



PHASE 1: RESEARCH & ANALYSIS

Part 2: Core Assets vs. Visitors Needs & Economic Development

CONFIDENTIAL:
FINAL REPORT | 4TH MARCH 2016



CONTENTS

1. EXECUTIVE SUMMARY - **Page 4**
2. RESEARCH APPROACH - **Page 11**
3. VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL GROWTH - **Page 13**
4. CHINESE TOURISM – MYTH OR OPPORTUNITY- **Page 24**
5. OTHER VISITOR GROWTH OPPORTUNITIES ASSESSED- **Page 30**
6. PRIVATE SECTOR INVESTMENT IN TOURISM - **Page 35**
7. WHERE IS FOREIGN DIRECT INVESTMENT COMING FROM? - **Page 38**
8. INVESTMENT IN OTHER INDUSTRIES - **Page 41**
9. THE EUROBODALLA BRAND- **Page 45**
10. GAP ANALYSIS – TOURISM - **Page 53**
11. ADDITIONAL INVESTMENT OPPORTUNITIES - **Page 59**
12. COUNCIL ENABLEMENT - **Page 61**
13. APPENDIX – **Page 63**

1

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

At the end of Phase 2, the ultimate goal of our work is to develop a clear position and set of messages that outline investment opportunities in Eurobodalla and ones that resonate and create interest amongst private sector investors. A key aspect of this message is the role that the airport plays (refer to Phase 1 / Part 1 report).

SCOPE OF RESEARCH & ANALYSIS

The key to developing an effective "investment story" for private sector investors requires an understanding of the visitor audience, evaluation of the potential growth opportunities and positioning the redevelopment of existing assets or the development of new assets against these opportunities - our Phase 1 scope. The scope of this report is not to create economic roadmaps or to conduct feasibility studies. It is simply to create a communication framework that would allow Council to effectively communicate genuine opportunities with investors. To get to this end goal, our Phase 1 work has covered the following research and analysis elements.

- Leverage and mine existing research to understand existing visitor patterns
- Compare visitor patterns to other regions in NSW and Australia
- Identify key macro-economic, geographic and infrastructure reasons for differences
- Leverage and mine existing research to define visitor needs with a core focus on Chinese visitors
- Assess current Eurobodalla brand and core points-of-difference to other regions
- Map asset development (i.e. the asset potential) to the visitor needs /desire

VISITOR PATTERNS & BEHAVIOUR

It is common knowledge that the growing wave of Chinese visitors is proving to be of massive benefit to the metropolitan capitals of Sydney and Melbourne. Chinese visitors represent the second largest origin of international visitors, but many other Asian countries are also represented in the top 10 visitors to Australia and share many similar traits. While this exponential increase in visitors from the growing middle class throughout Asia has not reached Eurobodalla yet, this is not uncommon for regional Australia.

The majority of regional NSW share similar characteristics. All key regions up and down the East Coast of NSW have a small number of international visitors with approximately 2% - 4% of total visitors being international. The majority of international visitors to regional NSW come from a Western European or North American country and are characterised by a low spend per night (e.g. backpackers). However, the lack of "Asian" representation in regional destinations is expected to change in the coming decade.

That is, there are not any major macro factors at play that are stopping Chinese visiting regional destinations. The reason for Chinese and other Asians travelling less to regional Australia is behavioural. International holidaying for the Chinese is new. However, as Chinese tourists have matured and government controls loosened, Chinese international travellers are more independent in their expectations and planning.

EXECUTIVE SUMMARY

The forecast growth in Chinese visitors to regional Australia is being driven by Free and Independent travellers (FIT) from this country. It is estimated that 6 out of 10 Chinese visitors are now planning their own trips (as opposed to Tour Group travel). Chinese visitors have a higher average nightly spend in Australia than nationals from other visiting countries. Even FIT traveller from China provide a completely different proposition to destinations and businesses in Australia than the typical low yield travellers who are currently visiting the South Coast of New South Wales. They prefer higher value accommodation and have particular needs with it comes to shopping and food. Being China-Ready is not just about being able to communicate with Chinese visitors, but is about addressing specific needs and desires such as:

- Limited Edition experiences that are not common
- Shopping as it is key to their plans in particular luxury shopping
- Accommodation expectations are higher with a preference of 4 to 5-star
- The need for good quality Chinese cuisine

REGIONAL COMPARISONS

The current destination mix of Eurobodalla is very much geared towards a domestic low yield audience. In many cases, this is also seasonal. Current international visitors are also typically low yield. This pattern is not too different from other coastal destinations - in particular those neighbouring Eurobodalla on the South Coast. However, the following locations have strategies that create equity with international visitors:

Shoalhaven - Development of packages targeted at in-bound international visitors which optimise their visit spend by encouraging them to stay longer. Currently international visitors stay in Shoalhaven twice as long as they do in Eurobodalla.

Port Stephens - Through the establishment of relationships with Korean International Tour Operators in the 1990s, they have been able to develop a long-standing pipeline of Korean visitors to the region. This has resulted in Koreans being the fifth largest source of international visitors in the year-ending 2014.

Wollongong - Among regional NSW, Wollongong has been able to attract international Chinese visitors due to the Nan Tien Temple and their proximity to Sydney. This showcases the power of Asian draw cards.

Port Macquarie - Has established it "strategic" location along the internationally known Sydney to Brisbane touring route. This has resulted in above average international visitors as a proportion of total visitors and when compared to other regions.

We have established that the growth in Chinese / Asian visitors is an opportunity that no regional destination in NSW has yet realised. Many would need to develop new experiences and product / packages focused on Chinese audiences. However, areas such Shoalhaven, Port Macquarie and Port Stephens have appealing accommodation options that gives them a good base-level to start from.

EXECUTIVE SUMMARY

Whether they be grey nomads or families visiting during the traditional summer holidays season, the need for cost effective solutions has driven the design and development of such destination assets as accommodation in the Eurobodalla region. The same focus on developing "what is needed" must also be undertaken to attract new visitor segments from China and other parts of Asia. Given the "high-value" needs of such Chinese visitors, consideration should be given to making them accessible to higher yield domestic visitors and potentially improve results from domestic visitors – visits, nights and spend.

There already exists experiences that appeal to such markets and ones that can be scaled quickly. While the "nature" based proposition of Eurobodalla has appeal to international visitors (especially from China) and offers some opportunity for immediate scale, alone they would not uniquely position Eurobodalla in a highly competitive market place - both in Australia and internationally. Key food & beverage and retail experiences, which are very important to Chinese visitors, are missing from the current mix and would need to be developed for sustained growth in this segment. However, these are secondary considerations.

Regarding the expected influx of Chinese visitors there are some fundamental issues which put Eurobodalla at a disadvantage when compared to other regional locations. There are three primary considerations:

Structural: The lack of high-value accommodation and destination options that appeal to Chinese or other Asian visitors.

Brand: Lack of an international brand position when compared to other Australian and overseas locations.

Investor Type: Working with private sector enterprise that can deliver a travel pipeline.

Geography has often been noted as an issue (i.e. we're too far away from Sydney). Our research has shown that the importance of geographical location, while it certainly plays a role on its own, is reduced if the right infrastructure, brand and/or partners are in play.

STRUCTURAL

While the airport remains a vital asset that needs to be redeveloped to provide broader benefit to the regional economy, in the short term it is a barrier that can be managed in order to achieve growth in high yielding visitors - both domestic and from overseas. It is expected that the impact of current flight prices provided by Rex would not be as much an issue to higher yield audiences as they are less price elastic. More importantly, driving and touring is an option that many domestic and international visitors are willing to take. What is really needed are core destination assets that fulfil the base-level accommodation, food & beverage and retail needs of these new audiences. Assets that can then be wrapped by the packaging of Asian or High-Yield Domestic experiences.

From an investor perspective (in particular Asian investors), there is a preference for multi-purpose developments that create multiple revenue streams which do not rely on a single source of income. This is the approach that would be advocated.

EXECUTIVE SUMMARY

More importantly, such developments could be done in such a way that delivers an Asian marketable product as part of the mix. However, they do not need to be exclusively focused on the Asian visitor as there are shared needs/desires amongst high-yield visitors in areas such as retail, wellness and accommodation experiences. Such new destinations and experiences could also be packaged and marketed to high-value visitors from NSW and other states including business visitors. They could also protect and grow the existing low-yield domestic segment by expanding their destination options and keeps the region fresh for repeat visitors including those from Canberra.

Given this, there are several destination experiences that could deliver on new visitor needs or expand the existing visitor basket. They can also be delivered as small footprint developments. Given this we have identified that the following core assets are missing:

- Traditional 4-star to 5-star accommodation which incorporate wellness activities (e.g. spa), conference facilities, retail and food & beverage.
- Bespoke 3-star to 5-star accommodation which are centred around providing unique experiences (e.g. overnight stay at the zoo or farm-stay).
- Multipurpose water front developments with permanent condo options, 5-star accommodation, water activities, retail and food & beverage.

From an asset perspective, the following assets have the following potential:

- Equestrian centre developed as an experiences that would allow Eurobodalla to market itself in a truly unique way not just to international Chinese visitors, but domestically as well. There is not a coastal region that owns such a destination asset.
- A airport redevelopment where the value equation includes destination options on adjoining properties such as the beach or equestrian centre.
- A new marina development and/or existing marina redevelopment that creates a destination of accommodation, retail and food & beverage options which appeal to a higher-yielding audience.
- New accommodation that provides premium accommodation options on a scale larger than what is currently available and that would also support growth in the Business Visitor segment.

From an experience perspective, it is the retail and food & beverage mix that provides the largest real-time gap to fulfilling a promise to international Chinese / Asian visitors. It is recommended that any development of the above assets consider:

Luxury retail - an element of Australian luxury goods such as RM Williams or Aboriginal Art.

Food & beverage - a higher level of authentic Chinese, Korean or Japanese foods options.

BRAND

There has been a net decline in visitors to Eurobodalla over the last four years while other regions have seen a net increase.

EXECUTIVE SUMMARY

While there are many contributing factors, we feel that the Eurobodalla brand is quite homogenous in a South Coast context. It certainly is a strong brand domestically, but it is positioned in a very similar way to other South Coast locations. Locations that are closer to larger population centres such as Sydney and Melbourne.

A brand that is more independent and has more cut through is needed especially if Eurobodalla wants to take a leadership position with international Chinese / Asian visitors. While the development of specific positions for message testing is not part of this Phase 1 scope of work, we believe that we have indentified a unique position. At this stage, no one is "owning" the South Coast strategic location between Sydney and Melbourne. We are advocating the exploration of this position especially for international Chinese visitors as it will enable the linking of the Eurobodalla story to the urban and metropolitan needs/desires of such visitors. Also, it is advantageous that both Sydney and Melbourne are the major gateways for Chinese and other international visitors.

INVESTOR TYPE

Given the current economic concerns about Australia, the general sentiment is that Australia is still a good place for investment due to some core fundamentals such as transparency and stability. In particular the appetite for accommodation and recreational investments remains strong. The Tourism Investment Monitor is projecting growth in mixed use developments.

As highlighted by Port Stephens' success with working with Korean International Tour Operators, working with investors that can bring not just their subject matter expertise and capital, but also a potential pipeline of visitors, which will help optimise the return on their investment, is a recommended pre-requisite for any private sector investor. Many of the companies that manage travel in China, Korea and Japan are also investors in other parts of the travel supply chain.

ADDITIONAL FINDINGS

During our work, it was highlighted that there were perceived investment opportunities in non-Tourism industries. In particular, it has been highlighted that creating value-add in industries that are active in the region would also have excellent benefits for regional development. Private sector investors could also be interested in these sweet-spot investments.

While there has been a lot of discussion about the benefit to the region of Canberra Airport going international, we feel that this could be of short-term benefit. There are still many open operational questions including flight paths and curfews. One also needs to consider that Badgerys Creek Airport will come online in the future and this may impact the attractiveness of Canberra for international passenger flights.

