

6 August 2018

Dear Pamela

## **Subject: North Byron Parklands Proposal - Assessment of Economic Impacts**

### **1. Introduction**

NSW Department of Planning and Environment commissioned HillPDA to undertake a review of the documentation of the above State Significant Development (SSD) Application in respect of its economic impacts, to form a view about the likely economic impacts and if necessary make any recommendations.

In assessing the economic impacts we have relied on the following documents:

- North Byron Parklands Environmental Impact Statement (EIS)
- Appendix W – Economic Impact and Benefits 2016 by RPS Australia East (RPS report)
- Various submissions in respect of the above documents
- We also liaised with the author of the RPS Report

Please note that our assessment and our comments are confined to economic impacts in the locality (Byron LGA and North Coast region). We make no comments on environmental factors, traffic, etc.

### **2. Secretary's Environmental Assessment Requirements**

The 1.2 Secretary's Environmental Assessment Requirements (SEAR) were that the Environmental Impact Statement (EIS) must be accompanied by a report from a quantity surveyor providing:

- A detailed calculation of the capital investment value (CIV)
- An estimate of the jobs that will be created during construction and operational phases

It must also include an analysis of the economic impacts of the development, particularly of any benefits or otherwise to both the localised and broader community

### 3. Estimated CIV and Jobs in Construction

The QS report estimates CIV to be \$42m net of GST.

We could not find any assessment of jobs directly in construction. Nevertheless from the ABS Input Output tables we estimate that a CIV of \$42m would generate around 90 job years directly on site in construction.

A further 141 job years would be generated through production induced impacts and 129 job years in consumption induced impacts. Total potential job years would be 362. Please note however the limitations with use of multipliers as detailed in the RPS report. Multiplied job numbers can lead to the impression that these are total jobs created whereas many of the jobs could be redirected to alternative projects if the subject project did not proceed. Note also that the multipliers are nation-wide and not local or regional.

### 4. Comments on the RPS Report

Our comments on the RPS report are provided immediately below.

#### 4.1 Overall Methodology and Assessment

Overall the methodology and assessment is sound and generally accords with the SEAR subject to some further points below. For a more thorough evaluation it would have been useful to have included a cost benefit analysis (a comment from several objectors) but that was not a SEAR.

Notwithstanding the EIA demonstrates net positive impact and if adverse social impacts are mitigated satisfactorily then a CBA would also show a positive net impact.

The base case or opportunity cost of the land (rural use) was not considered and assessed. Economic impacts should measure the difference between the proposed use and the base case.

Figure 6 in the RPS report is wrong and is a repeat of Figure 5.

GVA from direct expenditure is not provided which is probably the most relevant KPI as it measures direct contribution to the economy (gross regional product). Notwithstanding this the relevant figures are provided in the table in Appendix 1 but not for the three future scenarios.

#### 4.2 Appendix 2

Appendix 2 provides a list of assumptions behind the calculations of the economic impact assessment tables in Appendix 1. The daily visitor expenditure figures are high when benchmarked to tourism expenditure numbers – more than double. RPS advised that it was based on consultation with NBP and festival organisers.

Apparently the attendees at NBP are bigger drinkers than your average tourist. This would amount to almost \$20m in liquor sales. This is consistent with one of the anonymous objector's estimates (File: 245363\_N Byron Parklands\_2\_2018Feb16\_1105).

#### 4.3 Appendix 1

Appendix 1 "Output (\$m)" columns are calculated from the Assumptions table in Appendix 2. Assuming the total revenue or outputs are correct then the multiplier and GVA figures appear to be within expected levels. The GVA/Output ratio and multipliers are roughly in line with the ABS Input Output tables for Australian-wide 'accommodation and food services industry'.

Please note however the limitations with multiplier impacts. This is well documented in the RPS report. Multipliers can lead to the impression that economic activity is further expanded as resources are used in production whereas those resources in many cases could be put to use in other areas if development did not proceed.

