

SURF PORT DOUGLAS

Economic Assessment



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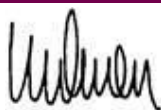
REPORT

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1 SUMMARY

1.1 Introduction

Surf Port Douglas is intended to be a major social, economic and financial investment and is located in proximity to the high profile tourist destination of Port Douglas. The site is the subject of a master plan that will guide development over the two year construction period and subsequent operation. The proposal will include:

- Accommodation consisting of a 4.5 star resort, holiday cabins and serviced apartments.
- Hotel style facilities including dining, spa, conferences and functions.
- A large surfing wave pool capable of catering to a variety of skill levels.
- A large lagoon with water and land based facilities to cater to children and people not using the wave pool.
- Food and beverage facilities for people using the wave pool and lagoon.

The proposed inclusions and operational assumptions are detailed in Appendix A- Assumptions.

Surf Port Douglas will primarily cater to the tropical north Queensland surf market, with attendees expected to include day-trippers, regional residents, domestic tourists and international tourists. Surfing in this part of Queensland is more problematic than in other parts of the state as surfers must travel off-shore as the Great Barrier Reef blocks coastal wave action, and the region does not have any true surf beaches. Surf Port Douglas has the potential to cater to locals and tourists who will pay for an experience that cannot be obtained elsewhere in the region in a tropical environment that is more comfortable than winter surfing in the southern parts of Australia.

1.2 Economic Assessment

1.2.1 Construction

- The budget for the construction phase is estimated to be \$317.3m. This includes site preparation works, civil works, professional services and the construction of the hotel, residential, lagoons and wave pool.
- The construction phase will create a total of 1,247 FTE¹ (full time equivalent) jobs. Of this, 453 are direct jobs (mainly on-site), and 794 are indirect type 1 (typically supply chain) jobs.
- The total of 1,247 FTE equates to an average of 623.5 FTE per annum for the two year construction period.
- Total wages and salaries are estimated to be \$117.5m (\$58.75m per annum).
- Almost all of the employment will be taken up by residents of the region with some specialist skills, equipment and other inputs (notably the wave pool) imported to Far North Queensland.

1.2.2 Operation

- Surf Port Douglas projected to host 128,680 visitor nights annually across all types of accommodation.
- Visitors and guests of Surf Port Douglas are projected to generate a direct expenditure of \$79.2m per year,
- The operational phase will generate an estimated 740 FTE jobs per annum. Of this, 644 are direct jobs, and 96 are indirect type 1 (supply chain) jobs². The direct jobs include the estimated 400 to 450 on-site FTE that includes employees of the hotel, wave pool, retail, and food and beverage. The balance of off-

¹ Direct and Indirect Type 1

² All ongoing (direct and indirect type 1) jobs can be sourced from within the local region.

site employment will be supported by the expenditure of visitors and guests and will be distributed throughout the region.

- The total annual wages and salaries are valued to be \$36m and will be mainly directed to the retail and hospitality sectors.

1.3 Current Use

The subject site has a negligible economic function with a modest annual production of about 1,400 tonnes of sugar cane and a minimal employment output of 0.1FTE. The loss of production from the subject site will not materially affect the viability or operations of the Mossman Mill. The 0.22% contribution to the crush of the mill is well within the 5% to 10% variation in the total volume that can be attributed to typical weather events.

1.4 Relationship with Port Douglas

The development of Surf Port Douglas will have a beneficial impact on the retailers and service providers located in the local area of Port Douglas. Tourists and visitors to Surf Port Douglas are projected to generate \$37.3m of annual retail and food/beverage expenditure. This is expected to be distributed between the subject site and businesses located in Port Douglas.

1.5 Conclusion

The proposed development at Surf Port Douglas has the potential to create a precinct of regional and state importance. The development of a wave pool, hotel and associated facilities will expand the appeal of the Cairns region as a tourist destination. It will be an important regional partner for ongoing marketing and branding activities. These facilities will also provide the opportunity to cater to a diverse range of target markets, including international tourists, domestic tourists, groups and budget travellers.

Developing a resort with associated specialised surf facilities will provide additional capacity to not only attract new tourists to the region but provide the opportunity for repeat patronage.

