

BUSSELTON PERFORMING ARTS AND CONVENTION CENTRE

Cost Benefit Assessment (Excluding Creative Industries Hub)

**FINALC
16/12/2020**

REPORT

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Prepared by:

RPS

Mark Wallace
Director – Strategy and Investment

Level 4, HQ South
520 Wickham Street
Fortitude Valley QLD 4006

T +61 7 3539 9500
E mark.wallace@rpsgroup.com.au

Prepared for:

City of Busselton

Julie Rawlings
Strategic Projects/Grants Officer

2 Southern Drive,
Busselton WA 6280

T (08) 9781 0444
E Julie.Rawlings@busselton.wa.gov.au

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1 INTRODUCTION

1.1 Background and Context

The Busselton Performance Arts and Convention Centre (BPACC) will deliver a fully functioning conference, exhibition and performance venue in the Busselton Cultural Precinct. The new facility will integrate with the existing Weld Theatre and Heritage-Listed ArtGeo Gallery, maximising the appeal and use of those community facilities. The BPACC will be a high quality, technically advanced, flexible and adaptable facility capable of serving the local and regional communities adding to the wider regional business events and performance offer. Working in conjunction with venues in Margaret River, Bunbury and Busselton, creating an urban / peri-urban complimentary alternative to the rural wineries and resorts.

The facility will be able to host a wide range of functions providing for small-scale community or corporate meetings of 20 up to over 1,000 delegates at major regional conferences and trade shows. The Council-endorsed location for the BPACC is on vacant land at lots 43 and 44 Queen Street, which is owned freehold by the City of Busselton, gifted to the City by the State in 2010. The development incorporates the adjacent lots 468 (the ArtGeo Gallery site) and lot 310 (the Weld Theatre site).

Development of the BPACC will activate the only remaining vacant site within the recently redeveloped Busselton Cultural Precinct and consolidate the City's urban centre. In 2011 the City finalised a significant upgrade to the town centre Cultural Precinct enhancing the visual streetscape and practical performance of Queen St. The improvements provide for a much larger "shared space" that can be use by both pedestrians and cars, but can be closed off to create a new public space for events and will encourage greater use of the street itself as a place for people to spend leisure time amongst the buildings. It includes high quality seating, lighting, art and landscape that has greatly enhanced use of the location.

Artwork incorporated into the Cultural Precinct includes a series of figurative, life size artworks that tell stories about the early settlement of Busselton - the aboriginal people, the explorers, the whalers, the pioneer families, the successful establishment of valuable export industries like timber and the growth of strong families, businesses and communities that are still the backbone of Busselton today. The BPACC facility will be the final development in the Cultural Precinct and will activate the area for its intended purpose. It will significantly enliven the precinct and complete an all-important link between the redeveloped world class Busselton Foreshore currently in the final stages of a \$72 Million redevelopment and the Central Business District.



Figure 1 Busselton Cultural Precinct

1.2 Report Purpose and Structure

RPS was engaged to prepare a Cost Benefit Analysis of the Busselton Performing Arts and Convention Centre (BPACC). This Assessment Report includes the following key sections:

- **Introduction** – overview of the project background, purpose, structure and study area;
- **Cost Benefit Assessment Methodology** – outline of the cost benefit assessment methodology uses with all associated assumptions and inputs;
- **Benefits Statement** – summary of all quantifiable benefits incorporated into the CBA including description and calculation approaches. Summary of the value of benefits over financial, economic and social categories.
- **Cost Benefit Assessment Results** – Summary of the costs and the results of the CBA including BCR and NPV indicators; and
- **Conclusion** – summary of key conclusions of the project.

1.3 Geography and Study Area

For the purpose of this assessment, RPS has defined the Study Area as the Busselton Local Government Area (LGA). The coast-centric City of Busselton is located in the South-Western corner of Western Australia, occupying the coastline between Margaret River and Bunbury.

