



Economic Impact Analysis for  
Three Capes Track, Tasman  
National Park

PWS SAR 0710

Prepared for

Tasmanian Parks and Wildlife Service

by

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## Executive Summary

The Three Capes Track (3CT) is a multi-day walking track proposed to be constructed in the Tasman Peninsula in the south east of Tasmania approximately 100 kilometres from Hobart. The track will build on Tasmania's reputation as the bushwalking state.

The 3CT will be similar in concept to the existing Overland Track, in that it will offer a 5 day/6 night walk with overnight accommodation. It is also proposed to offer two levels of experience: an independent walk option and a fully serviced, guided walk option. Both options would include the use of huts for overnight accommodation.

This report provides an assessment of the expected spending by walkers and the consequent impacts on the state and regional economies due to the 3CT (the region is defined to be the area under the responsibility of the Tasman Council). The analysis is based on the nominal capacity of the 3CT of 10,000 walkers per year, during the walking season, made up of 8,200 independent walkers and 1,800 walkers in commercial groups.

The findings from the impact assessment for the operational phase of the 3CT are summarised in table ES1 (for impacts on the Tasmanian economy) and ES2 (for impacts on the regional economy of the Tasman Peninsula).

**Table ES1: Summary of impacts on Tasmanian economy**

|                       | Spend        | Contribution to gross state product | Employment   |                     |
|-----------------------|--------------|-------------------------------------|--------------|---------------------|
|                       |              |                                     | Direct (FTE) | Total impact (jobs) |
| Walk fees             | \$6,140,000  | \$5,335,660                         | 29.0         | 43.5                |
| Walk related spending | \$2,637,530  | \$2,292,014                         | N /C         | 56.5                |
| Non-walk spending     | \$10,925,778 | \$9,494,501                         | N /C         | 234.2               |
| Total                 | \$19,703,308 | \$17,122,175                        | N /C         | 334.2               |

**Table ES2: Summary of impacts on regional economy – Tasman Peninsula**

|                       | Spend       | Contribution to gross regional product | Employment    |                     |
|-----------------------|-------------|--|---------------|---------------------|
|                       |             |  | Direct effect | Total impact (jobs) |
| Walk fees             | \$1,709,606 | \$868,229                              | 24.0          | 33.4                |
| Walk related spending | \$1,004,000 | \$523,188                              | 20.9          | 26.3                |
| Non-walk spending     | \$408,815   | \$213,035                              | 8.5           | 10.7                |
| Total                 | \$3,122,422 | \$1,604,453                            | 53.5          | 70.4                |

Note that the contributions to state and regional gross product are less than the corresponding spend estimates as a result of 'leakages' due to the need to 'import' goods to provide the services associated with the 3CT.

It is estimated that the contribution to gross regional product for the three years of construction of the 3CT will be \$8,176,556 (taking the 'worst case' construction cost estimates from the feasibility study) and the estimated employment growth is 55 jobs generated within each of the three years of construction.

## Abbreviations

|      |                                       |
|------|---------------------------------------|
| 3CT  | Three Capes Track                     |
| ABS  | Australian Bureau of Statistics       |
| CW   | commercial walkers (on guided walks)  |
| IW   | independent walkers                   |
| OTWS | Overland Track Walker Survey          |
| PWS  | Parks and Wildlife Service (Tasmania) |
| TVS  | Tasmania Visitor Survey               |

## Glossary of terms

**Gross Regional Product** is the total market value of goods and services produced in the region (the Tasman Peninsula defined to be the area for the Tasman Council) within a given period after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

**Gross State Product (GSP)** is the total market value of goods and services produced in Tasmania within a given period after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

**Direct jobs** are jobs created in businesses that supply goods and services directly to visitors - such as accommodation, food and drink, entertainment and retail services, and transport services.

**Total jobs** include the additional employment created by flow-on effects to the rest of the local market economy. Two types of flow-on effect are factored in.

- Production-induced effects: These are the effects on local businesses that supply the front-line businesses. Obvious examples are the butchers and bakers who supply the restaurants and the laundry and cleaning services engaged by accommodation operators.
- Consumption-induced effects: These effects flow from the spending of the incomes earned in jobs supported by visitor spending, for example, in local retailing.

**Total Trip Expenditure** is all monies which have left the hands of the respondent in order for them to participate in their trip to Tasmania. For example this may include airfares and package tour expenditure. Since these expenditures have unknown impact on the state economy they have been excluded from this assessment.

**Spend in Tasmania:** The Tasmania Visitor Survey is restricted to collecting data on the amount of money that is spent by the visitor while actually in Tasmania and may include items such as food and beverages, accommodation, activities, intrastate travel and shopping.

**Spend in region:** This item is similar in concept to 'Spend in Tasmania' but restricted to expenditures actually made within the Tasman Peninsula. In particular, the spending on track fees is included in 'Spend in region' only to the extent that the outlays by Parks and Wildlife Service used in maintaining and operating the track are considered to be spent within the region.

## Acknowledgements

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Information and guidance on key matters was provided in consultation with a number of government agencies, private companies, industry associations and individuals. Their assistance is gratefully acknowledged.

Extraction of data from the Tasmanian Visitor Survey was undertaken by Mr Brian Knowles who provided valuable guidance on the interpretation and use of the data.

# 1 Introduction

In 1997, the Parks and Wildlife Service (PWS) collaborated with Forestry Tasmania and Tourism Tasmania to develop the *Tasmanian Walking Track Strategy and Marketing Plan*. The project recommended the development of 60 Great Short Walks and 8 Great Bushwalks. The development of the 8 Great Bushwalks has principally focussed on significant track work and infrastructure upgrades in the Tasman National Park and the Overland Track.

With the increasing popularity of the Overland Track, it was considered necessary to examine whether there was sufficient demand for the creation of another iconic bushwalk in Tasmania. Having found sufficient demand, eighteen potential locations were evaluated with respect to the key attributes sought by visitors and eighteen additional criteria (PWS, 2006). These criteria included: access; the potential for product diversity; cost of development; ongoing maintenance cost; environmental constraints; natural and cultural values; scenic values and setting; cultural heritage constraints; accommodation potential; conflict with other users; and seasonality (climate).

That evaluation found the Tasman Peninsula, and the Tasman National Park in particular:

- has the potential to be marketed for its unique and spectacular scenery and linked with a range of tourism products that can provide diversity as well as uniqueness in the visitor experience;
- is readily accessible to Hobart enabling easy access for short stay visitors whose primary reason for visiting Tasmania is to undertake a walk; and
- is close to existing tourist attractions and accommodation that would enable ready development and marketing of the Tasman Peninsula as a walking destination.

Further to the above, the *Tasman Tourism Development Strategy 2005-2008* recognised that continued focus on Port Arthur would result in the Tasman Peninsula remaining a largely day-visit destination with a consequent impact on the viability of businesses within the region. In order to attract overnight visitation, and ongoing tourism investment in an increasingly competitive environment, the Tasman Peninsula must impress on the market place that the region is worth visiting for more than one day. One facet of such a marketing initiative is to highlight that the Peninsula is strong in natural as well as cultural heritage experiences (Red Inca et al, 2005: p. 2).

Market analysis undertaken prior to the Strategy's development suggested that although visitors to the region are highly interested in natural attractions, the region has not been able to position its undoubted wealth in natural experiences as a key attribute and driver of visitation. The Strategy found that visitors to the region's natural sites are particularly impressed by the seascape, the unusual geology along the coast, and the cliff views (Red Inca et al, 2005: pp. 7 and 16).

The Three Capes Track proposal has arisen partly to deliver on the findings and recommendations from the Tourism Strategy, but more as a strategic response to offer a supplement to the popular Overland Track experience which is approaching capacity.

With this background, this study has sought to quantify the likely economic and employment impacts of the 3CT at both the regional and State levels.

## 1.1 The Three Capes Track

The Three Capes Track (3CT) represents a proposal for a major walking track to be located in the Tasman Peninsula in the south east of Tasmania. The 3CT will build on Tasmania's renown for

bushwalking and add another iconic walk for the state. The location of the track is expected to reinforce the attractiveness of an area that already brings many visitors due to other attractions, principally the Port Arthur Historic Site.

The 3CT has been the subject of considerable planning and assessment including a detailed feasibility study (PWS 2007). The overall thrust of the proposal is to emulate the success of the Overland Track and, amongst other things, boost the proportion of visitors to the Tasman Peninsula who stay overnight.

The present study was required to address four major questions:

1. What are the direct and indirect economic impacts of the Three Capes Track on the Tasman Peninsula?
2. What are the direct and indirect employment impacts of the Three Capes Track on the Tasman Peninsula?
3. What are the economic and employment impacts at State level?
4. What are the additional impacts the Three Capes Track may bring in terms of brand strengthening and economic benefits for the Tasman Peninsula and Tasmania more broadly?

## **1.2 Structure of the report**

The structure of the report follows the logical development of the analysis.

The primary determinant of economic impacts attributable to the 3CT is the level of demand as measured by the number of people who will walk the track. Forecasts of the number of walkers is covered in Chapter 2 which also deals with questions of the extent to which walkers on the 3CT represent 'new' or additional visitors to Tasmania and the Tasman Peninsula.

The next task in the analysis is to generate estimates for expenditure by walkers on the 3CT (Chapter 3). The discussion is divided into spending specifically associated with the walk and, for non-walk related spending. There is a further division between statewide spending in Tasmania and the proportion of spending that occurs on the Tasman Peninsula. These estimates are adjusted to net out the level of spending that would occur even if the 3CT is not constructed.

Chapter 4 uses the spend estimates to assess the impacts that can be attributed to the 3CT on both the state and regional economies, in terms of employment creation and value added.

The analysis in Chapters 2, 3 and 4 relates to the operational phase of the Track. Chapter 5 assesses the impacts on the economy during construction of the 3CT.

## **1.3 Limitations of the Report**

Central to this assessment is the with/without principle. The state of the world with the 3CT is compared to the state of the world if the track is not constructed. Only the changes that come about as a result of the 3CT are included in the assessment, including changes in visitor coming to Tasmania, the level of spending and the costs of construction and operation.

The assessment reported here is based on sound economic principles and a widely used methodology. Nevertheless, the findings of the assessment need to be interpreted in light of the limitations that arise due to the simplifications necessary in the idealised model of the real world, and the gaps in available data.

However, perhaps the greatest uncertainties in the assessment are associated with forecasting the number of walkers who will use the 3CT in the future. Currently in Tasmania there are substantial levels of bushwalking (including specifically walks of one night or longer) and considerable information is available on the level of activity and spending for walkers who are considered to be typical of the future users of the 3CT. Nevertheless, the 3CT constitutes a new experience with unique features different from existing tracks, and usage patterns may diverge from what is observed at the moment. Another major source of uncertainty associated with forecasting is the extent to which the 3CT will affect demand for Overland Track, both positively and negatively.

There are dangers in over-reliance on extrapolating from the experience at other overnight bushwalks. The usage of these walks has, to a large extent, reached a steady state. Keen overnight walkers would be expected to have already walked the Overland Track by now. The great majority of walkers currently on the Overland Track are 'new' walkers – those that have not undertaken overnight walks in Tasmania previously. It is not clear that this will be the case for the 3CT.