2 INTRODUCTION

This report has been prepared in response to a request by Hunt Design. The purpose of this report is to prepare a social and economic evaluation of the proposed Surf Port Douglas development located on the Captain Cook Highway at Mowbray. The subject site is located to the south of the Mowbray River, approximately 9.4Km to the south of the Port Douglas town centre.

2.1 Background

It is proposed to develop a unified resort and recreation destination that caters to tourists, day-trippers and regional residents.

Surf Port Douglas is intended to be a major social, economic and financial investment and is located in proximity to the high profile tourist destination of Port Douglas. The site is the subject of a master plan that will guide development over the two year construction period and subsequent operation. The proposal will include:

- Accommodation consisting of a 4.5 star resort, holiday cabins and serviced apartments.
- Hotel style facilities including dining, spa, conferences and functions.
- A large surfing wave pool capable of catering to a variety of skill levels.
- A large lagoon with water and land based facilities to cater to children and people not using the wave pool.
- Food and beverage facilities for people using the wave pool and lagoon.

The proposed inclusions and operational assumptions are detailed in Appendix A- Assumptions.

Large wave pools are new introductions in Australia, with the only local example in operation being UrbanSurf located at Tullamarine, Melbourne, Victoria³.

The operational assumptions have been provided by Hunt Design. RPS does not have a position on the viability or feasibility of the proposal. RPS's role has been to conduct an economic evaluation based on the provided data and assumptions.

2.2 Context

The Cairns region⁴ is projected to have a population of 263,200 in 2021⁵, and this accounts for 5.0% of the Queensland population. The population is projected to increase to around 340,000 people by 2041⁶. RPS notes that these population projections were prepared prior to the COVID19 pandemic and that rates of growth in regional cities and towns are projected to accelerate as people relocate from the capital cities. A by-product of the pandemic has been the greater acceptance of remote working and working from home.

2.2.1 COVID 19

This report was prepared before the long term social and economic impacts of the COVID19 pandemic were fully understood. After a year of COVID19 mitigation measures (including the closure of national and state borders) it is evident the impact on the tourism and hospitality sectors has (and continues to be) extensive. State and Local governments have enacted COVID recovery strategies, and the stimulation of the tourist and hospitality sectors are key elements of most of these plans. The subject proposal could form part of the overall longer term recovery and provide enhanced tourist infrastructure in the region.

³ <https://urbnsurf.com/>

⁴ Douglas Shire and Cairns Regional Council

⁵ Queensland Government Statisticians Office

⁶ Queensland Government Statisticians Office Population Projections Medium Series 2018 ed

2.3 Structure

This report is comprised of the following key sections:

- Introduction – summarising the background purpose and structure of the report.
- Project Description – detailing the design and inclusions.
- Policy Assessment.
- Current Economic Usage – how the site is utilised, and the economic importance.
- Economic Assessment.
- Qualitative Benefits – an assessment of social and other (non-economic) benefits

