

# Economic Appraisal

## Pingelly Recreation and Cultural Centre

Draft Summary Report

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prepared by **.id**

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# 1. Pingelly Recreation and Cultural Centre

## 1.1 Introduction

This economic assessment evaluates the economic impacts of the proposed Recreation and Cultural Centre located in Pingelly, WA.

This economic assessment identifies the economic impacts of the community centre in terms of:

- ▣ Construction expenditure – this analysis uses the NIEIR economic impact model developed specifically for the Beverley-Brookton-Pengelly region.
- ▣ Operational benefits such as ongoing employment and additional tourist visitation from regional residents. This analysis uses the NIEIR economic impact and event impact model developed specifically for the Beverley-Brookton-Pengelly region.

### 1.1.1 Economic Impact Model

Economic impact modelling enables Beverley-Brookton-Pengelly region to explore how change in employment or output (sales) in one sector of the local economy will impact on all other sectors of the economy, by modelling the flow-on effects across different industries.

This provides Beverley-Brookton-Pengelly region with powerful evidence to advocate against industrial closures or strategically target new industry sectors which are likely to have the greatest positive economic impact.

Different industries will have different flow on effects. Adding jobs in a particular sector will not only add to the value of that sector, but also to other industries related to the supply chain (eg. suppliers, wholesalers) and service industries (retail, food services, administration) which will expand to service the additional workforce. Jobs in associated industries may be added in the local area or outside it, based on journey to work information.

The economic impacts are calculated using an input-output model which is derived from the local economy microsimulation model by National Economics (NIEIR).

National Economics has pioneered the development of region specific input-output tables. The geographical unit of analysis is the local government area (LGA).

### 1.1.2 Event Impact Model

Events are very important contributors to local and regional economies. A successful well run event can provide significant value to an area by adding jobs and money to the local economy and providing additional cultural and social benefits.

The event impact calculator has been developed to enable Pingelly to calculate the potential economic impact of a proposed event. This calculator can indicate the potential economic impact a successful event may have across a range of economic measures such as output, employment, wages and salaries and local jobs.

This tool uses NIEIR input/output estimates (see above) to calculate the impact of an event based on the average spend per day by visitors to the event. Key assumptions include:

- ▣ type of event
- ▣ the significance of the event
- ▣ the duration of the event
- ▣ the average spend per day

## 1.2 Summary of Economic Impacts

Overall the proposed development is expected to make a valuable contribution to the local economy with the injection of new employment and tourist visitation. During construction the project is expected to add around \$10.95 million in output, around \$3.8 million to the Gross Regional Product and create 18 local jobs. This includes the total of all direct, indirect and consumption effects.

The ongoing impacts of the project are also important and highlight the economic benefit to the region beyond the period of construction, with benefits generated over the short, medium and long term. The combination of the everyday community facility operations and its ability to draw regional visitation is expected to add around \$0.58 million in output, around \$0.25 million to Gross Regional Product and create around 4.2 ongoing jobs.

CONSTRUCTION PHASE

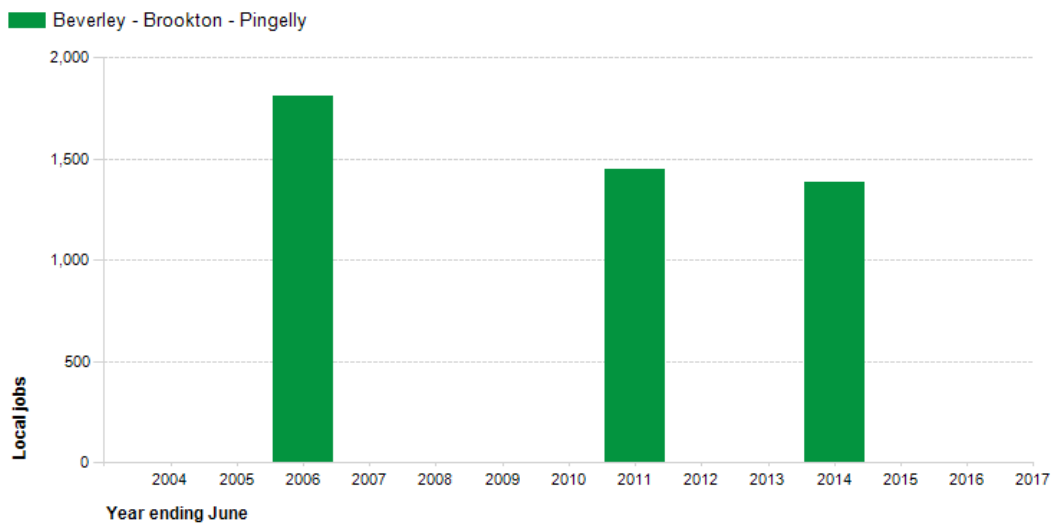
Summary	Output (\$m)	Value-added (\$m)	Wages & salaries (\$m)	Local jobs
Construction Phase	10.95	3.8	2.13	18

