



BL & EM Pty Ltd

Economic impact assessment – Cataract Gorge Gondola

Project background

Among Launceston's tourism drawcards is the Cataract Gorge (the Gorge). The Gorge is an important natural landmark in Tasmania and is a place of pride for locals with a rich history, a range of leisure facilities and a convenient location. In 1972, Barry Larter established the Cataract Gorge Scenic Chairlift (the Chairlift).

The strong growth in visitation to the Chairlift in recent years, along with a recognition of changing and heightened visitor expectations and the increasingly competitive tourism landscape, have seeded interest in providing a new and more contemporary offering.

BL & EM Pty Ltd has proposed to complement the Chairlift with the construction and operation of the Cataract Gorge Gondola (the Gondola). Running overhead of the Chairlift in a triangle, the Gondola will offer an enhanced experience of the Gorge itself and unique views over Launceston.

The construction and operation of the Gondola has the potential to enhance the valuable role that the Cataract Gorge plays in the local and Tasmanian economies as a key visitor attraction, by increasing visitation and expenditure. The economic impact modelling conducted suggests that the Gondola project would expand the size of the Launceston economy and increase employment opportunities.

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Tourism

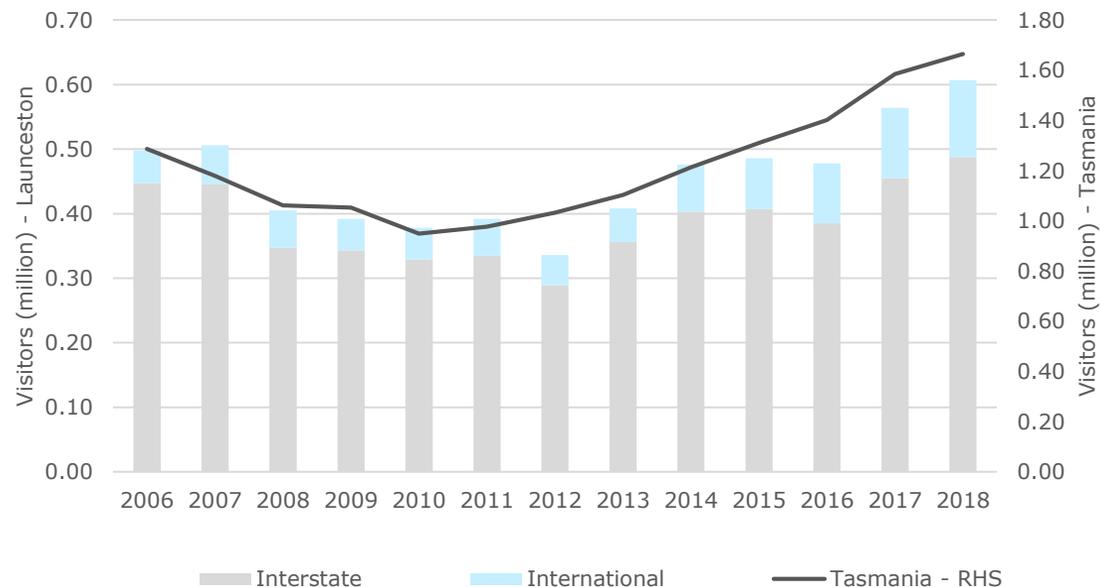
Tourism

Tasmania's tourism sector – characterised by rapid medium-term growth – is recognised by government and industry as a key driver of Tasmania's future state economy. Over the last five years, interstate and international visitors to Tasmania have increased by an average of 6.1% per annum.

Visitors to Launceston, December 2018

Source market	Visitors (000)	Year-on-year growth	5-year average growth	10-year average growth
International	119	9.2%	18.0%	7.5%
Interstate	488	7.3%	6.5%	3.5%
Total	607	7.6%	8.3%	4.1%

Interstate and international visitors to Launceston and Tasmania (total)



The State Government has recognised the important role of tourism in Tasmania's future. In particular, the *Tasmanian Visitor Economy Strategy 2015-2020* sets a target of attracting 1.5 million international and interstate visitors to Tasmania by 2020, and aims to ensure the opportunities generated by this growth are shared across the state. The strategy identifies a range of key priority areas critical to achieving this demand target, in particular:

- "Priority 3: Investment in quality visitor infrastructure providing new and existing visitor experiences, to stimulate visitor demand and encourage travel within the state.
- While Hobart is expected to grow significantly as a visitor destination...it will be important to ensure visitors move beyond the capital city and travel to Tasmania's regional areas.
- Creating a conducive environment for private investment attraction, facilitation and implementation, which includes the right environment for sustainable development in natural areas, is a key priority."

