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MEDIA RELEASE

TASMANIAN NATIONAL PARKS ASSOCIATION INC

ABN: 38 875 435 295

Three Capes Track Numbers Do Not Add Up.

The media release from the Tourism Industry Council of Tasmania (TICT), dated 23 May 2010, is at fault by again misrepresenting the alleged benefits of building the proposed Three Cape Track within the Tasman National Park.

Unfortunately, the Tourism Council appears to have made two fundamental mistakes in reading its own commissioned report.

First, the economic benefits stated in the report are for the whole seven year period to 2017, not annual benefits. This is clearly stated in the report on page 7 "...the modelling is projecting whole period impacts that may need apportionment over time."

Second, the council quotes the Gross Output figures. However, the report itself notes on page 12 that these figures include some double counting and that the Value Added figures (as used by the Australian Bureau of Statistics) provide a better measure of economic impact.

Correcting for these two mistakes the alleged annual benefits to the Tasman Peninsula region falls to between $1.4 to 2.2 million while the alleged benefits to Tasmania as a whole are between $6 to 13 million, not the $90-190 million quoted by the Tourism Council.

The claim by the TICT that the annual benefits from the Three Capes Track alone amount to $190 million per year is also seen to be false (and clearly absurd) when considered against the economic benefits of the entire Tasmanian Wilderness World Heritage Area which have been estimated to be $190 million per year (see Media Release-by Hon Peter Garrett - A World of Value in Heritage –dated 7 May 2009)

Together with these misrepresentations of the report there is also a major flaw in the economic analysis itself.

The report assumes that due to people attracted to the region to undertake short walks (e.g. day walks) on the Three Capes Track that there will be an additional annual increase in visitor numbers to the Tasman region of between 3-5 percent above the normal growth of recent years. However, this assumption is not substantiated and ignores the fact that the Tasman Peninsula already hosts over 30 day walks and several multiple day walks including the 4 day Tasman Trail. As such, people undertaking short walks are already included in the existing visitor numbers to the region and the analysis double counts these visitors when it assumes that such walkers will also make up the 3-5 percent increase in visitor numbers.

Postal address: GPO Box 2188, Hobart Tasmania 7001

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Finally, if the economic premise for the Three Capes Track proposal is to duplicate the economic benefits which have apparently flowed from the marketing of the Overland Track Experience, it is constructive to compare the predictions for the Tasman Peninsula with the actual changes in visitor numbers to the Cradle Mountain region in recent years.

The TICT report predicts that visitor numbers to the Tasman Peninsula will increase by between 3-5% per annum above a no Three Capes Track scenario, with a total increase in visitor numbers of between 9-16% over the first three years the track is operational.

However, data published by the Parks and Wildlife Service indicates that compared to 2004-05 visitor numbers to the Cradle Mountain region actually decreased by around 7% the following year when fees where first charged for the Overland Track, and by 2007-08 visitor numbers were still down by 4%.

The Tasman Peninsula has a lot to offer. With some of the most exhilarating coastal scenery in Australia and around 35 existing day walks, the Three Capes Track is not required to increase visitor numbers to this region or to enhance the visitor experience. What has been missing is a holistic marketing strategy which entices visitors to extend their stay beyond a visit to Port Arthur.

A ‘win-win’ situation for tourism on the Tasman Peninsula and the conservation values within the Tasman National Park is to market the day walks, sea adventures (cruises, kayaking, fishing) and other experiences offered by the region with guests extending their stays in the hotels and bed-and-breakfasts outside the park.

This is the type of extended walk that experience overseas and elsewhere in Australia, for example the Great Ocean Walk in Victoria, shows people greatly prefer. Having people spending all their time on a single walk and staying in privately owned huts within the park will not spread the economic benefits around to all as is desired.

The TNPA supports appropriate tourism based projects in Tasmania and supports the regional benefits that will flow from such projects. However, the TNPA argues strongly that these same benefits can be achieved by placement of such projects outside the boundaries of Tasmania's National Parks. The development of very successful tourist nodes outside National Parks at Strahan, Cradle Valley and Coles Bay, to name only three, validates this argument

The Tasmanian National Parks Association is calling on both the Federal and State governments to rethink this badly conceived proposal and redirect the funds to upgrading the existing walking tracks, facilities and infrastructure on the Tasman Peninsula and elsewhere in the State so that the flow of benefits is optimised and more widely dispersed.

Robert Campbell
President
Tasmanian National Parks Association

Ph: 0409 568 635

<u>What the numbers in the KPMG report refer to</u>

The report is terribly written. However, in section 3 beginning on page 8 (titled Economic impact projections) it is stated that "Tables 3 and 4 sets out the <u>whole of period</u> benefits to the Tasmanian economy..." (my underlining). The period being referred to the seven year period to 2017. On page 7 it is also stated that "...the modelling is projecting whole period impacts that may need apportionment over time."

Also, as seen from the definitions below, taken from page 12, the report recommends use of the Value Added figure as the preferred measure of economic impact (in line with use by the Australian Bureau of Statistics) over the Gross Output figure quoted by the Tourism Council.

> <u>Gross Output</u> (regional turnover) - refers to the gross value of increased production from an additional economic activity. Within this gross value is included the value of raw materials that, in most cases, have already been counted as part of gross output from earlier production. Therefore there is a tendency for Gross Output figures to include some <u>double counting</u>. As a result, more concentration is placed upon incremental (additional output created) or <u>value added</u>.
>
> <u>Value Added</u> - refers to added or net output. Value Added is equivalent to the Gross State / Regional Product as used by the Australian Bureau of Statistics. It is the measure <u>usually preferred</u> when measuring economic impact. It measures the added value placed on intermediate products (raw materials) from the productive process. It is made up of margins, wages, profits and transfers.

Finally, one can also look closer at the numbers themselves.

For example, on page 6 of the report, it is stated that under the optimistic scenario in the growth in visitor numbers that the addition number of visitors by 2017 will be 86,696 (comprised of 22,744 international visitors and 63,952 interstate visitors).

It is also stated on page 6 that the average visitor duration is assumed to be 1.4 nights for international visitors and 1.8 nights for interstate visitors. Whilst on the top of page 7 it is stated that the average spend per night stay is assumed to be $144 for international visitors and $185 for interstate visitors.

Using these numbers the total expected additional spend in 2017 is the sum of the (spend by international visitors) + (spend by interstate visitors):

where (spend by international visitors)
= (number of visitors x average number of nights x average spend per night)
= 22,744 x 1.4 x $144 = $4,585,190
and (spend by interstate visitors)
= (number of visitors x average number of nights x average spend per night)
= 63,952 x 1.8 x $185 = $21,296,016

So total additional spend approx = $25.88 million.

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Obviously this is nowhere near the $190 million claimed by the TICT.

One can also do some additional calculations based on the assumptions in the report. For example, if one uses the expected additional growth in visitor numbers of 1%, 1%, 2%, 5%, 5% 5%, and 5% over the 7 years under the optimistic scenario to calculate the additional number of visitors each year, and again uses the numbers for duration of stay and dollars spent as above, then the aggregate total spend under the optimistic scenario over this 7 year period is around $70 million. Where the $190 million in the report comes from I do not know, but it must be assuming some very large multiplier effects in the economy!!!.

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