



Australian Equine and Livestock Centre

Feasibility Study

Final Report

September 2001



Australian Equine and Livestock Centre

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Contents

Executive Summary	1
1. Terms of Reference for the study	3
2. Background to the Study	4
2.1 Description of present site	5
2.2 Previous Studies.....	5
2.3 Present Management Arrangements	6
2.4 Decline in use of the present site.....	6
2.5 Description of the Proposed Facility.....	7
2.5.1 Location of the Site	7
3. Demand Profile for an Australian Equine and Livestock Centre	9
3.1 Sources of Demand for an AELC in Tamworth	9
3.2 Management and Control of Events at the AELC.....	10
3.3 Equine Association Events	12
3.3.1 Attraction of the new centre to equine groups.....	12
3.3.2 Overall use of the centre.....	13
3.4 Degree of venue management sought by users.....	14
3.5 Revenue Estimation	15
3.5.1 Arena Hire	16
3.5.2 Stable and Camping space hire	17
3.5.3 Food and beverage sales.....	18
3.5.4 Fodder Sales	19
3.5.5 Merchandise and Souvenir sales.....	20
3.5.6 Gate Takings	21
3.5.7 Commission on Sales and Exhibition Space Rental.....	21
3.5.8 Other potential revenue streams	22
3.6 Summary of Operating Revenues.....	24
3.7 Operating Cost Streams – fixed and variable.....	24
3.7.1 Variable Costs	25
3.7.2 Fixed costs	27
3.8 Capital Costs	29
3.9 Conclusion – Overall Financial Feasibility of the AELC.....	29
3.9.1 Sources of capital funding.....	32
4. Economic Impact	33
4.1 Do nothing case.....	34
4.2 With Development Case	35
4.2.1 Capital Input from Construction.....	35
4.2.2 Increase in economic activity from visitors to the site.....	35
4.2.3 Increase in Employment.....	38
4.2.4 Development of the Longyard precinct of Tamworth.....	39
4.2.5 Increase in Equine Industry Throughout Tamworth and Surrounds.....	39
4.3 Conclusion to the economic impact analysis.....	39
5. Marketing Plan for the Centre	41
5.1 Main markets.....	41
5.2 Market Characteristics	41
5.3 Market strategies	41
5.4 Relationship with other centres within Tamworth	43
5.4.1 Proximity to TREC	43

5.4.2	Relationship with TREC	43
5.4.3	Tamworth Showgrounds	44
6.	Management and Legal Structure of the AELC.....	45
6.1	History of the Tamworth Showgrounds	45
6.2	Transition.....	45
6.3	New Corporate Structure	46
6.4	Legal Status of the New Entity.....	47
7.	Conclusion.....	48
	References	49
Appendix A	Schedule of Use, Showgrounds 2000-2001 Season	50
Appendix B	Capital Cost Items – AELC	1
Appendix C	Proposed Calendar of Events	4

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Executive Summary

This feasibility study into the proposed Australian Equine and Livestock Centre at Tamworth was completed by Sinclair Knight for the Tamworth City Council.

Funding for this study was provided jointly by the New England North West Area Consultative Committee (under the Federal RAP), the Tamworth City Council, and the Federal Department of Workplace Relations, Employment and Small Business.

The conclusions presented in this report have been made on the basis of thorough stakeholder consultation, related SKM experience and inspection of existing reports.

The analysis concluded the following:

- The present equine and livestock facilities at the Tamworth Showgrounds are no longer able to provide a competitive venue for the staging of many performance events;
- The rationalisation and closure of the showgrounds site and development of a new venue at a greenfields site provides the most permanent solution to the ongoing repair and physical capacity problems associated with the showgrounds;
- The vast majority of present users of the Tamworth Showgrounds would welcome the opportunity to relocate their existing events to the new facility at the prices listed in this report;
- Many of the competitive advantages possessed by Tamworth which have lead to the development of its equine industry will be enhanced and promoted by the construction of a new, state of the art facility;
- The Australian Equine and Livestock Centre, proposed to be constructed in Longyard, Tamworth, will bring significant economic benefits to the region, by direct and indirect stimulation of the local economy;
- On the basis of the financial data assembled in this report, provided that grant funding is made available, the AELC will return a profit in its first full year of operation, and provide a long term rate of return of over 10%;
- The AELC will have a capital cost of an estimated \$12.5 million, and an operating budget of around \$500,000 per annum;
- The AELC management should concentrate on their core activities as venue managers and event promoters, and outsource all specialist services such as catering, security, maintenance etc to ensure that professional standards are maintained ;
- The new centre should divide its time between facilitation of user groups' events and promotion of its own events to capture the returns which would otherwise accrue to promoters;

- The AELC should strive to develop a cooperative relationship with the managers of the Tamworth saleyards, the Tamworth Racecourse, the Tamworth Harness Racing Club and the TREC for the overall benefit of the Tamworth Community;
- It is recommended that the AELC make full use of the extensive marketing resources of user groups, through their members' magazines and other communication channels;
- The AELC should be governed by a board of 9 directors, with permanent representation of the Tamworth CC, user groups and the Tamworth P&A. The legal structure of the structure would be vested with a company limited by guarantee;
- The chief executive officer of the AELC would have a depth of training and experience in event promotions, venue management and some experience in the equine and livestock industries in Australia;
- The AELC should strive to position itself among the small group of elite, regionally-based Australian venues capable of hosting national or international standard events.

1. Terms of Reference for the study

Sinclair Knight Merz was commissioned by the Tamworth City Council to complete a masterplan of the proposed Australian Equine and Livestock Centre in Tamworth. This masterplan includes assessment of:

- The financial feasibility of the proposed centre (including capital and running costs)
- The overall economic impact of the proposed centre within the Tamworth Region and
- The recommended management and legal structure of the entity responsible for the running of the AELC.

This project involved extensive consultation with user groups, institutional stakeholders, the Tamworth Pastoral and Agricultural Association and other interested agencies and groups.