The proposed Gondola, aimed at highlighting the natural landscape of Cataract Gorge, clearly falls within the specifications of this key priority area and would provide a stimulant for travel to Tasmania's regional areas.

Other relevant strategies include the *Cultural and Creative Industries Strategy* which supports the creation of authentic Tasmanian cultural products and experiences in developing the visitor economy, and the Government's *Jobs and Economic Package* which aims to support and grow economic activity throughout the state and specifically monitors tourism sector demand targets and development.

Launceston Sky Way

Launceston Sky Way

The Launceston Sky Way will complement and enhance the experience offered by the Scenic Chairlift. It will offer a new way to experience the natural beauty of the Gorge while also adding a visitor centre and additional pathways and platforms.

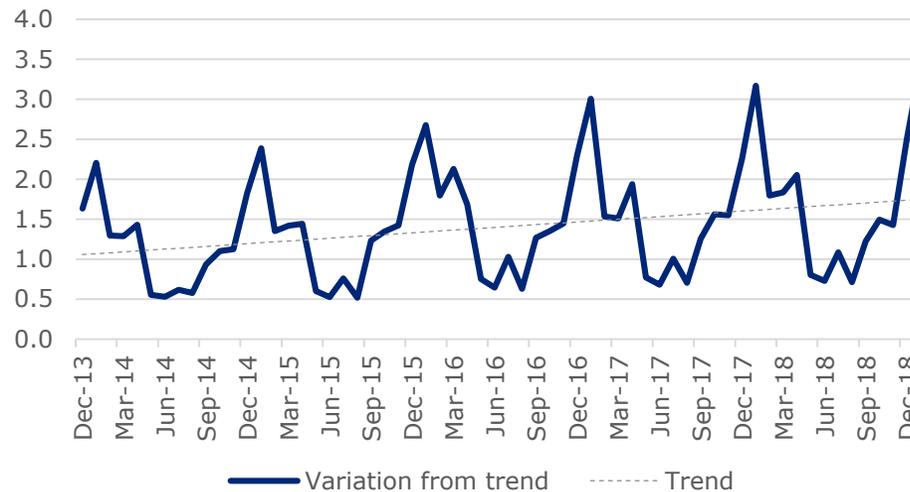
The new attraction will enhance the appeal to potential visitors by offering panoramic views of both the Cataract Gorge itself along with views back over the city of Launceston.

The new Gondola project will provide greater accessibility for patrons, extending the opportunity to everyone to take part regardless of age, fitness or mobility, including providing wheelchair access.

The enclosed glass design of the carriages would enable families or groups to take part in the experience together, and importantly, across all seasons potentially reducing the extent of the seasonality in visitation to the Gorge.

As is the case with visitor attractions and destinations in other parts of Tasmania, patronage at the Gorge Scenic Chairlift is quite seasonal, peaking across the warmer months. The chart below shows the monthly Chairlift patronage for the five years to December 2018. On average, patronage begins to lift from December, peaking in January. Monthly demand declines in February and March, but then rebounds somewhat for April school holidays. The winter season settles at a lower level of patronage.

Monthly Chairlift patronage index, 2013 to 2018



Sources: Deloitte Access Economics' analysis using data from BL & EM Pty Ltd.