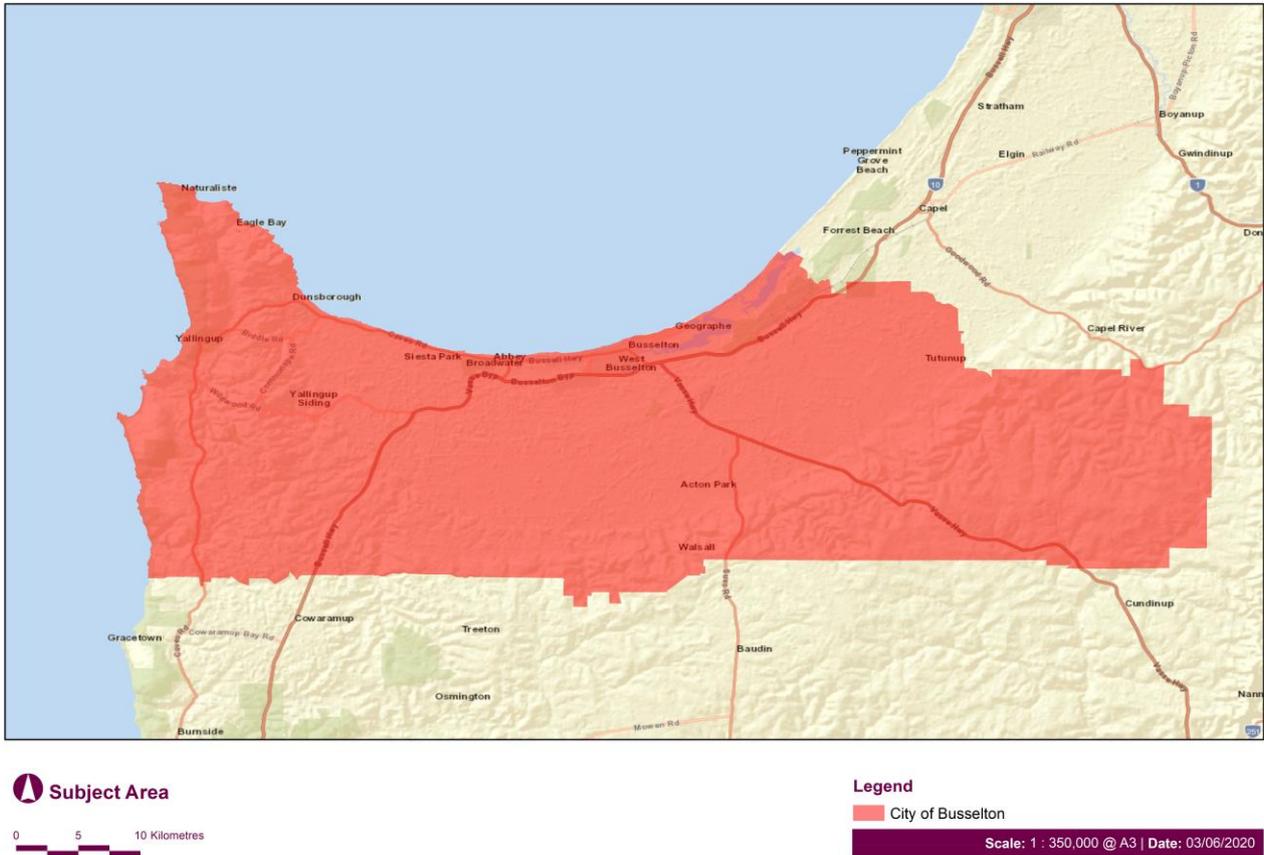


Figure 2 City of Busselton

1.4 Glossary and Abbreviations

Terms and Abbreviations	Description
ABS	Australian Bureau of Statistics
BCR	Benefit Cost Ratio
BPACC	Busselton Performing Arts and Convention Centre
CBA	Cost Benefit Assessment
Externalities	External Costs or Benefits not captured in market prices
GVA	Gross Value Added
LGA	Local Government Area
NPV	Net Present Value
SA2	Statistical Area 2
SEIA	Social and Economic Impact Assessment

2 COST BENEFIT ASSESSMENT METHODOLOGY

This section summarises the Cost Benefit Analysis (CBA) methodology and assumptions.

2.1 Methodology

A CBA is the most commonly used, and most comprehensive, of the economic evaluation techniques. Essentially, a CBA compares the monetised benefits and costs of a project to evaluate the desirability of a project. A CBA provides little value if it is conducted without a base case in which to compare options. For this study, the development option is therefore analysed based on only the incremental, or additional, benefits and costs with respect to a base case. This approach is the most appropriate to assess the net economic benefits that accrue from the two development options.

The CBA steps include:

1. Identify the quantifiable benefits that can be monetised;
2. Calculate the value (in monetary terms) of the quantified incremental benefits and capital costs in net present value (NPV) terms using the discount rates;
3. Calculate the benefit cost ratio (BCR) – the total present value of all net benefits compared to the present value of capital costs to determine the ratio to which incremental net benefits exceed (or undershoot) incremental costs related with the upgrade; and
4. Undertake a sensitivity assessment.

2.1.1 Discount Rates

Discounting is the reverse of adding (or compounding) interest. It reduces the monetary value of future costs and benefits back to a common time dimension – the base date. Discounting satisfies the view that people prefer immediate benefits over future benefits (social time preference) and it also enables the opportunity cost to be reflected (opportunity cost of capital). Recognising the potential for multiple audiences for the business cases, real discount rates of 4, 7 and 10% have been applied. This complies with recommendations set by the Office of Best Practice Regulation (OBPR) at the Federal Government level and Western Australian Treasury guidelines.

Modelling of quantifiable benefits and costs are developed over a 20-year timeframe (post construction phase).

2.1.2 Cost of Capital Approach

The cost benefit assessment undertaken in this report represents a “cost of capital” assessment. This approach focuses primarily on the up-front capital costs of the project with reduced consideration of ongoing costs (beyond basic operational cost impacts). The reason for this approach is twofold:

- Firstly, it reflects the stage of the project design and concept that the Cost Benefit Assessment is testing – early stage concepts typically have a capital cost estimate but may not have detailed cash flow or maintenance cost estimates. As such, the “cost of capital” approach does not consider ongoing cashflow consideration which includes discounting any financial revenues that could be secured by the harbour to offset unknown maintenance costs;
- Secondly, this economic business case specifically seeks to develop or address the validity of potential capital investment in the project. As such, evidence is required, through the CBA, of the potential return on investment (in the form of economic and social benefits) to inform this capital decision.

