

ECONOMIC ANALYSIS OF THE
MOUNT LOFTY GOLF ESTATE
DEVELOPMENT

A Report for Hudson Howells on
behalf of Trice

16 September 2022

Prepared by

BDO EconSearch

Level 7, BDO Centre, 420 King William Street
Adelaide SA 5000
Tel: +61 (8) 7324 6190
<https://www.bdo.com.au/en-au/econsearch>

TABLE OF CONTENTS

Tables.....	iii
Abbreviations.....	iv
Document History and Status.....	v
Executive Summary.....	vi
1. Introduction.....	1
2. Method of Analysis and Data.....	3
2.1. Economic activity.....	3
2.2. Indicators of economic activity defined.....	3
2.3. Categories of economic activity.....	4
2.4. Economic impact modelling.....	4
2.5. Data and assumptions.....	5
2.5.1. Construction costs.....	5
2.5.2. Operational characteristics.....	5
2.5.3. Tourism.....	7
2.5.4. Timeline.....	10
2.5.5. Modelling.....	10
3. Economic Impact Results.....	11
3.1. Construction Phase.....	11
3.2. Operating Phase.....	13
3.2.1. Operation.....	13
3.2.2. Tourism.....	14
3.2.3. Total Operational Phase.....	15
3.3. Analysis of potential secondary economic effects.....	16
References.....	18

TABLES

Table ES-1	Summary contribution of the construction phase to Adelaide Hills SAGR and South Australia	vii
Table ES-2	Summary contribution of the operating phase to Adelaide Hills SAGR and South Australia	viii
Table 2-1	Itemised construction cost assumptions for years 2022/23, 2023/24 and 2024/25	5
Table 2-2	Revenue and operating cost assumptions for year 1, 5 and 10	6
Table 2-3	Employment assumptions for year 1, 5 and 10	7
Table 2-4	Visitation assumptions for developed accomodation units, 2025/26, 2028/29 and 2033/34	8
Table 2-5	Visitation assumptions for additional rounds of golf, 2025/26 onwards	9
Table 3-1	Economic impact of the Mount Lofty Golf Estate Development on the Adelaide Hills SAGR region, construction phase, 2022/23 to 2024/25	12
Table 3-2	Economic impact of the Mount Lofty Golf Estate Development on South Australia, construction phase, 2022/23 to 2024/25	12
Table 3-3	Economic impact of the Mount Lofty Golf Estate Development on the Adelaide Hills SAGR region, operation, 2025/26, 2029/30 and 2034/35	13
Table 3-4	Economic impact of the Mount Lofty Golf Estate Development on South Australia, operation, 2025/26, 2029/30 and 2034/35	14
Table 3-5	Economic impact of the Mount Lofty Golf Estate Development on the Adelaide Hills SAGR region, tourism, 2025/26, 2029/30 and 2034/35	14
Table 3-6	Economic impact of the Mount Lofty Golf Estate Development on South Australia, tourism, 2025/26, 2029/30 and 2034/35	15
Table 3-7	Summary contribution of the operating phase to the Adelaide Hills SAGR and South Australia	16
Table 3-8	Flow-on economic contribution of the top five sectors in year 10 of operation (2034/35) in the Adelaide Hills SAGR, ranked by GRP	17
Table 3-9	Flow-on economic contribution of the top five sectors in year 10 of operation (2034/35) in South Australia, ranked by GSP	17

ABBREVIATIONS

fte	full time equivalent
GRP	gross regional product
GSP	gross state product
I-O	Input Output
RISE	Regional Industry Structure and Employment
SAGR	South Australian Government Region
SATC	South Australian Tourism Commission
SPC	State Planning Commission
TRA	Tourism Research Australia



DOCUMENT HISTORY AND STATUS

Doc Version	Doc Status	Issued To	Qty elec	Date	Reviewed	Approved
1	Draft	Neil Howells	1 Word 1 PDF	16/09/2022	LMC	LMC

Printed: 16/09/2022 4:40:00 PM

Last Saved: 16/09/2022 4:40:00 PM

File Name: I:\CLIENTS\Hudson Howells\ES2218_Stirling Golf Club Redevelopment Economic Analysis\Reports\Mount Lofty Golf Estate Development Economic Analysis_220916.docx

Project Manager: Anders Magnusson

Principal Author/s: Abbie Dix and Lisa Carlin

Name of Client: Hudson Howells on behalf of Trice

Name of Project: Economic Analysis of the Mount Lofty Golf Estate Development

Document Version: 1

Job Number: ES2218

EXECUTIVE SUMMARY

In December 2020, the then Minister for Planning and Local Government declared the Mount Lofty Golf Estate to be assessed as a Major Development pursuant to Section 46 of the Development Act 1993. Due to the nature of proposal, the State Planning Commission (SPC) determined the need for a broader assessment. The SPC determined that the proposal will be subject to the processes of a development report. The guidelines of the development report include the requirement for an Economic Impact Assessment that describes the existing environment in which the project is set and assesses the magnitude of change to the economic environment resulting from the project (State Planning Commission, 2022). BDO EconSearch were contracted to complete the economic impact assessment component of the development report.