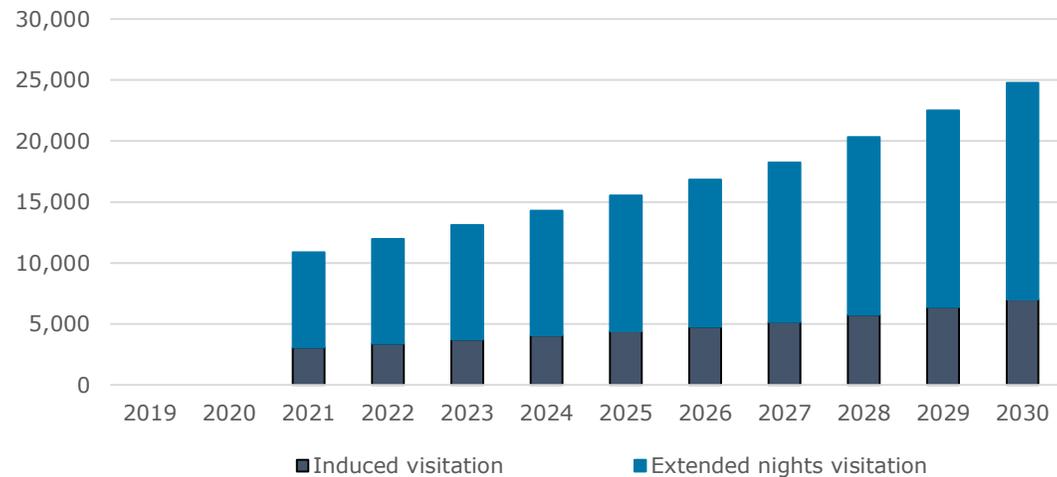
Overall, the modelling conducted to inform this report suggests that the Gondola project has the potential to enhance the already important role played by the Gorge as a key visitor attraction and to expand the size of the regional economy and increase employment opportunities.

Visitation and expenditure

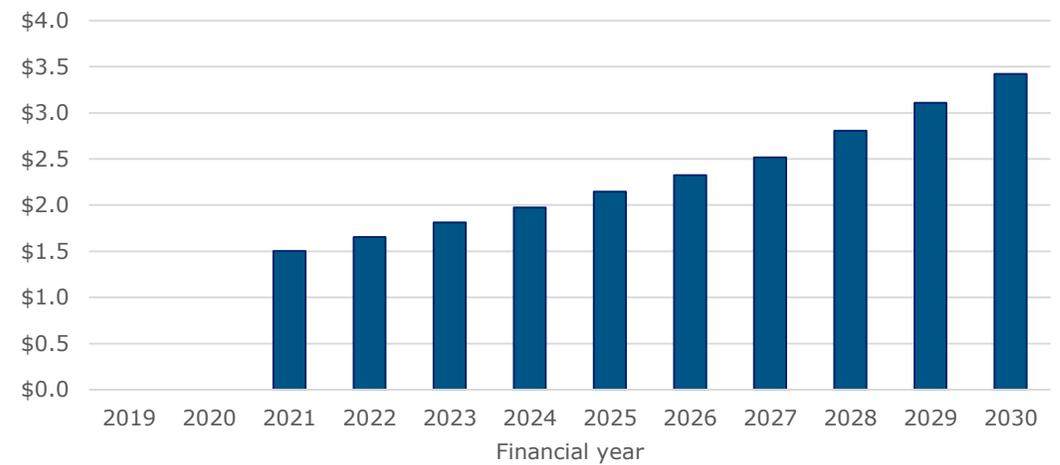
Visitation and expenditure

The Cataract Gorge Gondola development is expected to attract an additional 10,866 visitor nights in Launceston in 2021, which would generate an additional \$1.5 million in visitor expenditure in Launceston. This impact would increase to an additional 24,770 visitor nights in 2030, generating an additional \$3.4 million in additional visitor expenditure. Over the period of 2021 to 2030, the Gondola is expected to generate \$13.6 million in additional expenditure in NPV terms.

Induced visitor nights impact in Launceston



Induced visitor expenditure impact in Launceston (real 2017-18 \$m)



Sources: Deloitte Access Economics.

Induced visitor types:

- *Induced visitors*: those who come to Launceston because of the Gondola.
- *Extended nights visitation*: those who already intend to travel to Launceston, but choose to lengthen their stay to visit the Gondola.