EXECUTIVE SUMMARY

However, the international freight aspect of Canberra Airport could provide an excellent route to Asian markets for certain exports when combined with the recent free-trade agreements that have been signed by Australia - with China, Japan and Korea.

Working with the right investors, the following industries could be opened up to product development and export via Canberra.

Dairy:

- Milk powder & formula
- UHT milk

Produce:

- Beef
- Oysters

Education:

- Agriculture & Coastal Management
- Pilot Training
- Political / International Business

Equine:

- Breeding
- Equestrian Training

Again such opportunities can be message tested in Phase 2.

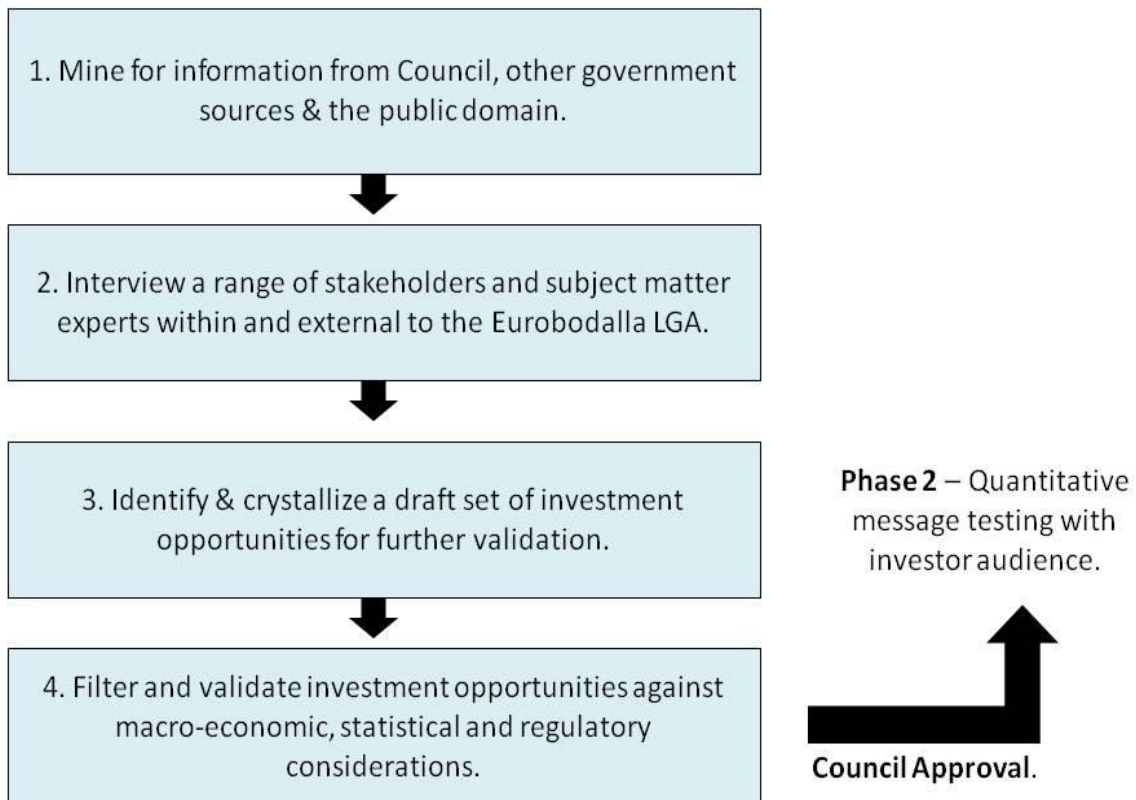
For more details on our research & analysis, please continue to read the main body of this report.

RESEARCH APPROACH



RESEARCH APPROACH

Our Phase 1 research is exploratory and qualitative in nature. Our methodology is as follows:



Over 30-requests for interviews were sent and we were able to conduct 12 interviews with stakeholders from Government, Private Enterprise and Consultants (Appendix 4). While we reference the comments made and the insights generated, these interviews were not recorded and all comments will be kept anonymous.

As our Phase 1 work is purely qualitative, we acknowledge that it does have limitations. It is important that Council not only understand, but support the recommended focus areas. These recommendations will be further tested when we conduct quantitative message testing in Phase 2.



VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

The typical type of visitor to Eurobodalla is domestic and of low spend (i.e. low yield). The following regional comparisons have been done to specifically isolate if Eurobodalla's visitor growth challenges are typical for a regional LGA or if there are unique challenges faced by Eurobodalla.

REGIONAL COMPARISONS

Eurobodalla success as a destination for domestic tourism is well established. Whether it be visitors from Canberra or as a major destination for others visiting from NSW sources, there are many other LGA's on the eastern seaboard of Australia that share a similar profile in regional demographics, coastal location and the importance of tourism and related services. Closer to home, the adjacent Bega Valley Shire and City Of Shoalhaven are two examples of destinations that share a similar profile to Eurobodalla.

For our regional comparison, we have selected the following LGA's to compare with:

- Bega Valley Shire
- City of Shoalhaven
- Port Macquarie-Hastings
- Port Stephens

Table 1

Item	Eurobodalla	%	Bega	%	Shoalhaven	%
Total Visitors	1,221	100%	797	100%	2,355	100%
International	24	2%	22	3%	22	1%
Domestic Overnight	700	57%	411	52%	1,068	45%
Domestic Day-Trip	497	41%	364	46%	1,266	54%

Source: Destination NSW LGA Profile - Year ending September 2014

South Coast Comparison

Top-level statistics for the South Coast of NSW region do indicate that Chinese Mainland visitors make up a considerable number of the 114,000 international visitors to the region (7.3%*). However, drilling down further into the LGA profiles of the region, it quickly becomes apparent that this result is being driven by the Wollongong LGA. Anecdotal evidence indicates that this is most likely has to do with Nan Tien Temple acting as an Asian draw card. This is an interesting insight and indicates the power of Asian centric products or experiences in attracting international visitors from China and other Asian countries. Once you go further south of Wollongong, the main international visitors are from Europe or North America (i.e. Chinese international inbound visitors are underrepresented).

*Source: Destination NSW Region Profile - Year ending December 2014

Table 1 clearly shows that Eurobodalla and Bega share very similar visitor make-ups even though the actual number of visitors differ greatly. Shoalhaven has a much larger footprint in terms of overall visitors. The number of international visitors is consistent amongst all three LGA's. Coupled together with age and spend statistics, this indicates that the typical international visitor to the South Coast is a young traveller on tour (e.g. backpacker).

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

When comparing the trend of "four year annual averages", Eurobodalla has experienced a net decline in the number of visitors for the period December 2008 - September 2014 while all other South Coast regions have experienced net increases. There has been a noticeable shift over recent years in the marketing of the South Coast to the Sydney market. As discussed further in our brand analysis, the value-proposition of Eurobodalla amongst its neighbouring regions does not set itself apart from a brand perspective. Also the focus on Canberra as a origin (as outlined in the South Coast Destination Management Plan) may mean that Eurobodalla is not getting a share of the desired increase in visitors from Sydney to the South Coast.

Recently there has been a lot of press around the positive results of Jervis Bay package tours that have been developed to focus on Asian and European independent travellers. While overall Eurobodalla gets a share of international visitors at a level similar to Shoalhaven, as can be seen in Table 2 below, the length of stay in Shoalhaven is almost double that of Eurobodalla's. This result looks to support the claim that a strong ecosystem of experiences promoted as a "international" product can, and do, have an impact on spend by increasing the duration of the visitors stay.

Table 2

Item	Eurobodalla	Bega	Shoalhaven
Number of International Visitors	24	22	22
Average Length of Stay (Nights)	4.5	4.6	10.2
Holiday	85%	87%	64%
VFR	11%	9%	31%
Other	4%	4%	5%
Spend Per Night	\$75	\$75	\$75

Source: Destination NSW LGA Profile - Year ending September 2014

The domestic overnight visitors for Eurobodalla, Bega and Shoalhaven have also been examined in Table 3 below. The overall position of each LGA is very similar and the only factor that attributes to the difference in domestic overnight visitor numbers are proximity to Sydney / Canberra - key catchments for VFR traffic.

Table 3

Item	Eurobodalla	Bega	Shoalhaven
Number of Domestic Overnight Visitors	700	411	1068
Average Length of Stay (Nights)	3.8	4.3	3.5
Holiday	69%	61%	65%
VFR	22%	25%	27%
Other	9%	14%	8%
Spend Per Night	\$127	\$127	\$127

Source: Destination NSW LGA Profile - Year ending September 2014

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

So what can Eurobodalla learn from its neighbours?

The program that was previously highlighted as best practice is called "Discover Jervis Bay". It is a collaboration between local destination experiences and accommodation that have created package offerings with the intent to keep visitors a few days longer. It is a destination program focused on international in-bound visitors which started in early 2014.

A recent press release in the South Coast Register (see Appendix 2) indicates that several "international-ready" businesses had participated including:

- Symbio Wildlife Park
- Skydive the Beach
- Sebel Hotel in Kiama
- Coolangatta Estate (Vineyard)

While the core focus of this work is on what experiences and assets are needed, or are missing, to cater for an influx of Chinese international visitors, it is important to note that the success of the "Discover Jervis Bay" program has been in its ability to create an internationally focused product or eco-system of experiences including with enterprises outside the Jervis Bay area. It is key for Eurobodalla to do this and it is something that could be started immediately with a focus on international visitors.

The creation of Asian centric / high-value products which consists of the right experiences is key and our gap analysis and further message testing in Phase 2 will help define these gaps - for both domestic and international audiences.

As mentioned earlier, the overall total net visitor trend for Eurobodalla has been negative and it is our belief, that coupled together with geographical distance, the brand position of the Eurobodalla region is not cutting through to a Sydney audience. The Unspoilt South Coast message is certainly a compelling one, but Eurobodalla is left in the unenviable position of having a similar value proposition to destinations which are geographically closer to Sydney and Melbourne (see brand assessment) while having to continue to compete with them in an overlapping Canberra market. While there are certainly benefits from an organised and consolidated approach to destination marketing across a region, specific LGA programs which organise experiences, assets and access into products are needed if Eurobodalla is to truly capitalise on the Sydney market as well.

North Coast Comparison

Top-level statistics for the North Coast NSW region do not indicate that Chinese Mainland or Asian international visitors are visiting the region. In the year ending December 2014, only 8.9% of international visitors to the North Coast were from an Asian origin compared to 23.6% for the South Coast.* Again this highlights the importance of Asian Centric destination experiences and products. It also indicates there is some opportunity for a "Wollongong Halo" effect in building an international profile for Eurobodalla amongst international visitors from China and Asia. It is recommended that this halo effect be tested in terms of message effectiveness on Chinese audiences.

**Source: Destination NSW Region Profile - Year ending December 2014*

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

Table 4

Item	Eurobodalla	%	Port Stephens	%	Port Macquarie	%
Total Visitors	1,221	100%	1,366	100%	1,453	100%
International	24	2%	26	2%	51	4%
Domestic Overnight	700	57%	641	47%	698	48%
Domestic Day-Trip	497	41%	699	51%	703	48%

Source: Destination NSW LGA Profile - Year ending September 2014

From a quick assessment of the data points in Table 4, it is clear that the North Coast region is also heavily dependent on domestic tourism like the South Coast. It also shows that Port Macquarie has a higher proportion of international visitors when compared to the other LGA's. This is an interesting data point. Both Eurobodalla and Port Macquarie share a similar distance from Sydney and many other similar demographics. This difference has been ring-fenced for further analysis. The other important data point to note is that Eurobodalla is also strongly performing in the domestic overnight market when compared to the other LGA's on the North Coast. This supports analysis and opinion that the existing tourism economy is relatively strong, vibrant and competitive on the domestic front.