Statistics on the number of nights spent in Tasmania, other activities undertaken and levels of spending have been extracted from the Tasmanian Visitor Survey (TVS). The TVS is a rich source of data and it is possible to isolate current 'overnight walkers' within the data. It is suspected, from surveys of walkers on the Overland Track, that future walkers on the 3CT may have characteristics and preferences that differ from overnight walkers as a group.

The methodology for estimating the impacts on regional and state economies is based on multiplier analysis. This is a widely used approach and its theoretical limitations are generally well understood. It is considered that at the state level, these theoretical limitations are not of a magnitude that would cast doubt on the findings. The report deals expressly with any issues in applying multiplier analysis at the regional level.

Ultimately, the quality of this kind of analysis is dependent on how well the multipliers capture the changes that occur in the economy. This study has not conducted any new research into the values of the multipliers. The multipliers used at the state level were developed for a separate study related to visitors to national parks in Tasmania published in 2000. Their use in this study is considered to be appropriate, even though walkers on the 3CT may not be typical of all visitors to national parks.

There are no multipliers available for the Tasman Peninsula due to the absence of input output tables. Input output tables at the regional level differ from those at the national or state level, because the extent of 'leakages' out of the region are much more pronounced. Leakages are a measure of the goods imported into the region due to the regional economy not having the supply chain capacity in regard to the goods and services sold direct to visitors.

To generate estimates at the regional level, we have made use of work done in the late 1990s in north western NSW and the transfer of the multipliers introduces additional levels of uncertainty. While the structure of the economy of that region where the multipliers were obtained has much in common with the economy in the Tasman Peninsula, the regional population was twice the size. The source site in NSW was rather more remote from metropolitan centres than is the Tasman Peninsula and this may affect spending patterns by visitors. In particular, there are likely to be differences in the parks and wildlife activities, and these are expected to be most marked during the construction phase.

To apply the with/without principle, it is necessary to identify those walkers on the 3CT who would not visit Tasmania in the absence of the 3CT. This process has made use of surveyed responses by existing walkers on the Overland Track who are judged to be similar to future users of the 3CT. The greatest uncertainty attaches to future walkers on the 3CT who indicate that they will undertake another overnight walk since it is impossible to ascertain whether their visit to

Tasmania was driven by the 3CT only, the other track(s) only, or a combination of the two. In this assessment, the spending of this group has been included in the estimates.

The limitations outlined above are typical for a study of this type. For practical purposes, there are no grounds for suspecting that the findings in this report are unrealistic.

## 1.4 The Tasman Peninsula today

The regional economy has been defined, for convenience, to refer to the Tasman Peninsula or, more precisely, the local government area managed by the Tasman Council.

There are various data collections for the Tasman Peninsula. By far the most robust and up to date are the statistics on population from the 2006 Census of Population and Housing (ABS, 2007c). The population of the region as enumerated based on the address stayed at on Census night is 2,208, reflecting a 2.6% fall since the 2001 Census. The number of people based on place of usual residency was 2,238.

One characteristic of the Tasman Peninsula is the high number of residences used primarily for weekend or holiday accommodation. The Tasman Council currently has 1,926 rateable residential properties but the 2006 Census recorded only 904 households with people resident in the Council Area on Census night (and not all of these households would have been on separate rateable properties).

### **Employment and structure of the economy**

The total labour force of the Tasman Peninsula is 890 according to the 2006 Census. Of these 82 people (9.2% of the labour force) stated they were unemployed with 52 looking for full-time work and 30 looking for part-time work<sup>1</sup>. This level of unemployment is considerably greater than the state average of 3.8%.

Table 1.1 presents statistics on employment by industry. It can be useful to categorise industries by introducing the concepts of export industries and service industries at the regional level, though the distinction is rarely entirely clearcut. Export industries engage in economic activities that bring income into the region through sale of products or provision of services to non-residents, and so this category includes tourism in regard to visitors to the region. Service industries both provide support for the export activities as well as providing for the amenity and lifestyle of residents of the region. The two largest employment categories are agriculture, forestry & fishing and accommodation & food, together representing almost 30% of all employment, and these can probably best be regarded as export industries. The industry arts & recreation services is also well represented with 12% of the total.

Overall employment has risen from 784 over the last five years. Interestingly, the two largest employment categories have suffered an aggregate loss of 59 jobs since 2001, these being agriculture, forestry & fishing, and accommodation & food services. This drop has been made up by gains (of at least 10 jobs in each category) in construction; public administration & safety; professional, scientific & technical services; retail trade; health care & social assistance; and inadequately described. This seems to suggest a shift away from the agriculture, forestry & fishing sectors towards some of the industries with a more service oriented focus<sup>2</sup>.

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<sup>1</sup> Comparisons between regional and state unemployment rates are confounded by a further 90 persons (10% of the labour force) in the Tasman Peninsula who did not state their labour force status in the 2006 Census. The corresponding figure for the state labour force is 5.1%.

<sup>2</sup> Forestry operations have the potential to negatively affect the walker experience if recently cleared coupes or forest harvesting activity are visible from the track, although it should be noted that the 3CT will not be promoted as a wilderness walk.

**Table 1.1: Industry of employment – 2006 Census**

| Industry                                      | Males      | Females    | Persons    | %<br>Persons | Location<br>quotient <sup>b</sup> |
|---|------------|------------|------------|--------------|-----------------------------------|
| Agriculture, forestry & fishing               | 106        | 22         | 128        | 16%          | 2.9                               |
| Mining  | 4          | 0          | 4          | 0%           | 0.6                               |
| Manufacturing                                 | 37         | 9          | 46         | 6%           | 0.5                               |
| Electricity, gas, water & waste services      | 4          | 4          | 8          | 1%           | 0.7                               |
| Construction                                  | 46         | 3          | 49         | 6%           | 0.9                               |
| Wholesale trade                               | 16         | 6          | 22         | 3%           | 0.8                               |
| Retail trade                                  | 13         | 39         | 52         | 6%           | 0.5                               |
| Accommodation & food services                 | 31         | 80         | 111        | 14%          | 2.0                               |
| Transport, postal & warehousing               | 30         | 9          | 39         | 5%           | 1.0                               |
| Information media & telecommunications        | 5          | 0          | 5          | 1%           | 0.4                               |
| Financial & insurance services                | 3          | 0          | 3          | 0%           | 0.1                               |
| Rental, hiring & real estate services         | 3          | 7          | 10         | 1%           | 0.9                               |
| Professional, scientific & technical services | 11         | 9          | 20         | 2%           | 0.6                               |
| Administrative & support services             | 3          | 7          | 10         | 1%           | 0.5                               |
| Public administration & safety                | 22         | 28         | 50         | 6%           | 0.7                               |
| Education & training                          | 15         | 40         | 55         | 7%           | 0.8                               |
| Health care & social assistance               | 7          | 50         | 57         | 7%           | 0.6                               |
| Arts & recreation services                    | 41         | 54         | 95         | 12%          | 8.3                               |
| Other services                                | 6          | 8          | 14         | 2%           | 0.5                               |
| Inadequately described/Not stated             | 22         | 10         | 32         | 4%           | 1.5                               |
| <b>Total</b>                                  | <b>425</b> | <b>385</b> | <b>810</b> |              | 1.0                               |

Source: ABS 2006 Census Community Profile Series Table T25, ABS Cat No. 2003.0

(a) Industry of employment was coded to the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) edition.

(b) The location quotient for each industry is the ratio of the regional industry share to the state-wide industry share. This provides a measure of the relative importance of the industry sector to the region.

Shaded industries are those most closely involved with tourism

Industries with a location quotient above one in table 1.1 are relatively more important for the region than for Tasmania as a whole. The industry with the highest location quotient is arts & recreation services (quotient is 8.3) and this is due presumably to the employment at the Port Arthur Historic Site. Other industries with location quotients above one are agriculture, forestry & fishing (2.9) and accommodation & food services (2.0). Industries that are relatively less important for the region than for Tasmania (with a quotient significantly below 0.5) are: financial & insurance services (0.1) and information, media & telecommunication (0.4).

Information on the number of businesses in each industry is collected by the Australian Bureau of Statistics. Counts of businesses by number of employees are presented in table 1.2 and by turnover in table 1.3. Note that ‘businesses’ owned by government are excluded, and this relates in particular to the Port Arthur Historic Site and the Tasman Council. In addition, due to the small numbers, some of the estimates have been randomly adjusted by the ABS to protect privacy; while this will affect individual entries, it is unlikely that the overall picture portrayed by tables 1.2 and 1.3 will be distorted significantly. .

There are significant numbers of firms that are non-employing: 123 out of a total of 195<sup>3</sup>. Non-employing firms tend to be concentrated in service industries. The firms with the largest number of employees are found in agriculture, retail and accommodation, but none employ more than 19 workers. Firms in the manufacturing industry are characterised by low numbers of employees (12 out of 21 are non-employing).

<sup>3</sup> Non-employing firms are defined by the ABS to have no Income Tax Withdrawal role.

**Table 1.2: Count of businesses by number of employees, Tasman LGA**

| Industry                              | Non<br>employing | 1-4       | 5-19      | Total      |
|---------------------------------------|------------------|-----------|-----------|------------|
| A Agriculture Forestry and Fishing    | 39               | 24        | 12        | 75         |
| B Mining                              | 0                | 0         |           | 0          |
| C Manufacturing                       | 12               | 9         |           | 21         |
| D Electricity Gas and Water Supply    | 0                |           |           | 0          |
| E Construction                        | 15               | 0         | 0         | 15         |
| F Wholesale Trade                     | 6                |           | 0         | 6          |
| G Retail Trade                        | 6                | 6         | 3         | 15         |
| H Accommodation Cafes and Restaurants | 18               | 6         | 9         | 33         |
| I Transport and Storage               | 6                | 0         | 3         | 9          |
| J Communication Services              | 3                | 0         |           | 3          |
| K Finance and Insurance               | 3                | 0         |           | 3          |
| L Property and Business Services      | 9                | 0         | 0         | 9          |
| O Health and Community Services       | 0                |           |           | 0          |
| P Cultural and Recreational Services  | 6                | 0         |           | 6          |
| Q Personal and Other Services         | 0                |           |           | 0          |
| <b>TOTAL</b>                          | <b>123</b>       | <b>45</b> | <b>27</b> | <b>195</b> |

Source: ABS Counts of Australian businesses 2007 ABS Cat. No. 8161.0.55.003

Table 1.3 reinforces the picture found in table 1.2. None of the firms counted has an annual turnover in excess of \$1 million. Overall for all industries there is a relatively uniform distribution of the firms within each size category.