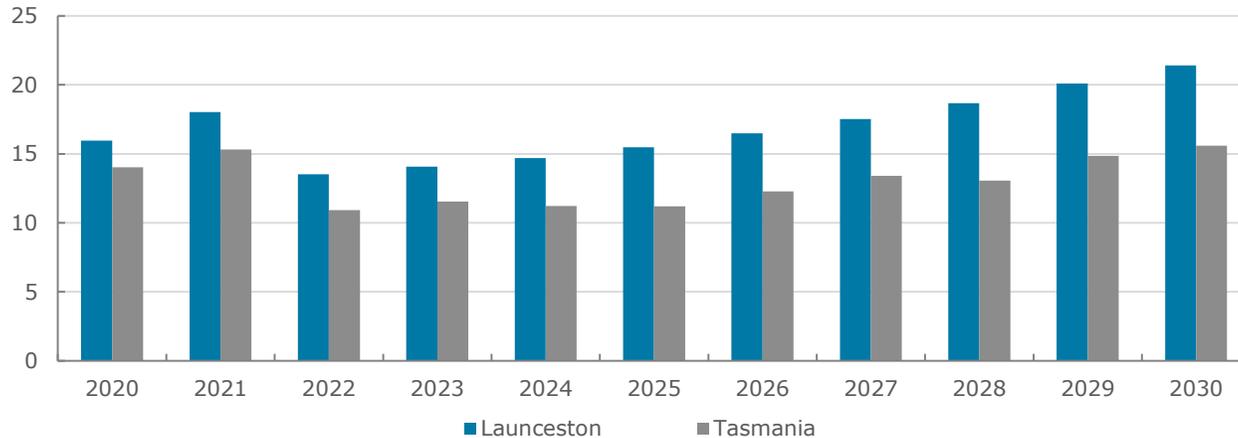
Employment

Employment

The important role the Gorge plays to the local and Tasmanian economy would be enhanced by the construction and operation of the Cataract Gorge Gondola.

Over the time horizon of FY2020-FY2030, there are on average 17 additional full-time equivalent (FTE) jobs in the Launceston region as a result of the Cataract Gorge Gondola project.

Incremental impact on employment (FTE jobs)



Source: Deloitte Access Economics.



The initial construction period creates an initial uplift in employment. A peak of 38 FTE jobs are projected to be created in the construction sector during the initial phase of the development.



The subsequent operational phase, which is related to increased tourist expenditure, is projected to create an increase in employment for Launceston in those sectors which comprise the visitor expenditure bundle such as trade, transport and recreation services.



While the project involves a significant investment in machinery and infrastructure, the resultant operation is not employment intensive. Despite this, the role that the current operation, and enhanced future operation, play in the local tourism sector – as a catalyst for activity in other related businesses and an attraction for the rest of the State – confirm that the proposed Gondola development will have a positive impact on the economy and employment in both Launceston and more broadly in Tasmania.

Executive summary

Executive Summary

Your requirements

Deloitte Access Economics was engaged by BL & EM Pty Ltd to undertake an economic impact assessment of the proposed Cataract Gorge Gondola in Launceston. The quantitative outcomes of the analysis, and accompanying research, will provide inputs to the ongoing business case for the Cataract Gorge Gondola, and support both the application for financing, and consultations with the Government, industry stakeholders and community groups.

Tourism in Tasmania and Launceston

- Tourism is among the key pillars of the Tasmanian economy, representing nearly 5% of the State's economic output.
- Tasmania has experienced strong tourism growth over recent years, hosting 1.4 million interstate and international visitors in the year to December 2018 – representing an average annual increase of 6.1% per annum across the previous five years.
- Launceston has also experienced strong growth in interstate and international visitors in recent years, with the region welcoming 607,000 visitors in the year to December 2018, up by 8.3% per annum across the previous five years prior.
- Since 2013, Launceston has experienced very strong annual average growth in international visitation of 18%, while the number of interstate visitors have increased by an annual average of 6.5% over the same period. This has led to a 1.6 percentage point increase in international visitors' market share, from 2.3% in 2013 to 3.9% in 2018.
- Launceston (and Tasmania more broadly) is a predominantly holiday tourism market, with 85% of international visitors and 56% of interstate visitors reporting holiday as their main purpose of visit to Launceston.
- There were almost 220,000 international and interstate visitors to Cataract Gorge in the year to December 2018 – representing nearly 40% of all interstate and international visitors to Launceston.

