs & The Ranges	550,000	$105,000	2.4
7. Goulburn Murray Waters	1,650,000	$298,000	2.6
8. The Murray	1,777,000	$392,000	3.0
9. Macedon Ranges & Spa Country	417,000	$63,000	2.2
10. Legends, Wine & High Country	1,368,000	$298,000	2.9
11. Grampians	732,000	$133,000	2.5
12. Murray Outback	913,000	$183,000	3.1
13. Lakes & Wilderness	797,000	$156,000	3.2
Victoria	**18,637,000**	**$6,200,000**	**3.0**

Source: Produced by Tourism Victoria and based on the National Visitor Survey, Bureau of Tourism Research, 1998 International Visitor Survey, Bureau of Tourism Research.

6.4 International Visitors

Victoria attracted 1,034,000 overseas visitors (aged 15+ years) during 1998, a 27% share of all international arrivals into Australia. They stayed for an average of 19 nights. The Great Ocean Rd was a popular destination for international visitors particularly for Germans (49%), Europeans (42%) and Koreans (38%). Over two thirds of visitors stayed in hotels, motels and guesthouses.

The Goldfields region performs extremely well in relation to attracting international visitors. It is the second most popular destination after Melbourne and experiences an average length of stay of 4 nights.

The Tourism Forecasting Council has indicated that inbound tourism to Australia is expected to grow at an annual average rate of 7.3% over the next decade to approximately 7.7 million visitors, international arrivals to Australia.

Ballarat has links to the Great Ocean Rd, other goldfields areas, Macedon Ranges and Spa Country, the Grampians and to parts of the wine country. Any action that supports the market effectiveness of Ballarat as a provider of tourist services will also assist these other areas. It is evident that for the on-going growth of the industry, enhancing Ballarat's capability is important.

Table 4. International Travel to Victoria's Regions - 1998

Region	***Total Visitors***	***Total Nights***	***Average Length of Stay***
1. Melbourne	989,000	17,087,000	17.3
2. Great Ocean Road	117,000	686,000	5.9
3. Goldfields	58,000	234,000	4.0
4. Phillip Island & Gippsland Discovery	54,000	337,000	6.2
5. Bays & Peninsulas	44,000	707,000	16.1
6. Grampians	44,000	n.a.	n.a.
7. The Murray	38,000	210,000	5.5
8. Lakes & Wilderness	34,000	n.a.	n.a.

9. Legends, Wine & High Country	23,000	n.a.	n.a.
10. Murray Outback	20,000	n.a.	n.a.
11. Goulburn Murray Waters	19,000	n.a.	n.a.
12. Yarra Valley, Dandenongs & The Ranges	15,000	n.a.	n.a.
13. Macedon Ranges & Spa Country	8,000	n.a.	n.a.
Victoria	**1,034,000**	**19,341,000**	**18.7**

Source: Produced by Tourism Victoria and based on the National Visitor Survey, Bureau of Tourism Research, 1998 International Visitor Survey, Bureau of Tourism Research.

The 'Total Victoria' figures do not equal the sum of the regions because overlapping product regions are used. Where estimates are unreliable they have been left blank.

Tourism and the Economy

Ballarat as part of the Goldfields region plays a significant role in the State's tourism activity and there are further opportunities to enhance this activity. Notable benefits of the tourism industry include:

- The tourism industry may be regarded as the world's largest industry and one of Australia's fasting growing industries.
- The Tourism Forecasting Council has indicated that inbound tourism to Australia is expected to grow at an annual average rate of 7.3% and will increase from 4.2 million in 1998 to 8.4 million in 2008.
- The tourism industry makes a valuable contribution to Australia's Gross Domestic Product as well as generating jobs and providing a significant export earner.
- Based on Victoria's market share of international visitors as at December 1998, international visitors to the state will reach approximately 2 million in 2008.
- In 1996/97 expenditure derived from tourism was estimated at $59 billion of which international tourism accounted for 25% (15 billion) and domestic tourism made up 75% (44 billion).

Source: Tourism Victoria February 2000

7.0 THE ATTRACTION OF LOCAL TOURIST ESTABLISHMENTS

7.1 Possible Tourist Packages

A likely source of added income seems to be from international visitors with special interests and funding flexibility. Ballarat has two prime attractors for this group - history and art.

7.2 The Relevance of Upgrade Option 3

Runway upgrade option three provides the best prospect of viable tourist packages where the availability of direct air access would be an advantage. Option 3 enables the use of fairly fast, comfortable 30+ passenger aircraft with a travel range including Sydney, Adelaide Canberra and Hobart. Longer flights for example from Brisbane would be possible, would perhaps require a refuelling stop but would be unattractive for the upper market segment in terms of both time and comfort. At this range, use of RPT flights to Melbourne Airport and road access would be preferred. The key capability of smaller aircraft is the ability to carry identifiable groups with a flexible route, including Canberra on a Sydney - Ballarat trip, or flying direct from Hobart to Ballarat without the delays of RPT flights on this less well served route.