**Table 1.3: Count of businesses by turnover, Tasman LGA**

| Industry                              | Zero to less than \$25k | \$25k to less than \$50k | \$50k to less than \$75K | \$75k to less than \$100k | \$100k to less than \$150k | \$150k to less than \$200k | \$200k to less than \$500k | \$500k to less than \$1m | Total      |
|---------------------------------------|-------------------------|--------------------------|--------------------------|---------------------------|----------------------------|----------------------------|----------------------------|--------------------------|------------|
| A Agriculture Forestry and Fishing    | 18                      | 12                       | 6                        | 6                         | 9                          | 3                          | 15                         | 6                        | 75         |
| B Mining                              |                         | 0                        |                          |                           |                            |                            | 0                          |                          | 0          |
| C Manufacturing                       | 6                       | 0                        | 3                        | 3                         | 6                          |                            | 3                          |                          | 21         |
| D Electricity Gas and Water Supply    | 0                       |                          |                          |                           |                            |                            |                            |                          | 0          |
| E Construction                        | 3                       | 3                        | 3                        | 0                         | 3                          | 0                          | 0                          | 3                        | 15         |
| F Wholesale Trade                     | 0                       | 3                        |                          | 0                         | 3                          |                            |                            | 0                        | 6          |
| G Retail Trade                        | 0                       | 3                        | 3                        | 0                         | 3                          |                            | 3                          | 3                        | 15         |
| H Accommodation Cafes and Restaurants |                         | 3                        | 3                        | 6                         | 6                          |                            | 12                         | 3                        | 33         |
| I Transport and Storage               | 3                       |                          | 0                        | 3                         | 0                          |                            |                            | 3                        | 9          |
| J Communication Services              |                         | 0                        | 3                        |                           |                            |                            |                            |                          | 3          |
| K Finance and Insurance               | 0                       |                          |                          | 3                         |                            |                            | 0                          |                          | 3          |
| L Property and Business Services      | 3                       | 3                        |                          | 3                         | 0                          |                            | 0                          | 0                        | 9          |
| O Health and Community Services       | 0                       | 0                        |                          | 0                         |                            | 0                          |                            |                          | 0          |
| P Cultural and Recreational Services  | 3                       |                          |                          | 0                         | 0                          |                            |                            | 3                        | 6          |
| Q Personal and Other Services         |                         | 0                        | 0                        |                           |                            |                            | 0                          |                          | 0          |
| <b>TOTAL</b>                          | <b>36</b>               | <b>27</b>                | <b>21</b>                | <b>24</b>                 | <b>30</b>                  | <b>3</b>                   | <b>33</b>                  | <b>21</b>                | <b>195</b> |

Source: ABS Counts of Australian businesses 2007 ABS Cat. No. 8161.0.55.003

## **Retail and commercial**

The largest township in the Tasman Peninsula is Nubeena which contains the major shopping centre including providers of personal services. Nubeena also is the location of emergency services and the office of the local council.

Other retail outlets are scattered throughout the council area, and generally appear to take the form of general stores and supply of takeaway food: there are no chain stores or general supermarkets. It is not known to what extent locals shop for daily living necessities within the Peninsula, but other consumer goods would appear to require travel out of the region. Port Arthur appears to offer a somewhat more sophisticated choice in terms of accommodation and food but is still quite limited. The Port Arthur Historic Site offers a range of dining experiences, principally for the day-trip market but also for evening dining.

In summary, there is limited scope for visitors (or residents) to spend money on the tourism related purchases, such as at coffee shops, restaurants, local produce (food and other) sales or markets, souvenirs of a more commercial nature, when compared to other sites that are more actively tourist oriented (examples include Coles Bay, Cradle Village and Strahan).

## **Accommodation**

The Peninsula contains 34 establishments that provide room accommodation and 3 camping grounds (two camping grounds also provide room accommodation). Only 7 of the establishments have more than 10 rooms and these account for 179 rooms (79% of all rooms). Ten establishments have a single room and a further 14 have 5 rooms or fewer. The general impression is that much of the accommodation is niche accommodation in the bed & breakfast style.

There is considerable geographic concentration of visitor accommodation (table 1.4). Port Arthur dominates the accommodation inventory with 12 establishments offering 139 rooms (more than half the total). Nubeena and Eaglehawk Neck between them have a further 11 establishments and 309 rooms. There are four known future developments in different stages of planning and construction:

- the proposed Remarkable Lodge near Safety Cove/Crescent Bay;
- two major upgrades of motel premises at each of the Lufra (Eaglehawk Neck) and Comfort Inn (Port Arthur) sites; and
- Stewarts Bay Lodge at Port Arthur.

**Table 1.4: Inventory of visitor accommodation on the Tasman Peninsula**

| Location       | Number of establishments | Number of rooms | Room capacity | Number of campsites | Campsite capacity |
|----------------|--------------------------|-----------------|---------------|---------------------|-------------------|
| Dunalley*      | 1                        | 4               | 14            |                     |                   |
| Eaglehawk Neck | 6                        | 37              | 103           |                     |                   |
| Fortescue Bay  |                          |                 |               | 41                  | 200               |
| Koonya         | 1                        | 5               | 13            |                     |                   |
| Murdunna       | 1                        | 6               | 22            |                     |                   |
| Nubeena        | 5                        | 44              | 206           | 110                 | 279               |
| Port Arthur    | 12                       | 139             | 563           | 70                  | 210               |
| Taranna        | 6                        | 25              | 83            |                     |                   |
| White Beach    | 2                        | 6               | 20            |                     |                   |
| Total          | 34                       | 266             | 1024          | 221                 | 689               |

\* Although Dunalley is not in the Tasman LGA, it is the gateway town to the Peninsula and therefore considered a part of its tourism industry

Source: (Tourism Tasmania, 2007b)

The overall conclusion is that the Tasman Peninsula is heavily geared toward servicing the day visitor market, and does not currently have the level of tourism infrastructure (particularly

accommodation) to support increased length of stay during the peak tourist season. Members of the Port Arthur and Tasman Tourism Association (PATTA) have advised there is ample accommodation available in the off season and the 'shoulders' of the peak season (see below).

### **Visitors to the Tasman Peninsula**

There were a total of 113,400 visitor nights in the Tasman Peninsula in the 12 months to June 2007, a fall of 4.2% from the previous year (Tourism Tasmania, 2007a). Visitor nights dropped dramatically from 149,700 in 2003-04 to 113,700 in 2004-05. In contrast, the proximity to Hobart (not much more than a one hour drive) means that the Tasman Peninsula attracts a large number of day trips, particularly during the holiday season. The Port Arthur Historic Site alone records close to 250,000 visitors each year (Port Arthur Historical Site Annual Reports, 2005: p.26, and 2007: p.24).

The other issue that affects the Tasman Peninsula and, to various degrees, all of Tasmania is that the pattern of visitation is very seasonal with a pronounced peak in the warmer months. This trend is also evident with overnight walking: of the 7,900 walkers on the Overland Track in the year ending June 2007, all but 850 walked in the six months 1 November to 30 April (PWS 2008). Generally, activities with an outdoor focus (such as bush walking) will be affected more by perceptions of poor weather in the low season, regardless of the factual basis for these perceptions.

Peaks in demand introduce difficulties in the provision of services. Design to meet peak demand results in surplus capacity at other times of the year. The major effect relates to physical infrastructure, such as accommodation establishments and, in the future, the ability of the 3CT to accommodate walkers will certainly be affected by seasonal factors. However, there is also an effect in terms of employment: since the peak occurs at much the same time of the year throughout Tasmania, there is little opportunity for workers to transfer between industry sectors or locations to pursue jobs within the state.

In this regard it must be noted that the 3CT is quite different from the Overland Track, which is considered to be suitable only for experienced walkers during the winter months when the weather makes walking conditions very difficult. Weather conditions during winter on the Tasman Peninsula, in contrast, are considerably more benign. One reason for selecting the 3CT was the expectation that it would be able to accommodate walkers to a much greater extent during times of the year when use of the Overland Track is largely ruled out. The consequence is that the 3CT may well achieve a flattening in the seasonal peak demand for overnight bushwalking.

## 2 Forecasts of the number of walkers

### 2.1 Overnight bushwalkers

Overnight bush walkers as a group appear to differ markedly from other visitors to Tasmania (even those who report they undertake single day bush walking), but there are also important differences within the group in terms of the characteristics that determine their impacts on the economy. These heterogeneities require that forecasts of the number of overnight bushwalkers be disaggregated.

The level of disaggregation that can be achieved is limited by the availability of disaggregated data. The two main sources of historical data for the behaviour and characteristics of overnight walkers in Tasmania are:

- the Tasmanian Visitor Survey, referred hereafter as TVS for visitors aged 14 years and over (Tourism Tasmania, via Parks and Wildlife Service 2007); and
- the Overland Track Walker Survey, referred to as OTWS (Clark and Poll 2007).

Note that the information in the TVS, as the name implies, is limited to visitors to Tasmania: there is no information on travel by Tasmanian residents within the state.

As well as these data sources, other surveys have been conducted in the recent past of visitors to Tasmania and the Tasman Peninsula more specifically.

In addition to the historical data, two studies have been commissioned specifically as part of the development of the 3CT concept with the aim of understanding the preferences and likely responses to the 3CT:

- a scoping study conducted by Planning for People Pty Ltd in 2006 that investigated attributes and supply considerations;
- a choice model study conducted by Instinct and Reason in 2007, as part of the Feasibility Study, to determine the key preferences for overnight walkers.

#### **Total numbers of overnight walkers in 2006-07**

According to the TVS, in 2006-07 a total of 20,558 visitors to Tasmania participated in at least one overnight walk or longer. According to the PWS booking system 7,900 persons used the Overland Track in the 12 months to June 2007. Comparison of the two datasets suggests that the Overland Track is one of the most popular overnight walking destinations in Tasmania. There are other overnight walking destinations, which in total have a combined greater number of walkers than the Overland Track, but there is no data to ascertain where the overnight walks occurred.

#### **Breakdown by overseas and mainland visitors**

There is a substantial variance in the estimates for proportions of overseas and mainland visitors who went on overnight walks between the TVS and OTWS. Statistics from the TVS suggest that there were 17,259 visitors from the mainland (84%) and 3,299 from overseas (16%) who undertook overnight walks. According to the OTWS, 93% of the walkers on the Overland Track were from outside Tasmania: for these visitors 68% were from the mainland and 32% were from overseas.

It is not surprising that the proportion of overseas walkers is higher for the Overland Track, as it is the only Tasmanian walk with an international profile and can be undertaken as either a guided or independent walk with minimal previous experience. It also benefits from a regular public transport service, and a range of accommodation options and ancillary services.

### **Breakdown by independents and guided walkers**

A second easily identifiable difference in the group of overnight walkers is between independent walkers and commercial walkers who are part of a group with guides. Cradle Huts, a commercial operation which provides accommodation to walkers in cabins leased from PWS along the Overland Track, had of the order of 1,500 walkers in 2006-07, constituting some 20% of all walkers in the peak season when the booking system operates.

In addition, there were 647 other group walkers (various commercial and non-commercial organisations) or 8% of the total.

## **2.2 What does it mean for the 3CT**

Ultimately the 3CT needs to offer something sufficiently attractive for walkers to incur the associated costs (both time and money) to undertake the walk, and for visitors to Tasmania this includes travel to and from the State. There appears to be a strong case that the 3CT would be considered an iconic walk. The route of the track passes through coastal areas with dramatic scenery provided by the highest sea cliffs in Australia. The proximity to water and the possibilities of observing marine wildlife are major drawcards and offer an experience quite different from many other overnight walks in Australia (see the findings in *Planning for People* (2006)). In addition, there are opportunities for developing water-based activities such as kayaking.

Statistics on current visitor numbers in regard to overnight bushwalks are very suggestive and support the claim that bushwalking is a major tourism attraction for Tasmania – the ‘bushwalking state’. But who will walk the 3CT? There appear to be four possible ‘pools’ from which walkers will be drawn:

### *a) Return visitors*

Will the walkers on the 3CT be largely drawn from the set of walkers identified in the TVS, including users of the Overland Track, in recent years returning to Tasmania in the future for a new walking experience? While most respondents in the OTWS had previous experience with overnight walks (81%), for the majority this was their first overnight walk in Tasmania (70%).