Conclusion

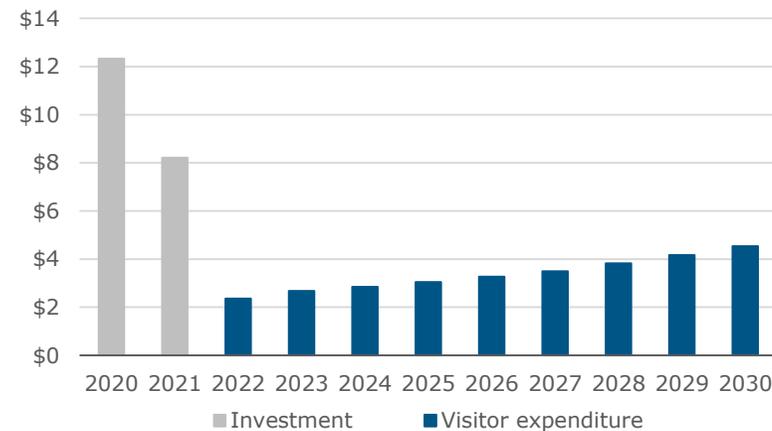
Overall, the analysis undertaken demonstrates that the Gondola project has the potential to attract visitors who would not have otherwise come to Launceston and who choose to lengthen their stay to include a visit to the Gondola, generating additional visitor nights and expenditure. This expenditure along with the capital expenditure involved in the project informed the modelling conducted to inform this report which suggests that the Gondola project has the potential to enhance the already important role played by the Gorge as a key visitor attraction and to expand the size of the regional economy and increase employment opportunities.

Headlines

Deloitte Access Economics indicates that the Cataract Gorge Gondola has the potential to generate an additional \$1.5 million in visitor expenditure in Launceston in the first year of commencement. By 2030, the Gondola is projected to generate an estimated \$3.4 million in additional visitor expenditure in Launceston. In net present value terms, the Gondola is expected to generate \$13.6 million in additional visitor expenditure between FY2021 and FY2030.

Alongside this increase in visitor expenditure, the development would involve estimated capital expenditure of \$18.7m over 2020 and 2021 in net present value terms; or \$20.5m in non-discounted terms.

Capital and visitor expenditure (real 2017-18 \$m)



Economic impact

- Deloitte Access Economics' modelling suggests that the construction and operation of the Gondola has the potential to increase the size of the Launceston economy – that is, its gross regional product (GRP) – by an average **\$3.8 million** annually over the ten-year modelling horizon.
- With the increase in the size of local economy comes additional employment opportunities.
- During the initial phase, which involves primarily capital expenditure, the gains to employment are expected to be concentrated in the construction sector, with a peak of **38 full time equivalent (FTE)** jobs projected to be created in this sector.
- Over the time period FY2020-FY2030 there are on average 17 additional FTE jobs in the Launceston region as a result of the Cataract Gorge Gondola development.

Key priorities

The proposed Gondola, aimed at highlighting the natural landscape of Cataract Gorge, clearly falls within the specifications of the State Government's key priority of quality infrastructure investment and would provide a stimulant for travel to Tasmania's regional areas demand stimulation.

"Priority 3: Investment in quality visitor infrastructure providing new and existing visitor experiences, to stimulate visitor demand and encourage travel within the state.

While Hobart is expected to grow significantly as a visitor destination...it will be important to ensure visitors move beyond the capital city and travel to Tasmania's regional areas.

Creating a conducive environment for private investment attraction, facilitation and implementation, which includes the right environment for sustainable development in natural areas, is a key priority."

Modelling conducted by Deloitte Access Economics suggests that the development of the Gondola has the potential to materially add to the already significant levels of economic activity taking place at the Gorge. It has the potential to expand the size of the regional economy and to increase employment opportunities.

Limitations of our work

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