Table 5

Item	Eurobodalla LGA	Port Stephens LGA	Port Macquarie
Number of International Visitors	24	26	51
Average Length of Stay (Nights)	4.5	4.6	5.2
Holiday	85%	83%	84%
VFR	11%	15%	12%
Other	4%	2%	4%
Spend Per Night	\$75	\$67	\$58

Source: NSW LGA Profile - Year ending September 2014

Table Five provides another insight into the type of international visitor to Port Macquarie. They are low spend visitors from Western Europe/North America and are touring. In fact, while Byron LGA enjoys almost double the number of international visitors when compare to Port Macquarie, the average nightly spend is the same. Net net, the majority of international visitors up and down the Easter seaboard are of low-yield.

When examining the top five international visitors to Port Stephens, an interesting anomaly was found. While the majority of the North Coast does not record any Asian countries as source markets in their top international visitors, Port Stephens records Koreans within their top five. Further research showed that in the 1990's, relationships were created with Korean International Tour Operators and until today, they are able to provide a pipeline of international visitors from that source market.

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

While Port Stephens is a easy day trip from Sydney, the importance of working with overseas agents or organisations that can create pipeline does have a meaningful impact on international visitors numbers from Asia. For Eurobodalla, given its geographical distance from the Sydney and Melbourne gateways, working with private sector investors who can reduce the risk of their investments by controlling part of a visitor pipeline, from origin countries such as China, would be advantageous.

Table 6

Item	Eurobodalla	Port Stephens	Port Macquarie
Number of Domestic Overnight Visitors	700	641	698
Average Length of Stay (Nights)	3.8	3.2	3.5
Holiday	69%	68%	49%
VFR	22%	25%	35%
Other	9%	7%	16%
Spend Per Night	\$127	\$164	\$134

Source: Destination NSW LGA Profile - Year ending September 2014

Additional analysis on domestic visitors shows that VFR visitors are a key contributor to Port Macquarie's economy. With a larger population, Port Macquarie-Hastings also does have improved access when compared to Eurobodalla. Access that reflects its population size:

- Completion of Pacific Hwy upgrades has reduced travel time from Sydney.
- Its regional airport has two flights daily from both Qantas and Virgin.

However, this indicates that there is potential to unlock more VFR travel in Eurobodalla through improvements in access for the domestic overnight market. Interestingly, Port Stephens is considered a potential day trip from Sydney and is also served by Newcastle Airport, yet does not compete against Port Macquarie in many ways. It seems to suffer from the same reliance on "Holiday" visitors and the exposure that this can create.

The current destination management plan for Eurobodalla recognises the need to do more to reduce the incumbency on seasonal visits while maintaining the competitive nature of the region as a domestic destination year round. Better access via the airport could help this.

On many factors, excluding population size (See Appendix C), both Port Macquarie and Eurobodalla are very similar. However, the following key points should be considered as Port Macquarie-Hastings does out-perform Eurobodalla on:

- Access to airport and rail infrastructure (already noted)
- The role that exporters, importers and wholesales play in the economy
- The presence of major organisations
- The mix of accommodation
- The use of National Parks as a natural resource

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

It is the last point that interesting as "nature" is seen as a competitive advantage for Eurobodalla and perhaps is one that is yet to be fully realised. The following qualitative assessment has been done on key variables that could help us better understand the core differences that could trigger "internationalisation" of Port Macquarie.

Factors	Port Macquarie-Hastings	Eurobodalla
Population	76,046 people with large number of retirees.	37,104 people with a large number of retirees
Tourist Route	The "Great" Pacific Hwy route is well known touring route internationally.	While people do tour from Sydney <> Melbourne via the Princes Hwy, it is not an internationally known touring route.
Event	Has a key international event in the form of the IRONMAN.	No international events.
Accessible Water	Substantial access to water, but does not have a diverse range of waterways.	Considered to have better access to water.
Diversity of Accommodation	Diverse range of accommodation.	Developing range of accommodation for visitors
Nature	Developed eco-tourism and nature infrastructure including Sea Acres National Park and Rainforest Centre & Wildlife Interactions.	As a result of the National Parks and local planning, considered to be more pristine. However, underdeveloped in this aspect.
Heritage, Culture and Arts	Dedicated art, conference and performance centre.	Developing a sense of arts & culture, but not persistent.
Food & Beverage	More diverse range of food & beverage experiences including Beer & Wine Trails	Developing range of food & beverage experiences. However, has more flagship recognition with Moruya Farmers Markets & River Cottage hero stories.
Soft Adventure	Developing soft adventure offer.	Developing soft adventure offer.
City within 3hrs	Located near two major population centres - Sydney and Newcastle.	Located near two major population centres - Sydney and Canberra.

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

Our assessment is that while Port Macquarie itself is not an iconic location for international tourists, it is in a prime location on an internationally known touring route. Yet it maintains its own brand identity. This creates a larger number of international visitors, but of low yield.

However, while low yield, it does show the power of an international brand - in this case The Legendary Pacific Coast Tour - and the role that a strategic location can play in an international visit. The same can be said for Byron as a destination.

A key consideration for Eurobodalla is its place on the Princes Highway in competition to its neighbouring LGA's. Such a strategic location has already be discussed by Bega Shire Council.

The profile of Port Macquarie is further enhanced due to the international profile of the IRONMAN event. While this event attracts more state and inter-state visitors, international mindshare is created through broadcast and publication.

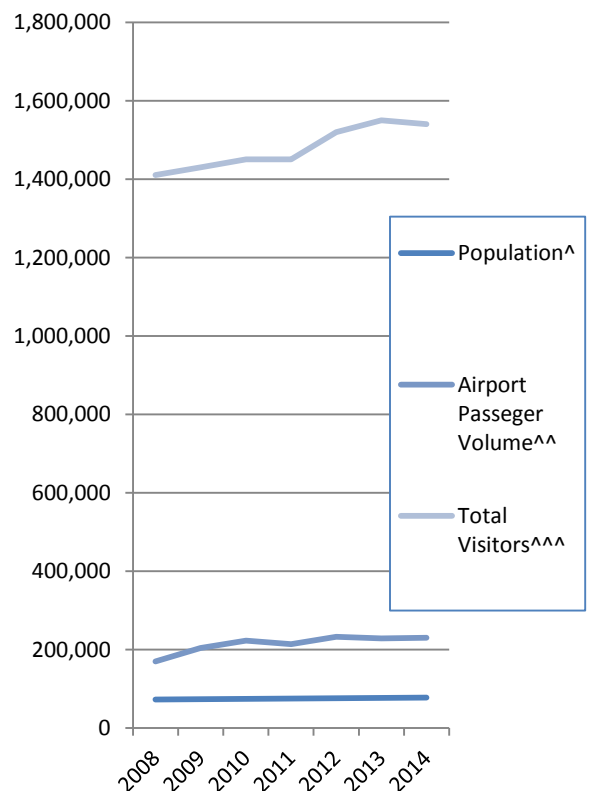
As a destination, it is also better serviced with both road, rail and air access. However, as shown by Chart 1 , while there has been dramatic increases in passenger volumes through Port Macquarie Airport, it has not driven exponential increases in the number of visitors to the region.

The core means of travel to Port Macquarie is still "drive" and the airports contribution has been to provide visitors an alternate to driving, while improving the mobility of the regions population.

The impact of the airport development has allowed larger aircraft to service the region. However, the real increase in passenger volumes occurred when the routes were opened up to competition and airfares fares dropped. Virgin begun its Sydney to Port Macquarie operations in 2008.

- From 2007 to 2008, the number of airport passengers grew 40%
- From 2008 to 2009, the number of airport passengers grew 20%

Chart 1 - Port Macquarie Passenger Volume vs. Population and Visitor Growth



[^]Port Macquarie-Hastings Council Economic Profile

^{^^}Historic Aviation Statistics - Commonwealth of Australia

^{^^^}Destination NSW LGA Profile - Year ending September 2014

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

At face-value, the airport supports broader based benefits for the Port Macquarie-Hastings economy including access for business (flights to both Sydney and Brisbane) as well as supporting the opportunity for the population to travel. For tourism it does not seem to have been a game changer, but allows the destination to remain competitive by offering more choice and flights as part of a destination package.

Is Eurobodalla under performing when attracting international visitors to a regional destination?

To better understand if having "2%" of total visitors being from overseas is a regional issue, we compared the statistics for Eurobodalla against two other locations to sense check things. While both regions do not compare to Eurobodalla in many demographical and geographical ways, we were keen to see what effect or perceived advantage that each have would have over Eurobodalla with international visitors:

Blue Mountains LGA - Located a day-trip away from Sydney which is also one of the most visited international tourism locations in Australia.

Western Sydney - A location with a high portion of migrants which attract international VFR.

Table 7

Item	Eurobodalla LGA	%	Blue Mountains	%	Western Sydney	%
Total Visitors	1,221	100%	1,783	100%	9,146	100%
International	24	2%	48	3%	276	3%
Domestic Overnight	700	57%	418	23%	2,000	22%
Domestic Day-Trip	497	41%	1,317	74%	6,870	75%

Source: Destination NSW LGA Profile - Year ending September 2014

While in real terms, there are major differences, proportionately Eurobodalla results compare against these two locations that have international visitor draw-cards or perceived better access. As shown by Shoalhaven, the short-term opportunity for Eurobodalla is creating packages that target international visitors and makes them stay longer. This is a practice that can be equally applied to domestic audience sets such as high-yield visitors from Sydney. A practice that can also be applied to Asian centric experiences once they are developed.

VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

Considering Port Macquarie, it is not that Eurobodalla does poorly, but that Port Macquarie is located on a Touring Route that is "well known". This competitive advantage is recognised in their Destination Management Plan which recognises the importance of the **"The Legendary Pacific Coast Touring Route"** and their strategic location on it. While there is a major coastal highway between Melbourne and Sydney, there is no strategic positioning for this coastal travel route evident and this alone represents an excellent opportunity for Eurobodalla:

- As an international destination brand which links the region up together with Sydney and Melbourne destinations (i.e. Australia's international gateways)
- Ownership by placing Eurobodalla at the heart of a domestic touring route which targets the Sydney, Melbourne and Canberra markets.

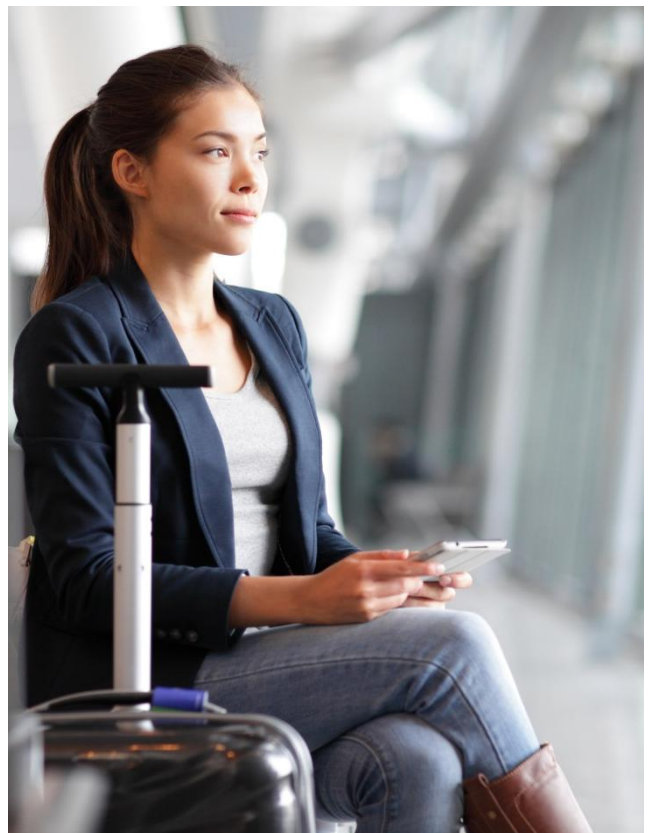
Opportunities from Asia

Table Eight lists the Top 10 source markets for international visitors to Australia and compares them to those that visit regional Australia. As can be seen, regional Australia is not capturing the growing number of Asian visitors. In large part this is due to the preference of Asian visitors for more city based experiences and attractions. However, this is not to say that Asian visitors are not an opportunity. Anecdotal evidence from some of our interviews have highlighted that there is a number of self-drive visitors from Singapore and India transitioning through the region. It has also been highlighted that many people are travelling through the region mid-week and between events in Sydney and Melbourne – Australia's two main international gateways.