2.2 Comparison with the Base Case

For the purpose of this report, RPS has undertaken a cost benefit assessment of the **net additional benefits and costs** above and beyond the current entertainment and cultural-based infrastructure in Busselton. All NPVs and BCRs generated as part of the Cost Benefit Assessment are reflective on the net increase in

output and social benefit beyond Busselton’s current operations, and account for development of the new facility.

2.3 Key Assumptions

In addition to assumptions made as part of analysis in **sections 3.0 and 4.0** of this report, a series of assumptions as inputs into the cost benefit analysis have been made. The following reference table is provided for the purposes of transparency.

Table 1 Cost Benefit Analysis Assumptions

Assumption	Value
Assessment period	23 Years (including 20 years of operation)
Construction phase	2 years (2021 – 2022)
First year of operation	2023
Total estimated project commitment	\$28.5m (excluding in-kind contribution) ¹
User Group share of Households	55.6%
Non-user group of Households	44.4%
Travel externality savings (\$ per 100km travelled) ²	\$10.73 ³
Travel distance savings (kms/trip assuming round trip travel to Bunbury)	55
Willingness to pay for free events (user group)	\$29.67 ⁴
Willingness to pay (non-user group)	\$7.37 ⁵
Rate of new performing arts participants	0.85% ⁶
Frequency of new participant involvement (hours/year)	60 hours ⁷
Leisure time valuation (\$/hr)	\$13.17 ⁸

¹ Cost estimates provided by City of Busselton. Refer to Appendix A

² Travel time and distance savings subject to “rule of half” to adjust value estimates to median of the distribution.

³ AustRoad (2015) Guide to Project Evaluation Part 4 Project Evaluation, Austroads, Melbourne. Includes power 100km values for Air Pollution Greenhouse, Noise, Water, Nature and Landscape, Urban Separation and Upstream and Downstream Costs savings

⁴ ESA (2015), Cultural Investments - where do the benefits come from?, Economic Society of Australia

⁵ ESA (2015), Cultural Investments - where do the benefits come from?, Economic Society of Australia

⁶ ABS (2020) Participation in Selected Cultural Activities Australia cat no. 4921.0. Based on a 10% increase in cultural art participants of which 8.52% will be of a performing arts nature. Only performing arts increases have been valued.

⁷ Average performing arts participation level derived from ABS cat no. 4921.0 Participation in Selected Cultural Activities Australia.

⁸ AustRoad (2015) Guide to Project Evaluation Part 4 Project Evaluation, Austroads, Melbourne. Adjusted to 2019 in line with CPI.

3 BENEFITS STATEMENT

This section identifies and summaries the benefits assessed as part of this analysis.

3.1 Identified Benefits

A range of direct financial, economic and social benefits of the Project have been identified.

Financial benefits represent direct monetary benefits generated by (but not necessary for) the project. In contrast, economic benefits are monetary and non-monetary benefits generated to the wider economy or other stakeholders and sectors by the project. Finally social benefits are those that relate to the health and physical and mental wellbeing of people and households (including individual groups and cohorts) in the wider community..

Those benefits which are capable of being monetised for inclusion in the CBA are outlined in the table below.

Table 2 Identified benefits and method of value calculation

Benefit	Description and Approach	Calculation Approach
Residual Asset Value	The residual value of the asset at the end of the 20 year assessment period.	RPS has applied a linear valuation approach assuming a 60 year life to the assets. This means at the end of the assessment period there is a residual value equivalent to 39 years or 65% of the total construction value. This residual value is included in the last year of the assessment period.
Increased Tourism Expenditure	Value of induced net additional tourism expenditure from visitors.	RPS has drawn on tourist visitor estimates from Lawrence Consulting Report dated November 2018. In this report a band of net additional non-local visitors was provided. RPS selected the low end of the band (estimated at 14,700 per year). RPS has assumed an average expenditure of \$212 per visitor in line with national expenditure levels from Tourism Research Australia for domestic overnight visitation ⁹ .
Construction-Based Gross Value Add	The indirect gross value added generated by capital construction costs for the specific construction items. Represents the impact on the Busselton construction supply chain from the new capital investment.	Estimated using the Busselton economy Economic impact Assessment model transaction table, developed by RPS from ABS input-output tables ¹⁰ . Supply chain shares of estimated at 30.7% for first round and industry support indirect benefits.
Residential User Willingness to Pay	The willingness to pay of residents that would use the assessed social infrastructure to participate and attend free events.	A household-specific willingness to pay figure was derived from ESA and adjusted for inflation for present-year modelling purposes ¹¹ . This WTP figure was multiplied by the number of households that fit into the 'user category' ¹² .
Residential Non-User Willingness to Pay	The willingness to pay of non-using residents to have the Hub in their region.	Using the same sources as the 'Residential User WTP' benefit, a resident non-user rate was applied to the household-specific WTP for those that did not intend to visit the precinct.

⁹ TRA (2020) National Visitor Survey, Tourism Research Australia, Canberra

¹⁰ ABS (2019) Australian National Accounts – Input-Output Tables 2017/18.