The Stirling Golf Club was founded by five members of the Royal Adelaide Golf Club in 1925 and was originally named Mount Lofty Golf Estate. The project vision is to revitalise the club and upgrade the property to a world class resort whilst bringing back the original name, preserving its cultural and historic importance for the future. The Mount Lofty Golf Estate development is proposed to cost a total of \$86 million over a three year period. It will include the development of a hotel with suites, serviced apartments, a function room, restaurant sports bar, gallery and café, and wellness centre with a gym and spa treatment rooms. In addition to the hotel, the proposed development includes private retreats/pods, refurbishment and extension of the perfumery, improvements to the 18-hole golf course, refurbished function facilities and clubhouse, new pro-shop including a gym and change rooms, and 200 car parking spaces.

Method of Analysis

This report presents the results of an economic impact analysis of the proposed development. Extended input-output (I-O) analysis was employed for estimation of regional economic impacts.

The regional and state level economic impacts were estimated using an extension of the conventional input-output method. Over the past decade BDO EconSearch has developed an extended I-O model known as the RISE model (Regional Industry Structure and Employment). I-O models are widely used to assess the economic contribution of existing levels of economic activity and the economic impacts of shocks. The indicators used in impact analysis typically include employment, contribution to gross regional product (GRP)/gross state product (GSP) and household income which are used in this report. RISE models for the Adelaide Hills South Australian Government Region (SAGR) and South Australia were used for the assessment of regional and state impacts.

The impact analysis investigated the economic impact to the Adelaide Hills SAGR and the state as a whole resulting from the construction and operation of the estate.

Construction phase

The total contribution to GRP/GSP, employment and household income in the Adelaide Hills SAGR and South Australia as a result of construction is summarised in Table ES-1.

Over the three year period of construction, the development is expected to contribute GRP of \$41.1m and household income of \$29.3m to the Adelaide Hills economy. Additionally, the proposed development will support the employment of 141 fte jobs in the Adelaide Hills SAGR on average over the three years of construction. These estimates include the construction of the development and flow-on effects in the broader economy.

Statewide, the development is expected to contribute GSP of \$87.1m and household income of \$57.3m to the South Australian economy. Additionally, the proposed development will support the employment of 240 fte jobs in the state on average over the three years of construction. These estimates include the construction of the development and flow-on effects in the broader economy.

Table ES-1 Summary contribution of the construction phase to Adelaide Hills SAGR and South Australia

	Adelaide Hills SAGR	South Australia
Expenditure (\$m)	50.0	79.6
GRP/GSP (\$m)		
Direct	23.2	34.6
Flow-on	17.9	52.4
<i>Total GRP Impact</i>	41.1	87.1
Employment (fte) ^a		
Direct	82	104
Flow-on	59	136
<i>Total Employment Impact</i>	141	240
Household Income (\$m)		
Direct	17.8	25.5
Flow-on	11.5	31.8
<i>Total Household Income Impact</i>	29.3	57.3

^a GRP and household income impacts are a total over the three-year construction period and employment impacts are an average over the same period.

Source: BDO EconSearch analysis

Operating phase

The total contribution to GRP/GSP, employment and household income in the Adelaide Hills SAGR and South Australia as a result of the operation of the estate is summarised in Table ES-2. The operating phase includes the operation of the Mount Lofty Golf Estate and associated tourism expenditure. Results have been presented for years 1, 5 and 10.

By the tenth year of operation, the development is expected to contribute GRP of \$32.0m, household income of \$12.6m, and support the employment of 225 fte jobs annually in the Adelaide Hills economy. This includes the operation of the estate, associated tourism expenditure at other businesses, and flow-on effects in the broader economy.

Statewide, the development is expected to contribute GSP of \$40.3m, household income of \$16.7m, and support the employment of 261 fte jobs annually in the South Australian economy by the tenth year of operation. This includes the operation of the estate, associated tourism expenditure at other businesses, and flow-on effects in the broader economy.

Table ES-2 Summary contribution of the operating phase to Adelaide Hills SAGR and South Australia

	Year 1 2025/26	Year 5 2029/30	Year 10 2034/35
Adelaide Hills			
GRP (\$m)			
Direct	11.6	20.5	22.9
Total	17.6	29.1	32.0
Employment (fte)			
Direct	125	139	139
Total	181	219	225
Household Income (\$m)			
Direct	5.9	6.7	6.8
Total	9.6	12.0	12.6
South Australia			
GSP (\$m)			
Direct	11.7	20.7	23.1
Total	23.1	36.7	40.3
Employment (fte)			
Direct	125	139	139
Total	207	254	261
Household Income (\$m)			
Direct	5.9	6.7	6.8
Total	12.4	15.8	16.7

Source: BDO EconSearch analysis

1. INTRODUCTION

In December 2020, the then Minister for Planning and Local Government declared the Mount Lofty Golf Estate to be assessed as a Major Development pursuant to Section 46 of the Development Act 1993. Due to the nature of proposal, the State Planning Commission (SPC) determined the need for a broader assessment. The SPC determined that the proposal will be subject to the processes of a development report. The guidelines of the development report include the requirement for an Economic Impact Assessment that describes the existing environment in which the project is set and assesses the magnitude of change to the economic environment resulting from the project (State Planning Commission, 2022). BDO EconSearch were contracted to complete the economic impact assessment component of the development report.