Specific groups consulted included:

Organisation

- | | |
|---------------------------------------|--|
| - Tamworth P&A Association | - Magic Millions Sales |
| - Australian Rodeo School | - Pitt Stone And Son (Sales) |
| - ABCRA | - Elders Ltd |
| - Championship Bullriding | - Wesfarmers Landmark |
| - Peel Valley Cutting Club | - Australian Murray Grey Soc |
| - Bective Charity Cutting | - Devon Cattle Breeders Soc |
| - NCHA | - Northern Santa Gertrudis Soc |
| - Horse Trials Association | - Dexter Cattle, Australia |
| - Tamworth Dressage | - Hereford Society |
| - Tamworth Show | - Australian Poll Hereford Society |
| - HVQHA Championships | - Charolais Society |
| - High School Rodeo Finals | - Santa Gertrudis Australia |
| - Appaloosa National | - Limousin Society |
| - New England QHA | - Australian Registered Cattle Breeders Assoc. |
| - Aust Stockhorse National Show | - Shorthorn Society |
| - Paint Horse National Show | - South Devon Cattle Society |
| - Australian Professional Rodeo Assoc | - Red Angus Society |
| - Premier State Timed Event | - Alpaca Society |
| - Arab Horse Society Of Australia | - Angus Society |
| - Reining Association (NRHA) | - New England Breeders Group |
| - Australian Barrel Horse Assoc | - Tamworth Institute of TAFE |
| - Equestrian Federation of Australia | - Royal Agricultural Society |
| - NSW Showjumping Council | - Townsville Entertainment Centre |
| - Team Penning Society | - Brisbane Entertainment Centre |
| - Tamworth Campdraft Society | - Cineplex (Managers Of Tamworth TREC) |
| - Pony Club | - Tamworth Livestock Saleyards |
| - Equitana Asia Pacific | - |

2. Background to the Study

The concept of an Australian Equine and Livestock Centre (AELC) in Tamworth has been investigated under a number of guises and for a variety of stakeholder groups over the past decade, as existing facilities have come under increasing pressure to expand and develop to cater to growing demand.

The present facilities have been used by their owner, the Tamworth Pastoral and Agricultural Association (P&A) for the running of a variety of equine and livestock shows and events since 1910.

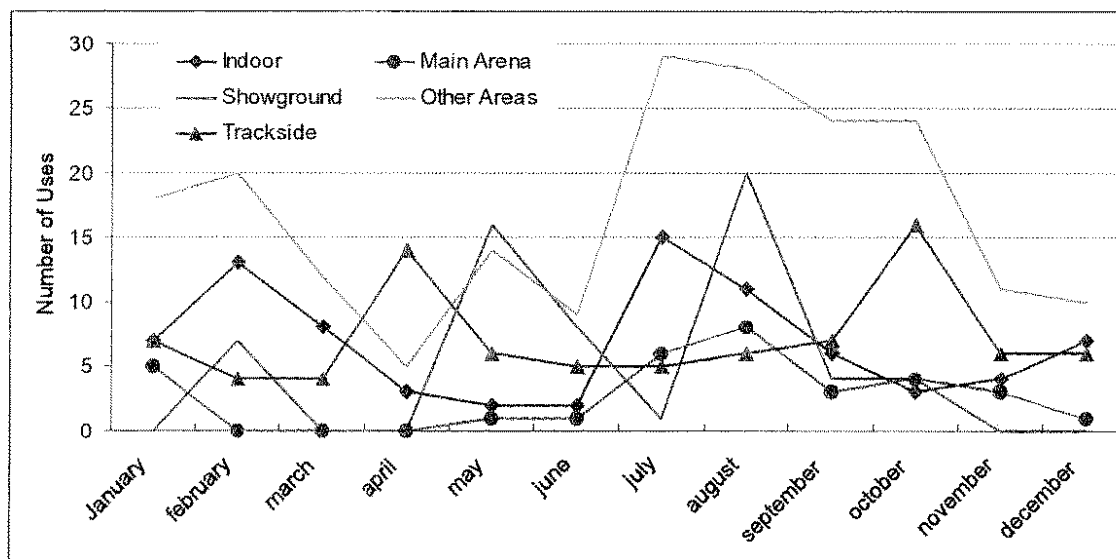
While the showgrounds were initially designed and used for the annual Tamworth Agricultural Society Show, over the past 15 years the showgrounds have captured much of the dramatic growth of popularity of equestrian-related recreation, with 132 days of mostly equestrian-related events held through 2000 (ASP, 2000).

The association is responsible for two major events at the Showgrounds throughout the year:

- The Annual Tamworth Show, (including the show rodeo) which brings in a total of 11,500 people over three days
- The Australian Bushman's Campdraft and Rodeo Association's National Finals, over 6 days of competition attracting 6,000 participants and spectators

Over 130 other functions and events are held at the Tamworth Showgrounds each year, run under the auspices of the sponsoring associations (see Appendix A). In 2000/2001, the use of the facilities at the Showgrounds was as follows:

■ **Figure 2.1 Usage of Tamworth Showgrounds**



Source: Tamworth P&A, 2001. Does not include Tamworth Harness Racing Club events.

Overall, the indoor (Don Willis) arena at the Tamworth Showgrounds was used 81 times in 2000-2001 and the main arena (in the centre of the trotting track) was used some 75 times (with many of these uses in conjunction with use of the indoor arena).

2.1 Description of present site

At present, the Tamworth Showgrounds is the only site which is capable of hosting equine (non-racing) or livestock events for crowds of greater than 500 people, indoors or outdoors. Despite this, it has no illusions of being able to cater for truly national events with broad appeal due to its present size.

The showgrounds have an area of approximately 38 acres with a trotting track and the main arena beside it being the major facilities. The showgrounds also contain the Don Willis Indoor Arena which covers an area of 2,178 sqm (66m x 33m). As noted above, the indoor arena is booked approximately 85 days of the year. The main users of the indoor arena were as follows:

■ **Table 2.1 Main Users of Indoor Arena, 2000-2001**

User	Days of Use
Peel Valley Cutting	8
Bective Cutting	7
NCHA	5
Magic Millions	4
ABCRA National Finals	3
AQHA Youth Clinic	3
Jane Riley	3
NCHA Non Pro Show, TAFE	3
AQHA Super Series Campdratt, Australian Barrel Association Australian Miniature Horse Association, Charolais Society Of Australia, Holstein Society, Louis Peters, Northern Branch Stock Horse Group Breeders Show, PSTEA, Tamworth Dressage Club, New England Hereford Group	2
Miscellaneous Others	1

A new stable complex has recently been constructed at the site with 180 modern, rubber-lined swing-door stables. A further 143 older stables are also on site, though these are in a state of disrepair and many users will not allow their animals to use them (ASP, 2000).

2.2 Previous Studies

In the mid 1990s, a preliminary study of the use of the Tamworth Showgrounds forecast that, "current facilities were inadequate to sustain the needs of national (equine and livestock) associations and that further investment was needed to secure Tamworth's position as a major centre (for equine events).

In the mid-late 1990s, a series of studies were commissioned by the Tamworth P&A and Tamworth City Council (TCC) to investigate options for the further development of the showgrounds and event facilities within Tamworth. These studies were largely confined to determination of the financial feasibility of extensive renovation of the existing Showgrounds site and paid little attention to the opportunity for a greenfields development.

In particular, the previous reports found the following facilities to be needed:

- Enlarged modernised indoor arena with warm up areas
- Undercover public conveniences
- Improved amenities for spectators and competitors/riders
- Adequate product display areas
- Executive offices
- Press facilities, interview area etc
- Break-out rooms for interviews and meetings
- Off street parking
- Improved lighting
- Improved signage
- Adequate numbers of safe, secure stables.