¹¹ ESA (2015), Cultural Investments - where do the benefits come from?, Economic Society of Australia

¹² ABS (2019), Attendance at Selected Cultural Venues and Events, Cat. No. 4114.0, Australian Bureau of Statistics

Benefit	Description and Approach	Calculation Approach
Increased Performing Arts Participation	The rate of uptake of new participants in performing arts as a cultural activity as a result of improved access.	Using ABS datasets, a foundation level of performing arts participation in Busselton was derived, with a facilitation rate of new participants applied to establish total increase ¹³ . This rate of participation increase was forecast relative to projected population figures and applied to a leisure time valuation (\$ per hour) and a frequency of involvement (hours per year).
Travel Time Savings	Travel time saved by providing a local option, avoiding the need to travel away from the region for activities that would now be held at the Hub.	The total number of user households was forecast in line with population projections and applied to a travel time savings figure of these households otherwise travelling to Bunbury (closest next comparable facility). Rule of Half applied. Assumes one person per household.
Avoided Externalities of Travel Savings	The avoided externalities associated with vehicle travel, including air pollution, greenhouse gas emissions, noise pollution etc.	Non-financial cost savings from reduced travel by User Group households to Bunbury (closest next comparable facility) as outlined in Assumptions table.

3.2 Value of Benefits

Overall, the Project will yield benefits between \$71.9m under a 4% discount rate to \$40.2m at a 10% discount rate.

Table 3 Present Value of Benefit Categories (\$ million), by Discount Rate, 2020 to 2043, Busselton Performing Arts and Convention Centre

Benefit Category	4%	7%	10%
Financial	\$7.5	\$3.9	\$2.1
Economic	\$57.4	\$43.7	\$34.5
Social	\$7.0	\$4.9	\$3.6
Total Benefits	\$71.9	\$52.5	\$40.2

The largest contributor to these benefits is Economic, accounting for between 70-80% of the present value of benefits depending on the discount rate. Increased Tourism Expenditure is the most significant individual contributor with respect to identified benefits, valued at \$36.3 million over the assessment lifespan at a 7% discount rate. Residual asset value and construction-based gross value add also provide significant benefit, presently valued at \$3.9 million and \$8.7 million, respectively.

¹³ ABS (2019), Participation in Selected Cultural Activities, Cat. No. 4291.0, Australian Bureau of Statistics

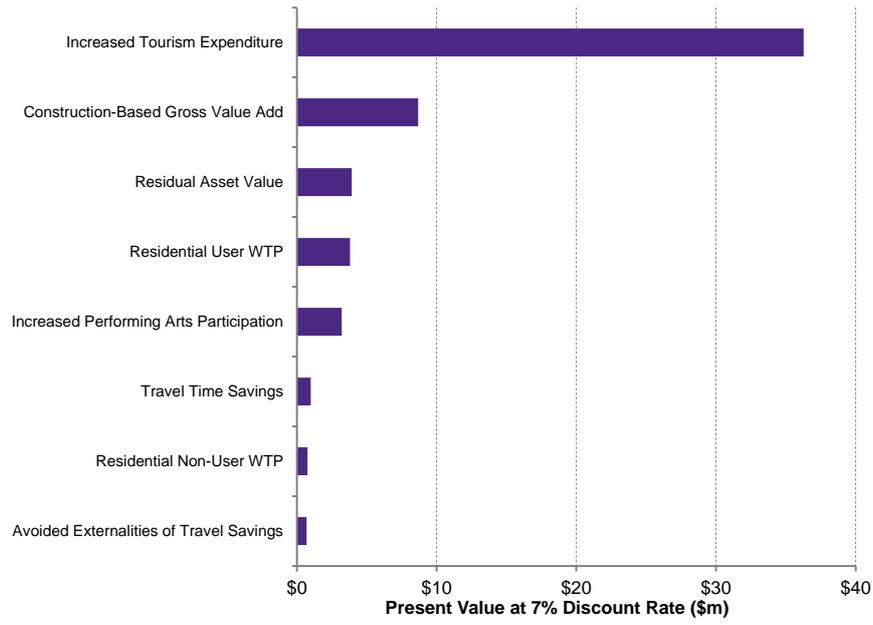


Figure 3 Present Value of Identified Benefits at 7% Discount Rate

4 COST BENEFIT ASSESSMENT RESULTS

This section summarises the costs of the project and outlines the results of the cost benefit assessment.

4.1 Costs

Two financial costs have been included in this assessment:

- Capital or construction costs;
- Ongoing maintenance costs.

As per section 2.1.2, operational costs have not been included within the CBA and instead are addressed as part of Financial Analysis in the associated business case.

4.1.1 Capital Costs

For inclusion in the CBA, RPS has utilised cost estimates provided in Appendix A. This capital cost amounts to a total value of \$28,597,000 for the total estimated project commitment.

However, allowance is made for value management by Council in the form of in-kind contributions which will have the effect of reducing the total capital cost of the project. For the purpose of this CBA, RPS has excluded this allowance from the capital cost for the project.

This reduces the **capital cost, for the purpose of this assessment to \$28.5m.**

For the purposes of this assessment, RPS has assumed a 2 year construction phase of 2021 and 2022, with capital costs allocated evenly across this period. This is to help inform the construction supply chain benefits and to take a conservative position regarding the commencement of operation of the activities at BPACC.