ONGOING PHASE

Summary	Output (\$m)	Value-added (\$m)	Wages & salaries (\$m)	Local jobs
Ongoing operations of the centre	0.5	0.2	0.2	4.0
Tourist visitation	0.04	0.02	0.01	0.2
<b>TOTAL ONGOING IMPACTS</b>	<b>0.58</b>	<b>0.25</b>	<b>0.16</b>	<b>4.2</b>

The employment impact of this project is particularly important in helping reverse the job decline in the Beverley - Brookton - Pingelly region. There were 1,382 jobs located in the Beverley - Brookton - Pingelly in the year ending June 2014, down from 1,808 jobs in 2006.

Local jobs



Source: National Institute of Economic and Industry Research (NIEIR) ©2014  
 Compiled and presented in economy.id by .id the population experts



## 2. Economic Impact Analysis

### 2.1 Construction Phase

The construction of the Multipurpose Community Centre would constitute a \$8.1m impact from the Construction industry, irrespective of ongoing economic benefits. This direct construction effect has flow-on to other industries and consumption effects as well.

Using the NIEIR Impact Assessment Module to assess an economic shock gives an idea of the likely flow-on effects.

An \$8.1m Construction investment in Beverley - Brookton - Pingelly region translates into an immediate \$2.51m direct value-added to the economy. In addition there is a flow-on effect of \$0.65m in Industrial impacts – value-add from other industries associated with the construction sector (suppliers and users), plus \$0.64m in consumption impact, from extra money flowing into the economy.

The net overall effect is \$10.95m output and \$3.8m value-add on Beverley - Brookton - Pingelly region economy.

The Construction of the Recreation and Cultural Centre would create around 18 jobs, with 4 jobs directly from the construction project.

## Impact Summary

<b>Beverley - Brookton - Pingelly - Modelling the effect of adding \$8.1m sales in Construction - Inflation adjusted</b>					
<b>Summary</b>	<b>Output (\$m)</b>	<b>Value-added (\$m)</b>	<b>Wages &amp; salaries (\$m)</b>	<b>Local jobs</b>	
Starting position Beverley - Brookton - Pingelly (year ended June 2014)					
Construction	44.80	13.88	5.10	25	
All industries	528.53	208.61	120.90	1,382	
Impacts on Beverley - Brookton - Pingelly economy					
Direct impact on Construction sector	8.10	2.51	0.92	4	
Industrial impact	1.41	0.65	0.72	7	
Consumption impact	1.44	0.64	0.49	7	
<b>Total impact on Beverley - Brookton - Pingelly economy</b>	<b>10.95</b>	<b>3.80</b>	<b>2.13</b>	<b>18</b>	
Type 1 multiplier (direct & industrial)	1.17	1.26	1.79	3	
Type 2 multiplier (direct, industrial & consumption)	1.35	1.51	2.32	4	

### 2.1.1 Ongoing operations of the centre

The Recreation and Cultural Centre is proposed to provide a wide range of services to the Beverley - Brookton - Pingelly region community. This is proposed to generate 3 full time jobs in the Heritage, Creative and Performing Arts industry. The table below shows the economic impact of these jobs being added to the Beverley - Brookton - Pingelly region economy.