The combination of the air capability provided by Option 3 and the attraction of the history of the goldfields and the collections of the Fine Art Gallery could be exploited through specialised packages aimed at international visitors to Sydney, Hobart and Adelaide and perhaps Canberra. A particular target group would be those attending international professional conferences and their partners. The attractions listed can be supplemented or enhanced by a variety of options available through Ballarat's position as one of the key entry points for the Great Southern Touring Route.

7.3 Art Tourism

A possible example of how this could work is an 'Art Tour' for people attending an international professional conference in Sydney. For example a tour could depart from Sydney in a comfortable 30+ seat aircraft and could visit the:

- Australian National Gallery in Canberra

- Ballarat Fine Art Gallery
- 12 Apostles and/or Phillip Island
- the Melbourne and National Gallery Victoria.

There are no doubt other variations that could be designed around the market segment.

The people from this type of market segment spend about $800 per day, perhaps say $600 per day in Ballarat. At this rate, 800 visit days per year could cover the upgrade, without counting spin-off multipliers. In round terms 800 visit days translates to about 30 aircraft a year.

7.4 Trips Linked By Special Interests.

The travel industry offers plenty of garden tours and food tours, but to date there appears to be little organised international art tourism. Some does occur but predominantly arranged by professional associations and major galleries rather than the tourist industry, just as archaeology tours have been in the past. The major international galleries are of course accessible without complications.

7.5 Cruise Liner Passengers

Cruise liner passengers often make tours on shore some distance from a port, sometimes including longer trips which link passengers to the ship at another port. The possibility exists for example, for groups of passengers to leave a cruise liner in Hobart, and fly direct to Ballarat, subsequently rejoining the ship in Melbourne or Sydney after spending the available time in Ballarat. Alternatively, they might travel by tour bus to Launceston, then fly to Ballarat, There are of course other variations that could be identified and investigated. Regular Public Transport air services from Hobart or Launceston could have difficulty meeting the time schedules needed. Maintaining group cohesion is also likely to be important to both the passengers and the cruise line operators, thus making a direct flight an important factor. Cruising is another fast growth area, and additional options could assist in the growth of the Australian share.

8.0 THE COST OF OPTION 3

The cost of the Option 3 upgrade was estimated by Hyder Consultants at $4.2million (Year 2000 dollars), not including GST. Allowing for funding programs to eventuate, detail design and contract preparation, construction is likely to occur in 2002 with an opening in 2003. The benefits from increased tourist and business activity will consequently occur in a stream beginning in 2003 and should for comparison be measured in Year 2000 dollar prices, with the stream discounted to year 2002.

9.0 MEETING THE UPGRADE COST

9.1 The Benefit Stream

A viable benefit stream should return a rate of 12% on the employed capital of $4.1million. This is a reasonable rate for public infrastructure, and for simplicity the capital has been slightly reduced from the actual $4.2million, allowing for some return from non-tourism use. Also for simplicity, a payback period over eight years has been taken as equivalent.

Estimates of the growth rate for international tourism in Australia, and the proportion of these visiting Victoria leads to an estimated growth rate for Victoria of 5.1%.

The table below shows how the capital cost could be recovered, with a visitation rate beginning at 500 visit days in the first year, 800 in the second year, then growing at 10% per annum for the next 4 years as the product becomes known, then at the estimated Victorian growth rate of 5.1% per annum. A spend rate of $550 per day has been taken as likely for this group in a regional city (compared with a capital city rate). The air travel costs have been excluded as notionally prepaid before leaving home. These costs would of course add to the Australian tourism income but not in Ballarat. Note that both the Cost recovery target and the Cash Flow figures exclude the effect of GST.

Table 5. Cost Recovery Table

Year	*No. of Visitors*	*Discounted Cash Flow* $	*Aircraft Used*
1	500	275,000	20
2	800	425,121	32
3	880	467,633	35
4	968	514,396	39
5	1065	565,836	43
6	1119	594,693	45
7	1176	625,023	47
8	1236	656,899	49
	Total:	**$4,124,681**	

The numbers of 30 seat aircraft used is based on 25 seat occupancy or an occupancy rate of approximately 80%.

This analysis is not definitive, as a variety of package options would be possible. The analysis shown is for a simple one night package option and may thus be conservative. Also, as international conference attendance grew by 250% from 1992 to 1997 (ABS), ie a compound rate of 20%, the growth rate used above varying from 10% to 5.1% is also probably conservative. The probability of reaching the number of visitors and spending rates used above is discussed in Section 9 below.

