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THE ECONOMIC SIGNIFICANCE OF THE AUSTRALIAN ALPINE RESORTS SUMMARY REPORT



ALPINE RESORTS
CO-ORDINATING COUNCIL

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National Economics
National Institute of Economic and Industry Research

This report has been prepared by the National Institute of Economic and Industry Research (NIEIR)

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Foreword

This report has been prepared by the National Institute of Economic and Industry Research ('NIEIR') for the Alpine Resorts Co-ordinating Council ('Council'), the Australian Ski Areas Association ('ASAA'), the NSW National Parks and Wildlife Service and other Victorian, NSW and Tasmanian government and industry bodies who wish to undertake an assessment of the economic significance of the Alpine Resort Industry to their surrounding regions, the States and the Commonwealth.

The Alpine Resorts have been the subject of previous studies dating back to the 1990s. Benchmarking against the most recent previous study, 'The Economic Significance of the Australian Alpine Resorts' (July 2006) has been completed in this report.

The purpose of the project is to obtain reliable knowledge about the economic significance of the Alpine Resort Industry.

The report demonstrates the important contribution that the Alpine Resorts make to the Australian economy as well as to the state and regional economies in which the Alpine Resorts are located.

A copy of the full report is available online at www.arcc.vic.gov.au.

The purpose of the project is to obtain reliable knowledge about the economic significance of the Alpine Resort Industry.

Executive summary

1.1 Alpine industry economic impact

The Alpine resorts of Victoria and New South Wales are significant in economic terms as they attract considerable numbers of local and interstate visitors. The presence of Alpine resorts in Victoria, New South Wales and Tasmania means that many snow sports enthusiasts, who would otherwise have travelled overseas to the snow (if the Australian resorts had not been developed) have a high quality Australian snow sports option. This means snow sports enthusiasts can spend on snow sports activity in the Australian economy rather than spending this money overseas.

The value of the resorts to both state and regional economies identified in this report clearly demonstrate that the resorts should not be allowed to become under-resourced in terms of their public infrastructure and general investment. This ongoing requirement includes investment in infrastructure, technology, accommodation and services. Importantly the report demonstrates that investment in the Alpine resorts will boost economic activity in regions where unemployment would become significantly more of an issue if the Alpine industry and resorts were to decline through a lack of ongoing investment in the industry. Because of the significant and highly regionalised economic benefit delivered by the Alpine resorts to their regions, it would be extremely difficult to replace this economic benefit from other industry sector activity were the Alpine resorts to decline through lack of appropriate levels of investment.

The Alpine resorts are of particular significance in terms of their economic benefit to the regions closest to where the resorts are located. The Alpine resorts also influence the distribution of economic activity within the three states where Alpine resorts exist, that is, New South Wales, Victoria and Tasmania. This report analyses snow sports activity in each of these Australian states.

Strategically, the Alpine resorts are an asset which will increase in value over time relative to the rest of the economy. This is because the Internet and the growing web based economy, increasingly results in declines in local economic activity in sectors such as retailing and wholesaling as these sectors continue to be opened up to international competition. The web based economy also has the potential to create cost savings (and job losses) in other industry sectors. This means that, the only way Australian states can offset these employment losses is to develop local product (in this case the Alpine resorts) to capture the real household income gains that results from lower household expenditure on, for example, retail margins. The Alpine resorts will therefore become an increasingly important asset by capturing, at least some of the gains, in household income for the local economy.



1.2 Visitors to the Alpine resorts in winter 2011

It is estimated that there were 2.91 million visitor days for New South Wales and Victorian Alpine resorts in the 2011 snow sports season. Of these visitor days:

- there were 1.88 million skier days plus 1.03 million visitor days spent in non-lift snow sports and other activities which did not involve snow sports;
- 57 per cent, or 1.65 million, visitor days were spent in New South Wales Alpine resorts;
- 43 per cent, or 1.25 million, visitor days were spent in Victorian Alpine resorts;
- in the New South Wales Alpine resorts, visitors from outside the state made up 27.4 per cent of total visitors (this includes visitors from the Australian Capital Territory), representing 453,390 visitor days;
- in the Victorian Alpine resorts, visitors from outside the state made up 29.0 per cent of total visitors or 363,634 visitor days; and
- an average 2.3 per cent of visitors at Australian Alpine resorts were from overseas, representing around 68,070 visitor days.

Although the proportion of international tourism remains low, the Australian Alpine resort industry is extremely important in retaining snow sports and recreational tourism and expenditures that would have gone overseas if the Alpine resorts in Australia had not been developed to capture snow sports activity and expenditures in the local economy.