3 PROJECT DESCRIPTION

3.1 Description

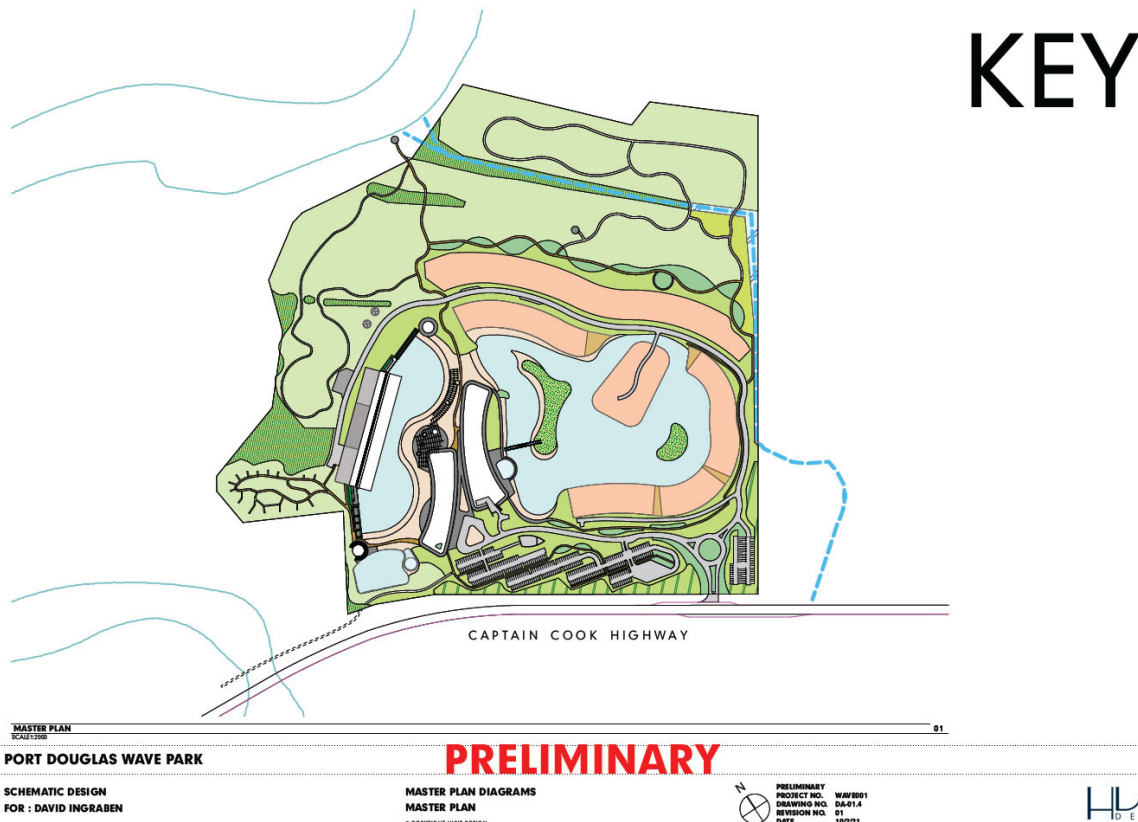
The proposed plan of development is detailed in the following figure. The primary functions of Surf Port Douglas include:

- Accommodation
 - A 164 room hotel with conference, spa, dining and retail facilities.
 - A 30 cabin surf camp catering to groups and offering budget accommodation.
 - 90 residential dwellings, some of which are expected to be offered as short stay tourist accommodation.
- A large Endless Wave (surf) pool catering to all standards of surfing.
- An aquapark that provides active and passive recreation opportunities.
- Dining and retail catering to the visitors to the site.

The proposed inclusions and operational assumptions are detailed in Appendix A- Assumptions.

Surf Port Douglas will primarily cater to the tropical north Queensland surf market, with attendees expected to include day-trippers, regional residents, domestic tourists and international tourists. Surfing in this part of Queensland is more problematic than in other parts of the state as surfers must travel off-shore as the Great Barrier Reef blocks coastal wave action, and the region does not have any true surf beaches. Surf Port Douglas has the potential to cater to locals and tourists who will pay for an experience that cannot be obtained elsewhere in the region in a tropical environment that is more comfortable than winter surfing in the southern parts of Australia.

Figure 1 - Proposed Master Plan



3.2 Site Assessment

The Port Douglas Town centre is located approximately 9.4Km (by road) to the north of the subject site. This proximity will enable people staying at Surf Port Douglas to visit the town centre (and vice versa).

The Captain Cook Highway connects the site to Port Douglas and Cairns, providing a high degree of regional accessibility for all tourist markets (particularly the self-drive market).

Surf Port Douglas is located to the south of Port Douglas, with the site presently being used for sugar cane production.



Figure 2 - Site Assessment

4 POLICY ASSESSMENT

The establishment of a new destination tourist resort and facility is in line with many of the actions and policies of regional economic development and tourist enhancement strategies.

4.1 Cairns Regional Council Economic Development Strategy 2018-2022

This is an overarching economic development strategy for the Cairns Regional Council and predates the impacts of COVID19. Key features of this strategy include:

- The continued growth of a strong tourist economy is important.
- The coordination of the destination marketing activities is essential to leverage the opportunities in the region.
- The importance of adding new tourist investment including the refurbishment of existing facilities.
- The need to add new room stock.
- The continued importance of the international market (including direct flights and the role of the Cairns Convention Centre)
- The intent to disperse events throughout the region, with a particular emphasis of improving the offer in the 'off season'.