In addition to this list, discussion with national and regional event organisers have highlighted their demand for the following at a revitalised centre:

- State of the art show ring facilities
- Professional catering and bar services
- Fodder and bedding store on site
- Dedicated outdoor campdraft arena
- Video projection screens for large, spectacular events.

2.3 Present Management Arrangements

At the moment, the Tamworth Showgrounds are held by the Tamworth Pastoral and Agricultural Association Inc. The Tamworth P&A is a non-profit organisation, originally charged with responsibility for managing and promoting the Agricultural Show in Tamworth each year, although in the modern era its responsibilities have widened to incorporate the range of performance equine and non-equine events listed in Appendix A

The management of the site is hampered by a number of previous developments on site and the demand for the facility exceeding initial expectations.

Although the P&A own the showgrounds site, the most prime area in the grounds is occupied by a trotting track arena, used by the Tamworth Harness Racing Committee (THRC) on a regular basis. The land for the trotting track was leased to the in THRC for 15 years with an option for a further 15 years, thus locking up this valuable parcel of land for 30 years in total.

2.4 Decline in use of the present site

As a result of the shortcomings listed above, a number of high profile users of the Tamworth showgrounds have discontinued their long standing fixtures at the

Tamworth Showgrounds. The departure of the Australian Quarter Horse Association to the Homebush showgrounds outside of Sydney and the Australian Appaloosa Association to Dubbo have both been influenced by the inadequacy of facilities at the Tamworth Showgrounds. Other high profile equine groups such as the National Cutting Horse Association and the Australian Professional Rodeo Association have expressed concern that they have to incur significant costs in bringing the Tamworth Showgrounds up to a standard that is acceptable to their spectators, participants and sponsors. Others have mentioned that the limited seating capacity has caused them to turn paying customers away.

The state of the present showgrounds and its landlocked position between the Tamworth railway line and industrial developments on either side are preventing Tamworth from fully capitalising on its natural geographic advantage for staging of large scale equine and livestock events.

2.5 Description of the Proposed Facility

2.5.1 Location of the Site

The Australian Equine and Livestock Centre (AELC) is proposed to be constructed on a 50 hectare site known as "Smiths Block" some 5km south of the main street in the Tamworth suburb of Longyard, adjacent to the Longyard golf course, 4.5km south east of the present showgrounds site.

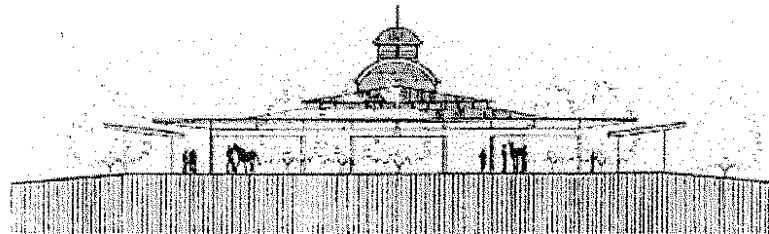
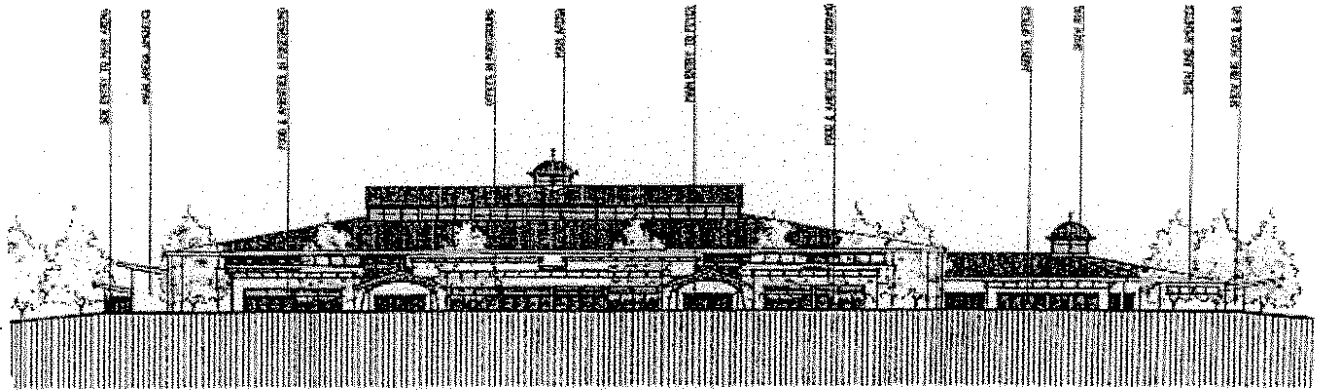
The proposed facility will incorporate three arenas:

- A main arena of 100m x 40m with indoor seating for 5,000 and heating and air conditioning, and an earthen floor, underground walkways and television-standard lighting
- A smaller indoor arena for smaller events or warming up horses prior to competition in the larger arena
- An outdoor campdraft arena.

The main arena will incorporate a show ring at its northern end, capable of holding 700-900 people for cattle and horse sales. The main arena has been designed to eliminate the conflict between people and stock with the three main stock entry points being via 6m wide underground ramps. The main arena also includes corporate and media boxes which provide direct views of the arena,

The proposal for the centre includes provision for 600 stables (6 x blocks of 100) with each incorporating wash bays for animals, vet rooms and tack storage facilities, as well as showers for those camping nearby. The stable buildings have been designed with flare-up verandahs to catch prevailing winds to force air into the building, which then escapes via ventilation grooves in the tiered roof.

■ Figure 2.2 Proposed Centre - Front and Side Elevations



S I D E E L E V A T I O N

The site includes carparking for 800-1000 cars, with overflow parking available on the grassed areas of the site towards the east.

With sealed roads and paths throughout, covered walkways between stables and arenas and 200 campsites adjacent to the stable complex, the centre is designed with the intention of becoming the state of the art for performance equestrian events in Australia.

These sketches, as well as the more detailed accompanying drawings, are based on extensive discussions between the project architect and user groups over the period of March-April 2001. A full list of the proposed capital expense items is listed in Appendix B.

3. Demand Profile for an Australian Equine and Livestock Centre

Perhaps the most important element of this masterplan is correct identification of the extent of market demand for an AELC in Tamworth. It is clear that regardless of the sophistication of the development or its uniqueness within the landscape of competing centres, that the success of the venture will depend on the amount of *paid* use that this centre will achieve.

As a result of this observation, the demand assessment for the Australian Equine and livestock centre has been a major component of this study. As noted in Section 2, direct contact with over 120 separate organisations has illustrated the nature and scale of demand for an AELC in Tamworth.

This section describes main sources of demand for a national centre, and a forecast of the likely events schedule that may eventuate as a result of this demand.

3.1 Sources of Demand for an AELC in Tamworth

There are several complementary sources of demand for an Australian Equine and Livestock Centre in Tamworth, each providing an income stream to the project. The demand is focussed on the use of the main indoor arena at the site, which is proposed to seat 5,000 spectators and provide an excellent level of service to all users of the facility.