Table 8

International Visitors Rank	Source Country	# of visitors ('000)	Top 5 - Regional Visitors
1	New Zealand	1,241	Y
2	China	839	N
3	United Kingdom	652	Y
4	United States	652	Y
5	Singapore	372	N
6	Japan	326	N
7	Malaysia	324	N
8	Korea	204	N
9	Hong Kong	201	N
10	India	196	N

Source: Destination NSW LGA Profile - Year ending September 2014



VISITOR PATTERNS & PERCEIVED OPPORTUNITIES FOR INTERNATIONAL VISITOR GROWTH

However, as seen in the press release below, international visitors number continue to increase - in particular from China.

Figure 1: Tourism Australia - Press Release - 21st June 2015

LEISURE TRAVEL CONTINUES TO DRIVE RECORD INTERNATIONAL ARRIVALS

Results from the latest International Visitor Survey that were released by Tourism Research Australia show that for the year ending December 2014:

- international visitor numbers increased 8% to a record 6.4 million visitors
- total trip expenditure rose 7% to a new high of \$31.1 billion
- leisure travel dominated growth in visitors, with holiday arrivals increasing 8% to 2.9 million, and those visiting friends and relatives up 10% to 1.8 million
- fourteen of Australia's top 20 markets reported record arrivals
- Asian markets grew strongly, with increases in visitors and their total trip spend (both up 11%).

Four of the top five markets saw record visitation, with visitor numbers from China up 18% to 784,000 and trip spend up 19% to \$5.7 billion. China now accounts for 18% of total trip spend. Visitation from the USA continued at record levels, with visitors up 11% to 523,000 and trip spend up 9% to \$2.8 billion. Visitor numbers from Singapore increased 10% to 325,000 and trip spend increased 9% to \$1.2 billion. New Zealand also saw strong growth, with visitors up 5% to 1.1 million and trip spend up 6% to \$2.4 billion, however, UK visitors were down by 1% to 615,000.

"Given the current record performance, coupled with the lower Australian dollar, our proximity to the growth markets of Asia, and continued economic recovery in Western markets, the outlook for inbound travel remains positive," said Tourism Research Australia's Assistant General Manager, Mr Spiro Kavadias. *"With record international arrivals and strong growth in the investment pipeline, the tourism industry is in a good position to attain its Tourism 2020 goal of increasing overnight tourism expenditure to between \$115 and \$140 billion by 2020,"* Mr Kavadias said.

Eurobodalla should not and cannot expect to compete with the major capitals as attractions for Asian visitors. However, as the growing Asian middle class becomes more mature, they will look beyond the major Australian capitals. This change is already underway especially amongst international Chinese visitors. The next section of work examines this opportunity in more detail.

CHINESE TOURISM - MYTH OR OPPORTUNITY?

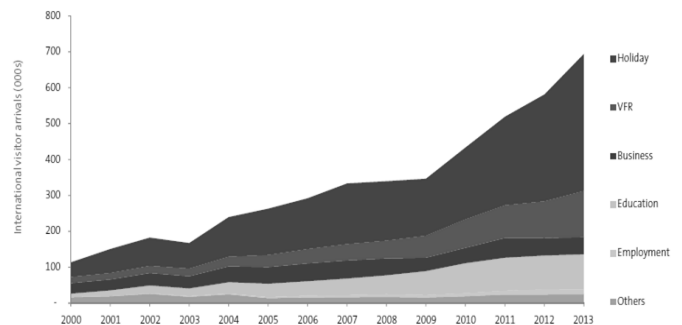
4

CHINESE TOURISM – MYTH OR OPPORTUNITY?

The numbers don't lie. The number of Chinese tourists travelling overseas is expected to double to 200 million by 2020. Australia is battling hard in a highly competitive landscape for a slice of this growth - in both Asia and across the globe. The recent offer of three-year multiple entry visas to Chinese travellers seems advantageous by Australian standards, but we are only playing catch-up with countries such as Indonesia.

Australia is among the most popular international destinations (ranked within the top ten) for Chinese tourists, who are attracted by the proximity to China, nature, fresh food and safety - all characteristics of Eurobodalla. The number of visitors from China has been growing steadily with the "holiday" segment growing significantly.

Chart 2 – Chinese Visitors by purpose of visit



Sources: Tourism Australia - China Market Profile 2014

While it is acknowledged that Chinese visiting for "education" are high-value visitors, our work is focused on those that stay shorter periods of time. The profiles below show that the Holiday segment is very lucrative with an average per night spend of \$449 being higher than other sources of international tourists.

Chart 3 - Chinese Visitors , purpose of visit and spend



Note: A "leisure" traveller main purpose of visit is both holidays and visiting friends and relatives.

Sources: Tourism Australia - China Market Profile 2014

Compare this with Holiday visitors from the following source countries:

- United Kingdom - \$153*
- United States - \$276^^
- Singapore - \$276**

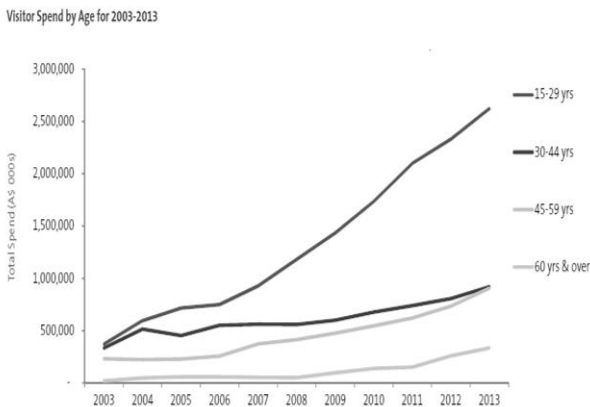
Sources:

- ^ Tourism Australia - China Market Profile 2014
- * Tourism Australia - United Kingdom Market Profile April 2013
- ^^ Tourism Australia - USA Market Profile 2014
- ** Tourism Australia - Singapore Market Profile 2014

CHINESE TOURISM – MYTH OR OPPORTUNITY?

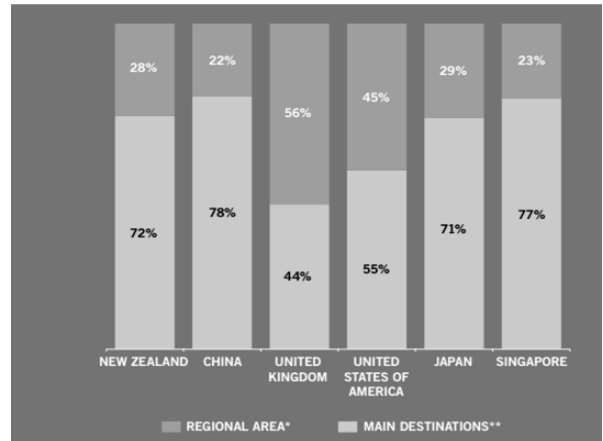
As the chart below shows, it is the 15-29 year bracket that are the key contributors to this growth. This result highlights core social changes underway in China including its rapidly expanding middle class. What we know is that upwardly mobile Chinese visitors are attracted to Australia as a destination. Tourism Australia is currently reporting that the early low yield Group Chinese market to Australia is now shifting rapidly towards medium and high yield Free and Independent Travellers (FITs). They are now forecasting that 6 out of 10 Chinese visitors are now FITs.

Chart 4- Chinese Visitor Spread by Age



Sources: Tourism Australia - China Market Profile 2014

Chart 5 - International Visitors – Main vs. Regional



Sources: Tourism Australia - China Market Profile 2014

Figure 2: Chinese FIT Traveler Profile

The dispersal patterns of Chinese leisure FITs show that the following visitor types are those most likely to disperse to regional areas:

- Holiday visitors
- First-time visitors to Australia
- Those aged 25 to 34 years
- Those travelling with friends/relatives.
- 43% & 44% of FIT travelers to Sydney and Melbourne respectively visited Australia for a holiday.
- A relatively even split of first-time and repeat visitors among Chinese leisure FITs arriving in Sydney, while those arriving in Melbourne were more likely to have visited Australia before
- The majority (50%+) are unaccompanied travelers.
- Sydney (45%) and Melbourne (35%) were the most prominent arrival gateways
- A higher proportion of Sydney gateway than Melbourne gateway visitors travelled beyond their city of arrival to a combination of main destinations
- However, 44% of FIT travelers which were designated VFR travelled beyond the gateway which indicates a domestic VFR factor in itinerary and planning.
- Dispersal of Chinese leisure FITs to regional areas (25% of those who arrived in Sydney and Melbourne gateways) was more likely to be associated with mid-range expenditure (\$72 to \$206) than lower (less than \$72) or higher (\$207 or more) expenditure per night.

Source: Tourism Research Australia - DISPERSAL OF CHINESE FREE AND INDEPENDENT LEISURE VISITORS IN AUSTRALIA - 2015

CHINESE TOURISM – MYTH OR OPPORTUNITY?

The statistics and profile in Chart 5 and Figure 2 highlights several key opportunities for Eurobodalla:

- On current estimates of Chinese FITs, this represents a market size of 100,000+ Chinese visitors who will travel beyond a main Australian city. If you consider that 40%-45% arrive via Sydney, crude calculations could assume that there is a market segment consisting of approximately 40,000 - 45,000 Chinese visitors could be targeted with a "regional" value proposition by Eurobodalla.
- Chinese FIT represent a different value proposition than the current international visitors who travel to the South Coast or North Coast of NSW as they have a higher propensity to spend more than the current average nightly spend in Eurobodalla. This supports the goals of Eurobodalla to improve the spend from visitors to the region.
- In many cases, Chinese FIT are also travelling to Australia to visit friends and family and will take in a visit to a regional location as part of their visit. This showcases that there are two potential layers of marketing which need to be considered by Eurobodalla when promoting the region to Chinese FIT - source (i.e. in China) and local influencers (i.e. the family and friends that they are visiting)
- Chinese FIT are not travelling to Eurobodalla and other regional locations (except Wollongong), so there is time to put in place the right experiences, assets and marketing plans to take advantage of the expected wave of Chinese visitors.

So what sort of brand and destination experiences are needed by Eurobodalla?

Using multiple sources of information, we have been able to pull together a profile of Chinese FIT below.

Understanding young & affluent Chinese travellers

- 80% say that shopping is vital to their plans[^].
- Products or trips marketed as "authentic", "limited edition" or "VIP" have always appealed (e.g. Finland and seeing the Northern Lights)[^]
- Two-thirds of those planning to travel use online material when preparing their itinerary making Chinese centric search critical.[^]
- Chinese travellers rank baggage delivery between airport and hotel second among desired premium services.^{^^}
- They eat Chinese food when abroad. Being China-ready is not just about communication, but also providing the right creature comforts.

Sources:

- [^]The Economist: How the growing Chinese middle class is changing the global tourism industry - 19th April, 2014
- ^{^^} China Business Review: China's Travel & Tourism Marketing Takes -off - 1st January, 2012

While we do assess "Tourism Gaps" further in this document, we are able to quickly identify some key challenges for Eurobodalla:

CHINESE TOURISM – MYTH OR OPPORTUNITY?

Limited Edition experiences: While there are certain experiences in Eurobodalla such as Sea Planes and remote Picnics or Wildlife that are memorable, there is not a single landmark or geographical feature that is recognisable internationally. While in itself this is not an insurmountable challenge, having a critical mass of such “Limited Edition” experiences becomes more critical. This is further compounded by a small choice of destinations and accommodation that could be considered “VIP”. Both destination experiences and accommodation would need to be improved in Eurobodalla.

