

# Australia Forum - and its potential economic benefits

January 2015



## Australia Forum - The case for investment

The Canberra Business Chamber and the Canberra Convention Bureau commissioned EY to review the existing reports on the Australia Forum (as detailed in Attachment 2) and, based on this information, to summarise the potential economic benefits of the Australia Forum to the ACT and Australia. The primary reports used was the 2011 Scoping Study with this then updated where relevant for additional available information including:

- ▶ Facility information from the 2014 Functional Brief
- ▶ Updated base case venue utilization information sourced from a separate report prepared for the existing National Convention Centre Canberra
- ▶ Updated delegate expenditure levels
- ▶ Revision of the proposed capital cost to 2015 dollars.

The resultant outputs represent indicative economic outcomes. A detailed Business Case has not, as yet, been completed for the Australia Forum.

The 2011 Australia Forum Scoping Study identified that, to be successful, the Australia Forum Convention Centre including the Centre for Dialogue (the Australia Forum) should be a world class venue catering for significant meetings, dialogue, cultural events, and other occasions of national importance appropriately held in Canberra, the national capital. It would be a landmark building unlike any other in the country, befitting the role of the National Capital and helping to position Australia's role in the Asia Pacific Region.

As outlined in the subsequent Functional Brief (2014), it is expected that "the Australia Forum will be unique in design, a signature building with immediate identification with the national capital. It must be modern, inspiring, with leading edge technology to meet and exceed current market expectations and be in a position to respond to a changing global environment" with it incorporating:<sup>1</sup>

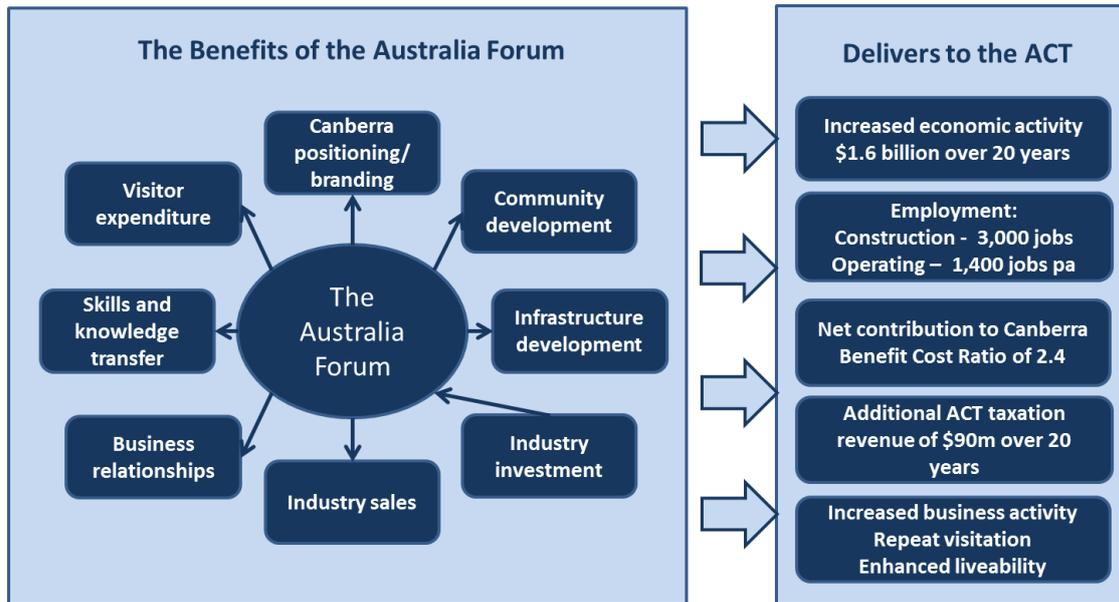
- ▶ Plenary Hall -with a flexible seating capacity for 3,000
- ▶ Exhibition Halls - 4 halls of 2000sqm each with capacity for 600 to 800 patrons for each hall
- ▶ Ballroom -of 2,250 sq mtrs with capacity to accommodate 1800 guests in banquet mode
- ▶ Meeting rooms - 3,000 patrons in 18 meeting rooms able to accommodate 3000 patrons in total with sizes ranging from 20 to 180 people
- ▶ Theatrettes - to accommodate 500 patrons or 250 each
- ▶ Centre for Dialogue - a National and International Centre for Dialogue with capacity to host meetings "in the round" for high level delegations and other interest groups, consisting of concentric rings of flexible tired seating for up to 180 participants.