4.1.1 Implications

The development of Surf Port Douglas will assist the delivery of all of these strategies. The development of a new resort and attraction will add room stock, provide off season opportunities and will provide a distinctive centrepiece for regional marketing and branding activities.

4.2 Tropical North Queensland Destination Tourism Plan October 2018

This plan is pre COVID19 and had a focus on increasing:

- The number of visitors
- The length of stay
- Expenditure
- The likelihood of repeat visitation

The plan presents several themes, with Surf Port Douglas being aligned with 'Infrastructure and Product Investment'. The plan seeks to identify unique tourism experience, product and event development opportunities. The plan makes reference to the importance of catalytic projects to build capacity and improve awareness amongst the target markets.

4.2.1 Implications

Although the plan is now quite dated (in the context of COVID19), the importance of developing new attractions cannot be overemphasised. Surf Port Douglas not only will create a new experience, but it will also have the capacity to cater to regular repeat domestic visitation (particularly from the colder parts of Australia).

4.3 Douglas Shire Economic Development Strategy (draft) 2021-2024

This strategy is a post COVID19 document that identified that 80% of tourism dependant businesses in the Shire were closed down in the first half of 2020 with a 90% decline in tourist visitation.

Tourism is recognised as the main economic driver and the largest employment industry in the Douglas Shire. The strategy seeks to re-establish tourist visitation and expenditure as quickly as possible.

The strategy identified the diversification and expansion of the tourist offer is one of the three priority economic drivers. The others are the diversification of agriculture and targeting increased population.

The strategy concludes Douglas Shire is well positioned to attract new markets, including sports, food experiences, thoughtful events and adventure tourism.

4.3.1 Implications

The proposed Surf Port Douglas development is a good fit for the Port Douglas Economic Development Strategy. A sizeable new investment that includes a specialised attraction will attract new visitation and expenditure to the shire.

4.4 Implications and Conclusion

Developing a resort with associated specialised surf facilities will provide additional capacity to not only attract new tourists to the region but provide the opportunity for repeat patronage.

The provision of conference facilities within the proposed development, combined with its location close to Port Douglas, provides the opportunity for the subject site to take advantage of sports tourism, event tourism, and destination tourism while acting as a centrepiece for regional marketing and branding activities.

5 CURRENT ECONOMIC USAGE

5.1 Current Use

The subject site is currently being utilised (in part) for sugar cane production. Only part of the site is farmed for sugar cane due to poor soil quality in the balance area. The subject site produces in the range of 1,400 tonnes per annum⁷.

5.2 Economic Evaluation

The sugar cane from the subject site is crushed at the Mossman Mill. In the 2020 season, the Mossman Mill crushed 648,000 tonnes⁸. The sugar cane from the subject site represents about 0.22% of the throughput of the Mossman Mill.

At 1,400 tonnes of production, the subject site has a total employment generation of 0.1FTE per annum.

5.3 Implications

The subject site has a negligible economic function with a modest annual production and minimal employment output of 0.1FTE. The loss of production from the subject site will not materially affect the viability or operations of the Mossman Mill. The 0.22% contribution to the crush of the mill is well within the 5% to 10% variation in the total volume that can be attributed to typical weather events.

⁷ Source: Giudice Farming Pty Ltd

⁸ <https://douglasnews.network/2020/11/05/mossman-mill-the-year-that-was/> accessed 2 March 2021.

6 ECONOMIC ASSESSMENT

The inputs and assumptions used to derive the assessments contained in this section are detailed in Appendix A. In some cases, the numbers are aggregated as the detailed figures are commercial-in-confidence.

This section provides an assessment and summary of the economic impact assessment for Surf Port Douglas. The economic impact tables are in Appendix B.

6.1 Construction

The budget for the construction phase is estimated to be \$317.3m. This includes site preparation works, civil works, professional services and the construction of the hotel, residential, lagoons and wave pool.

The construction period is assumed to be two years.

The construction phase will create a total of 1,247 FTE⁹ (full time equivalent) jobs. Of this, 453 are direct jobs (mainly on-site) and 794 are indirect type 1 (typically supply chain) jobs.