#### Impact Summary

<b>Beverley - Brookton - Pingelly - Modelling the effect of adding 3 jobs in Heritage, Creative and Performing Arts Activities - Inflation adjusted</b>					
<b>Summary</b>	<b>Output (\$m)</b>	<b>Value-added (\$m)</b>	<b>Wages &amp; salaries (\$m)</b>	<b>Local jobs</b>	
Starting position Beverley - Brookton - Pingelly (year ended June 2014)					
Heritage, Creative and Performing Arts Activities	0.83	0.26	0.17	5	
All industries	528.53	208.61	120.90	1,382	
Impacts on Beverley - Brookton - Pingelly economy					
Direct impact on Heritage, Creative and Performing Arts Activities sector	0.47	0.15	0.10	3	
Industrial impact	-0.14	-0.02	-0.02	0	
Consumption impact	0.21	0.10	0.08	1	
<b>Total impact on Beverley - Brookton - Pingelly economy</b>	<b>0.54</b>	<b>0.23</b>	<b>0.15</b>	<b>4</b>	
Type 1 multiplier (direct & industrial)	0.70	0.88	0.76	1	
Type 2 multiplier (direct, industrial & consumption)	1.16	1.54	1.56	1	

An addition of 3 jobs in this industry in Pingelly translates into an immediate \$115,000 direct value-added to the economy. Despite this, there is a negative flow-on effect of \$-20,000 in Industrial impacts – value-add from other industries associated with the Heritage, Creative and Performing Arts Centre (suppliers and



users), plus \$100,000 in consumption impact, from extra money flowing into the economy.

The net overall effect is \$0.54m output and \$0.23m value-add on Beverley - Brookton - Pingelly region economy.

The everyday functioning of the Recreation and Cultural Centre would create around 4 jobs in total.

### 2.1.2 New Visitation to the Region

The development of a community centre in Pingelly has the potential to attract events and day-trippers to the town. Using the event impact model, a number of assumptions are made to quantify the possible benefits. They are:

- ▣ Timing: 1 year of visitations
- ▣ Length of event: 1 day visit
- ▣ Estimated attendance: 676 per year (Source: Pingelly Shire Council)
- ▣ Estimated average daily spend: \$49 per visitor. This is based on the daily visitor spend (\$98 per visitor) sourced from Tourism WA and assumes that 50% of spend would occur in the region. This includes expenditure on the event, food and drinks, petrol, etc.
- ▣ Significance of event – Local
- ▣ This equals a total visitor spend of \$33,124 per year.

Assuming the events will be held in the Beverley - Brookton - Pingelly region, it is calculated to have the following potential impact:

## Event Impact Summary

<b>Beverley - Brookton - Pingelly - - Modelling the effect of \$33,124 from a Sports and Recreation Activities event with Local significance</b>				
	<b>Output (\$)</b>	<b>Value-added (\$)</b>	<b>Wages &amp; salaries (\$)</b>	<b>Employment (annual FTE)</b>
Direct impact	30,136	10,484	6,459	0.3
Industrial impact	2,032	2,493	1,698	-0.1
Consumption impact	11,629	5,319	4,150	0.1

<b>Total impact on Beverley - Brookton - Pingelly economy</b>	<b>43,798</b>	<b>18,296</b>	<b>12,307</b>	<b>0.2</b>
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### **Impact on Output**

The total visitor spend of \$33,124 attributed to yearly visitation of the Recreation and Cultural Centre would lead to a direct impact on output of \$30,136. This additional direct output from the economy would also lead to an increase in indirect demand for intermediate goods and services across related industry sectors. These indirect industrial impacts (Type 1) are estimated to be an additional \$2,032 in Output.

There would be an additional contribution to Beverley - Brookton - Pingelly region economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in Output of \$11,629.

The combination of all direct, industrial and consumption effects would result in total estimated rise in Output of \$43,798 in Beverley - Brookton - Pingelly region economy.

### **Impact on Value add and GRP**

The impact of an additional of \$33,124 spend to the local economy in Beverley - Brookton - Pingelly region would lead to a corresponding direct increase in Value-added of \$10,484. A further \$2,493 in Value-added would be generated from related intermediate industries.