The Stirling Golf Club was founded by five members of the Royal Adelaide Golf Club in 1925 and was originally named Mount Lofty Golf Estate. The project vision is to revitalise the club and upgrade the property to a world class resort whilst bringing back the original name preserving its cultural and historic importance for the future. The Mount Lofty Golf Estate development is proposed to cost a total of \$86 million over a three year period. It will include a hotel with:

- 56 hotel suites
- 15 x two bedroom serviced apartments
- 15 x three bedroom serviced apartments
- 2 penthouse serviced apartments
- Back of house, plant storage and maintenance areas
- A 537m² function room
- A 212m² restaurant with 89 m² external terrace
- 186m² sports bar
- A 189m² gallery and cafe
- A 94m² wellness centre with 125m² gym and spa/massage treatment rooms.

In addition to the hotel, the proposed development includes:

- 20 x one bedroom unit Private Retreats/Pods
- 1 back of house Pod
- Refurbishment and extension of the perfumery
- Improvements to the 18-hole golf course
- Refurbished function facilities, cart storage and clubhouse in new building
- New pro-shop, administration areas, gym and change rooms
- A total of 200 car parking spaces in two car parking areas.

Following the completion of the project, it is anticipated that the Mount Lofty Golf Estate will become a recognised destination which will showcase the best that the Adelaide Hills has to offer. The goal is for the resort to become an important and **integrated part of the region's tourist offerings and to contribute significantly to the region achieving its tourism goals and awards.**

The South Australian Regional Visitor Strategy for Adelaide Hills in 2025, developed by the South Australian Tourism Commission (SATC), outlines the tourism priorities for the Adelaide Hills region. Overall, the region aims to convert more visitors to stay overnight, encourage day trippers to linger longer, spend more and grow repeat visitation (SATC, 2021). The development of the Mount Lofty Golf Estate will create additional accommodation within the region which will encourage and facilitate more overnight visitors. Additionally,

the redevelopment of the golf course will encourage day trippers to stay longer in the region to play golf, spend more, and visit more frequently.

The strategy also specified the regions priority to support the development of experiences that reflect the Adelaide Hills Interpretation Plan themes of food and beverage, towns and villages (including twilight activities), art, heritage and culture (including Aboriginal), nature and lifestyle (including soft adventure, wellness, hiking, cycling and horse riding) (SATC, 2021). The Mount Lofty Golf Estate will include the redevelopment of the Stirling Golf Course, which will improve the nature and lifestyle offering with the region.

This report presents the results of an economic impact analysis of the proposed development. Extended input-output (I-O) analysis was employed for estimation of regional economic impacts.

The remainder of this report is structured as follows:

Section 2 methods of analysis and data

Section 3 economic impact analysis results.

2. METHOD OF ANALYSIS AND DATA

The economic impact analysis uses an extension of the conventional input-output method. Over the past decade BDO EconSearch has developed an extended input-output model known as the RISE model (Regional Industry Structure & Employment). The RISE model provides a comprehensive economic framework that is extremely useful in the resource planning process, particularly for regional economic impact applications.

The indicators used in impact analysis typically include employment, gross regional product and household income which are used in this report.

2.1. Economic activity

Economic activity indicators: the focus of this report is the generation of economic activity resulting from the development. The key economic activity indicators considered in the analysis are employment, gross regional product (GRP)/gross state product (GSP) and household income.

Economic impact: changes in economic activity are referred to as economic impacts. Generally, changes in *economic activity indicators* result from some stimulus or external shock imposed. In this analysis the concept of economic impact includes the increase in economic contribution from the construction and operation of the development, i.e. the contribution the development makes to the economy. This economic impact is measured in terms of the economic activity indicators referred to above.

2.2. Indicators of economic activity defined

Employment units: Employment numbers are usually reported in either full time equivalent (fte) units or total job units defined as follows:

- *fte:* is a way to measure a worker's involvement in a project or industry activity. An fte of 1.0 means that the person is equivalent to a full-time worker, while an fte of 0.5 signals that the worker is only half-time. Typically, different scales are used to calibrate this number, depending on the type of industry and scope of the analysis but the basic calculation is the total hours worked divided by average annual hours worked in full-time jobs.
- *Jobs:* is used to refer to the number of workers employed in an industry or on a project at any point in time. It typically refers to either:
 - the *maximum* number of workers required at any point over the analytical period or the duration of the project; or
 - the *average* number of workers required over the analytical period/duration of the project. This can be calculated on a daily, weekly, monthly or annual basis.

In this report employment has been reported in terms of fte units on a per annum basis.

Gross regional product (GRP)/Gross state product (GSP): is a measure of the contribution of an activity to the economy. GRP/GSP is measured as value of gross output (business revenue) less the cost of goods and services (including imports) used in producing the output. In other words, it can be measured as the sum of household income, gross operating surplus and gross mixed income net of payments to owner managers and taxes less subsidies on products and production. It represents payments to the primary inputs of production (labour, capital and land). Using GRP/GSP as a measure of economic impact avoids the problem of double counting that may arise from using value of output for this purpose. *GRP/GSP are regional and state level equivalents of gross domestic product.*

Household income: is a component of Gross State Product (GSP) and Gross Regional Product (GRP) and is a measure of wages and salaries, drawings by owner operators and other payments to labour including overtime payments and income tax, but excluding payroll tax.