As summarised in the diagram following, the development and delivery of the Australia Forum has the potential to deliver significant benefits to the ACT (with these benefits having been estimated based on information and forecasts in previous reports updated for additional available information). Further work is required if the case for the Australia Forum is to continue to be developed. Specifically, there is a need to complete further design work, to prepare a detailed Business Case (including the updating of forecasts and capital costs on which the below estimated economic benefits are based), consider procurement options and possible funding alternatives.

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<sup>1</sup> Facility requirements are based on the ACT Government commissioned Functional Brief and Operational Requirements (September 2014) prepared by PG International Consulting Pty Ltd.

Diagram 1: Indicative Benefits of the Australia Forum



It is also important to note that the Australia Forum represents one of a range of infrastructure initiatives required in the ACT, as identified in The City Plan, to support its' continued economic and community growth.<sup>2</sup>

<sup>2</sup> The City Plan (2014), ACT Government

## The need for the Australia Forum

Realistically, the Canberra region currently lacks an appropriate venue of international standard to host major national and international meetings. Hosting such meetings is an integral part of Canberra's role as the national capital - the seat of the Australian Government, the home of national institutions, and a recognised knowledge and innovation hub.

Underlying the need for the Australia Forum is a concern that Canberra currently lacks an appropriate venue:

- ▶ that is able to respond to the current demand for convention facilities in the ACT, which cannot be satisfied by existing facilities
- ▶ to host the meetings that are required for the Australian Government to perform its increasingly important role in international and national affairs
- ▶ to host international and national meetings to facilitate increased collaboration between government, the academic and business communities, which is a key goal of Australian Government's; and
- ▶ to host meetings that allow Australians to engage in meaningful dialogue on key issues of national importance.<sup>3</sup>

To fulfil its role as the nation's capital and meet the needs of the ACT community, Canberra needs a venue of the scale, security, design and character that is appropriate for hosting major meetings of international and national importance.

The existing National Convention Centre Canberra (NCCC), initially constructed in 1989, has in the past provided significant economic benefits to the ACT. As the territory's premier facility for events and conferences, it has attracted a large number of visitors to the region which directly and indirectly generate a range of economic activity - but in the longer term will not meet the demands of contemporary meetings and conferences.

The NCCC is not able to meet the conference and exhibition needs of the larger conferences as it is not able to host multiple conferences simultaneously while still providing the required breakout rooms and exhibition facilities. Recent convention facility upgrades and/or redevelopments around Australia have been directed towards satisfied these enhanced requirements.

Between 2008 and 2012 the NCCC experienced an average annual growth rate in revenue of 7.24%. However, in more recent years the growth rate experienced has slowed dramatically. Between 2012 and 2013 it was only 0.6%, and is forecast to decrease in the foreseeable future.<sup>4</sup> The NCCC is operating in an increasingly competitive environment with new convention facilities coming on line in other Australian capital cities. Importantly, the NCCC will not keep pace with current or future generation facilities of this type.

The presence of a world class, purpose designed international meetings venue with capacity to host major meetings, business events and social events of national and international importance is the venue Canberra lacks. The development of the Australia Forum Convention Centre including the Centre for Dialogue will position Canberra as a pivotal Australasian meetings destination for Australia's growing role in international dialogue as well as playing host to increased participation of multi-faceted national and international conferences, exhibitions, corporate and Government events as well as social, cultural, entertainment and ceremonial events.