Service, Shopping & Chinese Food: Chinese requirements are very different from Domestic and International visitors from European and North American countries. While they are willing to explore different overseas locations, there are base-level experiences when it comes to service, shopping and food that must be met. China-Ready service levels at accommodation is critical, some level of luxury shopping is key and being able to provide acceptable levels of Chinese comfort food is mandatory. Eurobodalla must not wait for the visitor to cross the cultural gap, but must cross it themselves. It must also be noted that such principals also apply to many visitors of Asian origin. Eurobodalla needs to develop Asian centric experiences and products.

Figure 3: The power of Chinese online in travel bookings

Actress Yao Chen and husband Cao Yu's choice to marry in Queenstown, New Zealand. The My Own Swordsman star, who is also Tourism New Zealand's brand ambassador for China, holds the record of having the highest number of followers on Weibo, with more than 26 million. She posted photos of her wedding and activities she had done in and around Queenstown on Weibo, sparking wide interest and comments on New Zealand as a holiday destination.

110,000 talked about her wedding on Weibo.

Tourism New Zealand spokeswoman Emma Carter said between 30,000 and 40,000 tourists came to New Zealand to get married or for a honeymoon last year, spending about \$130 million.

"Their average expenditure is around \$3800 each ... which is quite a high spend per person. The average tourist spends \$2300," she said.

Source: The New Zealand Herald - Chinese star's wedding boon for tourism - 21st November, 2012

A critical thing to note about Chinese tourism is that it has been a highly regulated industry from a Chinese state perspective. While the Destination NSW (DNSW) "China Strategy" is focused on protecting the current stature of Sydney as a gateway and accessing Tier 2-4 China cities as source markets, it is the recognition of the on-going role of Approved Destination Status (ADS) to the "China" value proposition which is also a key part of their strategy.

CHINESE TOURISM – MYTH OR OPPORTUNITY?

Australia was one of the first Western countries in the world to be ADS approved. ADS group travel is seen as key to maintaining and growing the visitor economy in New South Wales in the years to come. However, as earlier noted, the DNSW China Strategy also notes the importance of the FIT traveller from China.

While the segmentation of consumer segments is helpful, it also notes the role that Overseas Tour Operators (OTO's) still play in the FIT consumer segment. While their original business has been Tour Groups, they are diversifying and are also adapting their marketing and product offering to the changing tastes and needs of the modern Chinese traveller. As a result of the "great fire wall" and the closed nature of China's e-commerce economy, many Chinese FIT traveller still book online via ADS sanctioned groups. These Tour Operators not only have control over swathes of travellers in Tour Groups and existing databases of travellers, they are also key influencers in the emerging FIT market, which is key for regional Australia, as they often still are booking travel for Chinese FIT. These Tour Operators can be seen as potential investors based on their business model, revenues and market capitalisations.

Figure 4: CITS Group

CITS GROUP CORPORATION is a Chinese state-owned corporation integrated with travel service, sales of duty-free products, development and management of real estates in tourism resorts, communications and transport, electronic commerce and other general services. It 's website claims that it has capital of over 82-million AUD and that it is one of the largest and most powerful tourism enterprises in China.

Source: CITS Website

The other key thing to note is that international travel aligns with key holiday periods in China such Chinese New Year and Golden Week. The peak periods are October, December to February and July to August. While some of these periods offer opportunity to address the seasonality of existing domestic visitor trends, in particular the July to August period sees Australia competing against the northern hemisphere summer.

OTHER VISITOR GROWTH OPPORTUNITIES ASSESSED

5

OTHER VISITOR GROWTH OPPORTUNITIES ASSESSED

While there has been a core focus on Chinese visitors due to their growth and propensity to spend more (i.e. mid to high yield), through our discussions with local Eurobodalla stakeholders, the discussion of high-yield visitors was also used when discussing domestic overnight visitors.

Both international and domestic high-yield tourists share key attributes including the desire for unique experiences and boutique / luxury accommodation. Again, anecdotal evidence indicates that distance is not necessarily as great a barrier as initially thought with many guests taking in activities within the LGA catchment as part of a broader visit to the South Coast - via road-trip from Sydney to Melbourne or via Canberra. However, the availability or awareness of more high-yield options in Eurobodalla is considered low.

TRA's LGA profile on Eurobodalla shows that visitors from Sydney outperform visitors from Canberra in terms nights stayed and overall spend. Through-out our interviews, many people mentioned that the focus in marketing and visitors tends to be the beach. As seen in the table below, water access continues to be a core reason to visit, but this is closely followed by eating out. That shopping also make the top 5 activities showcases that while "water access" is a draw card, there is opportunity to diversify and build non-summer opportunities around other destination assets. This is reflected in the Eurobodalla Destination Management Plan via the recommendation to develop niche experiences such as "slow food".

Table 9

Top 5 Activities (Domestic overnight visitors)	000's	Eurobodalla %	NSW %
Go to the beach (including swimming)	392	56%	23%
Eat out at restaurants	379	54%	58%
Visit friends and relatives	263	38%	49%
General sight seeing	223	32%	25%
Go shopping (pleasure)	170	24%	26%

Source: Eurobodalla LGA Profile - Year ending September 2014

However, domestic overnight visitors are typically not spending money on higher-end accommodation and are skewed to low cost alternatives or friends/family properties. This is not to say that the region is not attracting the high-end market. When the high-yield segment is catered for, it has been shared with us that occupancy and use is high and that the majority of high-yield visitors are coming from Sydney. However, it is fair to say that services to this market are quite fragmented even considering local businesses are looking to collaborate and bundle offers.

OTHER VISITOR GROWTH OPPORTUNITIES ASSESSED

Table 10

Top 5 Accommodation Types for Domestic overnight (nights)	000's	Eurobodalla %	NSW %
Friends or relatives property	720	27%	39%
Caravan park or commercial camping ground	617	23%	13%
Rented house, apartment, flat or unit	439	17%	10%
Own property (e.g. holiday house)	324	12%	4%
Hotel, resort, motel or motor Inn	295	11%	25%

Source: Eurobodalla LGA Profile - Year ending September 2014

From an investor perspective, the qualitative interviews and existing quantitative research have shown us that with the right marketing / promotions, collaborative efforts and marketable experiences there is high-yield domestic demand. Assuming land-use and planning would allow it, we do not see 5-star resorts with hundreds of rooms being able to be sustained. However, it does seem that there is opportunity for scale in the upper part of the domestic visitor segment - with the right products including accommodation.

CASE-STUDY 1: Paperbark Camp

Located in Jervis Bay, approximately 2 ½ hrs drive from Sydney near, Paperbark camp offers a unique blend of fine food and wine, luxury canvas accommodation in a natural bush setting. Beyond its unique accommodation, it has a restaurant that also provides an opportunity for locals (and their guests) to have a unique food experience.

It blends a nature experience together with a food & beverage experience which provides a more sustainable business model for the principals. It is has been highlighted as a best practice as it blend multi-purpose development, nature, high-end boutique accommodation and uniqueness to create a destination that is used by international and domestic visitors as well as local residents.

Business Visitors

One audience segment that has also been examined and assessed is the business audience. While people visiting the region for business make-up a significant number of domestic overnight visitors (7%), from what minimal information that we can glean, business group travel (5+ more workers sharing a similar purpose for visiting) is non-existent. However, this statement is based on qualitative feedback as there is a lack of available research in this space.

The opportunities for attracting business group travel tend to be centred around Meetings, Incentives, Conferences and Events (MICE). While a little dated, Figure 5 showcases the perception from businesses on doing MICE related activity in regional destinations.

OTHER VISITOR GROWTH OPPORTUNITIES ASSESSED

Figure 5- Conferencing & Business Events - Perceptions, Barriers & Opportunities for Regional Sydney
Sponsored by The Regional Sydney Steering Committee (2011)

Findings summary:

- Most corporate do want to meet in the city and it does offer them convenience and cost savings versus regional destinations.
- Regional venues however do offer delegates the chance to gather, share and explore ideas, network or simply enjoy the open spaces and fresh air and get away from the distractions of the city.
- Each destination has its own set of unique and varied characteristics that can appeal to the different types of events held.
- Opportunities for Regional Sydney lie within the Incentive Travel and Corporate Meetings. However Regional Sydney ability to hold large incentive programs for over 250 delegates has been questioned by Event Managers and Professional Conference Organisers interviewed.
- The local corporate market for short-duration meetings, product launches and marketing events continues to be positive with Event Managers and Professional Conference Organisers indicating there are opportunities for business events between 20 to 80 delegates in Regional Sydney.
- Poor maintenance of 4-5 star hotels as well as the lack of staff training in the quality and service standards expected by corporate groups is top of mind with Event Managers and Professional Conference Organisers.
- Travel time and transport options are the key barriers for Event Managers and Professional Conference Organisers in selecting Regional Sydney Venues. This requires creative and individual solutions.
- There are significant gaps in the understanding of what properties and conference venues exist within each destination.
- Infrastructure improvements can be made in a number of areas. Air services were indicated as being poor and often expensive to regional areas.
- A business event could be viewed as a process, a means to an end, rather than an activity that is integrated into the business objectives of the company. Business events need to be promoted as creative learning experiences.
- Technology will supplement some business travel, but events will remain the most conducive to fostering specific business actions.
- Event Managers and Professional Conference Organisers expect a high degree of technology in marketing and operating a business event.
- The success of a business event lies in its ability to bring people together to socialise and create to meaningful business relationships.

Many businesses will execute events in regional and remote location such as employee team building, press events, channel events and drive programs as well as customer incentives. However, the base-level requirements tend to be suitable access (e.g. Airport), accommodation and event facilities. With the right infrastructure investments, targeting business group travel sources in the Canberra and Sydney markets may create some growth in this segment for Eurobodalla.

OTHER VISITOR GROWTH OPPORTUNITIES ASSESSED

Low-yield domestic visitors

It is very clear in the statistics analysed, plans reviewed and interviews conducted the importance that the low-yield domestic visitors play in the Eurobodalla LGA economy. From our regional comparison, it is also clear that Eurobodalla is a market leader in this category. As a result, detailed analysis has not be carried out on this segment.

However, any investment strategy should also be assessed in terms of value-add to this segment to see if it can support growth, and offer protection, via:

- New experiences for repeat visitors
- Opportunities to upgrade from typical accommodation (e.g. it was noted that the Shellharbour region has growing disposable income)
- Complementary infrastructure
- Create visits during non-peak times

6

PRIVATE SECTOR INVESTMENT IN TOURISM

PRIVATE SECTOR INVESTMENT IN TOURISM

Investor sentiment in the Australian Tourism Industry remains strong as can be seen by some research completed by Tourism Australia below.

Figure 6 - TRA's Tourism Investment Sentiment

- The survey showed that sentiment towards investment in the aviation infrastructure, accommodation, and arts and recreation sectors is optimistic.
- Appetite for accommodation investment is Very optimistic over the next 12 months and Optimistic over the next two to five years—an improvement in the short to medium term on the previous survey.
- The appeal of arts and recreation investment over the next 12 months and the next two to five years is improved, with fewer respondents stating they were Neutral towards investment in the sector and expectations becoming more Optimistic.
- Expectations for aviation infrastructure have moderated (compared to 2013 results), for both the next 12 months and the next two to five years, but remain largely Optimistic.

Source: *Tourism Investment Monitor 2015*

Growth in mixed use development

Tourism Investment Monitor, in their 2014 annual report, projected growth opportunities in mixed use developments. One of the major reasons was that the value of stand-alone developments is hard to quantify unless they are close to a core hub that will create demand. That is, fulfilling a single need, whether this be for accommodation or other types of tourism infrastructure, needs to align to having a critical mass for that need. Also, mixed used developments are perceived to spread the risk.