It should also be noted that the effect of multiplier factors is not included. The additional benefits resulting from the spin-off effects can be regarded as a safety factor, covering the uncertainties involved in introducing new services. These effects are briefly discussed below. In addition, the above analysis takes no account of the benefits of Option 1, the cost of which is effectively included in Option 3. If the project were to be undertaken in stages (which is not recommended) Option 1 costs ($2.7 million) could be seen to be justified by the retention of the annual $3million turnover of the existing operations. The additional investment cost to move to Option 3 would then be seen to be $1.5 million.

9.2 The Effect of Economic Multipliers

It is conventional in assessing the overall benefits from tourism activity to take into account the effect of economic multipliers, which are briefly summarised below.

The expenditure in activities directly serving tourists is in part used to buy-in various inputs.

One may therefore view the level of income and jobs generated for Victorians, from the sale of such services to outside residents, as a key part of the "economic benefits" created by the Airport. These impacts include jobs in activities at, or nearby the Airport, which provide services directly to users, and also those in industries which in turn supply inputs of materials or services to such activities. There are a wide array of these support industries, ranging from the manufacture of foodstuffs to aircraft parts and office supplies.

9.3 Types of Impact

The tourism employment and income impacts fall into three distinct sets. First are those concerning directly related economic activity ie connected with the actual operation of tourist facilities.

The second set of termed indirect impacts concern linkages with the rest of the region's economy - ie relationships between firms directly involved in a tourist facility and other producers who supply inputs to them. These include inputs to those firms engaged in selling tourist services. These impacts therefore refer to those activities which are concerned with intermediate production, such as food manufacture or supply, laundry services for hotels, building maintenance, electricity supply, insurance and other inputs.

Thirdly, the creation of jobs associated with providing tourist services will result in further employment and income creation. This is brought about by the local spending of wages and salaries by those in tourist related jobs, so increasing the demand for goods and services generally. These consumption induced impacts reflect the propensity of households to consume the outputs of different industries based in the region or Victoria.

Other studies have estimated the multiplier for tourism to be of the order of 1.8. That is for every $1 spent directly on a tourist product there is a multiplier effect of $1.80 in the local economy.

As noted above, in this assessment the multiplier effect has been regarded as a safety factor, a suitable approach when dealing with an unconventional product.

Although the multiplier effect has been disregarded in comparing the benefit stream with the upgrade cost, it should be noted that an average yearly *direct* input into the local economy of $500,000 is likely.

9.4 Size of the Potential Market

The above assessment involves attracting high yield tourists to the Ballarat region. The available tourist pool can be represented by the number of delegates to international conferences and conventions. The size and growth of this sector of the tourism industry is well described in the report "Cultural Tourism in Australia - International Conventions and Luxury Cruise Ships" prepared for the Department of Communications, Information Technology and the Arts by Penelope Coombes and Janet Millar.

Part of this report describing the conferences and conventions sector is set out below:

In 1997 112,644 international visitors to Australia attended conferences and conventions. This represents a market growth of 250 per cent over the last five years, making it the fastest growing sector of the Australian tourism industry (ABS, 1997).

The Sydney Conventions and Visitor Bureau 1997 Report indicates that international delegates spend a remarkable $770 while in Sydney or $5722 for their entire stay, based on an average stay of 6.8 nights. This expenditure of $770 per day is nine times the average expenditure for international visitors of $85 per day. The Australian international meetings and conventions market has been estimated at around $2 billion annually in direct expenditure.

As shown in Table 1, these international delegates spend $2091 per delegate per visit in the categories where cultural tourism products are offered. This represents 36.5 per cent of all delegate expenditures during their Australian visit. Hotel accommodation, domestic air fares, registrations, ground transport, and telephone and fax expenses, make up the remaining 63.5 per cent.

Australia continues to increase its world ranking for international meetings, moving from No. 13 in 1995 to No. 11 in 1996 (UIA, 1996).

In the Asia-Pacific context, Australian cities are ranked highly as destinations for international convention delegates. Sydney has a ranking of No. 1, Melbourne No. 4, and Adelaide No. 14, as shown in Table 2.

New Zealand, USA and UK are the three most important sources for the Australian convention market, followed by Korea, Japan, Malaysia, Singapore, China, Indonesia and Hong Kong (Sydney Conventions and Visitor Bureau, April 1997).