## 5. Comments on the Objections

Our comments on the objections in relation to economic impact are provided immediately below.

### 5.1 (Anonymous, Brunswick Heads), 30 Jan 2018

#### Contention

*"An independent cost-benefit analysis has not been done.*

*No independent cost-benefit analysis has been done that objectively weighs the purported benefits of the festivals against the costs to the community. The Economic Benefits Report, Appendix W in the proposal, was generated by a Parklands-paid consultant. The report is presented 'without the assumption of a duty of care to any other person other than the client [Parklands]' and the report further cautions any third party from 'using or relying on the facts, content, opinions or subject matter' in the report."*

#### Assessment of Contention:

Whilst a cost benefit analysis (CBA) would be a useful evaluation or assessment tool (by quantifying and weighing all the costs and benefits of the proposal) it was not a requirement under the SEAR. The SEAR only included "an analysis of the economic impacts of the development, particularly of any benefits or otherwise to both the localised and broader community".

### 5.2 South Golden Beach, 5 Feb 2018

#### Contention

*"The cost to ratepayers for additional rubbish disposal, cleanup and ranger services to monitor/police illegal camping during festival events has not been adequately addressed or considered by the applicant"*

In other words costs to mitigate social impacts including rubbish cleanup and additional policing and security should be internalised. The submission suggests a Special levy should apply to patrons to cover such costs.

#### Assessment of Contention:

We have not quantified the costs and mitigation measures in the full EIS. The Department should satisfy itself that these measures are being adequately addressed and social costs are being satisfactorily mitigated.

### 5.3 Leone Bolt, Brunswick Heads, 14 Feb 2018

#### Contention

*"While some local businesses may benefit, not all do. Many businesses that cater to residents lose money during festivals."*

Assessment of Contention:

The submission fails to explain why or how many businesses would lose trade during festivals.

Contention

*“Also, any benefits should be weighed against the costs to the community in terms of loss of amenity, disturbances, security and safety issues.”*

Assessment of Contention:

Again that would be done as part of a CBA but a CBA was not a requirement of the EIS

#### **5.4 Australians for Animals NSW Inc, 15 Feb 2018**

Contention

*“Reliance on flawed and highly inflated economic claims by NBP in spite of contradictions to these claims in NBP’s own previous approval application and evidence provided to PAC Commissioners demonstrating flakey figures.”*

Assessment of Contention:

The objection is subjective rather than objective. Whilst the multipliers may be interpreted as ‘inflated economic claims’ the EIA does cover at length limitations with multipliers and their potential misuse.

#### **5.5 Angela Dunlop, South Golden Beach, 15 Feb 2018**

Contention

*“Experts in assessing economic costs and benefits have described the cost benefit analysis report as incomplete, inaccurate, and misleading. An independent analysis should have been completed to objectively weigh the alleged benefits of the festivals against the costs to the community. The Economic Benefits Report, Appendix W in the proposal, was generated by a Parklands-paid consultant.”*

Assessment of Contention:

A CBA was not a requirement of the EIS.

#### **5.6 Leonard Cronin**

Contention:

*“Any modelling based on ‘discussions’ with stakeholders with vested interests in the project has no scientific or economic validity whatsoever. This comment was made in relation to the EIA’s statement that the ‘actual’ economic benefits have been stronger than earlier predicted.”*

Assessment of Contention:

Interviews may be an appropriate source of data, particularly given the difficulty in obtaining suitable data elsewhere. Expenditure data from credit and debit card use is possible but it is costly and there are privacy concerns around the use of it. We have checked the assumptions with tourism spend data and the assumptions are certainly higher in this case but not way beyond reasonable expectation (discussed in Section 4.2).