The demand for the arena and its various supporting facilities (restaurants and bars, stables, auxiliary arenas and display areas) is divisible into three main sources:

■ Box 1 Sources of Demand - Tamworth AELC

Equine and livestock events, expected to be one or a combination of presentations of

- Competitive events,
- Horse/ stud livestock sales
- Horse/livestock management education
- Horse/livestock event training

Cultural and Sporting Events, such as

Christmas Parties,

B&S Balls

Country Music Festival spillover events

Annual General Meetings

Tamworth, New England Exhibitions

Motorised and unmotorised sports (beach volley ball, etc) and recreation.

Industry and quasi-industry events

- Industrial extension/field type events
- Regional and local agricultural shows

While many of the events listed in Box 1 are presently held at the Tamworth Showgrounds, all of the main user groups consulted see significant advantages to their members in moving to the proposed premises, particularly for larger events where more than 1,500 participants or 300 horses are involved.

The main determinants of these demand streams are

- Broad geographic preference for Tamworth by equine and livestock groups along eastern seaboard
- Growth in the popularity for equine spectator events, particularly dressage, campdraft, rodeo and cutting events across Australia and especially along the eastern seaboard,
- Growth in the equine industry surrounding Tamworth, particularly horse studs and associated support services,
- Inadequacy of present facilities in Tamworth to cater for existing numbers/growth in membership and public interest,
- Inadequacy of present facilities to provide an adequate standard of comfort for spectators and participants,
- Lack of venue in NSW of national-standard for holding of multipurpose equine, livestock and entertainment events simultaneously, and
- The existence of demand synergies with the existing Tamworth recreation and entertainment Centre only 400m from the proposed site.

The total expected demand for the centre is best presented in a forecast list of events throughout a typical year. While many events have fixed, recurring dates throughout the calendar, many events are still only at the planning stages and hence it has not been possible to *schedule* all of these events through a year.

This list was prepared via discussions with present and prospective users of the facility. These discussions covered the following issues:

- The number of events presently held at the Tamworth
- The type and standard of facilities which would be required by users of the Centre
- The prices presently paid by users for the use of competing facilities and their willingness to pay for access to a state of the art facility in Tamworth
- Cost sharing and promotional arrangements between the AELC management and user groups themselves.

3.2 Management and Control of Events at the AELC

It is envisaged that two different approaches will be taken with respect to management and control of events: (1) where all or part of the venue is hired out to a private operator/association and (2) where the AELC promotes and administers its own events at the site. These are described below in Table 3.1

■ Table 3.1 Sources of Demand for Proposed Centre (By Event Type)

Event Type		Examples	Major Potential Income Streams to AELC
Hire out premises to private operator	Equine Association Events	NCHA Futurity, show jumping events, Peel Valley Cutters, etc.	Venue Hire, % of food and bev sales, stables and camping charges (S&C)
	Concerts and Celebrations	Tamworth Country Music Festival, Corporate Events, Xmas Parties	Venue Hire, % food and bev sales
	Indoor sports	Beach Volley Ball	Venue hire, affiliation fees
	Motorsport Events	Indoor Trail riders, BMX events, "Xtreme sport" events	Venue Hire, % food and bev sales
	Livestock and Equine Sales	Magic Millions, Pitt Son and Keen, Wesfarmers	Sales commission, % food and drink sales, (S&C)
	Industry trade fairs	International Breed Congresses, Beef Week, 'Equitana' (week long industry fairs industry trends, extension, entertainment.	Venue Hire, % food and bev sales, sales commission on retail sales, (S&C)
	Industry extension events/ education	DPIE Extension events, UNE Displays, TAFE horsemanship, education	Venue Hire, % food and bev sales, stabling
	Training	Local showjumping, cutting associations	Venue hire, stabling and camping
	Equine Events	ABCRA Finals, Pro-Rodeo, AQHA Championships	Admission fees, % food and bev sales (S&C)
	Tamworth Show	Tamworth Show	Admission fees, food and bev sales, (S&C)
AELC Events	Industry Events	Beef Week, Equitana	Venue Hire, % food and bev sales, stabling, exhibition space
	Training	Local showjumping, cutting associations	Education fees, stabling and camping

As shown in Table 3.1, the two types of event involve different revenue and cost streams for the AELC administrators and the users of the venue.

It is foreseen that the majority of users will prefer to access the AELC as a venue for the staging of events that are promoted, advertised and run (at least partially) by users themselves rather than being a venue for their members to attend an AELC sponsored event. This fits with the core objective of the AELC management to be a professional *venue administrator* rather than a successful equestrian or livestock event promoter and organiser.

However it is also envisaged that the AELC administration will be responsible for promoting and managing a small number of its own large events throughout the year to contribute to the cashflow of the premises. Discussions with several member of the Tamworth business community suggests that there remains a place for the venue to conduct "non-aligned" events such as championship campdrafting, rodeos or similar more spectacular events from its own resource base as a means for earning the revenue (and profit) which would normally accrue to the promoter themselves.

It is recognised that the large returns to promoters of certain events are generally proportional to the financial risk involved, and in the interests of prudent risk management, it is not recommended that the AELC become accustomed to having event *promotions* as one of its core activities, but remain predominantly a venue for other, established brands (such as NCHA Cutting, Championship Bullriding, etc) to present their events.

As noted earlier, a range of user groups have been consulted to determine the levels of overall usage of the venue. The results of those discussions and the conclusions from earlier reports form the basis for these forecasts.

3.3 Equine Association Events

Over 130 events are presently held throughout the year at the Tamworth Showgrounds under the auspices of various equine associations, (including the Tamworth Harness Racing Club). These are held by groups of various size, ranging from the NCHA which will generate over 15,000 visits to the showgrounds for its annual Futurity to local-based groups such as the Peel Valley cutting club which attracts 200 spectators to its monthly events.

These events provide the consistent cashflow for the centre, in the forms of venue rental, stable and camping site hire and some proportion of bar and food sales.

The main advantage of catering to these groups is their frequency and reliability throughout the year, with many regional or national associations booking the same week(s) each year for their events.

In addition to this, a reasonable extent of the financial risk associated with staging these events is expected to lie with promoters and organisers of the events, as they are expected to provide the major share of the outlay for advertising, promotions and coordinating the events.

The high profile of some of the equine events, such as the NCHA Futurity, AQHA National Show, Australian Professional Rodeo Association National Finals and many others would also provide important national exposure for the centre, and assist with the attraction of national corporate sponsors to assist with development and operating costs.

The demand of the equine associations for the AELC was determined via face to face and telephone interviews with committee members.

As with other potential user groups, equine associations were asked whether any of their events presently had a fixture in Tamworth (at the Showgrounds site) and which of these would relocate to the new showgrounds site given a draft fee schedule.

3.3.1 Attraction of the new centre to equine groups

Many of the groups noted the benefit to their own associations of having a facility of a standard usually only found in a capital city, located in the area of sustainable, "grass roots" demand for their events.