During our interviews with different subject matter experts, it was highlighted that the success of many marina developments has been in their ability to attract a mix of visitors on a repeat basis. The core to this has been the goal of creating a destination which has been able to overlay the function of the marina together with food & beverage and retail experiences.

This mixed use principle should be considered in all new destination asset developments in Eurobodalla.

CASE-STUDY TWO: PORT LOUIS MARINA - A MIXED DEVELOPMENT MARINA

A marina development has transformed the St. George's Lagoon in Grenada. The marina location was identified as being strategically situated for cruising the waters of the Grenadines - a market gap. Local boating and fishing businesses offered small charters and other boating related services, but compared to other Caribbean islands, the recreational and luxury yachting segment was not being fulfilled. While it is still being developed it offers the following commercial mix:

- Marina slips for sale as a permanent home marina base, as well as for annual or seasonal rental or for short-term visitor stays
- Traditional Marina facilities
- Shopping & Eating
- Accommodation & Permanent Housing
- Importantly is also works with other local hospitality vendors in cross promotions and building a destination ecosystem.

PRIVATE SECTOR INVESTMENT IN TOURISM

The idea of mixed use developments is not new on the South Coast as highlighted by Paperbark Camp (Case-study 1). Another mixed use development which was highlighted as a success was Fishermans Wharf in Bermagui.

Case-study Three: Bermagui Fisherman's Wharf

- Top national and international architect Philip Cox, who owns property south of Bermagui, saw the opportunity to create a village of uniqueness by using local materials such as timber which has formed a relaxed environment which reflects the view of the fishing fleet and the wharves backed by the ocean and the mountains.
- The development contains a small, but vibrant mix of businesses including restaurants, art spaces and a real estate agent.
- Total cost of construction of project is over \$5m.
- Total employment for building complex was approximately 30 employees.
- 3 years of planning, 10 months to build.

It has been identified that Eurobodalla does lack Asian centric experiences. While our interviews and research led to the isolation of marina mixed use developments, the key take-away for Eurobodalla is that **any** new mixed used development should also be designed to serve the appetite of Asian travellers in one way, shape or form.

Interest from Asian Investors is increasing

Tourism Investment Monitor (TIM) also reported that substantial attention from Asian investors in 2014 has been another driver of the significant growth in mixed use development in Australia. Mixed use developments are a particularly attractive proposition to Chinese and South East Asian investors, who are more familiar than domestic investors with these types of projects. While the TIM report focuses on large scale projects, it does note that Australia's stable environment, efficient regulatory processes, ease of doing business and transparency make it a very attractive destination for foreign direct investment in the tourism industry. Domestically, however, the impact of low consumer confidence resulting in lower business spend and growth may have an impact on domestic investor sentiment.

In the current environment, investment from foreign locations seem to be the key to future growth. Austrade and Tourism Australia are now working together to actively promote and pursue Tourism Investment opportunities which is high on the agenda of Federal Government. This is important as the Federal Government is sometimes seen as hostile to Foreign Direct Investment in certain industries such as Agriculture. So from a FDI perspective, what are the key opportunities and perceived issues with investing in Australian Tourism? A SWOT analysis from a 2013 survey conducted by Jones Lang Lasalle, where they interviewed 100 industry stakeholders from around the world about the attractiveness of Australia as an investment destination for accommodation real estate, can be found in Appendix 3. The survey also canvassed opinion on a range of factors impacting the future development of the short term accommodation market. The low Australian Dollar and the impact that this may have on Tourism based investments is a concern (i.e. The return-on-investment), but not a factor that can be controlled by Eurobodalla. However regarding high labour and other operating costs, Eurobodalla is in a strong position to address these due to its low cost of living and operations. There are no major or structural issues we see that would disqualify Eurobodalla as a region for foreign private investment in Tourism.

WHERE IS FOREIGN DIRECT INVESTMENT COMING FROM?



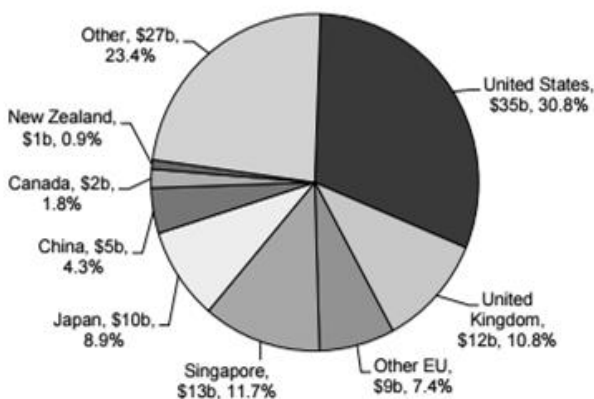
WHERE IS FOREIGN DIRECT INVESTMENT COMING FROM?

In 2013, the amount of Foreign Investment in Australia stood at \$2.5 trillion dollars and in the same year foreign investors injected \$115 billion of direct investment. The largest sources of foreign investment in 2013 were the United States (\$35 billion), Singapore (\$13 billion), the United Kingdom (\$12 billion) and Japan (\$10 billion).

Foreign direct investment from China is growing – with new injections worth \$5 billion in 2013, up from \$3.5 billion in 2012. China is now our sixth-largest source of inward foreign direct investment (\$21 billion) and our eighth-largest overall investor (\$31.9 billion). ^

^Source: Minister for Trade & Investment - Press Release - October 2014

Chart 6 – FDI by country of origin (2013)



Source: International Investment Australia 2013: Austrade

We previously identified that Asia was a growing source of foreign investment in the Australian Tourism Industry. However, as can be seen in Chart 6, Asia still counts for a small, but growing, portion of overall foreign direct investment. This identifies the need to maintain the right balance in investor communications so that it does not become too regionally centric and potentially damage interest from other non-Asian places for investment. Places such as the United States and Europe.

Figure 7 – FDI by industry (2013)

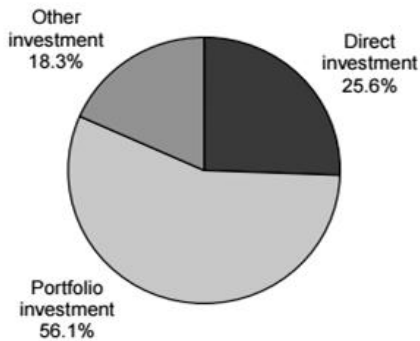
Industry (b)	Per cent of total business			
	Wholly Australian owned	Foreign ownership greater than 0% and less than 10%	Foreign ownership between 10% and 50%	Foreign ownership greater than 50%
Agriculture, forestry & fishing	96.9	np	np	2.9
Mining	66.5	13.2	3.2	17.0
Manufacturing	94.4	0.0	0.7	4.9
Electricity, gas, water & waste services	90.7	np	1.8	7.5
Construction	98.8	0.3	0.0	0.8
Wholesale trade	89.7	0.2	1.6	8.5
Retail trade	95.6	0.4	0.4	3.6
Accommodation & food services	97.9	0.8	np	0.8
Transport, postal & warehousing	98.1	0.0	0.8	1.1
Information media & telecommunications	91.0	0.1	2.0	6.9
Financial & insurance services	96.4	0.1	0.0	3.5
Rental, hiring & real estate services	95.2	0.2	0.7	3.9
Professional, scientific & technical services	95.2	0.0	1.3	3.6
Administrative & support services	96.9	0.7	1.2	1.1
Health care & social assistance	99.5	np	np	0.0
Arts & recreation services	98.8	np	np	1.1
Other services	98.6	0.0	np	1.4
Total	96.5	0.3	0.6	2.6

Source: International Investment Australia 2013: Austrade

Another interesting perspective is the destination by industry for a lot of foreign investment. Mining by far has seen the largest investment, but as we see the mining industry contract, it is expected that other industries will begin to attract more interest from foreign private investors. Australia remains a favourite place for foreign investors underpinned by core fundamentals such as transparency and stability.

WHERE IS FOREIGN DIRECT INVESTMENT COMING FROM?

Chart 7 – FDI by type of investment (2013)



- The majority of the stock of FIA is through portfolio investment, which accounted for 56.1 per cent of total foreign investment at the end of 2013.
- Direct investment accounted for 25.6 per cent of the total stock of FIA at the end of 2013.
- Other investment (including derivatives) accounted for 18.3 per cent of total FIA at the end of 2013.

Source: International Investment Australia 2013: Austrade

While direct investment is a popular form of foreign investment, we note that portfolio investment is more popular. A portfolio investment is an investment made by an investor who is not involved in the management of a company. This is in contrast to direct investment, which allows an investor to exercise a certain degree of managerial control over a company. Depending on the asset, one or both types of investment may be preferred.

INVESTMENT IN OTHER INDUSTRIES

8

INVESTMENT IN OTHER INDUSTRIES

In one of our qualitative interviews the comment was made that another area for growth in the region was the value-add within existing industries. Another comment made was that the local economy was not diversified enough and that the majority of local businesses serviced regional and not external needs.

While the bulk of our research and work to date has focused on the tourism industry, we have also explored the potential for value engineering in existing industries and the role that they could play in growing the Eurobodalla brand and economy. In particular, we have focused our research on what sectors could be transformed or value-engineered to generate more substantial external income.

Canberra Airport going international

The development of Canberra airport has been often flagged in discussion as a game changer for the region. There has been a lot of expectations around a potential increase in regional visitors that are using Canberra as a gateway, but it must be noted that Canberra Airports innovative airport design is as much focused on domestic travel as it is on international travel.

That being said, Canberra Airport has already created potential general aviation opportunities for Eurobodalla. While international passenger flights on a regular basis are still to be confirmed, there are several aspects to the "international" angle that have potential benefits for the region.

Sydney Airports Curfew and Badgerys Creek:

It has been noted in the Canberra Airport Master plan that Canberra will be the only 24hr airport between Brisbane and Melbourne that is able to handle Boeing 747 air traffic. Put more simply, the curfew placed on air traffic into Sydney Airport (both domestic and international) continues to be a key challenge for short-term passenger growth. Even the \$300-million dollar upgrade to Sydney Airport is tactical in nature. The strategic solution to capacity needs is Badgerys Creek and, based on current plans, it is only expected to be completed in eight years (for the initial stage only). This means that Canberra Airport is coming online at an important time for the states of ACT and NSW. It could facilitate the demand for interim growth in international arrivals and departures for Sydney. While this may end up being only a short-term opportunity for Canberra Airport, it means that people will need to drive to Sydney or take connecting domestic flights. Given this, Eurobodalla could be positioned as part of a tour route to Sydney for international visitors.

Canberra is both Passenger & Freight:

While it is expected that the passenger/visitor opportunities will be challenged in the future by the development of Badgerys Creek, the international freight pathway that Canberra will provide does create opportunity. That is exports from the ACT and neighbouring regions could be enhanced by this new route to foreign markets. This could help the Eurobodalla industries generate external incomes in new ways.

INVESTMENT IN OTHER INDUSTRIES

Foreign Free Trade Agreements

There has been a number of Free Trade Agreements recently signed. Some of the agreements create potential opportunity for growth in certain segments of the Eurobodalla economy. For example, tariffs on Australian resources, dairy products, beef and live animal exports to China have been changed under a free trade agreement (FTA) that was signed by the two countries. The opportunities for industries represented in Eurobodalla include the following[^]:

CHINA / AUSTRALIA FTA SUMMARY

Seafood

- A wide range of tariffs eliminated within 4-years
- Includes abalone, rock lobsters, prawns, scallops and oysters

Dairy

- Dairy tariffs phased out over 4-11 years
- 15 per cent tariff on infant milk formula phased out over four years

Beef

- Tariffs of between 12 and 25 per cent phased out over nine years
- Exports to China currently worth \$722 million

Source:

[^] ABC News Net - Free trade agreement: Dairy farmers set to be big winners in deal between Australia and China

The opportunity to develop parts of the economy that creates external income is enhanced by key macro-economic and policy factors such as bilateral free trade agreements as well as through public infrastructure investments. The NSW state governments current focus on NSW roads, maritime and freight infrastructure, improvements in the Kings Highway and the development of an international air corridor in Canberra collectively improve the export supply-chain for the region. While it is noted that FDI into the Agriculture Sector is a highly politicised and a sensitive topic, the benefit of foreign investors, and their capital, is in their potential ability to integrate their investment within the global market place (e.g. supply-chain).