Staff in the Department with experience with the characteristics and preferences of bushwalkers are of the view that many of the people who walk the Overland Track are what might be described as ‘icon track walkers’, and these are quite distinct from other bushwalkers. In particular, icon track walkers would be likely to be attracted by the 3CT. Unfortunately, there is no objective basis for quantifying this aspect.

### *b) Visitors who extend their stay*

On the other hand, will the overnight walkers who would visit Tasmania in the no-3CT case stay in Tasmania longer if there was the opportunity to do a further major walk? Only 9% of walkers who responded to the OTWS indicated that they were staying to undertake a further overnight walk in Tasmania as part of the trip. There is no data item in the TVS that could throw light on this question<sup>4</sup>. Of course, these statistics refer to the case where there is no 3CT: will the availability of a second iconic bushwalk cause a major change in preferences and, more importantly, lead to different decisions?

### *c) Visitors who substitute the 3CT for another Tasmanian walk*

Will the walkers on the 3CT be visitors who would otherwise have come to Tasmania to undertake some other overnight walk? In this case, any positive effect for Tasmania from an

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<sup>4</sup> While 16% of overnight walkers in the TVS indicated they would also do walks of between 2 hours and 8 hours (the proportion was higher at 33% for overseas visitors), few day walkers are expected to ‘convert’ and also do an overnight walk.

increase in economic activity in the Tasman Peninsula will need to be offset by losses in the regions which would otherwise host the overnight walks were the 3CT not to be constructed.

*d) 'New' Visitors – those who would not have come if the 3CT wasn't built*

Finally, there is the possibility of new growth in the overnight walker visitor market. These are visitors who would not come to Tasmania if the 3CT was not built. The history of the Overland Track shows steady growth in usage to approximately 3,000 walkers by the late 1980s followed by a burst to reach in excess of 7,000 over the ten years to 1997-98. Growth since then has been much slower but annual numbers have increased by a further 1000 in the last nine years. (Clark & Poll 2008)

If the observed upwards trend in demand for iconic walking tracks in Tasmania continues, then the Overland Track will likely reach effective capacity in 2010-11. It is to be observed that the capacity of a track is determined not only by physical attributes but also by the preferences of walkers for a degree of isolation, so as to enjoy the sense of being in a remote natural area away from 'normal' life. PWS has introduced various measures to control numbers and manage walkers on the Overland Track to heighten this experience as well as managing accommodation.

It is to be noted that overnight walking tracks provide a continuum in terms of development with the Overland Track being at the developed end of the range and tracks in the remote south west (such as Western Arthurs Range traverse) at the other end of the range. There is also a spectrum of walking difficulty. In broad terms, levels of visitation (particularly by non-Tasmanian walkers) reflect these factors, with greater numbers using the more developed tracks that are seen as 'do-able' by even less experienced walkers with medium levels of fitness.

Within this continuum of walking tracks, the 3CT will certainly provide attractions and services that are not available for many of the overnight walks undertaken by visitors to Tasmania. The 3CT will be the first track in Tasmania where independent walkers will have accommodation, bedding and cooking facilities provided, obviating the need to carry mattresses, tents and stoves (a reduction of some six to eight kilograms in backpack weight).

The study by Instinct Reason (2007) throws considerable light on preferences of the potential walkers on the 3CT. The basis of their findings was a survey that sampled two distinct groups of walkers:

- contacts collected by PWS from people who had previously undertaken the Overland Track (predominantly independent walkers) – 419 responses; and
- contacts collected by the Maria Island Walk (predominantly commercial walkers) – 118 responses.

The indicated preferences for the sample are given in the table below.

**Table 2.1: What might potential 3CT walkers do – base case**

|                          | Independent walkers | Commercial walkers |
|--------------------------|---------------------|--------------------|
| <b>Independent walks</b> |                     |                    |
| 3-4 day                  | 23.97%              | 14.98%             |
| 5-6 day                  | 46.01%              | 16.60%             |
| 7-9 day                  | 15.17%              | 9.00%              |
|                          |                     |                    |
| <b>Guided walks</b>      |                     |                    |
| 3-4 day                  | 0.44%               | 24.18%             |
| 5-6 day                  |                     | 10.54%             |
| 7-9 day                  |                     | 3.10%              |
|                          |                     |                    |
| <b>None</b>              | 14.38%              | 21.61%             |
|                          |                     |                    |

Source: Instinct and Reason (2007)

The choice modelling from which the entries in Table 2.1 are computed does not determine that a stated preference of a specific individual is to one or other of the available options. Rather the percentages are the probabilities summed over all respondents within each group of choosing that option, given a range of values for various attributes such as price, type of accommodation, form of track (A to B or loop), etc.

The proposed length of the 3CT is 6 days. It is not possible to conclude that, say in the case of independent walkers, all respondents who expressed a preference for an independent walk would necessarily opt for the 6 day walk if no other was available.

Most importantly, in responding to the questions asked in the survey, people in the sample were expressing their preferences in terms of which alternative they found attractive. It would be incorrect to interpret the findings listed in table 2.1 as indicating a definite intention to make the trip to Tasmania in order to walk the 3CT, though it is clear that the great majority of the respondents found the prospect attractive.

For the purpose of the assessment, it is assumed that 18% of all walkers are part of a guided group run by the commercial operator.

## **2.3 Forecasts used in this study**

The estimates for visitor spending and economic impacts presented in this report relate to the situation where the 3CT has reached its design capacity, taken to be 10,000 walkers per year, made up from (the numbers have been rounded for convenience):

- 8,200 independent walkers (181 days in the peak season with 45 walkers per day)
- 1,800 guided group walkers (181 days with 10 walkers per day).

## 3 Estimates of spending by 3CT walkers

### 3.1 Spending directly associated with use of the 3CT

Under the proposal for the 3CT as outlined in the feasibility study, walkers will spend five nights and six days (only part of the days at either end) in the Tasman Peninsula in activities directly associated with walking the track. The spending on these activities for independent walkers consists of:

- payment of the walking fee to PWS;
- expenditure on travel to the start point and from the end-point of the track;
- payment for any water-based transport legs as part of the walk (including access at either end);
- purchase of PWS materials, such as maps, brochures, information packs; and
- purchase of daily living necessities for the walk.

These are dealt with separately in the sections below, as is the spending by walkers on commercially operated guided tours.

#### **Walking fee for the 3CT**

The proposed charge for use of the track by independent walkers is \$200 per person. It is intended that the PWS will enter a retained revenue agreement, similar to that for the Overland Track. This would result in the majority of the fees collected from the users of the track being spent within the Tasman Peninsula on staffing, operational and maintenance costs associated with the 3CT. Because of the detailed analysis of the operational costs of the Track (including employment growth) funded by the walking fees this expenditure is treated separately in section 4.1 along with the impact on the regional economy in contrast to the use of average multipliers for the other spending items.

#### **Travel to and from end-points**

For walkers that make use of public transport (as distinct from privately owned vehicles) to access the 3CT from Hobart, the current fare for a round trip is \$48 rounded to \$50 for convenience. The payment of the fare is considered to occur outside the Tasman Peninsula.

Travel by private vehicle from Hobart is approximately 200 kilometres round trip and would involve say 20 litres of fuel at a cost of \$30. Other avoidable costs of vehicle use<sup>5</sup> would double the spending to \$60 per party of walkers. For an average party size of say three people, the per person cost is \$20. It is assumed that on average half the fuel is purchased in the region (\$5 per walker), though this would be at the upper end of the plausible range.

There is potential for a third access alternative. One of the add-on options tested for the Feasibility Study was a cruise to and from Hobart, and 13% of independent walkers and 30% of commercial walkers indicated they would be very interested in this. The fare for a one way journey from Hobart to White Beach would be in the order of \$70<sup>6</sup>. The return to Hobart would use the coach service from Eaglehawk Neck (\$25).

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<sup>5</sup> The term *avoidable costs* relates to the outlays that would not be incurred if the trip was not made and only these items are relevant for an economic impact assessment. Costs such as fuel, tyres and maintenance are regarded as avoidable. 'Standing costs' such as insurance, depreciation and interest payments are excluded since they are not affected by the decision to proceed with the 3CT.

<sup>6</sup> The estimate of \$70 is based on a comparison with the current service from Hobart to Port Arthur, at \$150, and a 2 hour cruise of Storm Bay at \$35.

It has been assumed that 15% of all independent walkers will use the boat shuttle from Hobart to access the 3CT. It has been further assumed that 80% of the remaining independent walkers will elect to use public transport. For the Overland Track, the proportion of walkers who use public transport is 90%, but a lower figure has been adopted for the 3CT since the start and end points are much easier to travel between.

### **Water based travel**

The form of any water based travel as part of the walk will be known only after the detailed design of the track is finalised.

It is expected that there will be two water components of the walk:

- from either Safety Cove or Port Arthur to Denman's Cove (with an estimated cost of \$25 per walker); and
- from Fortescue Bay to Pirates Bay (with an estimated cost of \$50).

The first will be undertaken by all walkers. However the latter would be optional (it is possible to add a days walk by following the Tasman Coastal Trail to Pirates Bay or arrange a vehicle pick-up at Fortescue Bay). Based on the experience with the Overland Track, it has been assumed in this assessment that 90% of all walkers will take this option as part of a pre-arranged package.

It is assumed that both the vessels are operated from within the Peninsula and the spending on boat fares is deemed to occur within the region.

### **Purchase of daily necessities for the walk**

It is assumed that on average each independent walker will spend \$150 on consumables for the 6 days of the walk (mainly food but also including such items as insect repellent and toiletries). It is considered unlikely that much of the requirements would be purchased in the Tasman Peninsula. Most walkers would not rely on local shops to fit themselves out for the walk.

For all independent walkers, it is likely that there may be some small spending within the region at either end of the walk. For the purpose of this analysis, the amount has been set at a nominal \$50 per person.

### **Guided tours**

The fee for guided walking tours has been taken to be \$500 per night or \$2,500 per person for the whole walk. A component of the fee goes towards the lease agreement the operator will enter into with PWS for the track accommodation, and the impact of this on the regional economy is dealt with in section 4.1.

Based on advice from the guided walk industry, consumer spending associated directly with existing guided commercial tours is limited almost entirely to payment of the fee for the tour. It is expected that a similar situation will occur with guided walks on the 3CT. For the purpose of this impact assessment, the spending of walkers in guided groups has been treated as follows:

- the payment of the walk fees is deemed to occur outside the Tasman Peninsula (the impacts of the leasing arrangements are dealt with in section 4.1);
- the economic impacts of the flow on to the region from the guided tour operation is discussed in section 4.3;
- no spending directly associated with the walk has been allocated to the region;
- spending by guided group walkers (both within and without the Tasman Peninsula) is captured as spending not directly related to the walk – refer to section 3.2

It may be argued that if the tour operator was located in the Tasman Peninsula then the payment of guided walk fees should be regarded as spending within the region. In terms of the regional economy, the impact of locating the office of tour operator within the Tasman Peninsula is likely to be restricted to the office staff plus flow-on effects – we expect that other aspects would

remain much the same regardless of the location of the office. It is not possible to predict where the office will be and hence the assessment does not include any component for this.

### Summary

Table 3.1 summarises the spending estimates related directly to use of the 3CT. For 10,000 walkers, aggregate spend on items directly related to the walk is estimated at \$8,777,530.