2.3. Categories of economic activity

A useful way to think about economic activity and economic impact (as measured by employment, GRP, household income, **etc.**) is using the concept of a ‘supply chain’. The supply chain, in the context of an infrastructure project, includes the planning and management of all activities involved in sourcing and procurement, conversion of materials, and all the logistics management activities. It also includes coordination and collaboration with suppliers, intermediaries and third-party service providers.

Broadly speaking there are four categories of employment, GRP and household income along the infrastructure supply chain.

1. *Direct employment, GRP and household income* - this is employment, GRP and household income in those firms, businesses and organisations that are directly engaged in providing goods and services to the development.
2. *First round employment, GRP and household income* - refers to employment, GRP and household income **in firms that supply inputs and services to the ‘direct employment’ businesses, i.e. those categorised under #1 above.**
3. *Industrial-support employment, GRP and household income* - is the term applied to 'second and subsequent round' effects as successive waves of output increases occur in the economy to provide industrial support, as a response to the original expenditure. This category excludes any employment, GRP and household income associated with increased household consumption.
4. *Consumption-induced employment, GRP and household income* - is the term applied to as those effects induced by increased household income associated with the original expenditure. The expenditure of household income associated with all three categories of employment, GRP and household income (direct, first round and industrial-support) will generate economic activity that will in itself generate jobs, GRP and household income.

Flow-on (or indirect) economic impact is the sum of categories 2, 3 and 4. In this analysis *direct* and *flow-on* employment, GRP and household income generated by the supply chain have been reported.

For this project these categories of economic impact will apply to the construction and operation of the development and to the increase in expenditures made by visitors to the region.

2.4. Economic impact modelling

Over the past decade BDO EconSearch has developed an extended input-output (I-O) model known as the RISE model (Regional Industry Structure & Employment). BDO EconSearch updates the RISE model annually for use by the Department of the Premier and Cabinet, Government of South Australia (EconSearch 2020). RISE models based on the 2019/20 financial year of the Adelaide Hills SAGR and state of South Australia were used to make regional and state economic estimates.

Input-output models are widely used to assess the economic contribution of existing levels of economic activity and the economic impacts of shocks. The models are based upon I-O tables that describe the interdependencies between industries within the regional economy and with the economy outside of the region. This makes the comprehensive economic framework provided by the RISE model extremely useful for disentangling the direct and flow-on effects of activity in a regional economy.

The I-O method used in the RISE model has been extended to incorporate population and unemployment changes. Modelling population change allows for the estimation of impacts on population driven sectors, such as government administration, health, defence and education. Modelling unemployment change allows estimation of an offsetting effect on consumption-induced flow-on impacts as some new employees may have previously claimed unemployment benefits in the region and some may be new to the region. These extensions improve the reliability of RISE model estimates compared to conventional I-O models.

2.5. Data and assumptions

2.5.1. Construction costs

Total construction costs are expected to total \$85.8m across 3 years with \$1.8m in 2022/23, \$46.7m in 2023/24 and \$37.3m in 2024/25 (Trice, pers. comm.). A summary of the itemised costs over the construction period are summarised in Table 2-1.

Table 2-1 Itemised construction cost assumptions for years 2022/23, 2023/24 and 2024/25

Element	2022/23 Year 1 (\$)	2023/24 Year 2 (\$)	2024/25 Year 3 (\$)	Total (\$)
Demolition		109,792	87,833	197,625
Primary Construction	1,500,000	32,273,333	25,818,667	59,592,000
Pod Accommodation		2,277,778	1,822,222	4,100,000
Furniture, Fittings and Equipment for Accommodation		1,200,000	960,000	2,160,000
Information & Communications Technology	250,000			250,000
Artwork		27,778	22,222	50,000
Headworks - Upgrades to Entrance Roads		555,556	444,444	1,000,000
Refurbishment on Perfumery + Outdoor		277,778	222,222	500,000
Civil Works upgrade to fire tracks		277,778	222,222	500,000
SA Power Networks Augmentation + Generator		222,222	177,778	400,000
Marketing, Branding + Campaigning		41,667	33,333	75,000
Contingency All Up		3,823,590	3,058,872	6,882,463
Escalation to End of 2022		2,271,213	1,816,970	4,088,183
Escalation to Completion		3,324,803	2,659,842	5,984,645
Total	1,750,000	46,683,286	37,346,629	85,779,915

Source: Trice, pers. comm.

2.5.2. Operational characteristics

A 10 year timeline of total revenue and operating costs once construction is complete is estimated below. Table 2-2 summarises these values at year 1, 5 and 10.