The total of 1,247 FTE equates to an average of 623.5 FTE per annum for the two year construction period.

Total wages and salaries are estimated to be \$117.5m (\$58.75m per annum).

Almost all of the employment will be taken up by residents of the region with some specialist skills, equipment and other inputs (notably the wave pool) imported to Far North Queensland.

6.2 Direct Expenditure and Visitation

Visitors and guests of Surf Port Douglas are projected to generate a direct expenditure of \$79.2m in year four¹⁰ of operation. It is estimated that the majority of this will be new expenditure attracted to the region by the project.

Surf Port Douglas projected to host 128,680 visitor nights annually across all types of accommodation.

6.3 Economic Output

The total economic output from the Surf Port Douglas project is estimated at \$116.8m per annum with 68% (\$79.2m) of the total derived from the direct expenditure and the balance being supply chain/industrial support.

6.4 Gross Value Added¹¹

The Surf Port Douglas project is estimated to have a Gross Value Added (GVA) of \$59m per annum as a contribution to the regional economy.

6.5 Operational Employment

The operational phase will generate an estimated 740 FTE jobs per annum. Of this, 644 are direct jobs, and 96 are indirect type 1 (supply chain) jobs¹². The direct jobs include the estimated 400 to 450 on-site FTE that includes employees of the hotel, wave pool, retail, and food and beverage. The balance of off-site

⁹ Direct and Indirect Type 1

¹⁰ Year four of operation has been selected as the operational reference year, as Surf Port Douglas is assumed to take the first three years to become established in the market.

¹¹ Value added: value of output after deducting costs of goods and services used in the production process. Value added is the preferred measure for assessing economic impacts.

¹² All ongoing (direct and indirect type 1) jobs can be sourced from within the local region.

employment will be supported by the expenditure of visitors and guests and will be distributed throughout the region.

The total annual wages and salaries are valued to be \$36m and will be mainly directed to the retail and hospitality sectors.

The 740 FTE operational jobs are significantly greater than the current 0.1 FTE generated by the subject site as a sugar cane farm.

6.6 Relationship with Port Douglas

The development of Surf Port Douglas will have a beneficial impact on the retailers and service providers located in the local area of Port Douglas. Tourists and visitors to Surf Port Douglas are projected to generate \$37.3m of annual retail and food/beverage expenditure. This is expected to be distributed between the subject site and businesses located in Port Douglas.

6.7 Conclusion

The proposed development at Surf Port Douglas has the potential to create a precinct of regional and state importance. The development of a wave pool, hotel and associated facilities will expand the appeal of the Cairns region as a tourist destination. It will be an important regional partner for ongoing marketing and branding activities. These facilities will also provide the opportunity to cater to a diverse range of target markets, including international tourists, domestic tourists, groups and budget travellers.

7 QUALITATIVE BENEFITS

In addition to the benefits captured in the economic assessment, a range of wider benefits are expected to be realised with the development of Surf Port Douglas.

These are summarised in the following table:

Table 1 - Wider Benefits

Benefit	Description
Improved access to recreation facilities	A well designed and operated space will act as a recreation destination for tourists and regional residents. Connection to the Wangetti Trail.
Demographics and Population	Enhanced recreation areas are required to cater for the needs of the increasing number of residents in the region.
Health Values	The provision of aquatic sports areas and other facilities encourage physical activity and interaction for all ages. Connection to the Wangetti Trail.
Social Values	Opportunities for enhanced social connection/engagement.
Community Infrastructure	Opportunity to host community groups (schools and sporting groups). Connection to the Wangetti Trail.
Branding and Marketing of Tropical North Queensland	Surf Port Douglas will continue to assist in the branding and marketing of the Douglas Shire and Cairns region.
Investment Attraction	Precincts such as Surf Port Douglas can highlight the changing nature of the area with new investment attracting tourists and further investment.
Housing and Residents	The residential precinct at Surf Port Douglas will increase the local housing stock, which will assist the residential population growth objectives of Douglas Shire.
Community Engagement	Enhancing a sense of community by hosting events organised by school and community groups.
Tourism Diversification	Surf Port Douglas will help to diversify and increase the local tourism sector by attracting additional visitors to the region to visit the specialised sport and recreation facility. This type of visitation is particularly beneficial if it occurs in non-peak periods.