4.1.2 Maintenance Costs

The City of Busselton provided RPS with a Lifecycle Asset Management Plan which included annual estimate of maintenance costs for the project from 2023/24 to 2042/43. This data includes allowances for:

- External services
- Electrical, fire, mechanical and plumbing services
- Preventative maintenance relating to ceilings, floors and walls, fitting and finishes, and external and internal columns, doors and windows and the roof.

In total, a maintenance budget of \$7.82m over 20 years is assumed in the Lifecycle Management Plan. Annual values relating to ongoing maintenance have been included in the Cost Benefit Assessment.

4.1.3 Summary of Costs

Overall, the present value of project costs ranges from \$30.3m under a 4% discount rate to \$26.5m under the 10% discount rate. The present value of capital and maintenance costs are illustrated below.

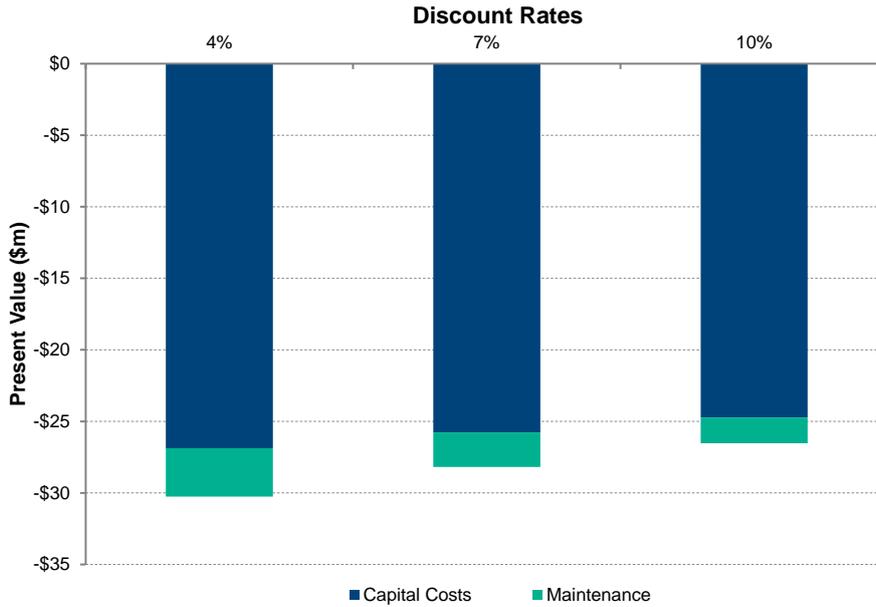


Figure 4 Present Value, Capital and Maintenance Costs

Capital costs represent the largest component of project costs, though maintenance costs are impacted more significantly by discount rates over the course of the assessment period.

4.2 Summary of Cost Benefit Assessment Results

Based on a comparison of the present values of the costs and calculated benefits, it is estimated that the Busselton Performing Arts and Convention Centre project will have a positive Net Present Value under all discount rates, ranging from +\$13.9 million at the 10% discount rate to +\$42.0 million at the 4% discount rate over the 20 year assessment period.

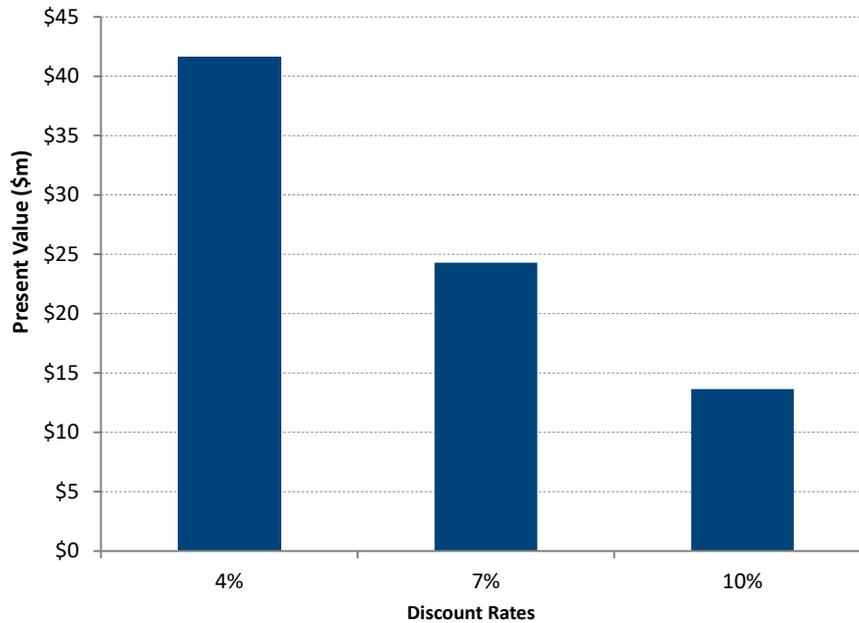


Figure 5 Net Present Values, by Discount Rate, Busselton Performing Arts and Convention Centre

Similarly, a review of the Benefit Cost Ratios reveals ratios are above 1.5 for all discount rates (1.0 is when benefits are equal with costs) and exceeds 2.0 at the 4% discount rate scenario. Any result above 1.0 is regarded as positive with results approaching 2.0 and above at any discount rate regarded as very positive.