Contention:

*“The statement in the EIA that ‘as the use of the site is expanded it is expected the capacity of local businesses to cater these events will also increase, reducing the necessity for event organisers to use out-of-region suppliers (RPS page 15)’ is pure speculation.”*

*and is contradicted by the statement that ‘... it may be more efficient to increase imports’.” (RPS Page 22)*

Assessment of Contention:

This criticism is not fair as the second part has been taken out of context (the RPS report was giving examples regarding the limitations with multiplier analysis). In relation to the first statement it is reasonable to assume that inputs to supply would be more locally based – or at the very minimum that the opportunity would improve. In other words, it becomes increasingly feasible for businesses supplying inputs to development (including events) to be located in the local area closer to its primary market. As a qualitative statement we therefore concur with RPS.

Contention:

*“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.” (p.22)*

Assessment of Contention:

Multipliers based on national I-O tables can be adjusted for small regions as was done in this assessment. Although the science and/or data for making these adjustments is by no means perfect and may rely on value judgements (particularly in the case of forecasting) it is an appropriate method. Obviously the regional multipliers will be lower than the national multipliers which is the case here and the limitations or potential misinterpretation was documented in the EIA.

## **5.7 Anonymous Submission titled “Assessing the Adverse Economic Impact of SITG and the Falls Festivals”**

Contention:

The author estimated the adverse economic costs of the festivals in question based on interviews with 21 managers of licensed entertainment premises in the region (between Ballina, Lismore, Murwillumbah and Tweed Heads). According to the submission all interviewees reported a reduction in income attributable to the mega-festivals. Based on this survey the author calculated the losses to be \$36.2m every year. A further \$36.2m was lost every year in investment (capital works abandoned or shelved).

Assessment of Contention:

The submission is considered weak in evidence and appears to be based on interviews and subjective judgements. It would be better if it was supported with financial statements. The estimate of total impacts is simplistic – it simply doubled the numbers calculated on the 21 businesses surveyed. We also suspect that the benefits of additional overnight tourists generated by the events have been ignored in the estimates.

## **5.8 Anonymous submission titled Review of “North Byron Parklands: Economic Impact and Benefits 2016, prepared by RPS”**

### Contention

The footnotes (Page 19 and 20) *“say data was only collected from people with vested interests, i.e. festival organisers and stall-holders. No objective data was collected. Since the data is highly unreliable with a high margin of error, no conclusions should be drawn.”*

### Assessment of Contention:

Refer to Section 5.6 above

### Contention

*“According to this biased data (Page 6), direct expenditure is given as \$55.1m. But 2.1 says 39.1m was spent by the punters, and 17.5m by the organisers. This is the same money, counted twice. It just means that some of the money that came in went out, but it’s the same money.”*

### Assessment of Contention:

RPS advised that the \$17.5m spend by organisers are not direct inputs to the goods and services consumed by patrons. It relates to security, cleaning and other services paid from admission sales. Hence there is no double counting.

### Contention

*“On page 7 the economic output figures are more than 2 X greater than the total expenditure claimed on the previous page. No explanation or methodology is mentioned. So how do we get from a dollar being spent equals \$2.20 economic output? That means every time a pensioner spends a dollar, it’s worth \$2.20 to the economy.”*

### Assessment of Contention

The multipliers appear reasonable subject to the limitations with the use of multipliers and their interpretation (Pages 21-22 of the RPS report)

### Contention

*“The Gross Value Added (GVA) figure in 2.3 looks similarly delusional. No means of calculation or methodology mentioned.”*

### Assessment of Contention

GVA is a measure of contribution to the economy (gross regional product). The estimates are around 48% of gross revenue. We checked this with IBIS World Report for music venues which has a similar GVA to gross revenue (GR) ratio of 45%. We are therefore comfortable with the number.

### Contention

*“Multipliers is a form of ‘double counting’ which over inflates the results. Also spend benefits in a venue is redirected from other locations” (Pages 8-18).*

### Assessment of Contention

There may be some truth in the claim that a proposal could shift expenditure from some other venue and hence the multiplier impacts and GVA are transfers from one area to another. However, for the purpose of the impact assessment, if the standing of the economy is the local or regional area then there is clearly a net

increase in expenditure captured. There is also some net benefit, even at the national standing as the venue and its events including Spendour in the Grass and Falls Festival stimulates additional consumption.