Although the new centre was anticipated to be more expensive for the equine groups presently using the Tamworth Showgrounds site, they expressed their willingness to pay a higher rental charge for the larger, better apportioned facilities proposed at the Longyard site, as well as an increased willingness to pay on behalf of their members for better camping and stabling facilities.

A number of features of the proposed facilities were of particular interest to the equestrian event groups:

- Seating for up to 5,000 spectators, with full bar and restaurant areas
- The opportunity to use the large arena in conjunction with the smaller, Don Willis arena outside as a spillover demonstration space or warmup area
- Provision of adequate stabling for up to 600 horses with covered walkways and sealed paths throughout
- High quality video, audio system
- Quality camping sites adjacent to stables,
- Separate, outdoor campdrafting arena
- Provision for corporate boxes to suit their largest sponsors
- Proximity of the site to the Tamworth TREC
- Space for safe yarding of stock horses, cattle etc. without the need for electrical tape or other dangerous devices to keep them secure.

3.3.2 Overall use of the centre

As noted, the forecast use of the centre has been based on discussions with potential user groups and other participants in the equine and livestock industries. Overall, occupancy of the arena areas is separated into event days and preparation/packing up days. For the purposes of revenue and cost estimation, event and preparation days are interchangeable, with the sum of these days indicating the amount of business activity taking place on the site. The forecast schedule of events at the new centre for years 1-3 of its operation, are listed in Appendix C.

In addition to the total duration of each event, each is also described in terms of the *likelihood* that it takes place at the AELC at Longyard in any given year. The likelihood, or probability statistics are also based on discussions with user groups and are designed to reflect the largest foreseeable item of business risk in this project will face – a lack of regular (annual) events.

Certain events which have been held at the Tamworth Showgrounds for several years and have claimed a strong preference for continuing in Tamworth have been given a high likelihood (75-90%) of coming to the new site. Other events, which have not yet been held at Tamworth or are only held on a biennial basis (or must alternate between the eastern states) have a low likelihood of being staged at the new centre in any given year (30-50%). As shown in Table 3.2, in the first year of the AELC, 161 days of events may be “pencilled in” to the schedule, with an average likelihood of 82% that they will eventuate as planned. In year 2, another 100 days of events and preparation with a likelihood of 70% are forecast and in year 3 another 57 days are expected at 63%.¹

¹ The general likelihood for any event at the centre (in year 1,2 or 3) is 74%.

By multiplying the likelihood and the duration of each event results in the *expected duration* of each event – and summing these expected uses results in the overall expected use of the venue. On the basis of previous experience with management of racecourses throughout NSW and the Sydney Entertainment centre, a total 230-240 days of use per year is the optimal amount of use that a centre of this size could competently handle, due to logistical and staff management difficulties which arise beyond this point.² Any less than this amount, and it is more difficult for the venue to achieve a creditable rate of return. As shown in Table 3.2, by the end of year 3, the venue is expected to be occupied for an average of 237 days of the year.

The use of the AELC is expected to grow as follows:

■ **Table 3.2 Total Expected Use of AELC**

	Year 1	Year 2	Year 3
Event Days (1)	134	208	251
Prep Days (2)	27	80	147
Total Days (3)	161	261	318
Likelihood/probability of events occurring (4)	82%	70%	63%
TOTAL Expected use (= (4) x (3))	131	202	237

To avoid making any unfounded assumptions about growth of the use of the facility, the detailed demand forecast for the facility is only considered until year 3, with the formula for the expected number of events for that year extending through to the end of the analysis timeline, year 20. With the growth in interest in equine sports across the country, and within NSW in particular, use of this “flat growth curve” is considered to be a conservative assumption.

3.4 Degree of venue management sought by users

The degree of venue management support sought by users will vary with their size (financial base) and level of sophistication and the complexity or size of their event. Larger, well resourced associations may wish to provide their own catering staff and coordinate the development and running of their shows, while smaller groups will prefer to have the AELC provide a broader range of ancillary services. A range of services may be offered by the AELC to prospective groups, with hire charges for the venue itself being balanced against returns from supply of these services. This tradeoff is demonstrated in Table 3.3

² As discussed earlier, the use of the AELC is expected to grow over its first 3 years – as users gain confidence in the venue through the industry grapevine and the AELC holds more of its own events as manager and promoter.

■ **Table 3.3 Alternative Payment Options – Non AELC Events**

Option 1 - Small Operator			Option 2 – Large Operator		
Managed, Promoted by association			Managed, promoted by association		
Managed, Promoted by AELC			Managed, Promoted by AELC		
Catering	✓		Catering	✓	
Veterinary Services	✓		Veterinary Services		✓
Bar (alcoholic beverages)	✓		Bar (alcoholic beverages)	✓	
Tent and Marquee erection services	✓		Tent and Marquee erection services		✓
Temporary cattle pen erection	✓		Temporary cattle pen erection		✓
Judging		✓	Judging		✓
Ribbons and prize money		✓	Ribbons and prize money		✓
Security	✓		Security	✓	✓

Some of the payment options presented in Table 3.3 represent a significant departure from present arrangements at the Tamworth Showgrounds. In most cases, user groups provide their own liquor license and retain profits at present. Under these proposed changes, the company contracted to provide catering and bar services would provide these services as per its operating contract.

3.5 Revenue Estimation

There are a number of likely sources of revenue for the new centre, listed below. The managers of the AELC will need to be flexible in their approach to revenue generation, as different arrangements with promoters and associations will need to be pursued depending on the nature of events held at the site and the wishes of the hirers themselves.

■ **Table 3.4 Forecast Sources of Revenue**

Current, Expected Revenue Streams	Potential, Future Revenue Streams
Hire of the Main Arena	Advertising revenues
Hire of the Don Willis Arena (both together and independently of the Main Arena).	Sponsorship of events/venues (temporary and permanent)
Sale of exhibition space to retailers/demonstrators during AELC and other events	Media/television coverage rights
Stable/stall hire to participants	Preferential / corporate seating revenues
Camping site hire to participants/spectators	Entry Fees for competitive events
Gate takings/ admission fees	On-hiring of technical equipment
Beverage and food sales to spectators and participants	Membership/Affiliation scheme revenue
Feed and fodder sales to event participants	Room hire for functions/lectures etc
Merchandise and Souvenir sales	

It is clear that depending on the nature of the event which is held at the AELC, these various revenue streams may accrue to the AELC, the promoters of events held at the site, or some combination of the two parties.

3.5.1 Arena Hire

One of the innovations put forward by the proponents of the project is to relocate the Don Willis Arena to the AELC site at Longyard, along side the new arena. The juxtaposition of the Don Willis and the Main Arenas will increase the range of uses that the centre could be put.

It is expected that hire charges for stables are expected to be levied on a pro-rata (horse numbers) basis, with both the Don Willis and Main Arenas available for hire at set rates.