APPENDIX A- ASSUMPTIONS

The operational assumptions have been provided by Hunt Design. RPS does not have a position on the viability or feasibility of the proposal. RPS' role has been to conduct an economic evaluation based on the provided data and assumptions.

Table 2 – Surf Port Douglas Usage Assumptions

Item	Description	Assumptions	Source
Description	A multi-faceted tourist destination with accommodation and activities.	The reference year for the economic evaluation will be year 4 of operation.	
Hotel	164 rooms and suites Restaurant and bar Spa Gym Sport science (training, consulting and cinema) Function rooms Co work space Retail <ul style="list-style-type: none"> • Surf outlet – 620 Sq M • Board store – 100 Sq M • Speciality retail – 2 at 75 Sq M • Convenience – 100 Sq M 	Occupancy – Year 4 <ul style="list-style-type: none"> • ADR - \$341 • Occupancy – 72% • Pers per room – 1.85 • Room Nights – 43,100 • Visitor Nights – 79,725 	Hunt Design
Surf Park - Facility	Endless Surf Wave pool	Cater to 75 surfers at a time with each surfer buying a ticket for a one hour session. There will be between 9 (low season) and 13 (peak season) sessions per day. Assumptions – Year 4 <ul style="list-style-type: none"> • Total number of annual ticket sales – 152,200 • 50% of tickets will be purchased by hotel guests. • Total annual revenue (tickets and surfboard hire) - \$7.8 million per annum. • RPS note- this visitation and revenue equates to an average of: <ul style="list-style-type: none"> ○ 10 sessions daily for 365 days ○ 40 Surfers per session ○ \$46 per ticket • Staff on duty will range from 8 (low season) to 14 (high season) for between 1.4 to 1.8 daily 8 hour shifts. This equates to an average FTE employment of 15.7 per day (for 365 days per annum). 	Hunt Design

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Item	Description	Assumptions	Source
Surf Park – other elements	Wave deck and bar Surf bar Surf lounges Beach kiosk VIP room Islands – provides areas for functions, weddings etc	Expenditure detailed below.	Hunt Design
Aquapark	A water based play area utilising inflatable structures	Assumptions – Year 4 <ul style="list-style-type: none"> Patronage 100,000 per annum Entry Fee - \$25 per person. Seasonality – between 40 (low season) and 90 patrons per hour (peak season). 	Hunt Design
Surf Camp	A 30 cabin surf camp with group kitchen.	Utilized for surf camps, school camps and budget accommodation. Connection to the Wangetti Trail. Assumptions – Year 4 <ul style="list-style-type: none"> ADR - \$80 Occupancy – 65% Pers per room – 1.8 Room Nights – 7,100 Visitor Nights – 12,800 	Hunt Design Visitation assumptions by RPS
Residential	Villa – 50 Detached dwellings - 40	A proportion of the dwellings will be utilised by short stay tourists. Assumptions – Year 4 <ul style="list-style-type: none"> ADR - \$341 Occupancy – 50% Pers per room – 2.2 Room Nights – 16,425 Visitor Nights – 35,135 	Hunt Design Visitation assumptions by RPS
Expenditure	Total expenditure within the region by visitors (overnight and day) to Surf Port Douglas.	Assumptions – Year 4 <ul style="list-style-type: none"> Accommodation - \$26.9m Other (includes entry fees to Wave pool and Aquapark, conference and SPA revenue) - \$15.1m Food and Beverage - \$27.1m Retail - \$10.2m Total – \$79.2m 	Expenditure assumptions by RPS

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Item	Description	Assumptions	Source
Construction Costs	Total construction budget.	<p>The budget for the construction phase is estimated to be \$317.3m. This includes site preparation works, civil works, professional services and the construction of the hotel, residential, lagoons and wave pool.</p> <p>The construction period is assumed to be two years.</p>	Hunt Design

APPENDIX B – ECONOMIC IMPACT TABLES

The following tables¹³ have been derived based on the information described in the previous sections. The input/output model prepared by RPS has been regionalised to reflect the individual nature of the local and regional economies.