There would be an additional contribution to Beverley - Brookton - Pingelly region economy through consumption effects as correspondingly more wages and salaries are spent in the local economy. It is estimated that this would result in a further increase in Value-added of \$5,319.

The combination of all direct, industrial and consumption effects would result in an estimated addition in Value-added of \$18,296 in the Beverley - Brookton - Pingelly region economy.

### **Impact on Employment (jobs, 12mth FTE)**

The employment impact of an event is expressed in Full Time Equivalent (FTE) jobs. For example, an event that generates 4 weeks of full time work for 13 people (52 weeks of full time work in total), would have an employment impact equivalent to 1.0 annual FTE job.

The direct addition of \$33,124 spend to the local economy as a result of the construction of a Recreation and Cultural Centre in Beverley area is estimated to lead to a corresponding an increase of employment equivalent to 0.2 annual FTE jobs across a range of industries.

## 3. About .id and NIEIR

### 3.1 About .id

.id is a company of demographers, housing analysts, forecasters, economists and Census data experts who have developed information products and services specifically for the Australian Local Government sector.

For almost 20 years, .id has provided research services, strategic advice, and analysis of population at the local level. Our place based approach and expertise with population forecasts means that we are the leaders in identifying trends, opportunities and challenges for the Local Government sector.

Our belief is that by making demographic and economic information accessible to the broadest possible audience and promoting evidence-based decision making, we are contributing to a fairer and more sustainable society.

With over 250 current Local Government clients, we contribute extensively to policy and strategy at the local and regional scale throughout Australia and New Zealand. Our online information products cover more than 80% of the Australian population and we are renowned leaders in population research.

### 3.2 About NIEIR

Economy.id industry structure and industry sector profiles use a National Accounts regional econometric model developed by National Economics (NIEIR). This model is based on replicating the outputs of the National Accounts framework for local areas such as LGAs, using a range of data sources to model the accounts to show local trends.

National accounts provide a systematic statistical framework for summarising and analysing economic events, and wealth of an economy and its components. The principal economic events recorded in national accounts have been production, consumption, and accumulation of wealth. National accounts have also recorded the

income generated by production, the distribution of income among the factors of production and the use of the income, either by consumption or acquisition of assets.

National Economics has three regional models. The State (SIMP) and Regional IMP (RIMP) models are used for forecasting state and regional economic activity, and assessing state and regional impacts. The Regional Household Information System (RHIS) uses microsimulation techniques to distribute estimates of household expenditure and incomes to small regions.

These models provide estimates of state economic activity on both a quarterly and an annual basis. Both models are based upon the detailed ABS state accounts with quarterly updates based on key aggregates. The annual model incorporates a detailed industry disaggregation and input-output structure. The dynamic input-output modelling used in this structure allows for detailed impact assessments to be made which incorporate local effects.

An input-output model depicts the inter-industry relations of an economy. It shows how the output of one industry is an input to each other industry. Using a matrix representation of an area's economy, a given input is typically enumerated in the column of an industry and its outputs are enumerated in its corresponding row. This format shows how dependent each industry is on all others in the economy both as customer of their outputs and as supplier of their inputs.

The National Economics state and regional models contain over 400,000 variables at the local level and provide estimates of:

- ▾ population growth;
- ▾ dwelling commencements;
- ▾ housing stock;
- ▾ employment by industry;
- ▾ output by industry;
- ▾ investment by industry;
- ▾ imports and exports by industry;
- ▾ gross regional product; and
- ▾ estimated consumption expenditure.

Inputs to these models are continually being refined, and are available for different time periods, from 5-yearly (census) to quarterly (labour force). These inputs include, but are not necessarily limited to:

- ▾ Population Census data (working population)
- ▾ ABS National Accounts (income, expenditure and product)
- ▾ ABS State Accounts
- ▾ ABS Labour Force Survey regional employment and hours estimates
- ▾ ATO Income tax estimates by postcode
- ▾ Centrelink payments by postcode
- ▾ Real Estate Institute (state) housing price and rent estimates
- ▾ ABS Household Expenditure Survey

For more information on the modelled economic data, please go to the NIEIR website.