#### Contention

Opportunity Cost: *“No mention is made of the opportunity cost of the festivals – business being lost by local entertainment venues, the total lack of investment in these venues over the last decade, and the land itself. The land previously produced sugar, cattle and trees. Now it produces nothing.”*

#### Assessment of Contention

We agree that the opportunity cost (alternative productive use of the land) is a base case that the proposal should be measured against in undertaking a proper EIA. In other words the GVA that an alternative complying use (say agriculture) should be deducted from the forecast GVA of the subject proposal to calculate the marginal increase.

#### Contention

Ticket Sales: *“The single largest financial item in the economic impact of these festivals is not mentioned at all or accounted for in the report. In fact, using NBP’s figures and current ticket prices, \$29.6m is received by the organisers for tickets and removed, presumably overseas to the shareholders. The organisers also have other sources of revenue from the events, eg, stall-holder fees. Thus over \$30m is being removed from the economy every year. There is no mention of this anywhere in the report.”*

#### Assessment of Contention

According to their website NBP is Australian owned. This issue is not relevant.

## **6. Comments on Submissions of Support**

A total of 19 written supporting submissions were received. Three of these submissions highlighted the economic returns of the proposal as documented in the RPS report.

There were a further 5,500 to 6,000 bulk supporting submissions.

## **7. Conclusions and Recommendations**

The proposal will clearly provide a net economic benefit to the State of NSW given that it brings patrons down from Queensland to attend. There are also net benefits at the regional level. Increasing the number of events would increase the net benefit further. It is also reasonable to assume that inputs to supply would be more locally based – or at the very least the feasibility of businesses supplying the inputs to locate in the region improves as the size of its market increases.

If there were reasonable grounds for refusal it would not be on direct economic impact grounds but rather on other grounds (environmental, traffic, adverse social impacts, etc). The Department should satisfy itself that any adverse impacts in these areas are mitigated by the proposal as best as possible and/or that these costs are ‘internalised’ in some way through a VPA or like method. Alternatively CBA, as an evaluation tool to measure the economic benefits against the social costs, should be considered.

We do recommend a social cost benefit analysis (generally in accordance with NSW Treasury Guidelines for Economic Appraisals) be undertaken for the following reasons:

1. There would appear to be a number of social costs with the planning proposal in relation to traffic, noise, perhaps alcohol abuse and anti-social behaviour, possible adverse business impacts, etc;
2. There are clear economic benefits in the locality and region particularly in relation to user benefit / consumer surplus, beneficial impacts on businesses in the region (particularly on accommodation and food services), etc;
3. There is or should be some useful data available given that the site has been accommodating events over the past several years and its impacts have been monitored.

It should therefore be possible to undertake a CBA which is a useful technique for evaluation purposes. It may be that not all costs will be or can be mitigated. However the application may warrant support (rather than be refused) if the benefits strongly outweigh the costs.

The terms of reference need to be clear. We believe that it should include the following:

- The standing or economy being considered should be the far north coast region;
- The opportunity cost of the site should be considered (land value or preferably the PV of the GVA in perpetuity of highest and best use under the current zone);
- All costs and benefits of the development options to be identified and where practically possible quantified or monetarised;
- The development options to be measured against the base case includes the current approval, the SSD application and any others deemed relevant;
- Mitigation measures to be identified and included as a cost

These terms of reference could be further refined later

The Department could either:

- Impose the task of undertaking a CBA on the applicant. On this basis the Department would need an expert to peer review the CBA to ensure it accords with Treasury Guidelines, the terms of reference and to check assumptions, methodology and data sources;
- Supervise the CBA with funding from the applicant; or
- Undertake the CBA itself (which ensures maximum control).



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