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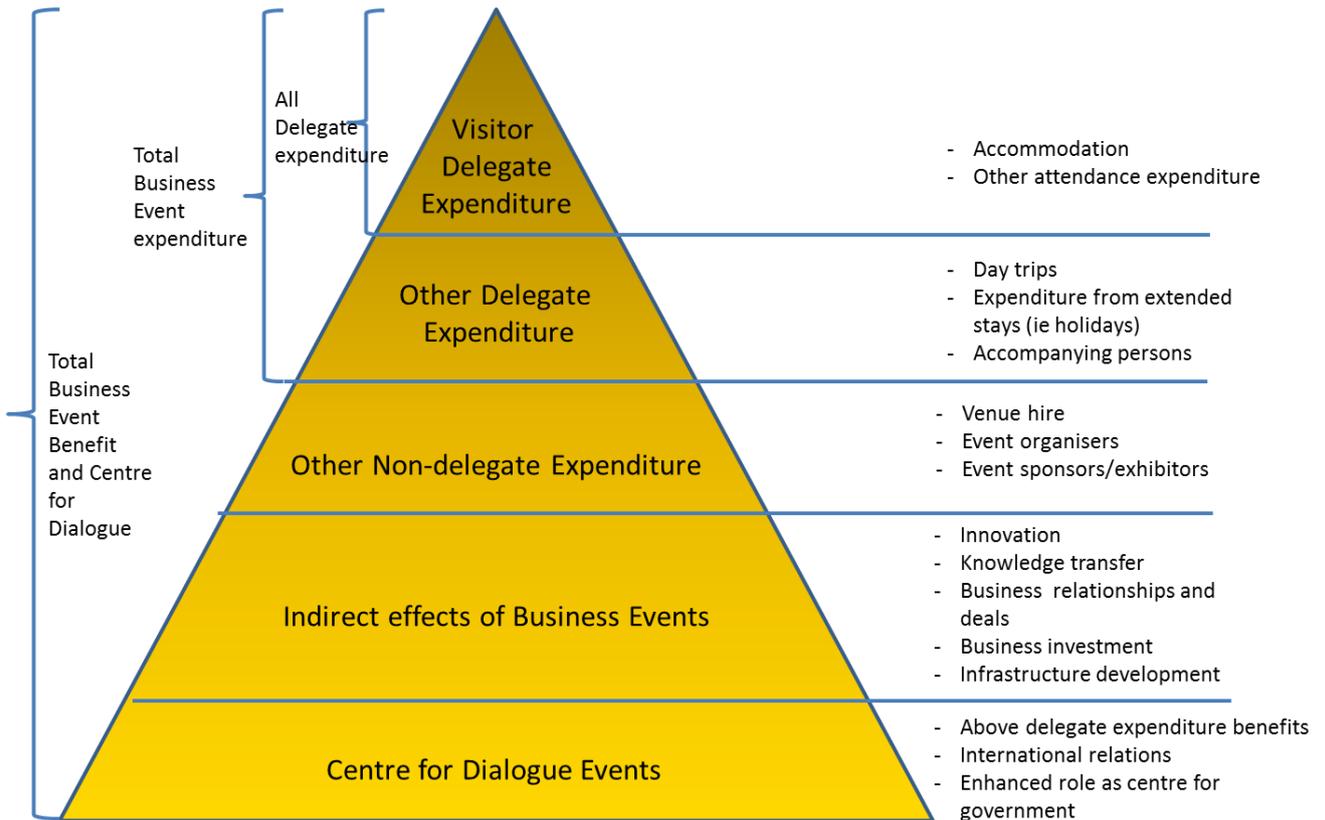
<sup>3</sup> While Parliament House provides the forum for dialogue between Australia's elected representatives, there is no suitable national forum to foster and host significant dialogue involving the wider community.

<sup>4</sup> Data sourced from a confidential EY report with the approval of the report client.

## Australia Forum - an economic and social driver of activity

It is widely recognised that substantive Convention centres are an important piece of infrastructure for any developed capital of the world - and this is even truer for national capitals such as Canberra. The range of benefits delivered from convention centres generally are derived from the conduct of the various business events. However, the benefits of the Australia Forum will exceed these with the inclusion of the Centre for Dialogue (as demonstrated in Diagram 2 below).

Diagram 2: Economic benefits of Australia Forum



As reflected in the above diagram, the benefits of business events extends beyond the 'traditionally' recognised benefit of event expenditure - these events also support business activity that can potentially exceed the benefits of the direct expenditure (as demonstrated by the 2010 Mint Directors Conference Case Study in Attachment 1).

The role of the Centre for Dialogue will also be important in developing the international standing of Australia and the local events held at the facility represent a significant community role, with the benefits accruing to both the local community and to all of Australia