1.3 Summary of the economic impact

The following points summarise the economic impact generated by the Alpine resorts based on surveys conducted in July and August 2011. All \$million values are in 2011 prices.

1.3.1 Winter season – New South Wales and Victoria

In 2011, total gross direct visitor expenditure generated by the New South Wales Alpine resorts was \$881 million and \$636 million for the Victorian Alpine resorts. In 2005, total gross direct visitor expenditure generated in the New South Wales Alpine resorts was \$867 million and \$497 million for the Victorian resorts (in 2011 prices). The combined total for the 2011 winter season was \$1,517 million compared to \$1,364 million for the winter season in 2005. These expenditures cover all items of visitor expenditures, including food, beverages, lift passes, entry fees and travel from place of residence to the resort.

The flow-on consequences of the net additional expenditures were analysed using national and state input-output based models with the underlying input-output tables updated to 2011 (with comparisons to 2005 adjusted to allow comparability). Table 1.1 shows that from the analysis, total gross state product in New South Wales in 2011 was increased by \$987 million, compared to what would have been the case without the economic contribution of the Alpine resorts in the winter season. The results of this analysis for Victoria in 2011 shows an increase in gross state product of \$570 million, compared to what would have been the case in the absence of the economic contribution of the Alpine resorts in the winter season.

Estimates have also been included for the 2012 winter season showing an increase in total gross state product for New South Wales of \$1,175 million and Victoria of \$647 million. A combined total for New South Wales and Victoria of \$1,822 million in 2012, this compares to a combined total for these states of \$1,557 million in 2011. If Tasmania is included, this rises to \$1,561 million in 2011.

Total winter season employment generated (in full-time equivalent terms) in 2011 was 9,203 in New South Wales and 4,870 in Victoria. Importantly, job opportunities generated were almost 16,264 in New South Wales and 9,754 in Victoria.

Table 1.1 gives resident employment for New South Wales and Victoria. For residents, the total resident employment level (including part time employment) in 2011 was 9,860 in New South Wales and 5,767 in Victoria. Estimates have also been included for the 2012 winter season showing an increase in total resident employment for New South Wales and Victoria increasing from 15,627 in 2011 to 16,440 in 2012.

Table 1.1 Economic impact: The 2005, 2011 and 2012 winter seasons (2011 \$m)

| | 2005 | 2011 | 2012 |
|--|---------------|---------------|---------------|
| Gross direct visitor expenditure | | | |
| New South Wales | 867 | 881 | - |
| Victoria | 497 | 636 | - |
| Total | 1,364 | 1,517 | - |
| Gross state product | | | |
| New South Wales | 775 | 987 | 1,175 |
| Victoria | 448 | 570 | 647 |
| Tasmania | | 4 | |
| Combined benefit | 1,223 | 1,561 | 1,822 |
| Total winter season employment – Full time equivalent | | | |
| New South Wales | | 9,203 | - |
| Victoria | | 4,870 | - |
| Total | | 14,073 | - |
| Total winter season employment – Industry (number) | | | |
| New South Wales | | 16,264 | - |
| Victoria | | 9,754 | - |
| Total | | 26,018 | - |
| Resident winter season employment (number) | | | |
| New South Wales | 8,728 | 9,860 | 10,443 |
| Victoria | 5,192 | 5,767 | 5,997 |
| Total | 13,920 | 15,627 | 16,440 |

Notes:

1. Gross state product is a measurement of the economic output of a state. It is the sum of all value added by industries within the state and serves as a counterpart to the gross domestic product (GDP).
2. Gross direct visitor expenditure is all visitor expenditure items, including food, beverages, lift passes, entry fees and travel from place of residence to the resorts as related to winter season.
3. Full-time equivalent jobs is the analysis of total winter season employment that estimates the number of equivalent full-time jobs provided by the winter season industry.
4. Total winter season employment (full time and part time jobs) is the number of jobs provided by the winter season industry.
5. Resident employment shows the number of jobs provided to residents of the state.

The benefit to Tasmania was estimated at an increase of \$3.8 million in total gross state product.

Including Tasmania, the combined benefit to total gross state product in 2011 for the three States where Alpine resorts are located is \$1,561 million in additional gross state product and 14,018 additional full-time equivalent industry employment opportunities (Tasmania loses 55 jobs due to expenditures by residents of Tasmania at interstate resorts).

1.3.2 Tax revenue generated by the 2011 winter season

The modelling also showed that total Government direct tax revenue would be approximately \$237 million, while indirect tax revenue would be \$122 million. The New South Wales Government's taxation revenue, including share of GST, is estimated at \$70 million, while the Victorian Government's share is estimated at \$38 million.