**Table 3.1: Spend on items directly related to walk – 10,000 walkers**

| Spend item                 | Spend per walker     | Applies to                                 | Aggregate spend        |
|----------------------------|----------------------|--|------------------------|
| <b>Independent walkers</b> |                      |  |                        |
| Track use fee              | \$200                | All independent walkers                    | \$1,640,000            |
| Travel to access 3CT       | \$70                 | Use boat service from Hobart -15% of IW    | \$116,850 <sup>a</sup> |
|                            | \$50                 | Use public transport – 80% of remaining IW | \$278,800              |
|                            | \$20                 | Use private vehicle -20% of remaining IW   | \$27,880               |
| Water based travel         | \$25                 | Safety Cove to Denman’s Cove – all IW      | \$205,000              |
|                            | \$50                 | Fortescue Bay to Pirates Bay – 90% of IW   | \$369,000              |
| Daily living needs         | \$150                | All independent walkers                    | \$1,230,000            |
| Minor purchases            | \$50                 | All independent walkers                    | \$410,000              |
|                            |                      | <b>Subtotal: all independent walkers</b>   | <b>\$4,277,530</b>     |
| <b>Guided walks</b>        | \$2,500 <sup>b</sup> | All commercial walkers                     | \$4,500,000            |
| <b>Total</b>               |                      |  | <b>\$8,777,530</b>     |

Source: Feasibility Study for the 3CT and Syneca Consulting analysis

Notes: (a) Includes fare for return to Hobart by coach

(b) includes \$200 track use fee, assumed to be covered by guided walk charges

IW = independent walkers

All of the money in table 3.1 is considered to constitute spending within the Tasmanian economy, ignoring possible commissions paid to organisations outside Tasmania.

But how much of this total can be considered spending within the Tasman Peninsula region? The approach taken in this assessment is to exclude fees paid for the walk itself (whether paid to PWS or the guided walk operator). The impacts on the regional economy and employment of the track fees are incorporated separately in Chapter 4. Of the remaining items, only the payment for the water based travel, minor purchases at either end of the walk and \$20,000 of the private vehicle use costs have been deemed to be spending in the region, a total of \$1,004,000.

Note that if it is assumed that all 1,800 commercial walkers use both of the water based travel legs, then there is a further \$135,000 of regional spending. To avoid double counting this figure does not appear explicitly in table 3.1 since the payments would come out of the \$4,500,000 for track fees. However, it has been taken into account in the assessment of the impacts on the regional economy discussed in section 4.3.

## 3.2 Non-walk related spending

This section discusses spending by visitors to Tasmania who walk the 3CT where the spending is in activities unrelated to the actual walk. Note that the increase in spending (and the associated economic impacts) attributable to the 3CT is restricted to expenditures by visitors who would not come to Tasmania if the 3CT does not go ahead.

### Tasmania – state wide spending

According to the TVS, overnight walkers who visited Tasmania spent on average 12.6 nights in Tasmania (mainland visitors: 11.5 nights; overseas visitors: 18.5 nights). These estimates are

lower than those from the OTWS where the duration of stay was reported to be 16 days on average (mainland: 14 days; overseas: 22 days).

The size of the difference suggests that walkers on the Overland Track may not be representative of all overnight walkers to Tasmania. One reason for the difference in length of stay in Tasmania is that the vast majority walkers on the Overland Track have, by default, already spent five nights in Tasmania (the recommended duration to walk the Overland Track); overnight walkers recorded in the TVS may have spent as little as one night on a bushwalk.

Overall, current walkers on the Overland Track are considered to more closely match the characteristics of future walkers on the 3CT than would overnight walkers captured in the TVS whose walk experience may be quite different. However, the TVS contains estimates of visitor spending and the OTWS does not. For this reason this assessment is based on estimates for the number of visitor nights derived from the TVS.

Statistics on spending by overnight walkers in Tasmania as reported in the Tasmanian Visitor Survey are summarised in table 3.2

**Table 3.2: Spending by overnight walkers**

| Spend category        | Aggregate spending (\$000) |                   |                   | Average spend per visitor |                   |                   |
|-----------------------|----------------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|
|                       | All visitors               | Mainland visitors | Overseas visitors | All visitors              | Mainland visitors | Overseas visitors |
| Transport             | 5,244                      | 4,662             | 582               | \$255                     | \$270             | \$176             |
| Accommodation         | 15,791                     | 13,896            | 1,895             | \$768                     | \$805             | \$574             |
| Other                 | 14,992                     | 12,550            | 2,442             | \$729                     | \$727             | \$740             |
| <b>Total spending</b> | <b>36,026</b>              | <b>31,108</b>     | <b>4,918</b>      | <b>\$1,752</b>            | <b>\$1,802</b>    | <b>\$1,491</b>    |

Source: Tasmanian Visitor Survey – year ending June 2007

Total spending by overnight walkers is substantial (\$36 million), and each overnight walker spends on average \$1,752 (mainland visitors: \$1,802 overseas visitors: \$1,491) within Tasmania during his or her visit. We will use these estimates of spending in the analysis since overnight walkers sampled in the TVS are expected to most closely reflect the characteristics of future users of the 3CT and there is no other information to base the spending estimates on. It is acknowledged that the above averages conceal considerable variation in terms of the spending patterns for overnight walkers, and that the average of \$1,752 per visit is likely to be at the top end of the range of spending for 3CT walkers. An attempt is made to account for this variability in the analysis that follows (making use of the purpose of the visit to Tasmania recorded in the OTWS), but the information available limits the extent to which this can be done.

It is incorrect to take the spending by walkers that are predicted to use the 3CT as a measure of the impact of the 3CT. This is because some users may have come to Tasmania even in the absence of the 3CT. Refer to earlier discussion on the ‘trigger’ for a visit to Tasmania. Table 3.3 summarises the findings from the 2006-07 OTWS.

**Table 3.3: Purpose of visit to Tasmania – walkers on Overland Track**

|                                       | Overseas | Mainland | Total |
|---------------------------------------|----------|----------|-------|
| Group 1. Purpose only to do the walk  | 14%      | 32%      | 26%   |
| Group 2. Main purpose to do walk      |          |          |       |
| Staying longer to do other walks      | 15%      | 6%       | 9%    |
| Staying longer to do other activities | 41%      | 57%      | 52%   |
| Group 3. Not the main purpose         | 29%      | 6%       | 13%   |

Source: OTWS 2006-07

It will be assumed that future walkers on the 3CT will have a similar breakdown of reasons for visiting Tasmania.

Spending in Tasmania other than on the walk itself by the first group would be expected to be minimal. For the purpose of this analysis, the spending has been nominally set at \$200 per visitor.

Spending by the last group can be ignored – the visit to Tasmania and the associated spending would have occurred regardless of whether the 3CT is constructed.

For the second group (where the walk was the main purpose for the visit), 52% of all non-Tasmanian Overland Track users stated that they would not do another overnight walk during their visit. It would seem correct to attribute the spending of this group to the 3CT.

It is not so straightforward to decide how to treat the remainder of the second group (9% of all non-Tasmanian Overland Track users) who indicated they intended to undertake other walks. In this assessment, the spending of this group has been included in the estimates. .

The conclusion is that for every 10,000 walkers on the 3CT, 700 walkers will be from Tasmania. Of the remaining 9,300 walkers, 61% (5,673 walkers) would not visit Tasmania if the 3CT did not go ahead, and it is assumed that each of these will spend on average \$1,752.

It is also necessary to consider the impact on the Tasmanian economy due to use of the 3CT by Tasmanians. As Madden et al. (2002:page 35) observe, it is common in this type of economic impact assessment to ignore spending by locals since the spending on the 3CT substitutes for spending on other goods and services and the impact on the state economy largely cancels out. However, in the current case, the availability of the 3CT is expected to induce a lower number of people to travel to the mainland, where any spending (including travel) would be lost to the Tasmanian economy. For visitors to national parks, Madden et al. (2002) make the ‘ad hoc assumption’ that one-third (33%) of trips out of Tasmania will not go ahead and this appears to be plausible. In any event, the contribution by Tasmanians is relatively modest (representing around 4% of the total), and the findings from the analysis are unlikely to be overly sensitive to assumptions on the number of foregone trips interstate.

The results are summarised in table 3.4. The additional statewide spending generated by the 3CT over and above the spending directly related to the walk itself is estimated to be \$10,925,778.

**Table 3.4: Spend in Tasmania for 10,000 3CT walkers: non-walk related**

|                                     | Origin of walkers |              |             | Average/<br>total |
|-------------------------------------|-------------------|--------------|-------------|-------------------|
|                                     | Tasmania          | Mainland     | Overseas    |                   |
| Total spending per walker           | \$584             | \$1,752      | \$1,802     | \$1,491           |
| Inferred spend by group 1 walkers   |                   | \$200        | \$200       |                   |
| Spend - all walkers on 3CT          | \$408,915         | \$11,040,706 | \$5,407,266 | \$16,856,887      |
| Spend attributable to 3CT - group 2 | \$408,915         | \$6,734,831  | \$3,298,432 | \$10,442,178      |
| Spend attributable to 3CT - group 1 | \$0               | \$327,600    | \$156,000   | \$483,600         |
| Total spend attributable to 3CT     | \$408,915         | \$7,062,431  | \$3,454,432 | \$10,925,778      |

Note: \* assumes 33% of walks substitute for interstate trips with similar spending; these are not included in average based on approach in Madden et al. (2002)

### Tasman Peninsula – regional spending

The process for estimating the spending by 3CT users in the Tasman Peninsula follows in broad terms the method for the whole state, as outlined above.

According to the TVS, visitors who take an overnight walk somewhere in Tasmania stay on average 2.59 nights in the Tasman Peninsula (mainland visitors: 2.84 nights; overseas visitors:

1.59 nights): note that it is not known how much of these average time estimates were spent on overnight walks. Furthermore, the TVS results do not tell us in which regions the overnight walks were done.

Of the 20,557 visitors who undertook overnight walks in 2006-07 somewhere in Tasmania, 3,094 stopped or stayed in the Tasman Peninsula (mainland visitors: 2,145 overseas visitors: 949). Of these, 1,648 overnight walkers spent a total of 4,264 nights in the Peninsula: this represents 8% of all overnight walkers who visited Tasmania.

To obtain a more detailed picture of the pattern of visits to the Tasman Peninsula, data from the last four years of the TVS (2003-04 to 2006-07) were aggregated since the sample size for any one year is too small to be statistically valid. The average proportion of overnight walkers who spent at least one night in the Peninsula is as follows:

- 1 night spent by 45% of all overnight walkers who spent at least one night in the region
- 2 nights – 24%
- 3 nights – 20%
- 4 nights or more – 11%.

In considering the extent to which walkers on the 3CT will spend additional nights in the Tasman Peninsula, it is important to recall the remarks made in section 1.4. Considered as a region, the Tasman Peninsula has a host of attractions both natural and manmade. However, the infrastructure to support enhanced levels of tourism does not exist currently. We have been advised that commercial walkers, as a group, are unlikely to have a high demand for extra stays beyond the walk itself in the absence of high class accommodation and higher level of other attractions. We return to the question of the potential for future developments in the region in section 4.4.