INVESTMENT IN OTHER INDUSTRIES

Equine

Another area highlighted as a potential area for growth was the equine industry. In particular, there have been two areas that have been highlighted as having potential for growth - (1) Equine based events and services at Moruya that help grow the destination & (2) the region being Hendra free.

A study of the equine industry on the South Coast identified "a strong, diverse yet disjointed local industry with very few region-wide objectives, strategies or goals".[^] This has led to Eurobodalla Shire Council taking the initiative in developing a business plan for a Regional Equine Centre. While the focus of the centre may be functional (e.g. stables), it is also noted that there is an opportunity for flow on benefits in areas such as breeding and feed.

We feel that there is opportunity to internationalise the appeal of this industry especially based on the area being Hendra free and attract further investment to this industry, particularly given that horse racing is a global industry. This could include studs focused on breeding and selling horses to an international audience or providing internationally recognised Equestrian training and development facilities for riders.

Digital Economy & Education

Leveraging not only Eurobodalla's long standing connection with Canberra, it has been noted that there is an opportunity to develop new industries that are focused on providing services to the Federal Government such as IT support and data centres. Taking advantage of the NBN roll-out, some people are advocating the development of a digital economy that can take advantage of greater connectivity and proximity to Canberra.

Further, educational campuses could be created, or current ones expanded, to support curriculum needs which are authentic to the region such as:

- Land management & agriculture
- Water management & aquaculture
- Political science and international business (i.e. also take advantage of proximity to Canberra)

[^] Source: *Regional Development Australia - Far South Coast Equine Industry Scoping Report - April 2013*

THE EUROBODALLA BRAND



THE EUROBODALLA BRAND

As indicated in our analysis of visitor patterns, the Eurobodalla brand has excellent equity with the domestic audience. The following positioning chart assess the Eurobodalla brand on a number of variables to help identify competitiveness issues as well as opportunities for internationalisation of the brand.

Current Eurobodalla Brand Position

The current Eurobodalla brand has been assessed across four "position" variables:

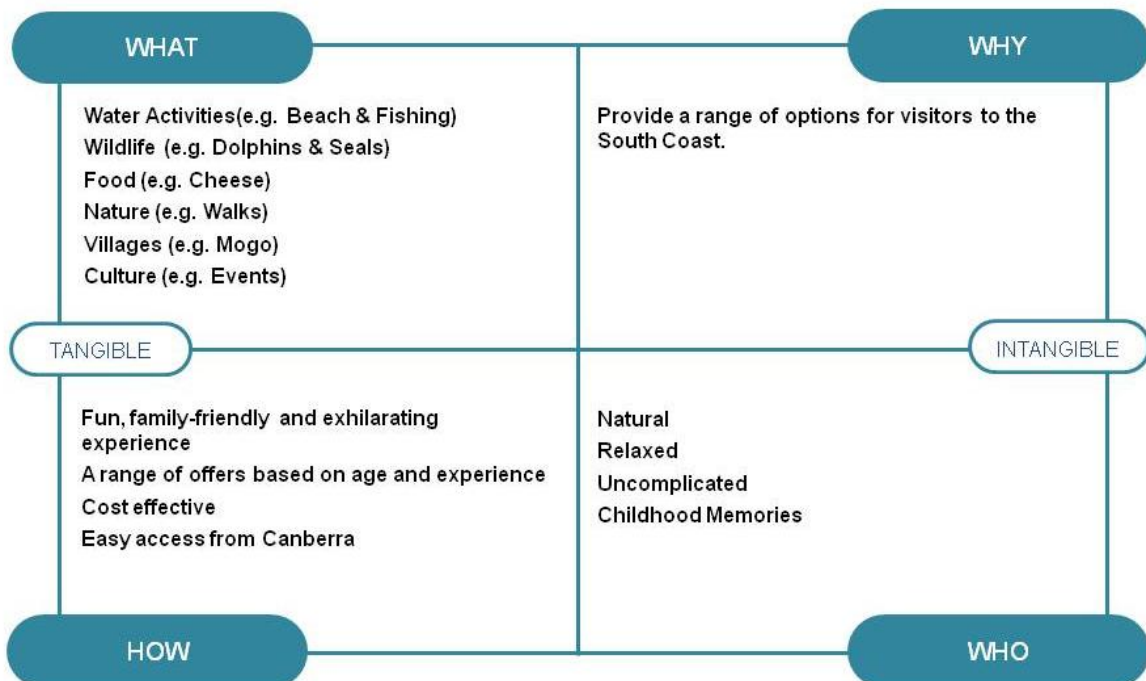
WHAT - tangible items such as access to water, nature and what food options are on offer.

HOW - the benefits to the visitor when visiting.

WHY - what purpose does the brand fulfil or what is the vision of the region.

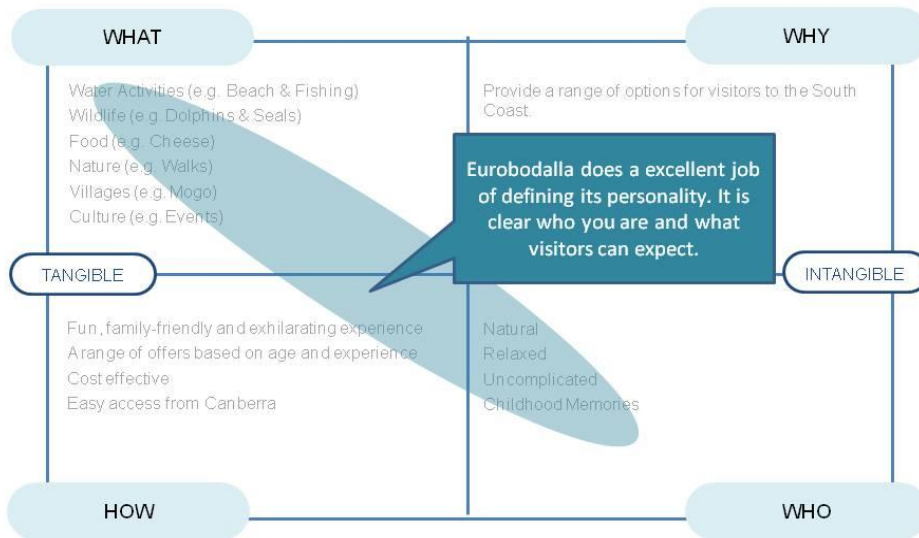
WHO - what is the character or personality of the brand.

The figure below shows some examples of Eurobodalla's destination positioning:



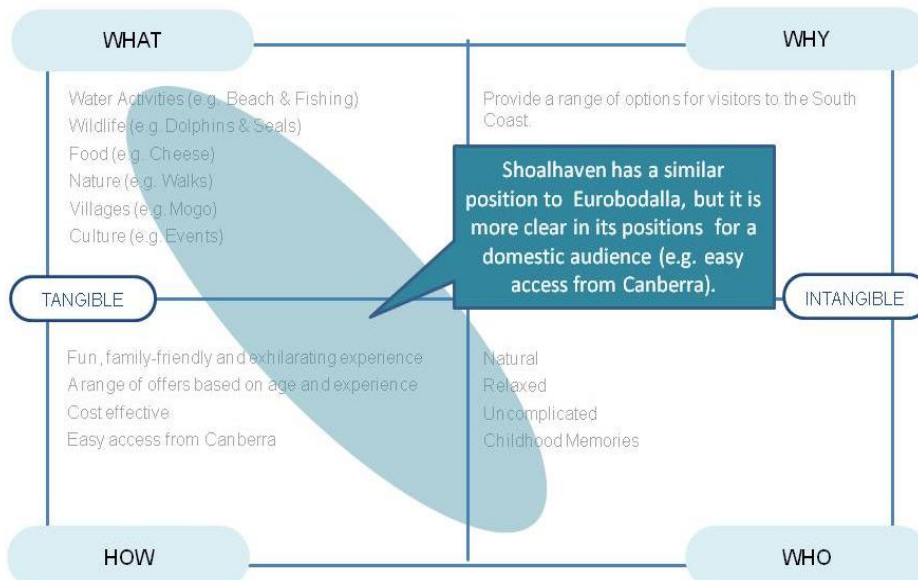
THE EUROBODALLA BRAND

Our assessment of the Eurobodalla brand.



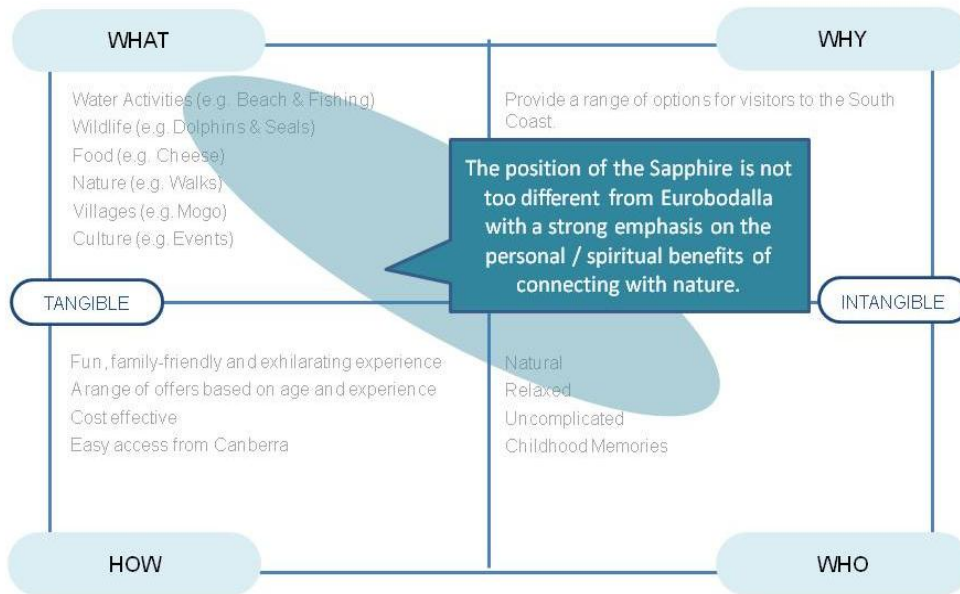
How does it compare to other regional locations? We have continued the coastal LGA comparison in this brand audit.