1.3.3 The adjustment of the 2005 estimates for price change

The 2005 season is described in the report 'The Economic Significance of the Australian Alpine Resorts'. The estimates of economic benefit have been adjusted to allow like for like comparison. The considerations in making the adjustments to 2011 dollars are described in Chapter 10 of this report and include increases in:

- car entry costs into Victorian resorts;
- automotive fuel costs;
- sports participation prices;
- ski lift prices for New South Wales and Victorian resorts; and
- all CPI groups (excluding housing).

From the above, the weighted average price increase to adjust the 2005 GSP estimates into 2011 prices is 24 per cent.

1.3.4 Changes in modelling methodology from 2005 winter season to 2011 winter season reports

Because of a significantly improved modelling methodology available in 2011, there has been a change in modelling methodology for the 2011 Alpine industry study compared to the 2005 estimates. The modelling methodology used in 2005 went from a national to State to regional modelling. The reverse modelling approach for the 2011 estimates is based at the LGA level with the State and national totals being the sum of the LGA outcomes. In 2005, the NIEIR regional model was a top down aggregated model.

Constant improvements in data base, industry disaggregation and structure now enable a bottom up methodology which is the ideal way to arrive at the final outcomes. This will impose a number of changes on the estimates. The impact of these changes is discussed in chapter 10 of this report.

1.3.5 The capital expenditure estimates

The estimates of capital expenditure allowance show that for 2010-11 the estimate is \$135 million and this allowance is likely to be a conservative estimate. The capital expenditure estimate is described in greater detail in Chapter 10 of this report.

1.3.6 Regional impacts

The existence of the Alpine resorts provides very significant benefits to regional areas adjoining these resorts. Many of the Alpine shires have high levels of structural unemployment so the Alpine industry is very important in improving employment outcomes for residents of these regions.

The benefits to the economies of the local government areas (LGAs) where the Alpine resorts are located close by are described in this section. The estimates of economic benefit given in this section are described in terms of the value of headline gross regional product, that is, the total industry value added generated within boundaries of the LGA. The figures in this section are for 2011. Subsets of these values are also provided in this report for local gross product (residents) and local gross product (industry).

Snowy River Shire

The headline gross regional product generated by the Alpine resorts in the Snowy River Shire was \$561.6 million, or 57 per cent of the LGA total. Total annual resident employment opportunities generated were 3698, which is 59.8 per cent of the LGA total.

Tumut Shire

The headline gross regional product generated by the Alpine resorts in the Tumut Shire, which serves Selwyn Snowfield, was \$14.1 million, or 1.9 per cent of the LGA total. Total annual resident employment opportunities generated were 281, which is 5 per cent of the LGA total.

Alpine Shire

The Alpine shire, which serves the Alpine resorts of Falls Creek and Mt Hotham, the headline gross regional product generated was \$261.9 million, or 22.4 per cent of the LGA total. Total annual resident employment opportunities generated were 3097, which is 44.1 per cent of the LGA total.

Mansfield Shire

Mansfield Shire contains the Alpine resorts of Mt Buller and Mt Stirling. As a result of the winter snow sports season and the popularity of these resorts, the headline gross regional product generated was \$153.2 million, or 23 per cent of the LGA total. Total annual resident employment opportunities generated were 1956, which is 43.6 per cent of the LGA total.

Murrindindi Shire

The Alpine resort of Lake Mountain is located in Murrindindi Shire and the resort contributes \$3.5 million to the LGA's headline gross regional product. Total annual resident employment opportunities generated by the Alpine resort were 119, which is 1.8 per cent of the LGA total. It is important to note the impact of the 2009 Victorian bushfires in relation to Lake Mountain and the Shire of Murrindindi. In the fires the Shire lost approximately 60 per cent of its accommodation capacity, that is, the beds that directly serviced winter visitors. Currently, capacity is being re-established in the region, this will mean that over time the winter alpine economic impact on the region can be expected to increase by a multiple of between 1 and 2.

Baw Baw Shire

The resort of Mt Baw Baw is located in Baw Baw Shire and the resort contributes \$7.5 million to the LGA's headline gross regional product. Total annual equivalent employment opportunities generated by the Alpine resort were 178, which is 0.8 per cent of the LGA total.

1.4 Summary of survey findings

1.4.1 Visitor survey

Visitor surveys were conducted at the resorts, in the snow sports areas, around lift queues and inside resort buildings. Visitor surveys were also conducted in neighbouring towns, again in the street and within shopping centres and other public buildings. The survey methodology aimed to achieve a random sample of visitors so that the study could capture the full range of visitor types to the Alpine regions. All surveys were conducted by a trained interviewer who completed the survey while speaking with the visitor. The number of visitors covered by the survey is shown in Table 1.2.