Nevertheless, it can be surmised that, on average, walkers on the 3CT would be more likely to spend significantly more time on the Tasman Peninsula (beyond the time that they spent on the 3CT itself) than would other visitors to Tasmania undertaking overnight walks, since they are already in the region. The available data do not lend themselves to making an estimate of the difference. Accordingly we have made the assumption, for the purpose of this analysis, that 20% of the users of the 3CT will stay at least one night or longer in the Tasman Peninsula, and their pattern of stay in terms of number of nights will on average be the same as the above figures derived from the TVS. For the 10,000 walkers on the 3CT, this represents 3,578 nights spent by visitors from the mainland and 954 nights by visitors from overseas (a total of 4,532 nights). This compares to the 50,000 nights spent during the walk itself. A further comparison is with the 113,400 visitor nights spent in the Tasman Peninsula by all visitors in the year ending June 2007 (Tourism Tasmania, 2007b).

It is assumed further that the average spend will also be the same as the estimate of \$139 per night derived from the TVS for all overnight walkers in the year ended June 2007. In addition, the increased level of stay in the Tasman Peninsula should apply only to the 'new' visitors to Tasmania who would not have come if the 3CT was not built.

Based on these assumption, table 3.5 summarises the expected regional spend for non-walk related items. The total spend is \$698,379 and after netting out spending by walkers who would have come to the region even without the 3CT, the non-walk related spend attributable to the track is \$408,815.

**Table 3.5: Regional spend for 10,000 3CT walkers: non-walk related**

|   | Origin of walkers |           |          | Average/<br>total |
|---|-------------------|-----------|----------|-------------------|
|   | Tasmania          | Mainland  | Overseas |                   |
| Walkers stay overnight in region: proportion <sup>*</sup> |                   | 20%       | 20%      | 20%               |
| Number  | 140               | 1260      | 600      | 2000              |
| Average spend per visitor                                 | \$444             | \$444     | \$128    | \$1,016           |
| Total spend all 3CT walkers                               | \$62,155          | \$559,392 | \$76,833 | \$698,379         |
| Total attributable to 3CT – group 2 walkers               | \$20,718          | \$341,229 | \$46,868 | \$408,815         |
| Transport spend   | \$3,016           | \$51,138  | \$5,546  | \$59,700          |
| Accommodation spend                                       | \$9,081           | \$152,428 | \$18,059 | \$179,568         |
| Other spend   | \$8,622           | \$137,663 | \$23,272 | \$169,557         |

Source: TVS (2007) for year ending June 2007 and analysis by Syneca Consulting

Note \*: the estimate of 20% is based on an ad hoc assumption for the increase from the 8% of all overnight walkers in the TVS who spent one or more nights in the Tasman Peninsula

A range of complementary experiences were canvassed in the market research component of the feasibility study, ranging from sea kayaking to massage treatments. No contribution from these activities has been included in these estimates of spending. Some of the spending on these activities could displace visitor spending as recorded in the TVS. To the extent that these activities go ahead they are expected to induce an increase in spending within the Tasman Peninsula though possibly at the expense of spending in other regions. See section 4.5 for more discussion, and indicative estimates, on future opportunities associated with these complementary activities.

### 3.3 Consolidating the spending estimates

In the case of spending by overnight visitors for Tasmania as a whole, the overall total is obtained by summing the walk related total (\$8,777,530 in table 3.1) and the non-walk related total (\$10,925,778 in table 3.4). The overall total spend within Tasmania that can be attributed to the 3CT for 10,000 walkers is \$19,703,308.

The corresponding figures in the case of the Tasman Peninsula are \$1,004,000 for walk related spending (see commentary following table 3.1) and \$408,815 for non-walk related spending (table 3.5). The overall total spend within the Tasman Peninsula that can be attributed to the 3CT for 10,000 walkers is \$1,412,815. Note that these spend estimates do not cover all economic impacts, since the discussion in this chapter excludes the effects of fees paid for use of the track.

Spending by 3CT walkers in the Tasman Peninsula represents 12% of the total spending during the visit to Tasmania based on the estimates presented earlier in this section. This comparatively low figure is driven by the low levels of non-walk related spending. This in turn is a function of the rather small number of walkers who are expected to stay overnight in the region beyond the walk itself (assumed to be 20% of all 3CT walkers) and the short stay in the Tasman Peninsula (assumed to be 2.59 nights per walker on average) compared to the total visit to Tasmania.

## 4 Impacts on the economy from 3CT walkers

Once we have estimates of spending, it is possible to analyse the impacts on the economy at both the state and regional levels.

The method used in this assessment is *multiplier analysis*. The use of multiplier analysis for economic impact assessment is well established and there is extensive experience with the approach.

Multiplier analysis assumes the supply side of the economy – as measured by production, employment and income – responds in proportion to changes in exogenous expenditures, in this case due to visitors attracted by the 3CT. Expenditures that are injected into a particular (geographical) point have a ‘ripple effect’ that starts with the local economy and spreads out into adjoining regional economies, depending on the configuration of the supply chain. These effects can be tracked through input/output tables, which may be regarded as a compact method for managing large amounts of information that describe an economy and, in particular, the linkages between different industry sectors. Input/output analysis yields estimates of the multiplier relationships between changes in exogenous expenditures and the supply side response.

The assessment is described for the state economy of Tasmania as a whole and separately for the regional economy being the Tasman Peninsula.

### 4.1 Walking fee for the 3CT

It will be recalled that the discussion of the impacts from the payment of the walking fee was deferred when the spending by overnight walkers was discussed in Chapter 2. This is because the impacts on the economy and in particular on employment from the walking fee are qualitatively different from the other spending and because we have information specifically for what happens to these payments. The discussion is presented separately for independent walkers and for walkers in guided commercial operations.

#### **Independent walkers**

The proposed charge for use of the track is \$200 per person. The question is how much of this charge will remain in the region. Table 6 in the business case prepared as part of the feasibility study for the 3CT (PWS 2007a) provides a breakdown of incomes and outlays for PWS. Taking the estimates provided in table 6 of the feasibility study for outlays on the 3CT in year 3 of operation, we have made a notional allocation of the \$810,188 outlays as follows:

- \$359,782 will be paid to staff associated with the track in the form of wages or as living expenses;
- \$308,570 is spending within the region;
- \$141,836 will be spent on bringing imports into the region;
- \$3,000 is surplus and will be spent locally on the Tasman National Park.

#### **Direct employment impacts from the 3CT**

Management structure and staffing are discussed in section 5.7 on page 19 of the business plan prepared for the feasibility study on the 3CT (PWS 2007a). The enterprise will require five permanent staff:

- operations manager
- business enterprise manager
- visitor information officer track bookings
- two rangers/field officers.

In addition, the following seasonal staff are required:

- ten track rangers (two for each of the five overnight nodes)<sup>7</sup>
- track workers based on need
- two visitor reception officers.

Staff wages and on-costs are estimated at \$343,353 per year (see above). The ten track rangers and two visitor reception officers are assumed to work for six months each year, so these represent six equivalent full-time employees. Adding the five full-time positions gives a total staff of 11 full-time equivalent employees, excluding the casual positions for track workers.

All the above positions contribute to employment for Tasmania as a whole. One role for economic impact assessment is to highlight anticipated capacity constraints on the supply side but in this case the forecast numbers of jobs are too small at the state level to place significant strains on the availability of suitable employees.

Of the above positions, only the two permanent rangers/field officers and all the seasonal staff are expected to live within the Tasman Peninsula. This represents approximately seven full-time equivalent employees plus the casual staff for track work (the wages and on-costs for the casual staff are included in the item repairs and maintenance).

The Tasman Peninsula has a relatively high unemployment rate, at 9.2% of the workforce. The creation of these additional positions may help to reduce this depending on the availability of suitable members of the regional workforce. In the case that the new positions are filled from outside the Tasman Peninsula, this would still represent a gain for the regional economy since the track rangers would be located within the Peninsula.

### **Guided tours**

Based on industry advice, the experience elsewhere in Tasmania has been that commercial guided walking tours make little impact on the economy in the region where the walk occurs. On the other hand, reported experience from comparable commercial walking operation overseas suggests that there is the potential for the Tasman Peninsula to capitalise on the economic and development opportunities provided by the 3CT. The contributions to the regional economy included in this assessment are outlined in the discussion below.

The great majority of the food for guided tours is purchased wholesale outside the region and transported in. However, tour operators are keen to use Tasmanian or even local produce where this is of high quality or 'gourmet': examples include seafood such as scallops, wines, mushrooms etc. The assessment has made the ad hoc assumption that \$100 of the tour fee for each of the commercial walkers will go towards the purchase of food and related items produced in the region.

It needs to be kept in mind that commercial guided tours target a specific market sector. For this sector, price is not the most important consideration (see for example, Instinct and Reason (2007) where price was ranked sixth in order of the most important factors for the case of a 5-6 day walk). What sways their decision is the quality of the experience and, for a significant number of the walkers, the time constraints that they are under. Thus current successful operators meet these requirements through provision of a 'tight' itinerary and catering that earns gourmet awards, supporting the central attraction of a walk with outstanding scenic and related features.

To get this service, the prices paid by walkers are high, typically \$400 per day. The steady growth in this sector demonstrates that there is demand for this product at this price. But tour operators management must ensure they provide a high class product: they cannot take the risk of unreliable staff or doubtful food supplies in terms of availability or quality.

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<sup>7</sup> This is an upgrade from the six track rangers estimated in the feasibility study for the 3CT

It should be noted that part of the fees paid for guided walks is remitted to PWS by the tour operator for the lease of the cabins used by the guided tours. The level of payment will be determined in the tender process by PWS to select a suitable tour operator, so is not available at this time. The lease arrangements will, in any event, be covered by non-disclosure provisions to protect the commercially confidential nature of the information. Table 6 in the feasibility study for the 3CT has put down a figure of \$100,000 per year as lease payments, based on what was considered a realistic market rate.

The lease payments do not appear explicitly in the assessment. Rather, like the walking fees, they are accounted for in the outlays by PWS in maintaining the Track and providing for the walkers. Furthermore, the \$200 track use fee for each of the guided walkers is assumed to be covered by the all-inclusive charge of \$2,500 for guided walkers.

### **Employment impacts for guided tours**

Guided tours in Tasmania are currently required to have a minimum of two guides per group, which can be a maximum of ten walkers. Based on the 3CT being five nights, and the peak season lasting 181 days<sup>8</sup>, the assumption is that there would be a maximum of 1810 guided group walkers in 181 groups per peak season. This would require, after rounding, 14 guides for 26 weeks (taking the duration of each walk to be one working week) or approximately seven full-time equivalent employees (if taken over a full year). In practice, there would need to be at least twice this number of equivalent staff during the peak season given the need for guides to have time off once they complete a walk and the requirements for reserves<sup>9</sup>. For this study it is assumed that the number of guides for 10,000 walkers in total on the 3CT is 15 full-time equivalent employees.

To the number of guides must be added the activities that need support staff: purchase and transport of food and other supplies; overall management; operate the booking system; undertake marketing. To an extent the resource requirements for these support staff are largely fixed and do not vary with the number of walkers. We have adopted an estimate of three equivalent full-time staff for these activities for this assessment.

In summary total employment is assumed to be 18 full-time equivalent staff. These will be sourced from the Tasmanian workforce. Tour operators for similar operations elsewhere report that they find great difficulty in identifying suitable employees in small communities. There is anecdotal evidence that residents from the Tasman Peninsula have been employed for guided tours but it is not possible to conclude what level of recruitment will occur within the Tasman Peninsula.