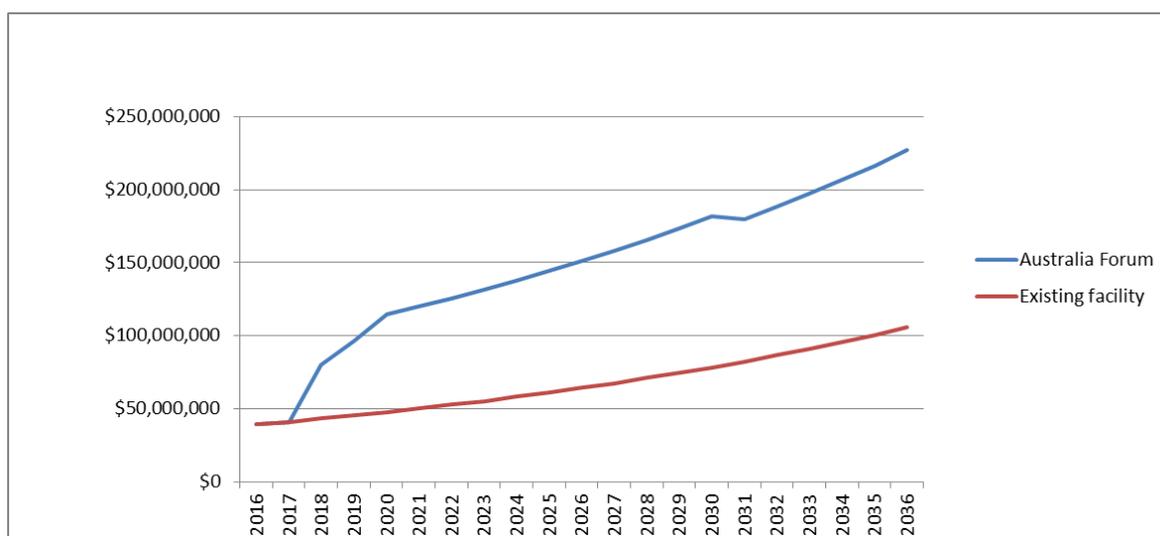
Even the above does not fully reflect the value of the Australia Forum to the ACT as it is expected that the proposed iconic new facility will also have a number of overarching impacts by:

- ▶ reinforcing the primacy of City Hill
- ▶ underpinning more generally the visitor economy
- ▶ delivering a unique cultural arc addressing City Hill
- ▶ significantly contributing to the successful realisation of the City Plan and the City to the Lake project
- ▶ playing an important civic role in the making of Canberra's centre and contributing to the City's life and activity.

The expected potential benefits from delivery of the Australia Forum, including the quantified contribution to the growth of the ACT economy, include:

- ▶ Delegate numbers and expenditure - In the 2013 calendar year, the NCCC hosted 47 conferences attracting over 65,500 delegates.<sup>5</sup> The Australia Forum will result in this increasing to over 100 conferences attracting in excess of 125,000 delegates. The expenditure of delegates attending Australia Forum events within the ACT will approximate \$3.0 billion over the first 20 years of operations, with \$1.6 billion of this being above that which would have already occurred in the current limited facility (as demonstrated in Figure 1).

Figure 1: Direct economic output of Australia Forum v NCCC (of delegate spends)



- ▶ Based on an estimated capital cost of \$433m, the construction of the Australia Forum will generate 850 direct jobs over the construction period, with this increasing to 3,000 when the indirect effect of this flowing through the economy is taken into consideration. Therefore, if the construction period was to be 2 years, the average direct job generation would be 425 jobs per annum, with the total direct and indirect jobs being 1,500 per annum.<sup>6</sup>
- ▶ The additional delegate expenditure will also be sufficient to support up to an additional 750 direct jobs pa (with many of these jobs providing important student employment, employment they require to enable them to continue studying), with this increasing to 1,400 jobs with the inclusion of the indirect effect.
- ▶ This additional delegate expenditure will also generate additional ACT taxation revenue of \$90 million over the forecast period along with the additional GST generated (which is ultimate distributed back to the ACT).
- ▶ The return to the community - it is estimated that the construction of the Australia Forum will result in a benefit cost ratio of 2.4 over a 20 year operating period - there will be a return to the ACT economy of \$2.40 for every \$1 spend in constructing the Australia Forum. In considering this BCR it is relevant to note that:
  - ▶ The BCR has been determined based on existing information using a 'rapid BCR' approach, including a focus on the benefits of additional delegate expenditure only
  - ▶ The estimation does not, therefore, include the quantification of a number of additional benefits. For example, we have not included the additional benefits of accompanying person's

<sup>5</sup> Data sourced from a confidential EY report with the approval of the report client.