Table 1.2 Visitor survey statistics

| | VIC 2005 | NSW 2005 | VIC 2011 | NSW 2011 |
|----------------------------------|----------|----------|----------|----------|
| Total visitors covered by survey | 12,278 | 8345 | 14,510 | 9,096 |
| Average group size | 5.7 | 5.8 | 6.7 | 6.6 |

Figure 1.1 Proportion of visitors' expenditure in 2005 and 2011 (per cent)

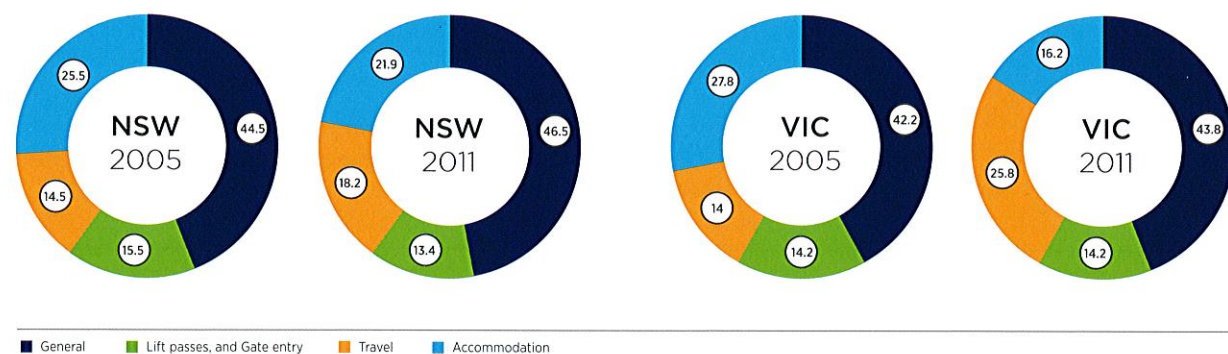


Figure 1.1 shows the changes in spending patterns when 2005 and 2011 Alpine winter surveys are compared. What is noteworthy are the changes in the proportion of total expenditure that relate to accommodation and travel, particularly as they relate to the Victorian Alpine resorts. The proportion of accommodation expenditure in total visitor expenditure in both New South Wales and Victoria Alpine resorts decreased in 2011 when compared with the 2005 survey results, while the proportion of travel expenditure in 2011, especially to and from Victoria Alpine resorts increase significantly.

Table 1.3 shows where the visitors to the Alpine resorts live. The survey results show that approximately 72 per cent of visitors using a resort reside in the same state as the resort. Victorian resorts received more visitors from South Australia while New South Wales resorts were the preferred destinations of residents of Queensland and the Australian Capital Territory. Victorian resorts also attracted a slightly higher proportion of their visitors from Western Australia and overseas.

Table 1.3 Where the visitors came from (per cent)

| Place of residence | Visitors to New South Wales resorts 2005 | Visitors to New South Wales resorts 2011 | Difference | Visitors to Victorian resorts 2005 | Visitors to Victorian resorts 2011 | Difference |
|------------------------------|--|--|------------|------------------------------------|------------------------------------|------------|
| New South Wales | 73.43 | 72.53 | -0.9 | 9.30 | 8.00 | -1.3 |
| Victoria | 3.35 | 3.14 | -0.21 | 73.68 | 72.80 | -0.88 |
| Queensland | 10.39 | 11.54 | 1.15 | 5.61 | 4.46 | -1.15 |
| South Australia | 0.77 | 1.75 | 0.98 | 5.05 | 6.93 | 1.88 |
| Western Australia | 1.39 | 2.05 | 0.66 | 3.79 | 3.30 | -0.49 |
| Tasmania | 0.56 | 0.22 | -0.34 | 0.89 | 1.07 | 0.18 |
| Northern Territory | 0.07 | 0.15 | 0.08 | 0.19 | 0.28 | 0.09 |
| Australian Capital Territory | 8.30 | 6.79 | -1.51 | 0.33 | 0.42 | 0.09 |
| Overseas | 1.74 | 1.83 | 0.09 | 1.17 | 2.74 | 1.57 |

While overseas visitors to the Alpine resorts remain a small proportion of total visitation, they make an important contribution to the Australian Alpine winter industry. There are significant changes in the composition of country of origin of these overseas visitors when the 2005 and 2011 surveys are compared. The highest proportion of overseas visitors to Australian Alpine resorts came from Malaysia,

followed by Singapore, Hong Kong, Indonesia and the United Kingdom in 2011. Asian visitors comprised the majority of the overseas visitors (72.6 per cent) while European visitors comprised 16.7 per cent. In the 2005 survey, the highest proportion of overseas visitors was from New Zealand, followed by the United Kingdom, the United States and Canada.