## **4.2 Impacts on Tasmanian economy**

For the impacts on the Tasmanian state economy, we make use of work reported in Thapa et al. (2000) based on a 1998 survey. The focus of the Thapa et al. study was the economic impacts of the Tasmanian Parks and Wildlife Estate defined to be the localities managed by the PWS. The study involved a survey of visitors to the nine most popular national parks in Tasmania, which elicited information on spending during the visit to Tasmania broken down into a number of categories. The levels of spending for the whole visit were processed to derive estimates of spending related specifically to the Parks and Wildlife Estate (referred to as PWS tourism expenditure) assuming that this spending was proportional to the time spent at national parks expressed as a fraction of the duration of the visit. The survey, data processing and analysis were

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<sup>8</sup> The peak season is assumed to be the same as that for the Overland Track: from Nov. 1<sup>st</sup> to April 30<sup>th</sup>

<sup>9</sup> The number of guides is determined by the need to meet the variation in demand during the season, since the timing of departures of groups will not be uniform. This is ignored in this study which concentrates on equivalent staff assuming, in effect, that when guides are idle (while waiting for the next tour) they are able to undertake other meaningful activities including, possible, paid employment on a casual basis.

done separately for three ‘tourism industries’, relating to activities by visitors from overseas and from the mainland, and by Tasmanian residents.

Due to sampling issues, two versions of the expenditure estimates were prepared. The current report uses the results from Version II.

Simulation of the impacts on the Tasmanian economy as a result of the PWS tourism spending was undertaken using the FEDERAL general equilibrium model of the economy. The results from the simulation showed that for every \$1 million of PWS visitor expenditure (in 2008 prices<sup>10</sup>):

- gross state product increased by \$869,000
- employment grew by 21.4 jobs.

According to Thapa et al. (2000) the major impacts will occur in the hotels & restaurants industry (44% of the total) followed by entertainment & recreation and wholesale, retail trade & insurance (both 13% of the total). Unfortunately, the paper by Thapa et al. does not indicate the number of full-time and part-time jobs in the employment estimate.

The estimates derived by Thapa et al. for the effects on gross state product and employment from PWS tourism spending appear to be on the high side in comparison to other published data on similar studies.

Table 4.1 brings together the expected impacts on the Tasmanian economy as a result of walk fees, other walk related spending and non-walk related spending.

**Table 4.1: Impacts on Tasmania economy – 10,000 walkers**

|                                  | Spend               | Contribution to gross state product | Employment   |                                  |
|----------------------------------|---------------------|-------------------------------------|--------------|----------------------------------|
|                                  |                     |                                     | Direct (FTE) | Total impact (jobs) <sup>a</sup> |
| <b>Walk fees</b>                 |                     |                                     |              |                                  |
| Independent walkers              | \$1,640,000         | \$1,425,160                         | 11.0         | 16.5                             |
| Guided walkers                   | \$4,500,000         | \$3,910,500                         | 18.0         | 27                               |
| Total                            | \$6,140,000         | \$5,335,660                         | 29.0         | 43.5                             |
| <b>Walk related spending</b>     |                     |                                     |              |                                  |
| Total (independent only)         | \$2,637,530         | \$2,292,014                         | N /C         | 56.5                             |
| <b>Non-walk related spending</b> |                     |                                     |              |                                  |
| Tasmanian residents              | \$408,915           | \$355,347                           | N /C         | 8.8                              |
| Mainland visitors                | \$7,062,431         | \$6,137,252                         | N /C         | 151.4                            |
| Overseas visitors                | \$3,454,432         | \$3,001,902                         | N /C         | 74.0                             |
| Total                            | \$10,925,778        | \$9,494,501                         | N /C         | 234.2                            |
| <b>Total</b>                     | <b>\$19,703,308</b> | <b>\$17,122,175</b>                 |              | <b>334.2</b>                     |

N/C = not calculated

Notes (a) Assuming a state-based multiplier of 1.5 from direct full-time equivalent employees to total jobs for jobs associated with the management of the track.

(b) This estimate corresponds to total track fees of \$1.64 million for independent walkers net of the costs for 3CT staff that are accounted for explicitly in the rightmost columns of the table

The entries in the right most column of table 4.1 are an estimate of the number of jobs that are expected to be generated by the 10,000 walkers within the Tasmanian economy. A more

<sup>10</sup> Inflation from 1998 to 2008 was 35% - source: Reserve Bank of Australia [www.rba.gov.au](http://www.rba.gov.au)

standardised measure for employment growth may be full-time equivalent employees. With the data available it is not possible to convert from number of jobs to FTE. According to the 2006 Census, approximately 40% of the labour force recorded their employment status as part-time. It is likely that the incidence of part-time workers in the industries where the impacts are greatest is considerably higher than 40% (for example, only some 40% of workers in the accommodation industry sector are permanent full-time employees).

In summary, under the assumptions used in this analysis, for every 10,000 walkers on the 3CT gross state product is predicted to increase by \$17,122,175 and employment by 334.2 jobs.

### 4.3 Impacts on regional economy

The impact on the regional economy from visitor spending depends on the magnitude of ripple effects: to what extent does the primary spending flow on to suppliers of the firms that have primary contact with visitors, contribute to employment creation and are captured by households in the form of increased income? This in turn is a function of the depth of the regional economy. Where there is little in the way of supporting industry in the region, a larger proportion of the support of goods and services sold to visitors needs to be imported into the region and the potential for flow-on and value added is reduced.

Estimates for the impacts on the Tasman Peninsula economy are presented in table 4.2. The multipliers used to derive the entries in table 4.2 were extracted from a study on the contribution of Coolah Tops National Park to the regional economy commissioned by the NSW National Parks and Wildlife Service (NPWS 1998). It is considered that while the population of the study region for the NPWS study was approximately twice that of the Tasman Peninsula, the structure of the two regional economies are sufficiently similar to justify the use of the multipliers in the present study.

**Table 4.2: Impacts on Tasman Peninsula economy – 10,000 walkers**

|                                  | Spending           | Regional gross product |                    | Employment (jobs) |              |
|----------------------------------|--------------------|------------------------|--------------------|-------------------|--------------|
|                                  |                    | Direct effect          | Total impact       | Direct effect     | Total impact |
| <b>Walk fees</b>                 |                    |                        |                    |                   |              |
| Independent walkers <sup>a</sup> | \$893,053          | \$453,540              | \$701,351          | 7.0               | 12.0         |
| Guided walkers                   | \$315,000          | \$159,974              | \$247,382          | 6.6               | 8.3          |
| Surplus from 3CT                 | \$501,553          | \$254,715              | \$393,890          | 10.5              | 13.1         |
| <b>Total</b>                     | <b>\$1,709,606</b> | <b>\$868,229</b>       | <b>\$1,342,623</b> | <b>24.0</b>       | <b>33.4</b>  |
| <b>Walk related spending</b>     |                    |                        |                    |                   |              |
| Total (independents only)        | \$1,004,000        | \$523,188              | \$793,747          | 20.9              | 26.3         |
| <b>Non-walk related spending</b> |                    |                        |                    |                   |              |
| Tasmanian residents              | \$20,718           | \$10,796               | \$16,379           | 0.4               | 0.5          |
| Mainland visitors                | \$341,229          | \$177,816              | \$269,770          | 7.1               | 8.9          |
| Overseas visitors                | \$46,868           | \$24,423               | \$37,053           | 1.0               | 1.2          |
| <b>Total</b>                     | <b>\$408,815</b>   | <b>\$213,035</b>       | <b>\$323,203</b>   | <b>8.5</b>        | <b>10.7</b>  |
| <b>Total</b>                     | <b>\$3,122,422</b> | <b>\$1,604,453</b>     | <b>\$2,459,573</b> | <b>53.5</b>       | <b>70.4</b>  |

Source: multipliers extracted from NPWS (1998)

Note: (a) The spend from fees for independent walkers represents the operating costs that are spent in the Tasman Peninsula

The total impact that can be attributed to the 3CT associated with 10,000 walkers is \$2,459,573 contribution to regional gross product and an additional 70.4 jobs. Slightly more than half of the gains in both regional gross product and employment occurs as result of the spending by PWS on operation of the track (with a relatively small amount from walk related spending in the region), with the remainder. The remaining impacts arise from spending on non-walk related activities.

Experience with iconic walking tracks, such as the Overland Track, is that they also attract a significant number of day visitors. The increased marketing and promotion of the 3CT, as well as the improved track surface and new day walk options (in particular the segment from Remarkable Cave to Cape Raoul), are both likely to induce visitors to extend their stay, or attract visitors who might not otherwise have visited the Peninsula.

For example, the Port Arthur Historic Site attracts around 250,000 visitors per year, (Port Arthur Historic Site Annual Reports 2005, 2006 and 2007) and that approximately 80% of non-Tasmania visitors<sup>11</sup> are on a day trip from Hobart, or passing through (TVS). In the hypothetical situation where 5 percent of these visitors were to extend their stay to undertake a day walk, and convert to a stay of one night that would mean some 10,000 additional visitor nights in the region. This would represent an increase of approximately 10% in the number of visitor nights currently spent in the Tasman Peninsula. It has not been possible to make an estimate of the increased visitor nights and no contribution to the regional economy has been included from this source for the assessment, but the effect should not be dismissed as insignificant.

## 4.4 New developments

Multiplier analysis as applied in the previous two sections estimates the responses to increases in economic activity such as caused by the construction of the 3CT by extrapolating past experience in a linear or proportionate way. Multiplier analysis, by itself, is not well suited for modelling new developments that diverge substantially from what exists at the moment. Accordingly, new developments are discussed separately in this section.

By new developments we mean investment in new attractions or commercial developments that support visitor infrastructure in the Tasman Peninsula such as enhanced accommodation facilities. Such new developments would be expected to make staying additional nights in the Peninsula by walkers on the 3CT more attractive. This would increase visitor nights and the level of spending, and estimates for the economic impacts on the region would be correspondingly higher.

Two new visitor accommodation developments that are in the pipeline have been mentioned already. A new boat tour to Tasman Island commenced in late 2007.

In turn, the availability of an iconic walking track with the potential for bringing 10,000 overnight visitors to the region each year will increase the attractiveness of the Tasman Peninsula as a place to invest. A central factor in decisions regarding investments aimed at providing services to consumers directly is the number of number of people who will be 'exposed' to the facility. By bringing more visitors to the Tasman Peninsula, the 3CT will increase the quantity of spending in the region as outlined in the earlier analysis. At some point the increase in new spending may make new developments commercially attractive that would not go ahead in the absence of the 3CT.

Such an outcome could have impacts beyond what has been assessed for the 3CT. A number of examples are provided below:

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<sup>11</sup> According to statistics reported in the Port Arthur Historic Site Management Authority annual reports, approximately 7% of visitors to the site are Tasmanians.

- it has been suggested that the 3CT could be the trigger for the construction of new backpacker accommodation at a camping ground near one of the proposed ends of the Track;
- the operator of the water based legs of the walk may be able to make use of any idle time for the vessel in providing other services to visitors;
- provision of walker shuttles, from Hobart to the start of the walk and from the end of the walk to Hobart.