Table 2-2 Revenue and operating cost assumptions for year 1, 5 and 10

	Year 1 of operation (\$) 2025/26	Year 5 of operation (\$) 2028/29	Year 10 of operation (\$) 2033/34
Revenue	15,356,048	27,445,432	31,115,073
Sales Expenses			
Food and Beverage Division	1,748,002	3,333,941	3,793,087
Spa Division	46,623	80,695	92,255
Conference	254,333	602,727	649,250
Minor Operating Department	971,484	1,652,584	1,817,377
<i>Total Sales Expenses</i>	<i>3,020,442</i>	<i>5,669,948</i>	<i>6,351,969</i>
Payroll Expenses			
<i>Total Payroll Expenses</i>	<i>4,278,476</i>	<i>4,431,792</i>	<i>4,431,792</i>
Other Operating Expenses			
Room Division	1,731,355	2,745,172	3,158,618
Food and Beverage Division	462,870	824,927	936,080
Spa Division	41,628	90,668	103,657
Diving & Water sport	120,665	214,329	232,584
Minor Operating Department	126,845	165,800	182,913
Administration & General	436,881	505,791	567,059
Human Resources	150,000	182,326	201,303
Sales & Marketing	300,000	324,730	358,528
Property Operation Maintenance and Energy Costs	251,765	231,617	256,554
Energy	281,648	428,612	486,237
Insurance	45,000	48,948	55,380
<i>Total Other Operating Expenses</i>	<i>3,948,656</i>	<i>5,762,920</i>	<i>6,538,913</i>
Total expenses	11,247,574	15,864,660	17,322,673

Source: Ron Meerwald, pers. comm.

A 10 year timeline of the breakdown of employment required to operate the estate once construction is complete is estimated below. Table 2-3 summarises these values at year 1, 5 and 10.

Table 2-3 Employment assumptions for year 1, 5 and 10

Position Staff Number (FTEs)	Year 1 of operation 2025/26	Year 5 of operation 2028/29	Year 10 of operation 2033/34
General Manager	1	1	1
Assistant General Managers	2	2	2
Housekeeping Staff (Guest Service Grade 1)	36	40	40
Reception (Guest Service Grade 4)	8	8	8
Golf Club Staff	15	15	15
Food and Beverage (Grade 1)	12	12	12
Food and Beverage Manager	2	2	2
Chefs	1	1	1
Cook (Grade 2)	4	4	4
Cook (Grade 4)	2	2	2
Gardening Staff and Ranger	10	10	10
Administration Staff	4	4	4
Total FTE	97	101	101

Source: URPS 2021

2.5.3. Tourism

The expected increase in visitation to the region after the project is complete was estimated using the total number of bed nights made available by the estate. It is assumed that 106 accommodation units will be functional for 2025/26 (Ron Meerwald, pers. comm.).

Table 2-4 summarises the assumptions used to estimate the increased tourism to the region as a result of the newly developed accommodation units. Total nights and expenditure per visitor was estimated based on the Adelaide Hills SAGR tourist expenditure profile (TRA 2019).

Table 2-4 Visitation assumptions for developed accommodation units, 2025/26, 2028/29 and 2033/34

	Year 1 of operation 2025/26	Year 5 of operation 2028/29	Year 10 of operation 2033/34
Built Units			
One Bedroom Suite	40	40	40
Two Bedroom Suite	26	26	26
Three Bedroom Suite	20	20	20
Chalets	20	20	20
Guests per rooms			
One Bedroom Suite	1.2	1.2	1.2
Two Bedroom Suite	3	3	3
Three Bedroom Suite	5	5	5
Chalets	4	4	4
Overall Occupancy			
One Bedroom Suite	50%	73%	76%
Two Bedroom Suite	50%	73%	76%
Three Bedroom Suite	45%	67%	69%
Chalets	45%	67%	69%
Additional nights			
One Bedroom Suite	8,760	12,826	13,281
Two Bedroom Suite	14,235	20,841	21,581
Three Bedroom Suite	16,425	24,291	25,153
Chalets	13,140	19,433	20,122
<i>Total</i>	<i>52,560</i>	<i>77,390</i>	<i>80,136</i>
Additional domestic nights	41,197	60,659	62,812
Additional domestic visitors	14,933	21,988	22,768
Additional international nights	11,363	16,731	17,324
Additional international visitors	668	983	1,018

Source: Ron Meerwald, pers. comm.

After the completion of the development, the Developer expects an additional 17,000 rounds of golf will be played at the Mount Lofty Golf Estate in addition to the current activity on the site (URPS, 2021). Due to the improvements to the golf course research indicates that 25 per cent of the additional 17,000 rounds of golf will be played by visitors who are not in-house guests (URPS). As a consequence, this will bring additional visitors to the region.

Table 2-5 summarises the assumptions used to estimate the increased expenditure to the region as a result of the increased rounds of golf played. It is assumed that the number of additional visitors to the region will be the same from 2025/26 onwards. Note these domestic day trip visitors are in addition to the visitors who are expected to stay at the hotel (Table 2-4).

Table 2-5 Visitation assumptions for additional rounds of golf, 2025/26 onwards

	2025/26 onwards
Additional rounds of golf	17,000
Rounds of golf played by visitors who are not in house guests	25%
<i>Day trip visitors proportion</i>	10%
<i>Overnight visitors proportion (not in house guests)</i>	15%
Additional overnight visitors (not in house guests)	2,550
<i>Domestic</i>	2,441
<i>International</i>	109
Additional domestic day trip visitors	1,700

Source: URPS 2021

The expenditures by the additional visitors resulting from the development generates additional activity (revenue and expenditures) by local businesses providing goods and services to the visitors. These costs include expenditures on intermediate goods and services (e.g. food, electricity, accountancy services, etc.) and on wages. A RISE model of the Adelaide Hills SAGR was used to estimate these visitation costs within the region, based on the expected tourist expenditure profile (TRA 2019).