On the basis of demand, surveys conducted by the project steering committee and SKM, the following rental rates for the indoor and Don Willis Arenas have been assumed.

■ Table 3.5 – Charge Rates for Arena Use

Horses		Daily Rate	Weekend Rate
0 to	30	\$ 150.00	\$ 200.00
31 to	50	\$ 250.00	\$ 400.00
51 to	75	\$ 375.00	\$ 650.00
76 to	100	\$ 500.00	\$ 900.00
101 to	150	\$ 750.00	\$ 1,400.00
151 to	200	\$ 1,000.00	\$ 1,800.00
200+	<i>per horse</i>	\$ 4.50	\$ 5.50
	<i>plus:</i>		
Main Arena cleaning and electricity Charge:			\$ 2,500.00
Don Willis Arena Cleaning Charge:			<i>at cost</i>
Discount for hiring both Arenas: (off Don Willis Arena Hiring Charge)			50% off

These rates have been designed to allow the maximum possible use of the AELC by as many groups as frequently as possible. Smaller groups will have the option of using the Don Willis Arena and only paying marginally more than at present, with the increased cost justified by the improved support facilities

It is envisaged that these rates will be negotiable for major users of the facility (groups which have shows for more than 4 days, or which involve more than 500 horses).

The *hire* charges for the Don Willis Arena and the Main Arena are comparable with other large arenas in provincial cities and towns throughout Australia. Hire of both the Don Willis and Main Arenas (with combined seating capacity of approximately 6,000) is expected to cost a maximum of approximately \$4,300 per day. Hire of the Townsville Entertainment Centre, for example, costs \$5000 per day for the 5000 seat arena, while the Brisbane entertainment centre charges approximately \$7000 for a 10,000 seat arena (source: BER Website).

In addition to the hire of the Main and Don Willis Arenas, the outdoor campdraft arena will also be available for hire. Discussions with user groups on their general willingness to pay for the arena are still to be finalised, however preliminary discussions suggest a pro-rata price of approximately \$2.50 per horse per day would be acceptable to users³.

The financial model of the AELC incorporates revenue from arena hire as a function of the numbers of horses using each of the 3 arenas for each event, and the duration of each event.

After accounting for the likelihood of various events through the schedule, income from arena hire (rent) is calculated to grow from \$329,000 in year 1 to \$507,000 in year 3⁴.

3.5.2 Stable and Camping space hire

Stable Hire represents another important revenue stream for the centre. At the present site, 180 modern stables are hired to users of the facility, and another 250 older stables are put into use for larger events. On the basis of charges presently in place at the Tamworth Showgrounds for modern stables and those charged at comparable venues such as Dubbo and Scone, gross revenue of \$15 per stable is the going market rate.⁵

While some prediction of the number of horses attending events may be made on the basis of history, not all horses are held in stables during their stay at the Centre. Those who prefer not to keep their horses in the permanent stables will be able to leave them tethered in a yard near the camping grounds at a cost of \$2 per horse per night. The proportions of horses kept in stables has been estimated for each event, with an average proportion across all events of 58%, with the remainder using the yards on site.

At this stage, no allowances have been made for negotiated prices or any special arrangements as far as stables are concerned, and a pro rata approach has been used for each event.

This analysis has also assumed that a maximum of 400 stables has been provided for use at this stage of the project development. If more than 400 stables are required for any particular event, temporary stables have been assumed to be provided by the user group putting on the event at the venue, and will have no bearing on the financial position of the AELC.

The gross revenue from hiring of stables is expected to increase from \$235,000 in year 1 to over \$380,000 by the end of year 3. Annual gross revenue from day yards is expected to increase from \$19,000 to \$34,000 over the same period.

³ P. Botfield, personal communication.

⁴ Note, that this is gross income from arena hire only, and does not address any of the fixed or variable costs associated with making the arenas available for hire. These costs are discussed below.

⁵ Despite the high quality of the stabling proposed at the new site, it is unlikely that most users would be able to pay more than this, and may prefer to bring fewer horses to events, or leave more of their horses in holding yards, thus removing the opportunity for profit.

Rental of camping spaces to horse owners and handlers is another revenue source for the centre. The number of people camping at any event is assumed to be a function of the number of horses at an event, rather than the number of visitors/spectators.

The equation used in the model is that each person participating in an event will bring an average of 2 horses, and 3 people will generally share a single camping space. Therefore overall, one campsite will be used for each 6 horses at the event. Campsites have been priced at \$10.00 per night, bringing expected gross receipts for camping to \$58,000 in year 1, growing to \$97,000 in year 3.

3.5.3 Food and beverage sales

Another important part of the business model for the AELC relates to food and beverage sales. Since a large number of people are expected to visit the AELC throughout the year (approx 75,000 per annum by year 3), often for several days at a time, there is an excellent opportunity for a substantial value of food and drink to be sold at a reasonable return to the venue.

At the moment, the food and beverage (bar) sales at the Tamworth Showgrounds site are shared between the Tamworth P&A and a number of user groups who hold events-based liquor licenses and provide their own catering. In addition to providing a bar at larger events, the Tamworth P&A also provides a canteen with hot meals, operated by the Ladies Auxiliary.

Previous analysis of the P&A business plan (ASP, 2000) and discussion with user groups suggest that the income could be increased if operations at the Showgrounds were run more efficiently and professionally. On the basis of our experience, venues which outsource non-core business functions such as catering, security, cleaning and other services outperform those which keep these functions in-house over the long term.

This is both due to effective management of the business risk associated with these operations, and due to specialist providers having access to superior management and operations systems. Effective management of business risk is an important issue for the AELC, and any steps which can be taken to reduce exposure to fluctuations in attendance levels, especially in the early years of operation, should be considered carefully. Outsourcing of catering services to an established, competent club or catering company on a lease (% of gross turnover + partial fit-out) basis would be a good way of achieving this goal.

Leasing terms

Although specific leasing terms for a catering company would only be determined through negotiation with a tendering firm, industry standard rates of 10-15% of gross turnover would be applicable in this case (sporting and recreational facilities), provided that the lessor made some contribution to fit-out of kitchen and catering spaces, and guaranteed the lessee exclusive rights to food and beverage sales at all large events.

Since as a new facility, the AELC will have no demonstrated patronage record, the lower end of the leasing range (i.e. 10% of gross turnover) would be a more appropriate leasing level to begin with to reflect the risk in the venture to the caterer.

In order to manage any divergence from forecast usage, a maximum of a 3+3 year lease with would be an appropriate starting position for negotiations with a catering services provider.

Expected income

Discussions with user groups, the P&A and event promoters in the region have indicated that average gross food and beverage sales of \$7.50 per person per day is a reasonable estimate across the population of visitors to the centre. This figure assumes that a minimal amount of food is brought to the AELC by visitors, and that no alcohol from outside is permitted. Strict enforcement of these rules is essential.