Table 4 CBA Results, by Discount Rate, 2020 to 2043, Busselton Performing Arts and Convention Centre

	4%	7%	10%
Costs	-\$29.7	-\$27.8	-\$26.2
Benefits	\$71.7	\$52.3	\$40.1
NPV	\$42.0	\$24.6	\$13.9
BCR	2.42	1.88	1.53

BCRs for the project are illustrated in the figure below.

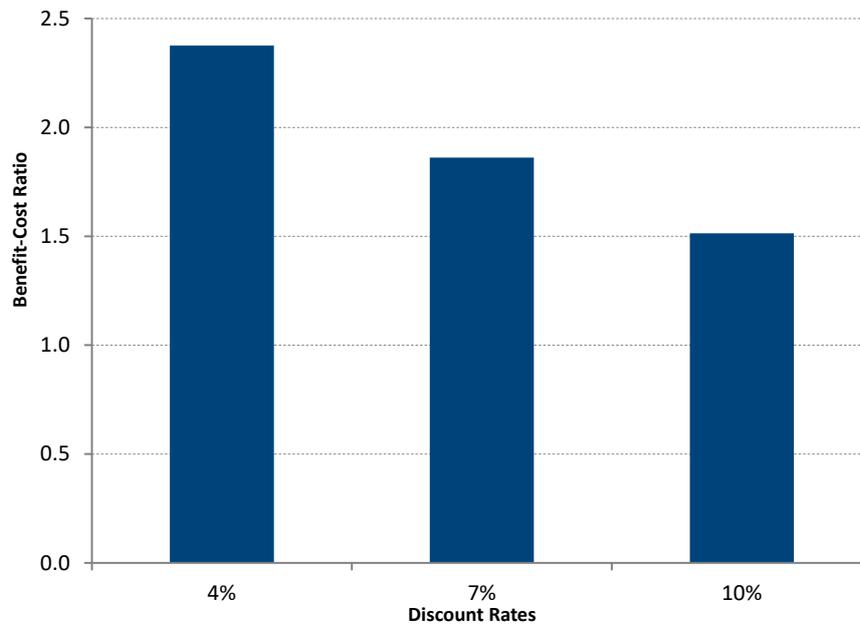


Figure 6 Benefit Cost Ratios, by Discount Rate, Busselton Performing Arts and Convention Centre

Given the social nature of the proposed investment, RPS regards the results under the 4% and 7% discount rates to be the most relevant as they are closest to the “social rate of return” of 6%. As such, a BCR of 2.42 for the project at the 4% discount rate rates is a positive outcome.

5 ECONOMIC IMPACT ASSESSMENT

This section summarises the preliminary employment indicators and economic impact assessment results for the Busselton Performing Arts and Convention Centre.

In particular, this section includes preliminary estimates of the direct and indirect economic contribution to the Busselton economy from the project during Construction and Operational Phases. The economic indicators assessed and presented in this letter are Output, Income, Full Time Equivalent Jobs (FTEs) and Gross Value Add (GVA).

5.1 Methodology and Approach

At the core of an Economic Impact Assessment is Input–Output (IO) tables. IO tables are part of the national accounts by the ABS and provide detailed information about the supply and use of products in the Australian economy, and the structure of and inter–relationships between Australian industries.

IO tables are converted, through statistical analysis, into a series of Economic Multipliers. These Multipliers represent the relationship between the direct activity (expenditure or production) associated with a project and the wider economy.

The results of an EIA are generally presented as both direct effects, that is effects from the direct activity of the project or event and indirect effects, which are additional effects from further rounds of spending in the supply chain. A third or consumption effect, resulting from rounds of consumer spending generated by the additional income in the region can also be calculated.

There are two broad levels of Multipliers that can be utilised for Impact Assessments:

- **Simple Multipliers** – including the Direct or Initial Effect, First Round and Industry Supply Chain effects;
- **Total Multipliers** – including the Simple Multipliers plus subsequent Induced Production and Household Consumptions effects.

Impact Assessments can assess:

- **Output** - the actual dollar amount spent on the project in the Region;
- **Income** - the amount of wages and salaries paid to labour;
- **Employment** - the full time equivalent per annum employment generated by the project; and
- **Value Added** - the value added to materials and labour expended on the project.

RPS has undertaken an Impact Assessment for the Busselton economy, focused solely on **Simple Multipliers**. For the Busselton economic impacts, this entailed the following tasks:

1. Transaction tables were developed from National IO tables for the Busselton economy. For the Busselton economy, the Regional Transaction Table was calculated by applying employment-based location quotients for the Region, based on the results of the 2016 Census of Population and Housing. This has the effect of excluding spending on imports to the Region since they generate no local economic activity.
2. Economic Multipliers were then generated for Busselton economy across 119 industry categories defined by the ABS;
3. Construction and operational expenditure and production associated with the development were allocated across 119 industry categories; and
4. Economic impacts associated with the project are calculated.

5.1.1 Criticisms of Impact Assessments

Economic Impact Assessments based on IO-tables and Economic Multipliers have been criticised by Government and academia. RPS recognises Economic Multipliers are based on limited assumptions that can result in multipliers being a biased estimator of the benefits or costs of a project.