2.5.4. Timeline

The timeline for this project includes a construction phase and an operation phase. The construction phase is over the course of three years, 2022/23 to 2024/25. The operation phase is the ten years following construction completion, 2025/26 to 2034/35.

2.5.5. Modelling

In addition to the assumptions embodied in the input-output model itself, it was necessary to make a number of other general assumptions in estimating the economic impacts:

- The impacts were measured using a model that represents the structure of the regional economy for the year in which the most recent data are available (2019/20). However, over time there are likely to be improvements in primary factor productivity in these economies. To allow for the improvements an across-the-board (all sectors) labour productivity improvement rate of 0.5 per cent per annum for subsequent years of the construction and operation phases have been incorporated into the modelling.
- When new jobs are created, it should be determined where the people come from to fill those jobs. In some cases, the jobs will be taken by previously unemployed locals or by someone who is currently employed locally but whose own job is taken by a previously unemployed local. In both cases the impact of the newly created job and associated income is partially offset by the fact that someone who was previously receiving unemployment benefits for example is no longer doing so. To calculate this effect requires estimates of the parameter ρ , the proportion of new jobs that are likely to be filled by previously unemployed locals. For the construction and operating phases, it was estimated to be 0.6 for the Adelaide Hills SAGR and 0.9 for South Australia.

3. ECONOMIC IMPACT RESULTS

3.1. Construction Phase

The capital cost estimates for the development are detailed in Section 2.5.1. The development will involve a total capital investment of \$86 million (Trice, pers. comm.). The economic impact of the development will be determined by the extent of local labour and raw materials used and the level of expenditures associated with the specialised contractors and equipment that will occur in the region.

Gross regional product (GRP)/Gross state product (GSP)

GRP/GSP is a measure of the net contribution of an activity or industry to the regional economy. It represents payments to the primary inputs of production (labour, capital and land) and is a regional level equivalent of gross domestic product. Estimates for the 3-year construction period are provided in Table 3-1 for the Adelaide Hills SAGR and in Table 3-2 for South Australia.

The total contribution to GRP/GSP as a result of construction expenditure is expected to be:

- Adelaide Hills SAGR: \$41.1m, including \$23.2m directly and \$17.9m in flow-on impacts
- South Australia: \$87.1m, including \$34.6m directly and \$52.4m in flow-on impacts.

Employment (fte)

Employment is a key indicator of both regional economic activity and the welfare of regional households.

The estimates presented in Table 3-1 and Table 3-2 show that the employment effect is expected to be on average over the three-year period:

- Adelaide Hills SAGR: 141 fte jobs, including 82 fte jobs directly and 59 flow-on fte jobs
- South Australia: 240 fte jobs, including 104 fte jobs directly and 136 flow-on fte jobs.

Household Income

Household income is a component of Gross State Product (GSP) and Gross Regional Product (GRP) and is a measure of wages and salaries other payments to labour.

The estimates presented in Table 3-1 and Table 3-2 show that the total contribution to household income is expected to be on average over the three-year period:

- Adelaide Hills SAGR: \$29.3m, including \$17.8m directly and \$11.5m in flow-on impacts
- South Australia: \$57.3m, including \$25.5m directly and \$31.8m in flow-on impacts.

Table 3-1 Economic impact of the Mount Lofty Golf Estate Development on the Adelaide Hills SAGR region, construction phase, 2022/23 to 2024/25

	2022/23	2023/24	2024/25	Total ^a
Expenditure in Adelaide Hills (\$m)	0.9	27.3	21.8	50.0
GRP (\$m)				
Direct	0.4	12.6	10.1	23.2
Flow-on	0.3	9.8	7.8	17.9
<i>Total GRP Impact</i>	<i>0.7</i>	<i>22.4</i>	<i>17.9</i>	<i>41.1</i>
Employment (fte)				
Direct	4	135	107	82
Flow-on	3	97	77	59
<i>Total Employment Impact</i>	<i>8</i>	<i>231</i>	<i>184</i>	<i>141</i>
Household Income (\$m)				
Direct	0.3	9.7	7.8	17.8
Flow-on	0.2	6.3	5.0	11.5
<i>Total Household Income Impact</i>	<i>0.5</i>	<i>16.0</i>	<i>12.8</i>	<i>29.3</i>

^a GRP and household income impacts are a total over the three-year construction period and employment impacts are an average over the same period.

Source: BDO EconSearch analysis.