On the basis of our event and patronage forecasts, it is expected that food and beverage sales would generate a net annual income to the centre of \$46,000 in year 1, rising to \$100,000 in year 3.

It will remain up to the managers of the venue to determine what share of this income stream may be offered to users of the facility. This financial model assumes that 100% of this income goes back to the venue. Several user groups have noted the importance of profits from food and beverage sales to their own business plans. However it should also be realised that the AELC represents a major departure from the business plan established at the Tamworth Showgrounds, with different revenue and cost streams for both users and venue management. Hence users reliance on food and beverage sales to cover costs may not be as essential as under those arrangements.

3.5.4 Fodder Sales

Sale of fodder and other produce to horse owners attending events is another potential source of income to the centre. The availability of fresh fodder on site is likely to be attractive to many of the participants in equine events, particularly those who travel large distances to Tamworth or who stay at the site for more than a few days.

A produce store would be able to make a modest profit for the venue due to users' willingness to pay a convenience premium, and the likely availability of low-cost supplies for such a store (oats, bedding hay, bedding sawdust, etc).

Discussions with user groups have indicated that a user's purchase of produce on site would increase with the number of days that their horse has been at the venue, up to a maximum of \$6 per horse per day. The assumptions for the proportions of users buying fodder are presented in Table 3.6.

■ **Table 3.6 Forecast Fodder Sales**

Number of days in event	Proportion buying by that day	Cumulative amount
0	0%	0.0
1	0%	0.0
2	10%	0.1
3	30%	0.4
4	50%	0.9
5	50%	1.4
6	75%	2.2
7	75%	2.9
8	75%	3.7
9	75%	4.4
10	100%	5.4
11	100%	6.4
Revenue per Horse per day		\$ 6.00

Table 3.6 indicates that for a one day event, no users would have a reason to buy anything from a produce store, while by the 6th day of competition, 75% will purchase \$6 worth of supplies for each of their horses. By the 10th day of competition, 100% of participants in an event will have exhausted their supplies of fodder brought with them and will buy for their horses. The right hand column of the table indicates what overall proportion of users would have bought fodder at a given length of event – for example for a 5 day event, each horse would have required an average of 1.4 days' (\$8.40 worth) of produce from the store.

As with the food and beverage sales, it would be preferable for the managers of the venue to outsource running of the fodder store to manage the business risk from this venture. A leasing return to the venue of 15% of gross turnover has been applied to estimate net returns from this venture. Annual net income from this source is calculated to be \$65,000 in year 1, growing to \$110,000 by year 3.

3.5.5 Merchandise and Souvenir sales

Market research of other user groups and centres indicates that merchandise and souvenir sales can contribute the bottom line of a venue such as the AELC. Experience from the NCHA Futurity indicates that carefully targeted merchandise and souvenirs can achieve net profit margins of around 20% of sales. Aside from design and development costs, AELC events could expect merchandise and souvenir sales of roughly \$0.75 per person, translating to an average of \$0.15 in profit per visitor to the centre for AELC events.

Program sales are additional to merchandise sales. On the basis of NCHA experience, one \$7 program will be bought for every 12.5 visitors to an event. A net profit margin of 20% has also been assumed for program sales, translating to a profit per person of \$0.11 for each AELC event.

Overall, merchandise, souvenir and program sales are expected to contribute \$4,000 in direct net profit in year 1 and over \$14,000 in year 3. Further indirect marketing and associated benefits from merchandise sales will add to benefit of this exercise.

3.5.6 Gate Takings

Gate takings are only considered for AELC events – all other gate takings and costs for managing the venue gates are assumed to be the responsibility of the main user group at the facility. In this financial model, all events are assumed to be 100% AELC or 100% non-AELC, although some sharing of responsibility (and hence revenue and costs) is foreseeable in the future and should not be dismissed out of hand.

The gate charges used in this analysis are quite low, owing to a number of factors:

- A history of free admission to equestrian events
- A history of only charging for specific days within a particular event
- A generally low willingness to pay for entry to events with a large number of substitutes/competing interests
- Other background costs associated with attending events (petrol, accommodation etc for out of town visitors, stabling etc for participants, food and beverages)
- Likelihood that many participants in events will not be willing to fully cover the gate fees through their event entry fees.
- Lower purchasing power for recreational events in rural and regional areas
- Large proportions of children attending events diluting the average cost

On this basis, gate charges for AELC events range from \$2.50 to \$20 per person per event. Gross annual gate takings for events are estimated to rise from \$145,000 to \$445,000 by year 3.

3.5.7 Commission on Sales and Exhibition Space Rental

The last significant income streams for the venue is sales commission from sales and rents from exhibition spaces. Both of these streams are irregular, though relatively lucrative since the costs as a proportion of revenue for these activities is quite low.

Commission income on sales is presently focussed on equine sales, such as the Magic Millions yearling sales in Tamworth. Revenues are derived from a sales commission of 5% on sale price for sales-only events. Sales which occur within other events (such as on the Friday of the NCHA Futurity) only attract a sales commission of 2% of sales – well below industry standard rates. These rates are subject to negotiation with sales promoters, and would be expected to rise with the reputation of the venue over time.

At the moment, the tentative schedule of events conservatively forecasts 4 major stud sales to occur at the centre by the end of year 3.

Cattle sales would also be held at the centre, although since most cattle sales would not benefit from an indoor venue, it is unlikely that this would become a major source of profit for the centre. The present analysis has assumed 5 cattle sales per annum, with a major sale (500 head of cattle) occurring within the Beef week event. Average commission charges of 5% on prices of \$2,500 have been assumed, with an additional advertising (plus yard) fee of \$25 per animal.

Gross annual commissions from sales are expected to rise from \$82,000 in year 1 to \$237,000 by year 3.

Rental of exhibition sites are also only expected to bring revenue to the AELC on a handful of events through the year. Exhibition space is expected to be sold to a wide range of participants in the equine and livestock industries at recreational and industry events with high attendance rates. The majority of exhibitors are likely to be retailers and retail service providers within the industry. Each will pay a flat fee of \$500 for a 3x3 stall for the duration of their event. On the basis of experience of the NCHA Futurity, 40-50 retail and associated stalls could be expected to be sold at larger AELC events.

Gross income from sales of exhibition sites will grow from \$82,000 to \$150,000 between years 1 to 3, with an average of \$20,000 gross income per event from this source.

3.5.8 Other potential revenue streams

The above list includes the most significant and probable sources of net income to the AELC. This list was not intended to be exhaustive, and as the centre develops a track record for hosting and holding events, other revenue streams will most likely be added.

These include:

- **Sponsorship / naming rights** of the venue or events held at the venue
- Selling high-value **corporate seating** to specific events
- Net incomes from **entry fees over prize money** outlays for AELC events
- Opportunities for on-hiring specialised **technical equipment**, such as video screens to hirers of the venue
- Development of a **paid membership / affiliation scheme** for industry and user groups or individuals
- **Advertising revenues** or broadcast rights⁶

Each of these streams could have significant bearing on the financial standing of the centre, although at this stage of business planning, it would be prudent not to rely on any of them in a feasibility study (since they are dependent on historic attendance rates and the organisational reputations of the venue managers).