Shortcomings and limitations of Multipliers for economic impact analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using multipliers is the implicit assumption that the economy has no supply-side constraints. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or if it is near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. Prices are assumed to be unaffected by policy and any crowding out effects are not captured.
- **Fixed ratios for intermediate inputs and production:** Economic impact analysis using multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. As such, impact analysis using multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. In reality, however, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount;
- **No allowance for purchasers' marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.
- **Not applicable for small regions:** Multipliers that have been calculated from the national I–O table are not appropriate for use in economic impact analysis of projects in small regions. For small regions multipliers tend to be smaller than national multipliers since their inter–industry linkages are normally relatively shallow. Inter–industry linkages tend to be shallow in small regions as they usually do not have the capacity to produce the wide range of goods used for inputs and consumption, instead importing a large proportion of these goods from other regions.

5.1.2 Adjustments to Improve EIA Reliability

Despite this, IO tables and Economic Multipliers remain popular due to their ease of use and communication of results. RPS has undertaken a number of steps and made appropriate adjustments to the EIA methodology to address and mitigate these concerns.

RPS has only used Simple Multipliers in the Assessment. This has the effect of discounting Household Consumption impacts from the assessment. By doing so, only those industries with a first round or supply chain connection are considered. This has the effect of making the results of the EIA conservative and suitable to inform decision making.

RPS regards the use of Economic Multipliers as part of this Assessment as appropriate and reliable. The results of the assessment are conservative, defensible and suitable for informing decision making.

5.1.3 Descriptions of Multipliers

In addition to the individual economic indicators, the economic impacts assessed in this report are calculated for each “stage” or “part” of the multiplier. This includes:

- **Direct (or Initial)** – reflects the initial impact from the expenditure on the project as part of direct transactions;
- **First Round** – represents investment in additional productive capacity by the companies engaged in direct transactions;
- **Industry Support** – represents investment in additional productive capacity by the supply chains of companies engaged in direct transactions;
- **Total** – the total value of the impacts of the project expenditure (based on Simple Economic Multipliers)

The relationship between direct and indirect impacts varies between industries and sectors and are provided separately to help inform the analysis.

5.2 Summary of Results

5.2.1 Construction

To calculate construction impacts, RPS attributed 95% of the capital expenditure to the Non-Residential Building Construction sector (covering the construction process from civil earth works to infrastructure and installation). An allowance of 5% of total capital cost was made for allocation to Construction Services.

Direct and indirect economic impacts of construction of the proposed project to the Busselton economy are summarised in the table below. A total of 115 jobs are estimated for the project from the construction phase. \$10.0m of Income is projected to stem from the project, with overall GVA projected to reach \$18.3m.

Table 5 Construction Impacts, Total, Busselton economy

Construction Impacts	Direct	First Round	Industry Support	Total (Simple)
Output (\$m)	\$28.5	\$18.0	\$11.8	\$58.3
Income (\$m)	\$3.2	\$3.9	\$2.9	\$10.0
Jobs (FTEs)	39	44	32	115
Gross Value Added (\$m)	\$6.3	\$6.9	\$5.1	\$18.3

Given the project nature of construction work and the anticipated 2 year timeframe of construction completion, the annual average economic impacts of construction have been calculated, as outlined in the table below. Construction is anticipated to produce an additional \$9.3m in GVA to the Busselton economy per year of construction, contributing to a total output of \$29.2m per year.

Table 6 Construction Impacts, Average Annual, Busselton economy

Construction Impacts	Direct	First Round	Industry Support	Total (Simple)
Output (\$m)	\$14.3	\$9.0	\$5.9	\$29.2
Income (\$m)	\$1.6	\$2.0	\$1.4	\$5.0
Jobs (FTEs)	19.6	21.8	15.9	57.3
Gross Value Added (\$m)	\$3.2	\$3.5	\$2.6	\$9.3

5.2.2 Operational Activity

To establish operational impacts, RPS drew on data provided in the lifecycle management plan on the expected operation costs for the project and attributed each category of expenditure to the relevant ABS industry. Where annual data has been provided, RPS has used the annual average cost per item from the third full year of operation to the end of the period. Category allocation can be found below.

Table 7 Operational costs per ABS industry allocation

Cost Category	Average Annual Cost	Allocated ABS Industry
Maintenance	\$420,801	Other Repair and Maintenance
Administration	\$339,413	Employment, Travel Agency and Other Administrative Services
Contractors and Consultants	\$20,226	Professional, Scientific and Technical Services
Insurance	\$46,452	Insurance and Superannuation Funds
Marketing and Promotion	\$267,457	Professional, Scientific and Technical Services
Materials and Contracts	\$156,891	Other Services
Utilities	\$199,786	Split between: Electricity Transmission, Distribution, On Selling and Electricity Market Operation, and Water Supply, Sewerage and Drainage Services

Based on RPS' analysis, the proposed project will stimulate an annual output of \$2.1m in simple terms once operational, reflected by an additional generation of \$0.7m in Income, 19.3* FTE jobs and \$1.1m in Gross Value Add. \$0.8m of the annual GVA will be realised as a result of direct impacts, while an extra \$0.2m and \$0.1m will be felt through first round and industry supply chain effects, respectively.

Direct and indirect economic impacts of the proposed project to the Busselton economy once operational are summarised in the table below.