<sup>6</sup> Capital cost based on the capital cost for the City Hill site in the 2011 Scoping Study of \$369m inflated at 4.5% per annum for 4 years.

expenditure (noting that 2011 research completed by University of Canberra found that almost half of the delegates were accompanied by people not attending the event, this being higher than the Australian average of 26% for international), the impact of the resulting induced tourism (with studies indicating 10% of visitors for conferences come back), a consideration of retained delegate expenditure from residents or of exhibitor spend

- ▶ While at the high end, the BCR for the Australia Forum sits within the expected range for convention projects in Australia and for economic investments (as compared to social or community investments where a lower BCR is expected)
- ▶ As is normal with projects such as this, the BCR is highly sensitive to changes in the capital cost and the discount rate used (with a real discount rate of 5% being used in this estimation).
  
- ▶ Additional infrastructure development - the increased activity resulting from Australia Forum will also provide added stimulus for further economic activity. It is expected that, as a result of the Australia Forum:
  - ▶ further accommodation projects will be initiated
  - ▶ there will be further encouragement for the development of the Canberra Airport as an international airport
  - ▶ patronage of the proposed light rail will increase (provided the light rail services the city centre)
  - ▶ the potential for delivery of the total 'City to the Lake' project will be enhanced.
  
- ▶ Industry development - the hosting of additional international and national conferences will benefit business through encouraging further investment, the development of additional markets and business relationships (including direct sales) and the benefits of knowledge transfer. The correct targeting of convention attraction will also support growth in the identified key industries for the ACT, such as education services.
  
- ▶ Canberra positioning/branding - The Australia Forum will be a significant contributor to the positioning of Canberra within the Australian and international community as the centre of parliament, as the home of our major national institutions and as a city focussed on knowledge industries. The landmark building will also be recognised within the family of national and international institutions in Canberra, and will be a significant contributor to the branding of Canberra as a destination to visit and work. It will play an important civic role in the making of Canberra's centre and contribute to the City's life and activity.

As noted previously, these indicative benefits having been estimated based on information and forecasts in previous reports along with available additional information. Further work is required if the Australia Forum initiative is to continue to be developed including;

- ▶ need to complete further detailed design work (based on the Functional Brief prepared) and to update the capital costs based on this design work
- ▶ to prepare a detailed Business Case, including the updating of financial and economic forecasts (on which the above estimated economic benefits are based)
- ▶ consider procurement options, noting the comparable facilities across Australia and New Zealand have been procured under a variety of arrangements including PPPs
- ▶ consider possible funding sources and alternatives, including any possible contribution from the sale of the existing facility or from the Commonwealth Government (including potentially under the Asset Recycling Initiative, a key element of the Infrastructure Growth Package).

## **Australia Forum's role in supporting the implementation of Government Policy**

The Australia Forum has a significant role to play in assisting in the delivery of the ACT Government policy objectives across a number of portfolios - including economic development, tourism and community building.

The importance of having a world class convention facility has been recognised in the ACT Government's *2020 Tourism Strategy- Growing the Visitor Economy 2014-2020* ('the regional strategy'). The tourism industry currently contributes \$1.7 billion to the ACT economy and supports an estimated 16,000 jobs.<sup>7</sup> The region attracts a large number of domestic and international tourists, with recent growth rates in each category outstripping national growth rates.

This regional strategy has outlined a number of key initiatives that will help achieve the forecast benefit of \$2.2 billion by 2020. Of most importance to the convention industry are Pillar 4 - Leveraging major contributors to the visitor economy, Pillar 5 - Encouraging investment and creating the right business environment and Pillar 7 - Industry partnerships. While the NCCC is a significant contributor to achieving this target, the Australia Forum is required if the strategy growth target is to be achieved.

## **Australia Forum is supported by the Canberra business community**

It is noted that the Canberra business community, represented by the Canberra Business Chamber and the Canberra Convention Bureau, have been advocating for the development of the Australia Forum for a number of years and now regard the delivery of this important infrastructure as an urgent core need if Canberra is to continue to grow and develop.

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<sup>7</sup> *2020 Tourism Strategy - Growing the Visitor Economy 2014 - 2020*, ACT Government Economic Development, pg 9

## Attachment 1

### The 2010 Mint Directors Conference - What it delivered to Australia

It is generally understood that Business Events (BEs) are a major economic driver for the Australian economy, but the current approach to valuing these benefits is focused on immediate tourism spending of delegates, event expenditure and venue utilisation. This focus on short term impacts masks the wider and more enduring benefits of BEs associated with support for infrastructure development, business relationships, knowledge transfer and industry investment.

Unfortunately, little evidence-based information exists to validate these longer-term benefits. However, the experience of the 2010 Mint Directors Conference represents a Case Study of the value of the business that is generated beyond these tourism benefits.