Table 6. International delegate expenditure per visit for categories where cultural products are offered

Expenditure Category	International delegate Expenditure
Shopping	$636
Restaurants	$429
Convention functions	$289
Tours	$323
Recreational activities	$239
Theatre/Concerts/Cinemas	$175
Total	**$2,091**

Source: Sydney Conventions and Visitors Bureau

It should be noted that at the time of the surveys from which the above data were obtained, there was no GST in force.

The report goes on to comment about recent changes in the economic outlook for Asia and the importance of Asia as the source of about half of Australia's tourist arrivals. This led the Tourism Forecasting Council to review their growth forecast with visitor arrivals expected to fall by 4.7% in 1999. *(Tourism Forecasting Council, March, 1998).*

Although the forecasts were reduced and other economic changes, including the recent oil price changes, the pool of high yield visitors is large. Of the 112,647 visitors in 1997, visitors within range of Ballarat by air were:

Sydney	31,575	
Adelaide	6,425	
Hobart	12,500	(Cruise ships)
Total:	**50,495**	

The estimated 800 to 1236 tourists shown above in the Cost Recovery Table (Table 5) represents less than 2% of the growing number of visitors in this pool. It should also be noted that the growth in this area requires matching growth in tourist products. The capture of this small proportion of tourists by Ballarat should not be regarded as diverting the tourist income from some other area, but as reasonable competition which in turn helps Australia to serve and retain or grow its market share.

The data in the Cultural Tourism in Australia - International Conventions and Luxury Cruise Ships report allows the average expenditure to be re-formatted to a daily basis (excluding conference costs) as follows:

Industry Sector	$ per day
Shopping	$99
Restaurants	$67
Tours	$50
Recreational activities	$37
Theatre/Concerts/Cinemas	$27
Hotel/Domestic air fares, ground transport, telephone:	$332
Total	**$613**

These figures exclude conference costs (registration, functions etc) and international air fares and have been indexed up to year 2000 from the 1996 figures shown in the report referred to. As shown, they are also averaged over the whole 6.8 day period of the average stay. It is likely that expenditure during the conference period (say 5 days) would be lower than in the other part of the stay, so the figure of $613 per day probably underestimates expenditure during the pre-conference or post conference period. The figure of $550 per day used earlier to estimate the benefit stream therefore appears realistic. Further, the air component has effectively been omitted from this analysis. The spending pattern shown by the data, illustrated the preferred accommodation and spending pattern of this high yield pool. The decision to go to another location at some cost (the air component) will have only a modest effect. The air component is however injected elsewhere into the Australian economy. Also, as the data indicate a preferred pattern, it can be expected that the addition of GST would have little impact.

The repayment table given earlier is based on Sydney based visitors. A small addition may be obtained from the Adelaide convention pool, perhaps with a different focus, using different aircraft but relying on the organisational structures arranged for Sydney based visitors.

Similarly there is some potential for visits from passengers from cruise liners, as noted in section 7.5.

9.4 Capturing Market Share

As indicated earlier, a prospective date for funding approval is early 2001, with the opening date for a runway capability upgrade opening likely to be in 2003. This is a tight schedule for arranging for tour packages to be available. Early concentration would best be on the Sydney-Canberra-Ballarat route, with possible expansion of the options following.

Special skills will be needed to negotiate workable packages. It would be better to delay availability rather than risk undermining the concept with inferior performance.

10.0 CONCLUSION

Ballarat has a strong industrial and service industry base and a well developed tourism infrastructure, the principal elements of which are community owned (the Fine Art Gallery, Botanic Gardens, Eureka Stockade Interpretation Centre and Sovereign Hill).

Despite this, Ballarat's unemployment rate has in the recent past been as high as 13.8% which at that time was considerably higher than the Victoria wide rate of 8.1%. Although this differential has been reduced (now 8.5% compared with 6.6% for Victoria), the earlier figure illustrates the sensitivity of regional towns to economic conditions. The most likely way of improving this situation is by developing the tourist industry. The tourist attractions listed are well managed, have a proven track record and further potential. Complementary facilities are planned and have commenced.

The proposed Option 3 airport upgrade is relatively low in capital cost, can clearly repay its cost within 8 years and has the potential for on-going advancement of tourism. The small increase in aircraft noise will be well within accepted standards.

Funding for this proposal should be approved as soon as possible and construction should follow with little delay. Early construction is needed to ensure confidence in the tourist packages which can exploit the potential thereby created.

ADDITIONAL INFORMATION HELD BY THE SECRETARIAT

ATTACHMENTS TO SUBMISSION NO. 168 – CITY OF BALLARAT

1. Ballarat Airport Location.
2. Ballarat Airport in relation to the urban area.
3. Ballarat Airport Layout.
4. Model of Camp St. redevelopment.
5. Convention expenditure table.
6. Major events in Ballarat.
7. Acknowledgements.