Table 1.4 Overseas visitors origin

| Continent | 2011 Survey (%) | 2005 Survey (%) |
|---------------|-----------------|-----------------|
| Asia | 73 | 34 |
| Europe | 17 | 38 |
| North America | 5 | 11 |
| South America | 4 | 4 |
| NZ | 2 | 13 |

1.4.2 Business survey

The businesses surveyed included ski lift operators, ski equipment hire, resorts, hotels, lodges, motels, B&Bs and serviced apartments, retailers and transport operators. Nearly 50 per cent of the businesses surveyed were small businesses with a season turnover of less than \$125,000.

Around 38 per cent of businesses surveyed in the New South Wales resorts did not operate in the non-winter periods. For Victorian resorts this proportion was lower at 30 per cent.

Of those Alpine industry businesses surveyed, nearly 75 per cent stated that they did not have an online retail site selling directly to consumers. If businesses had introduced an online retail shop, this accounted for nearly one third of their trading activity. Twenty-six per cent of all businesses survey stated that the Internet was impacting their sales and this impact was significant at a reported average impact of 37.5 per cent of sales.

1.4.3 Employee survey

The survey results show the growing importance of Alpine industry employment to local communities.

Table 1.5(a) Employee place of residence (Victorian resorts)

| Statistical district | 2005 (%) | 2011 (%) |
|---------------------------|----------|----------|
| Ovens-Murray(Victoria) | 13 | 26 |
| Melbourne(Victoria) | 30 | 20 |
| Gippsland(Victoria) | 3 | 9 |
| East Gippsland(Victoria) | 5 | 7 |
| Goulburn(Victoria) | 4 | 6 |
| Adelaide(South Australia) | 8 | 4 |
| Moreton(Queensland) | 2 | 4 |
| Other | 35 | 24 |

Table 1.5(b) Employee place of residence (New South Wales resorts)

| Statistical district | 2005 (%) | 2011 (%) |
|-----------------------------------|----------|----------|
| South Eastern (New South Wales) | 23 | 46 |
| Sydney (New South Wales) | 17 | 23 |
| Moreton (Queensland) | 4 | 10 |
| Brisbane (Queensland) | 6 | 5 |
| Illawarra (New South Wales) | 3 | 5 |
| Hunter (New South Wales) | 5 | 3 |
| Mid-North Coast (New South Wales) | 3 | 3 |
| Other | 39 | 5 |

Employees with an overseas place of residence made up 13.8 per cent of the survey sample for the Victorian Alpine resorts and 16.7 per cent for the New South Wales Alpine resorts. The main country of origin for overseas employees in the Australian Alpine resorts was the United States, followed by the United Kingdom, Canada and Austria. Anecdotal evidence

suggests that at least some of the earnings by overseas employees are spent during their stay in Australia, in the Alpine resorts and Alpine regions as well as during travel to other parts of Australia.



1.5 Factors influencing the Alpine industry and its economic activity

Some of the key strategic issues facing the Alpine industry include the following.

1. Market conditions are changing including significant changes to the ethnic composition of visitors particularly an increase in the number of Asian visitors participating in Alpine sports.
2. The electronic and social media have joined the influences that determine mountain use. This could include more rapid response to weather changes and snow conditions and changes in duration of stay at the resorts and surrounding towns.
3. Retail business, particularly in relation to the purchase of snow sports equipment and clothing, has been impacted by:
 - a. increasing use of online shopping, with the key issue being how do small retail businesses in the regional setting compete with major international suppliers?
 - b. changing ethnic composition; and
 - c. differing customer behaviour and spending patterns.
4. Climate change and its likely impact on Alpine regions have started to focus future planning initiatives towards diversifying regional economic activity away from the short winter season. This is to better spread the cost of infrastructure and business opportunities throughout the year. One key winter adaptation response in relation to climate change has been the increasing importance of snow making to the success of Alpine resorts. Planning considerations include what other strategies might best serve the Alpine regions in coming years?
5. The questions that arise are: how much capacity do the Alpine industry's small and medium enterprises (SMEs) have to deal with the complex and rapid changes to market circumstances and how effective is knowledge diffusion within the Alpine industry in assisting businesses serving the sector to navigate change?