In 2010 the Royal Australian Mint (the Mint) hosted the biannual international Mint Directors Conference (MDC) at the in Canberra, with 350 minting industry representatives from around the world attending.

Getting conferences such as the MDC to Australia is a competitive process which requires the submission of competitive tenders. It also requires planning, sponsorship and funding. The Canberra Convention Bureau (CCB) supported the Mint and the Professional Conference Organiser with conference planning. As part of this role, the CCB facilitated the sourcing of support funding from Tourism Australia, funding that enabled the Mint to target specific decision-makers from the Pacific Region - an initiative that has proved invaluable in expanding export sales.

The traditional tourism economic benefits delivered from the MDC is estimated as being \$425,000 to the ACT economy and \$650,000 to the wider Australian economy - a benefit that has been easily exceeded by the identified business benefits to Australia.

Prior to the 2010 MDC the Mint had minimal export sales (being approx. \$2m per annum), but these have since grown exponentially. Most importantly, the growth in these export sales can be directly attributed to the hosting of the 2010 MDC. As part of the conference all attendees were given a tour of the Mint facility and a range of important business connections were established.

As noted by the Royal Australian Mint:

*"As a result of the Conference, and the exposure of the Royal Australian Mint resulting from this Conference, the Mint has entered into several export contracts resulting in a total revenue value of over \$12 million per annum, with some of these being multi-year contracts of over 10 years.*

*Hosting the MDC enabled us to bring the decision-makers to where the work is done, in Canberra at the Mint. No other marketing or sales initiative would have had the same immediate and significant impact."*

*Dr Prabir De, Business Development and Technical Director, Royal Australian Mint*

Equally of relevance is that:

- ▶ the export and product sales are to a diverse range of countries including many Pacific Island countries - Samoa, Tonga, Solomon islands, Vanuatu, PNG - along with Holland, Germany and the Nordic countries

- ▶ due to the long lead time in entering into contracts and providing the product, the benefits of some of the contracts resulting from the MDC exposure are yet to be realised. (For example, a contract signed by four countries (Australia, New Zealand, Britain and Turkey) to produce a series of 'Gallipoli' coins will return revenue in 2015 and a contract signed with New Zealand to produce a series of World War I coins will return revenue in 2014-16.)
- ▶ the Mint has also entered into a number of associated partnerships and joint ventures which will also further expand sales
- ▶ the MDC reaffirmed the Mint's position as a world class producer of coins for both general circulation and for commemorative occasions
- ▶ as a result of this growth in export sales, the Mint won the 2013 and 2014 ACT Chief Minister's Export Award for Government Services.

Having the MDC in Canberra has also delivered other benefits to the Mint and its staff, including in skills development and by expanding the views of staff of what can be achieved. As noted by Ross MacDiarmid (CEO, Royal Australian Mint):

*"these contracts are a great opportunity for staff to further develop their skills as the coins differ in metal and even sometimes shape from the Australian coins, with one of the most interesting being a scalloped coin."*

As is demonstrated by the experience of the MDC, attracting appropriate Business Events represents an excellent pathway for demonstrating Australia's expertise which, in this instance, is based in Canberra. The majority of attendees would not have otherwise visited Canberra, with the BE presenting an opportunity for the Federal Government to showcase the investment in the refurbishment of the Mint.

Hosting the biannual international Mint Directors Conference in 2010 has clearly created a legacy for the Mint business that benefits all Australians, and that clearly extends beyond the tourism related benefits of having such a conference in Australia.

## Attachment 2

### References

2020 Tourism Strategy - Growing the Visitor Economy 2014 - 2020, ACT Government Economic Development

Australia Forum Functional Brief and Operational Requirements (September 2014) prepared by PG International Consulting Pty Ltd and commissioned by ACT Government

Australia Forum Scoping Study (April 2011), Ernst & Young and Cox

Australia's international business events sector: the economic and strategic value proposition (May 2014), by Deloitte for AACB

Business Events: Delivering Economic Prosperity for Australia (2012), AACB

The City Plan (2014), ACT Government

Treasury Budget papers, ACT Government, 2014-15

## Attachment 3

### Report Scope and Disclaimer

This paper was commissioned by the Canberra Business Chamber and the Canberra Convention Bureau, with the scope being for Ernst & Young to review the existing reports on the Australia Forum and, based on this, to summarise the potential economic benefits of the Australia Forum to the ACT and Australia including calculation of a Benefit Cost Ratio (based on available information).

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