Construction Phase – Total

	Output (\$M)	GVA (\$M)	Income (\$M)	Employment (FTE)
Direct	\$317.3	\$83.6	\$41.0	452.8
First Round	\$184.7	\$72.5	\$41.7	441.2
Industrial Support	\$137.3	\$60.9	\$34.7	352.9
Simple Multiplier	\$639.3	\$217.0	\$117.5	1,247.0

Operational Phase – Year 4 of operation

	Output (\$M)	GVA (\$M)	Income (\$M)	Employment (FTE)
Direct	\$79.2	\$40.7	\$26.1	644.9
First Round	\$24.4	\$11.8	\$6.4	60.2
Industrial Support	\$13.2	\$6.5	\$3.5	35.1
Simple Multiplier	\$116.8	\$59.0	\$36.0	740.2

¹³ Assumptions

Constant returns to scale and no substitution between inputs

Production within an industry is homogenous across firms in that industry (i.e., same proportion of inputs are used by every firm in a given industry)

Each industry has only one primary output

The effect of carrying out a given level of production by one firm or many is the same

The economy examined is in equilibrium at given prices and

There are no capacity constraints so that the supply of each good is perfectly elastic. Each industry can supply whatever quantity is demanded of it and there are no capital restrictions.

APPENDIX C – TOURIST MARKET

This section will provide an overview of the tourism industry in the Local Government Areas (LGAs) of Douglas and Cairns. This will include the contribution to the economy, number of visitors, and the current state of tourism in the LGAs.

Contribution to the Economy

In 2018/19 the economy of the Cairns Regional Council had the following features¹⁴:

- Gross Regional Product - \$10.25Bn
- Employment - 84,447
- Tourism and Hospitality
 - Employment (direct and indirect) (FTE) – 9,924 (14.4% of total industry)
 - Total Sales - (direct and indirect) - \$2.17Bn (11.9% of total industry)
 - Value Added (direct and indirect) – \$1.09Bn (13.5% of total industry)

In 2018/19 the economy of the Douglas Shire¹⁵ had the following features:

- Gross Regional Product - \$0.75Bn
- Employment – 6,727
- Tourism and Hospitality
 - Employment (direct and indirect) (FTE) – 2,317 (42.3% of total industry)
 - Total Sales - (direct and indirect) - \$0.55Bn (38.4% of total industry)
 - Value Added (direct and indirect) – \$0.26Bn (43.4% of total industry)

Visitors and Visitor Nights

In 2018/19, Queensland hosted 158 million visitor nights. This is projected to increase to 209 million visitor nights in the ten years to 2028/29¹⁶. This is a total growth of 32% and includes people on holiday, business and visiting friends and relatives, with the majority expected to be directed to LGAs in South East Queensland. A major growth segment is projected to be international tourists, with the 10-year increase across the state estimated to be 61% (to 94 million visitor nights)¹⁷.

Based on data from Tourism Research Australia¹⁸, there were a total of 2.91 million overnight visitors to Tropical North Queensland in the year ending December 2015, and they stayed a total of 16.9 million nights. This represented an increase in visitors of 36% since 2005. The number of total visitor nights increased by 21% in the same period.

Domestic Visitors

Cairns Regional Council

- In 2019, the number of domestic visitors was 1.14 million, and these people stayed 4.87 million nights.
- Expenditure by overnight domestic visitors was \$273 per person per night. This equates to a total direct expenditure of \$1.3Bn.

¹⁴ <http://economy.id.com.au/cairns>

¹⁵ <https://economy.id.com.au/douglas>

¹⁶ Tourism Research Australia – State and Territory Tourism Forecasts

¹⁷ IBID

¹⁸ https://www.tra.gov.au/tra/2016/Tourism_Region_Profiles/Region_profiles/index.html#

- Cairns City hosted 1.1 million day-trippers in 2019.

Douglas Shire

- In 2019, the number of domestic visitors was 335,000, and these people stayed 1.8 million nights.
- Expenditure by overnight domestic visitors was \$265 per person per night. This equates to total direct expenditure of \$482m.
- Douglas Shire hosted 264,000 day-trippers in 2019.

International Visitors

Cairns City

- In 2019, the number of international visitors was 799,000, and these people stayed 4.6 million nights.
- Expenditure by international visitors is \$188 per person per night. This equates to a total direct expenditure of \$868m.
- International visitors to Cairns in the year ending June 2019 were predominantly from China (26%), followed by Japan (14%) and the United States of America (12%).