Table 3-2 Economic impact of the Mount Lofty Golf Estate Development on South Australia, construction phase, 2022/23 to 2024/25

	2022/23	2023/24	2024/25	Total ^a
Expenditure in SA (\$m)	1.7	43.3	34.6	79.6
GSP (\$m)				
Direct	0.8	18.8	15.1	34.6
Flow-on	1.1	28.5	22.8	52.4
<i>Total GRP Impact</i>	<i>1.9</i>	<i>47.3</i>	<i>37.9</i>	<i>87.1</i>
Employment (fte)				
Direct	7	170	135	104
Flow-on	9	222	177	136
<i>Total Employment Impact</i>	<i>16</i>	<i>393</i>	<i>313</i>	<i>240</i>
Household Income (\$m)				
Direct	0.6	13.8	11.1	25.5
Flow-on	0.7	17.3	13.8	31.8
<i>Total Household Income Impact</i>	<i>1.3</i>	<i>31.1</i>	<i>24.9</i>	<i>57.3</i>

^a GRP and household income impacts are a total over the three-year construction period and employment impacts are an average over the same period.

Source: BDO EconSearch analysis.

3.2. Operating Phase

The second component of the economic impact estimates relates to the operational phase of the proposed development. There are two elements related to the operating phase, the operation of the estate and the additional visitor expenditure attributed to the project. The operational costs for the development are detailed in Section 2.5.2, and the tourism assumptions are detailed in Section 2.5.3.

3.2.1. Operation

The economic impact of operating the development is presented for the Adelaide Hills SAGR and South Australia for operation years 1, 5 and 10 in Table 3-3 to Table 3-4.

Table 3-3 Economic impact of the Mount Lofty Golf Estate Development on the Adelaide Hills SAGR region, operation, 2025/26, 2029/30 and 2034/35

	Year 1 2025/26	Year 5 2029/30	Year 10 2034/35
GRP (\$m)			
Direct	8.5	16.3	18.5
Flow-on	4.9	7.0	7.6
<i>Total GRP Impact</i>	<i>13.4</i>	<i>23.2</i>	<i>26.2</i>
Employment (fte)			
Direct	97	101	101
Flow-on	45	66	71
<i>Total Employment Impact</i>	<i>142</i>	<i>167</i>	<i>172</i>
Household Income (\$m)			
Direct	4.3	4.4	4.4
Flow-on	3.0	4.4	4.8
<i>Total Household Income Impact</i>	<i>7.2</i>	<i>8.8</i>	<i>9.2</i>

Source: BDO EconSearch analysis

Table 3-4 Economic impact of the Mount Lofty Golf Estate Development on South Australia, operation, 2025/26, 2029/30 and 2034/35

	Year 1 2025/26	Year 5 2029/30	Year 10 2034/35
GSP (\$m)			
Direct	8.7	16.5	18.7
Flow-on	8.7	12.3	13.4
<i>Total GRP Impact</i>	<i>17.4</i>	<i>28.8</i>	<i>32.2</i>
Employment (fte)			
Direct	97	101	101
Flow-on	65	91	97
<i>Total Employment Impact</i>	<i>162</i>	<i>192</i>	<i>198</i>
Household Income (\$m)			
Direct	4.3	4.4	4.4
Flow-on	5.0	7.1	7.8
<i>Total Household Income Impact</i>	<i>9.3</i>	<i>11.5</i>	<i>12.2</i>

Source: BDO EconSearch analysis

3.2.2. Tourism

The economic impact of additional tourism is presented for the Adelaide Hills SAGR and South Australia for operation years 1, 5 and 10 in Table 3-5 and Table 3-6.

Table 3-5 Economic impact of the Mount Lofty Golf Estate Development on the Adelaide Hills SAGR region, tourism, 2025/26, 2029/30 and 2034/35

	Year 1 2025/26	Year 5 2029/30	Year 10 2034/35
GRP (\$m)			
Direct	3.1	4.2	4.4
Flow-on	1.2	1.6	1.7
<i>Total GRP Impact</i>	<i>4.2</i>	<i>5.9</i>	<i>6.1</i>
Employment (fte)			
Direct	28	38	38
Flow-on	10	14	14
<i>Total Employment Impact</i>	<i>38</i>	<i>52</i>	<i>53</i>
Household Income (\$m)			
Direct	1.6	2.3	2.3
Flow-on	0.7	1.0	1.0
<i>Total Household Income Impact</i>	<i>2.3</i>	<i>3.2</i>	<i>3.3</i>

Source: BDO EconSearch analysis

Table 3-6 Economic impact of the Mount Lofty Golf Estate Development on South Australia, tourism, 2025/26, 2029/30 and 2034/35

	Year 1 2025/26	Year 5 2029/30	Year 10 2034/35
GSP (\$m)			
Direct	3.1	4.2	4.4
Flow-on	2.6	3.7	3.8
<i>Total GRP Impact</i>	5.7	7.9	8.2
Employment (fte)			
Direct	28	38	38
Flow-on	18	24	24
<i>Total Employment Impact</i>	46	62	63
Household Income (\$m)			
Direct	1.6	2.3	2.3
Flow-on	1.5	2.0	2.1
<i>Total Household Income Impact</i>	3.1	4.3	4.4

Source: BDO EconSearch analysis

3.2.3. Total Operational Phase

The combined contribution to GRP/GSP, employment and household income as a result of the operation of the development and tourism increase of the development to each region is summarised in Table 3-7. Results have been presented for years 1, 5 and 10.

By the tenth year of operation, the development is expected to support GRP of \$32.0m, employment of 225 fte jobs and \$12.6m of household income in the Adelaide Hills economy, including operation of the estate, associated tourism expenditure at other businesses, and flow-on effects in the broader economy.