Despite not including these potential income streams in the financial feasibility model, the following guidelines are offered:

Sponsorship/naming rights

The issue of sponsorship for the venue itself (as a means for offsetting development costs up front) or sponsorships for individual events should be treated very carefully. Offering of any permanent or long term naming rights to corporate entities should be avoided to as to maximise overall opportunities for attracting their competitors or others who may place a higher value on sponsorship further at a later stage, or who may otherwise seek to sponsor individual events. Giving naming rights for the venue to a brewery, airline, bank or other business should be avoided for this reason.

To maximise flexibility and opportunities for attracting sponsors, sponsorship should be restricted to an events basis, for limited terms (such as three years). Ownership and naming rights over corporate boxes is similar, and is discussed briefly below.

Naming rights should, however be offered for sale to “recreational users” of the facility (such as the AQHA, or NCHA) as appropriate, both as a means for raising revenue and to enhance the atmosphere of the venue for patrons.

Corporate Seating Sales

Selling high value corporate seating, both on an events basis and in a more permanent fashion can also be used to subsidise otherwise low gate takings. High quality service packages to event sponsors, or even lessors of office spaces may be offered to gain favourable terms for other negotiations. As with naming rights and sponsorship, permanent sales of blocks of seats or corporate boxes should be done carefully to ensure that their competitors are still welcome at the venue. To this end, advertising hoardings and the like connected to corporate boxes should be discouraged.

Net incomes from entry fees over prize money

This is another source of income which will depend on the marketing skill of the venue manager/event promoters. AELC events, such as the proposed Championship Campdraft and rodeo events will have considerable potential to cover 110-120% of prize money and trophy outlays, thus adding to the net bottom line of the centre. Again, since this revenue is uncertain and dependent on the detailed business model of each AELC event, it has not been included in this analysis. Entry fees, however have been assumed to cover 100% of prize money offered for AELC events from year 1.

On-hiring of technical equipment

The AELC may also be able to attract further revenues from hiring out specialised equipment on an events basis. Specific audio and display equipment such as large video screens and projectors, laser lighting and other special effects may be sub-hired to users to cover venue costs or at a small premium to the AELC. As stated below, this financial analysis has assumed that the cost of this special equipment is borne by the AELC as an incentive for large user groups to hire the venue.

Affiliation schemes/membership of the AELC

Many centres around the country such as the AELC offer affiliation packages to regular user groups/ individual users / visitors, for which they receive discounted hiring fees, merchandise, gate fees or invitations to special events through the year. The extent of this form of revenue would also need to be assessed in detail following specific research of this market. If the corporate structure nominated in Section 6.3 is adopted, financial members of the AELC would effectively pay for the right to elect the AELC board of directors, and hence may become a significant source of revenue.

Advertising/Broadcast rights

Of this list, broadcasting rights is the only one, which will have an ambiguous impact on profits. For many newly established events or venues, it is common for media coverage to cost the event promoters (treated as a marketing expense), rather than being a source of (net) revenue. Only after an event is established, and broadcasters have confidence that an event will add to their own audiences, will they be willing to pay for broadcast rights. The extent of this revenue stream will therefore be dependent on demonstrated regional and national audiences for events.

3.6 Summary of Operating Revenues

On the basis of the table of events listed in Appendix C, we estimate operating revenues for the first three years of operation to be as follows:

■ **Table 3.7 Estimated Operating Revenue Streams, AELC**

Revenue Stream	Year 1	Year 2	Year 3
Rental of Main, Don Willis and Campdraft Stadia	\$ 329,438	\$ 451,204	\$ 507,247
Stable Hire	\$ 235,386	\$ 358,830	\$ 384,346
Day Yards	\$ 19,592	\$ 31,091	\$ 33,747
Camping	\$ 58,123	\$ 90,467	\$ 97,175
Fodder Sales (net)	\$ 65,537	\$ 104,790	\$ 109,016
Merchandise and Programs (net)	\$ 3,903	\$ 11,833	\$ 13,645
Exhibition sites (net)	\$ 82,875	\$ 137,463	\$ 150,110
Sales commissions	\$ 82,046	\$ 208,964	\$ 237,420
Food and Bev NET	\$ 46,101	\$ 82,365	\$ 100,581
Gate takings (gross)	\$ 145,031	\$ 370,037	\$ 445,603

Note: these estimated revenue streams incorporate the event likelihood and patron numbers set out in Appendix C.

3.7 Operating Cost Streams – Fixed and Variable

The costs associated with the AELC have been determined by both top-down (i.e. as proportions of income) and bottom-up (i.e. known variable or fixed cost amount) methods. These costs are further split into fixed (unrelated to amount of output or use) and variable (a function of use). The range of expected costs is presented in Table 3.8.

■ **Table 3.8 Fixed and Variable Costs**

Variable Costs	Fixed Costs
- Stable, campsite cleaning	- Wages and salaries
- Electricity	- Property Maintenance
- Water	- Security
- Landscaping	- Electricity
- Security	- Insurance
- Technical equipment	- Advertising
- Stock hire and cartage	- Waste disposal
- Judges and supervisors	- Council rates
- Waste disposal	- Pest control
- Printing	- Office consumables
- Equipment hire	- Accounting
- Phone	- Legal
- Liquor license	

Overall, fixed and variable costs for the AELC are expected to be just over 60% of revenues, indicating a healthy operating surplus for the centre. The range of cost streams, and their justifications are presented below.

3.7.1 Variable Costs

There is a range of variable costs which are incurred by the AELC for each event that is staged. The financial model has incorporated the following event-based costs, which are derived from discussion with event promoters, user groups, and SKM experience.

Some of these costs indicate a wide range (entertainment \$1,000-\$15,000 depending on event) and are relative to the duration and profile of event. The Tamworth Show, for example, which is an important part of the fixture at the AELC, has an entertainment (music, bands, etc) budget of \$15,000, while a proposed AELC-run yearling sale only has an entertainment budget of \$1,000.

Variable staff costs have been difficult to estimate due to the different combinations staff who may be needed at the various stages of an event. For example, judges, stable stewards, time stewards, rodeo timers, rodeo clowns, flag judges, gate marshals, show managers, arena directors and gear stewards are all required at different times of an event, with higher profile positions claiming a premium over more operational tasks.

These positions have been summarised in the cost structure as “sundry staff” and range over the course of AELC-run events between \$2000-\$5000.

■ **Table 3.9 Variable Costs**

Cost Item	\$ per day / units
Cleaning Don Willis arena	200
Cleaning Main Arena	500
Cleaning Grounds	500
Waste Collection and Removal	\$0.03 per person