Douglas Shire

- In 2019, the number of international visitors was 108,000, and these people stayed 661,000 nights.
- Expenditure by international visitors is \$155 per person per night. This equates to a total direct expenditure of \$102m.
- International visitors to Cairns in the year ending June 2019 were predominantly from the United States of America (19%), the United Kingdom (18%), and New Zealand (14%).

Room Stock

Tropical North Queensland best described as a mixed accommodation tourist market. In June 2016, the 190 hotel, resort, motel and serviced apartment properties in the Tropical North Queensland region provided 11,170 rooms¹⁹. This accounted for 16.6% of the total Queensland room stock.

The Tropical North Queensland region had the following room distribution:

- 40 resorts and hotels provided 3,980 rooms (36% of regional room stock)
- 62 motels and similar provided 3,265 rooms (29% of regional room stock)
- 88 serviced apartments provided 3,925 rooms (35% of regional room stock)

Implications

Tourism is a large and critical part of the regional economy. The role of tourism is very apparent in smaller communities such as Port Douglas.

All of the published statistical data predate the COVID19 pandemic and the subsequent restrictions on travel. There is no doubt the impact on the region's tourist economy has been significant and that governments at all levels, businesses and individuals will be seeking to facilitate a rebound of the tourist and hospitality sector.

Given the importance of the tourism industry to the region, it is imperative to improve the tourist product and facilities to remain a choice holiday destination and attract more visitors. Surf Port Douglas will provide a unique regional attraction and provide the opportunity for enhanced regional marketing and branding.

¹⁹ Australian Bureau of Statistics, Tourist Accommodation Australia 2015-16, 86350DO001_201516

APPENDIX D – INPUT OUTPUT METHODOLOGIES

Methodology and Approach

RPS has used an Economic Impact Assessment (EIA) based approach to estimating the employment impacts of proposed development on the Tropical North Queensland economy.

Impact Assessments and IO Tables

At the core of Impact Assessments are 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 expenditure associated with a project.

The results of an EIA are generally presented as both direct effects, that is effects from the direct expenditure 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:

1. **Simple Multipliers** – including the Direct or Initial Effect, First Round and Industry Supply Chain effects.
2. **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.
- **Value Added** - the value added to materials and labour expended on the project; and

For the purpose of this analysis, only employment-related impacts have been assessed.

RPS has undertaken an Impact Assessment for the Tropical North Queensland economy. This entailed the following tasks:

1. Transaction tables were developed from National IO tables for the Tropical North Queensland economy. The Australian transaction table was calculated directly from the latest IO tables from the ABS. For the Tropical North Queensland 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 Tropical North Queensland economy across 119 industry categories defined by the ABS.
3. Construction, operational, tourism and household expenditure associated with the development were allocated across 119 industry categories: and
4. Employment impacts associated with the project are calculated.

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 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 since 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.

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

Firstly, *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 first round supply chain connection are considered. This has the effect of making the results of the EIA conservative and suitable to inform decision making.

Secondly, the Tropical North Queensland economy is a large area with a critical mass of population and business activity and a diverse economy. Adjustments have also been made to national multipliers to calculate the impacts on the Tropical North Queensland economy only, through the development of a regional transaction table.

RPS regards the use of Employment Multipliers as part of this Assessment as appropriate and measured and the results of the assessment as conservative, defensible and suitable for informing decision making.

APPENDIX E – GLOSSARY

Statistical Geographies

RPS has undertaken all assessments for the combined reporting area of Cairns City and Douglas Shire.

Where applicable, to reduce and minimise the impacts of double counting or internal transfer payments, RPS has removed or discounted the impact of expenditure from within Queensland.

Glossary and Abbreviations

Abbreviation	Phrase
ABS	Australian Bureau of Statistics
BCR	Benefit Cost Ratio
CBA	Cost Benefit Assessment
LGA	Local Government Area
FTE	Full Time Equivalent
IO	Input-Output
IRR	Internal Rate of Return
NPV	Net Present Value
sqm	Square metres
TRA	Tourism Research Australia