## 4.5 Complementary experiences that could be stimulated by the 3CT

The market research component of the feasibility study also canvassed the level of interest that future 3CT walkers would have in a range of complementary experiences on the Tasman Peninsula. The research findings are summarised in table 4.3. It is estimated that these activities have the potential to generate an additional \$2 million in annual visitor expenditures within the Tasman Peninsula, though it is important to keep in mind that the responses to the survey question should not be interpreted as statements of intent.

**Table 4.3 – Estimated expenditure for complementary experiences on Tasman Peninsula**

| Activity                             | Interest level         | No. of people     | Cost estimate (per person) | Estimated total spend |
|--------------------------------------|------------------------|-------------------|----------------------------|-----------------------|
| Sea kayaking                         | 39% of IW<br>19% of CW | 3198 IW<br>342 CW | \$100                      | \$354,000             |
| Scuba diving among kelp forests      | 22% of IW<br>22% of CW | 1804 IW<br>396 CW | \$200                      | \$440,000             |
| Visit Port Arthur H.S.               | 14% of IW<br>24% of CW | 1148 IW<br>432 CW | \$30                       | \$47,400              |
| Therapeutic treatment (massage, spa) | 14% of IW<br>27% of CW | 1148 IW<br>486 CW | \$120                      | \$196,000             |
| Bike riding                          | 11% of IW<br>16% of CW | 902 IW<br>288 CW  | \$50                       | \$59,500              |
| Tasmanian Devil Park                 | 7% of IW<br>16% of CW  | 574 IW<br>288 CW  | \$20                       | \$17,200              |
| Horse riding                         | 5% of IW<br>16% of CW  | 410 IW<br>288 CW  | \$50                       | \$34,400              |
| Scenic helicopter to Tasman Island   | 3% of IW<br>24% of CW  | 246 IW<br>432 CW  | \$1250                     | \$847,500             |
| Golf (assumed Tasman Course)         | 2% of IW<br>11% of CW  | 164 IW<br>198 CW  | \$20                       | \$7,000               |
| <b>Total</b>                         |                        |                   |                            | <b>\$2,003,500</b>    |

IW - independent walkers (assumed 8200)

CW - commercial walkers (assumed 1800)

Note: The percentages are for those who indicated they were 'very interested' in combining the Three Capes Track with these activities

Some of the experiences listed above are currently on offer in the region; other experiences would require investment and it is likely that in many cases such investment would be deferred until the 3CT is built and a better idea can be obtained of the likely demand for the experience. The ability of the region to capitalise on this potential will depend on the energy and vision of individuals and firms on the Tasman Peninsula (or those that decide to set up there).

Examples have been suggested of other locations that have been transformed into high profile sophisticated tourist centres which could form the model for future development on the Tasman Peninsula. Such comparisons are always problematic. One issue with the Tasman Peninsula is the dispersed nature of the settlements and the attractions: the council area covers 660 square kilometres and travel is further constrained by the non-compact nature of the peninsula with coves and headlands. Also, major and rapid development of an area seems to work best when there is a concentrated human driving force: a single company or small collaboration of companies or individuals. Such a firm or group might favour a single site or more compact area rather than the whole peninsula.

Limited strategic planning to accommodate the potential growth in tourism has been undertaken. The Tasman Council and the Port Arthur and Tasman Tourism Association will collaborate with industry and PWS to realise opportunities presented by the 3CT.

## **4.6 Brand strengthening**

In addition to the economic benefits to the Tasman Peninsula outlined earlier in this section, the 3CT will also increase exposure for the region through media and marketing channels. Port Arthur currently has a high national profile, while the Peninsula's natural attractions presently do not receive much exposure beyond Tasmania. The 3CT will bring greater attention to these natural attributes at both a national and international level.

Current walking experiences around Tasmania generate significant media interest and exposure, in both national and international publications. Tourism Tasmania promotes this interest by means of the Visiting Journalist Program in selected and targeted media outlets. Tourism Tasmania tracks the value of this exposure, which is expressed as 'equivalent advertising value'. Since the media tracking commenced in 2003, the Maria Island Walk has featured in 15 articles; this exposure has had an equivalent advertising value of over \$1 million. The Bay of Fires walk has featured in 71 articles, with an equivalent advertising value of \$5.6 million. This information does not however include additional media attention generated by the individual companies nor direct advertising spend by Tourism Tasmania or the individual tour operators.

Commonly, editorial coverage has stronger resonance with consumers than direct advertising, because its credibility is derived from the author's personal experience. It is reasonable to expect that media coverage for the new 3CT will generate at least a similar level of interest.

## 5 Construction phase

The feasibility study indicates that the Tasmanian government will finance the construction of the Track and that visitor fees will be set to recover only recurrent costs.

Table 5 in the business case prepared as part of the feasibility study for the 3CT sets out estimates of the capital requirements for the 3CT for both the expected best case and worst case situations. The estimate for total capital ranges from \$12,733,789 to \$15,530,864 (in 2007 dollars) to be spent over three years. Of this total, approvals and construction of the track infrastructure is expected to cost between \$4,415,071 and \$7,162,146, with a further \$6,721,100 for accommodation. The remainder covers such activities as:

- project management, development and launch of the booking system;
- design and implementation of the enterprise plan; and
- the tendering process for commercial guided tours and the water based transport component of the walk.

### 5.1 Impacts of construction on the Tasmanian economy

The 3CT represents a substantial investment by the Tasmanian Government. Over the term of construction the project will provide significant employment opportunities and generate increased levels of economic activity. As with the state-wide economic impacts associated with the operating phase of the track discussed in section 4.2, the impacts are observed in the first instance as direct payments or expenditures, and these then flow to the supply chain, as well as increased levels of consumption due to higher employment. In the case of construction, the direct expenditures are made by the Government, but this does not alter the theoretical approach to the assessment.

Nevertheless, the net aggregate impact on the Tasmanian economy of a decision to go ahead with the 3CT is expected to be minimal. The funds committed to construction of the 3CT will come out of the existing state budget. Unless there is an increase in the budget specifically for the 3CT, then these funds will displace spending on alternative works, and these in turn would have been associated with direct and flow-on economic effects. It is not possible to quantify the size of the economic impacts associated with the alternative activities that will be displaced by the 3CT, but it is expected they will be of a similar magnitude to those for construction of the 3CT. Consequently the impacts will cancel in any comparison between the with-3CT and without-3CT cases.

In summary, the impact on the Tasmanian economy attributable to the construction of the 3CT is expected in aggregate to be minor. However, it is certainly true that the distribution of the economic activity and employment creation will be different depending on whether the 3CT proceeds or not, and these differences will occur in terms of geographic location and industry sectors where the induced activity occurs.

### 5.2 Impacts of construction on the Tasman Peninsula

As hinted above, construction of the 3CT will have important distributive consequences, and these will be most apparent for the economy of the Tasman Peninsula. Expenditures by the Government are taken to constitute income entering the Tasman Peninsula for the purpose of the regional economic impact assessment. Note that all impacts are limited to the construction period, currently assumed to be three years.

In undertaking the impact assessment, the first observation is that the type of construction works for a walking track together with accommodation and the associated infrastructure is quite different from general construction work. For example, construction of bush walking tracks is unable to make use of the large scale equipment and prefabricated parts that is common in other forms of major construction such as buildings, roads and bridges.

### **Management of construction**

Construction of tracks for bushwalking requires specialised skills. It is considered unlikely that people with such specialist skills currently reside within the Tasman Peninsula. In fact, the availability of such specialists may be somewhat limited within Tasmania, and even in other states, in view of the current activity in constructing walking tracks in various locations around Australia. On the other hand, the construction of the 3CT may afford opportunities for local residents to be trained in the specialised skills needed.

Design work for the track and oversight of construction works will require people with appropriate experience and skills, but it is anticipated that there would be significant opportunities for unskilled or semi-skilled workers and this would reduce the demand for specialists if, as suspected, the latter are in short supply. The use of non-specialised workers could also provide valuable upgrading of key workforce skills in this area.

The impact on employment within the region during the construction phase will be determined to a large degree by decisions by PWS on how construction is to be managed. A number of alternative approaches are possible.

### **Alternative 1: all works done by PWS**

Under alternative 1, construction of the 3CT would be undertaken internally by PWS using their own staff and equipment to the greatest extent possible. This would provide opportunities for building up the capability for track construction both within PWS and the Tasman Peninsula depending on where the employees are sourced from. In particular, the opportunity to offer a number of traineeships, where applicants must be resident within the region is worth further investigation.

In terms of economic activity, certain materials, notably rock and aggregate, may be able to be sourced locally (preferably outside the National Park). This has the advantage not only of reducing transport costs but also means that the rocks and similar construction material used are similar in terms of geochemical properties and blend in visually with the track environment. Steel and processed timber for structures would need to be brought in from outside the region. Salary and wages would also be available for spending within the region.

### **Alternative 2: all works contracted out**

Alternative 2 would involve a contract that covers the entire construction of the track. In this case PWS would have limited control over where the workforce would be sourced. The contractor may bring in all workers from outside the region, and the impact on the Tasman Peninsula economy would be restricted to the effects of local spending by these workers and the provision of accommodation and related services, without any direct regional employment growth.

### **Alternative 3: partial contracting out of works**

This is an intermediate option between the all or nothing alternatives 1 and 2. In alternative 3, PWS would contract out specific construction functions. These functions could be structured by location (in terms of, say, designated lengths of the track), by material (say, by elements made from steel) or through provision of other defined components.

### **Forecasts of impacts on regional economy**

The process adopted for making forecasts of impacts on the regional economy from construction is similar to the approach taken for impacts associated with the use of the track as discussed in section 4.2

Estimates for multipliers that link construction expenditures with economic activity and job creation were derived in the NSW study on the contribution of the Coolah Tops National Park to the regional economy (NPWS 1998).

Specifically, the assumed expenditures assessed in NPWS (1998) are in relation to general works by the NSW National Parks and Wildlife Service. The expenditures are not limited to the construction of a walking track (though walking tracks would undoubtedly constitute an important part of the works) and certainly not a walking track that will cover the sort of terrain found along the route of the 3CT. Further, there would be no counterpart in the analysis reported in NPWS (1998) for construction of track side accommodation.

Applying the multipliers from NPWS (1998), it is estimated that the contribution to gross regional product for the three years of construction is \$8,176,556 (taking the 'worst case' construction cost estimates from the feasibility study). The corresponding range in estimated employment growth is 163.9 jobs. Note that these are totals for the three years of construction: the average contribution for each year can be derived by dividing by 3. Therefore, on average there would be 55 jobs generated in each of the three years.

While this estimate may seem high, it is not unrealistic for a construction task of this magnitude. By way of comparison, the current construction of Windy Ridge Hut on the Overland Track (which sleeps 24) and staff quarters (which sleeps 4), requires six builders full time for three months. For the 3CT, the public huts will be required to sleep twice as many (48), and there will also be the commercial huts to be built (to sleep up to 13). There are also an estimated 30 kilometres of new track to be built, and 15.7 kilometres of existing track that requires major upgrading.

The employment growth estimates reflect the number of jobs expected to occur within the Tasman Peninsula, not necessarily the number of current residents who would find work on the construction of the 3CT. Similarly, it would appear that the estimates for contribution to the regional economy are quite high and the interpretation of these estimates needs to keep in mind the lack of depth in the Tasman Peninsula economy and the limited extent to which it could be expected to contribute to the supply chain during the construction phase.

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