Table 8 Operational Impacts, Busselton economy

Operational Impacts	Direct	First Round	Industry Support	Total (Simple)
Output (\$m)	\$1.4	\$0.4	\$0.3	\$2.1
Income (\$m)	\$0.5	\$0.1	\$0.1	\$0.7
Jobs (FTEs)	4.5	1.2	0.6	19.3*
Gross Value Added (\$m)	\$0.8	\$0.2	\$0.1	\$1.1

*It is important to note that these figures include an additional 13 FTEs, per information provided by Council. RPS has derived the employment impacts from operational expenditure, with these 13 FTEs be created through Council expenditure on wages and salaries, rather than as a result of increased expenditure to the wider economy.

5.2.3 Tourism

In line with the increased tourism expenditure as part of the cost benefit analysis, RPS has derived increased tourism visitation from the Lawrence Consulting Report dated November 2018, indicating an estimated 14,700 net additional non-local visitors per year. RPS has assumed an average expenditure of \$212 per visitor in line with national expenditure levels from Tourism Research Australia for domestic overnight visitation¹⁴.

These figures have been multiplied to establish a net annual additional tourism expenditure and attributed across a range of tourism based ABS categories to analyse economic impact. Category allocation is outlined as follows:

¹⁴ TRA (2020) National Visitor Survey, Tourism Research Australia, Canberra

REPORT

- 20% - Heritage, Creative and Performing Arts
- 20% - Retail Trade
- 20% - Accommodation
- 20% - Food and Beverage Services
- 10% - Road Transport
- 10% - Sports and Recreation

Based on RPS' analysis, the proposed project will stimulate an annual output of \$4.5m in simple terms once operational, reflected by an additional generation of \$1.3m in Income, 25 FTE jobs and \$2.2m in Gross Value Add. \$3.1m of the annual net additional output will be realised as a result of direct impacts, while an extra \$0.9m and \$0.5m will be felt through first round and industry supply chain effects, respectively.

Direct and indirect economic impacts of the proposed project to the Busselton economy once operational are summarised in the table below.

Table 9 Tourism Impacts, Busselton economy

Operational Impacts	Direct	First Round	Industry Support	Simple
Output (\$m)	\$3.1	\$0.9	\$0.5	\$4.5
Income (\$m)	\$0.9	\$0.3	\$0.1	\$1.3
Jobs (FTEs)	21	3	1	25
Gross Value Added (\$m)	\$1.5	\$0.5	\$0.2	\$2.2

6 CONCLUSIONS

The Busselton Performing Arts and Convention Centre (BPACC) represents new entertainment and cultural facility capacity in the City of Busselton. As such, it has the potential to significantly contribute to both the economic and social capacity of the City and address a current gap in Busselton's community infrastructure. This gap results in local residents travelling outside of the City to access events and activities, constrains local social participation in these activities and prevents the attraction and capture of economic benefits from performing arts and cultural events.

Analysis by RPS has identified a range of economic, social and environmental benefits associated with the construction, utilisation and induced travel pattern change attributes of the facility. The result of the CBA is positive NPVs across all discount rates and BCRs above the 2.0 threshold at the 4% discount rate and above 1.5 at the 7% and 10% discount rates. The 4% and 7% rates are the most relevant to this project given the social and economic nature of the facility.

The largest share of benefits at the 7% discount rates is economic, demonstrating that while the project is of a cultural and social nature, BPACC fundamentally represents an economic development assets which will support local construction activity and help to diversify and drive tourism into the future.

Appendix A

Construction Costs

Zone	Description	AG Estimate Based on Schematic Design (31/07/2020)
1	Zone 1 - Main Auditorium Building	\$12,445,879
2	Zone 2 - Back of House and Admin Building	\$2,094,944
3	Zone 3 - Function, Gallery, Conference & Foyer	\$4,520,493
4	Zone 4 - The Weld Theatre	\$497,682
5	Zone 5 - ArtGeo Gallery	\$174,605
	Total Estimated Building Cost	\$19,733,603
6a	Zone 6a - Site Preparation and Demolition	\$130,000
6b	Zone 6b - External Works	\$182,525
6c	Zone 6c - External Services	\$150,000
	Total Site Preparation, External Works & Services	\$462,525
	Total Building Cost	\$20,196,128
7	Preliminaries and Margin	\$2,020,000
	Total Estimated Construction Cost	\$22,216,128
8	Contingency	\$2,160,000
9	Public Arts	\$0
10	Headworks & Statutory Charges	\$330,000
11	Kitchen Equipment	EXCL
12	Professional Fees	\$2,760,000
	Sub-Total Estimated Project Cost	\$5,250,000
13	Escalation	INCL
	Total Escalated Project Cost	\$27,466,128
	<u>BELOW THE LINE ITEM</u>	
14	Loose Furniture	\$150,000
15	Woodturners Relocation	\$180,000
16	Theatre Lighting & AV Equipment - 1st Day Equipment (Excl. Defer items)	\$625,000
17	Landscaping	\$120,000
18	ESD Initiative - PV Cell	\$56,000
	Total Below Line Item	\$1,131,000
19	Value Engineering	INCL
	TOTAL ESTIMATED PROJECT COMMITMENT	\$28,597,128
	Approved Budget	\$28,500,000
	Variance	-\$97,128