Statewide, the development is expected to contribute GSP of \$40.3m, household income of \$16.7m, and support the employment of 261 fte jobs annually in the South Australian economy by the tenth year of operation. This includes the operation of the estate, associated tourism expenditure at other businesses, and flow-on effects in the broader economy.

Table 3-7 Summary contribution of the operating phase to the Adelaide Hills SAGR and South Australia

	Year 1 2025/26	Year 5 2029/30	Year 10 2034/35
Adelaide Hills			
GRP (\$m)			
Direct	11.6	20.5	22.9
Total	17.6	29.1	32.0
Employment (fte)			
Direct	125	139	139
Total	181	219	225
Household Income (\$m)			
Direct	5.9	6.7	6.8
Total	9.6	12.0	12.6
South Australia			
GSP (\$m)			
Direct	11.7	20.7	23.1
Total	23.1	36.7	40.3
Employment (fte)			
Direct	125	139	139
Total	207	254	261
Household Income (\$m)			
Direct	5.9	6.7	6.8
Total	12.4	15.8	16.7

Source: BDO EconSearch analysis

3.3. Analysis of potential secondary economic effects

As outlined in Section 3.2, once the development is complete, the operational phase of the project will have a significant secondary impact on the local and state economy. Secondary economic activity is measured by flow-on impacts, Section 2.3 outlines the definition and breakdown of flow-on economic activity. The industries with flow-on impacts in GRP/GSP and employment have increased demand in the market. These industries therefore have increased opportunity for further investment, and the potential to attract value add development and commercial ventures.

The industries most impacted by the operational phase of the development in the Adelaide Hills SAGR region are the retail trade, administration and support services, wholesale trade, professional scientific and technical services, and rental hiring and real estate. These industries have the highest flow-on economic activity and therefore have the most significantly increased opportunities for investment as a result of the development. The five industries with the highest associated flow-on economic activity within the Adelaide Hills SAGR are summarised in Table 3-8. These sectors are ranked by the GRP contribution of the flow-on economic activity from year 10 of operation.

Table 3-8 Flow-on economic contribution of the top five sectors in year 10 of operation (2034/35) in the Adelaide Hills SAGR, ranked by GRP

	Operational Phase Year 10 (2034/35)	
	Flow-on GRP (\$m)	Flow-on Employment (fte)
Retail Trade	1.04	12
Admin & Support Services	0.72	15
Wholesale Trade	0.59	4
Professional, Scientific & Technical Services	0.51	7
Rental Hiring & Real Estate	0.45	2

Source: BDO EconSearch analysis

The industries most impacted by the operational phase of the development in South Australia are retail trade, professional scientific and technical services, wholesale trade, administration and support services, and finance. These industries have the highest flow-on economic activity and therefore have the most significantly increased opportunities for investment as a result of the development. The five industries with the highest associated flow-on economic activity in South Australia are summarised in Table 3-8. These sectors are ranked by the GSP contribution of the flow-on economic activity from year 10 of operation.

Table 3-9 Flow-on economic contribution of the top five sectors in year 10 of operation (2034/35) in South Australia, ranked by GSP

	Operational Phase Year 10 (2034/35)	
	Flow-on GSP (\$m)	Flow-on Employment (fte)
Retail Trade	1.51	17
Professional, Scientific & Technical Services	1.06	9
Wholesale Trade	1.02	7
Admin & Support Services	1.02	16
Finance	0.90	2

Source: BDO EconSearch analysis

REFERENCES


- BDO EconSearch 2020, *Input-Output Tables for South Australia and its Regions 2017/18 Update: Technical Report*, report prepared for Department of the Premier and Cabinet, February.
- State Planning Commission 2022, *Guidelines for the preparation of a Development Report - Mount Lofty Golf Estate*, March.
- South Australian Tourism Commission (SATC) 2021, *South Australian Regional Visitor Strategy 2025 - Adelaide Hills*, February.
- Tourism Research Australia (TRA) 2021, *Regional Tourism Profiles 2019/20*, Canberra.
- URPS 2021, *Mt Lofty Golf Estate - Major Project Development Application*, December.

Disclaimer

The assignment is a consulting engagement as outlined in the ‘**Framework for Assurance Engagements**’, issued by the Auditing and Assurances Standards Board, Section 17. Consulting engagements employ an **assurance practitioner’s technical skills, education, observations, experiences and knowledge of the consulting process**. The consulting process is an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up.

The nature and scope of work has been determined by agreement between BDO and the Client. This consulting engagement does not meet the definition of an assurance engagement as defined in the ‘**Framework for Assurance Engagements**’, issued by the Auditing and Assurances Standards Board, Section 10.

Except as otherwise noted in this report, we have not performed any testing on the information provided to confirm its completeness and accuracy. Accordingly, we do not express such an audit opinion and readers of the report should draw their own conclusions from the results of the review, based on the scope, agreed-upon procedures carried out and findings.



1300 138 991

www.bdo.com.au

NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA

AUDIT • **TAX** • **ADVISORY**

BDO Services Pty Ltd ABN 45 134 242 434 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Services Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