Shoalhaven comparison

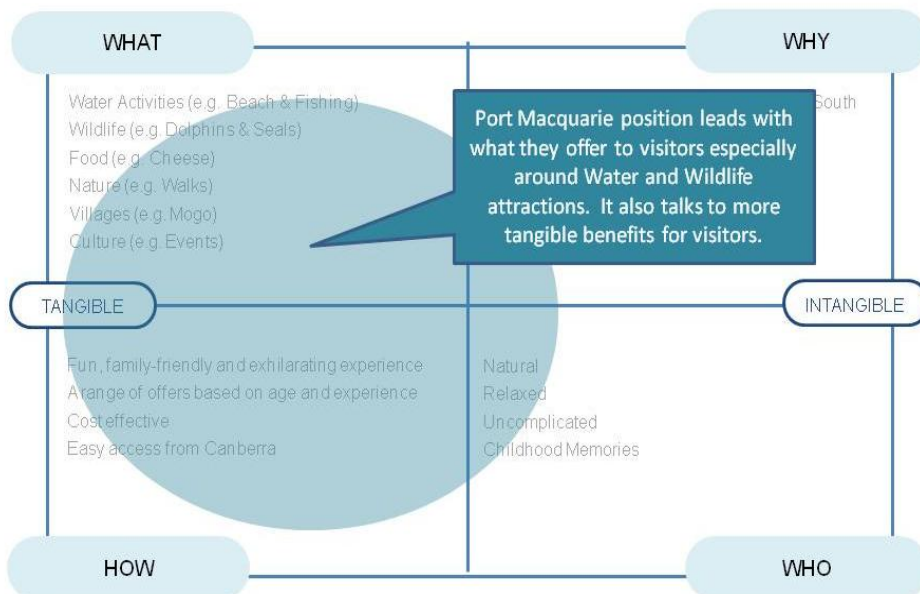


THE EUROBODALLA BRAND

Sapphire Coast comparison

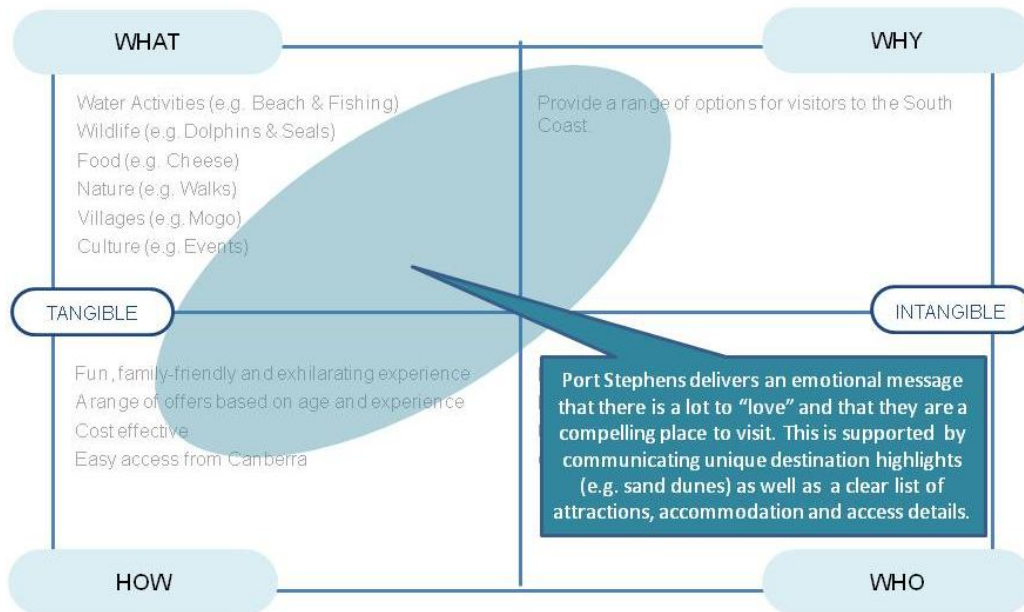


Port Macquarie comparison



THE EUROBODALLA BRAND

Port Stephens comparison



Internationalisation assessment and exploration for message testing:

The natural and pristine aspects of the Eurobodalla area are evident in terms of the personality of the brand and what attractions are on offer. Locations such as New Zealand and Tasmania offer very similar value propositions as do North Coast regions. Closer to home, the Sapphire Coast and Shoalhaven are positioned in a very similar way to Eurobodalla.

The South Coast of NSW offers homogenous destination brands that can be found in other places globally. While the benefits of adding products and unique experiences to the Eurobodalla destination mix will make the region more marketable to Chinese and other Asian visitors, there needs to be changes in way the region is positioned for it to create a market for itself - internationally.

While brand positioning and message testing forms part of our Phase 2 work, the analysis below showcases how adjustments to the current position could create a brand position that remains authentic to the core values of the Eurobodalla region, but makes it more marketable and appealing to international visitors from China and other growing source markets.

THE EUROBODALLA BRAND

Figure 8 - Highlight the strategic location between major destinations that are also the key gateways for international visitors to Australia.

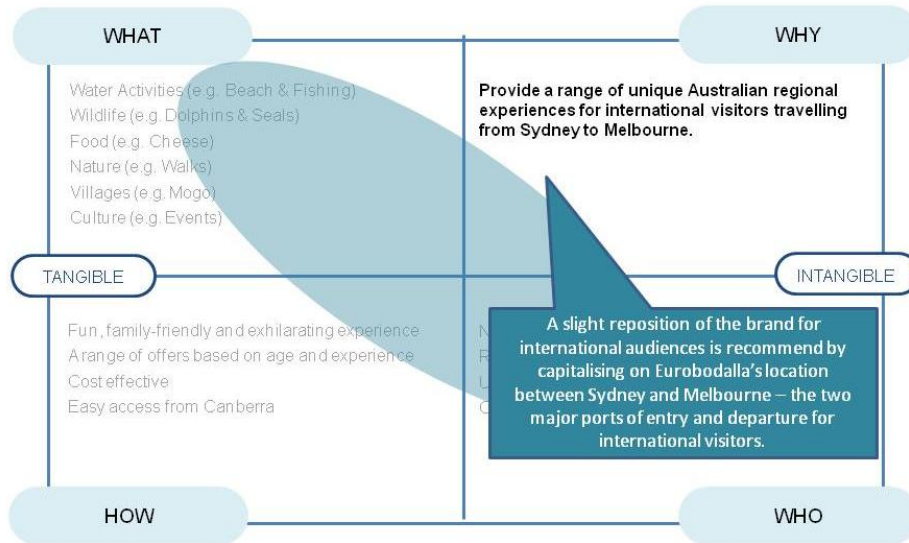
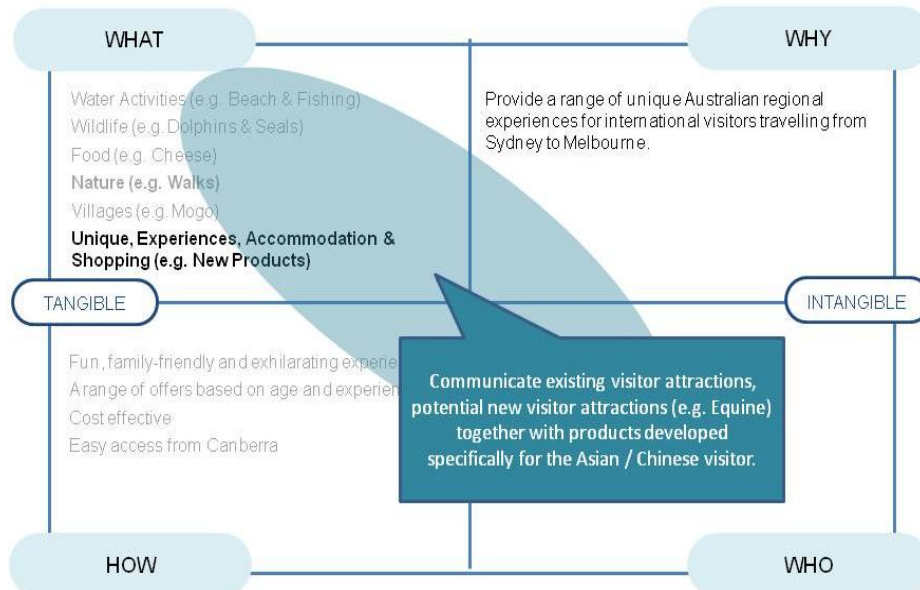
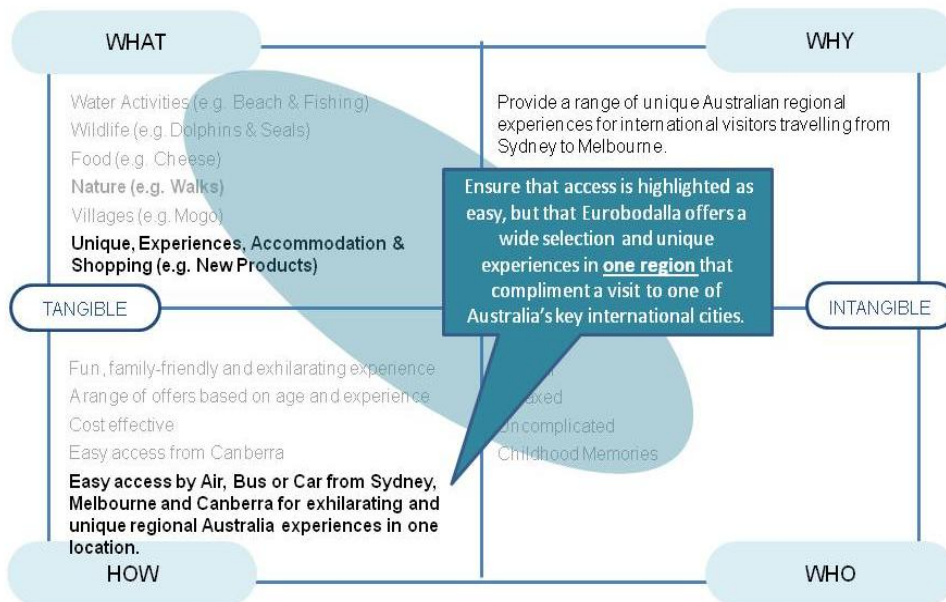


Figure 9 - Product & Experiences (new or existing) highlights that appeal to Chinese / Asian International Visitors.



THE EUROBODALLA BRAND

Figure 10 - Highlight that access is relatively easy from major destinations such as Sydney, Melbourne and Canberra.



The biggest brand challenge is one of awareness. Many of the stakeholders interviewed responded that "no one knows" as being a major cause for a lack of visitor and capital growth to the region. While people know the South Coast, they do not know Eurobodalla especially from an inter-state or international perspective.

We feel that there is opportunity with the fact that the region is relatively undiscovered. In a globalised and connected world, it is unique that something remains undiscovered to most. A undiscovered, natural and pristine region located on a relatively unknown route from Sydney to Melbourne (the two most popular international destinations and populated cities in Australia) can become a magnet for creating interest with new Asian visitors and, importantly, private sector investors. This position could also be integrated into a "Canberra going international" equation.

THE EUROBODALLA BRAND

Figure 11 - Create excitement and anticipation that visitors can be one of the first to experience an emerging region.



Example brand promise for an investor audience:

While in Phase 2 we will do message testing of an adapted brand position for Chinese visitors, the ultimate aim is to develop a brand position and supporting messages that will appeal to the investor audience. Below is an example of how the above exploration could be extended in such a way.

UNDISCOVERED

The South Coast of NSW, Australia, is an emerging regional economy centered around the Eurobodalla region. Located close to three major capital cities and located on the popular Sydney / Melbourne touring route, Eurobodalla surprises those who discover it with its unique charm, pristine environment and amazing natural experiences. With a rich history of Tourism and Agriculture, the region is opening-up a range of new investment opportunities that will bring more people to this undiscovered part of Australia. Discover it for yourself.

GAP ANALYSIS - TOURISM

10

GAP ANALYSIS - TOURISM

While a core focus of this research & analysis is on what investments need to be made which would allow Eurobodalla to capitalise on the growth of Chinese visitors to Australia, our gap analysis does not limit this assessment to this single type of visitor. Our work also looks at how investments could also support growth in other visitor segments - whether this is growth in spend, volume or both.

As already noted, Eurobodalla has a successful history in attracting domestic visitors. However, the current spend levels of such visitors is low due to their profile. This is not to say that such visitors would be adverse to spending more on destination experiences which are not necessarily created purely for their "low-yield" consumption. Given this, we have assessed possible "asset" investments and the impact that they could have on improving spend from the existing and steady stream of "low-yield" domestic visitors to the region.

We also believe that there is the opportunity for growth in terms of the number of visitors from higher spending domestic segments whether they be non-family (e.g. romantic couples) or those with higher disposable incomes. Together with Chinese visitors, there is a real opportunity to invest in assets that power the growth of such "high-yield" visitors to the Eurobodalla region. Lastly, we also consider the business audience and the impact certain assets investments could have on potential growth in this segment.

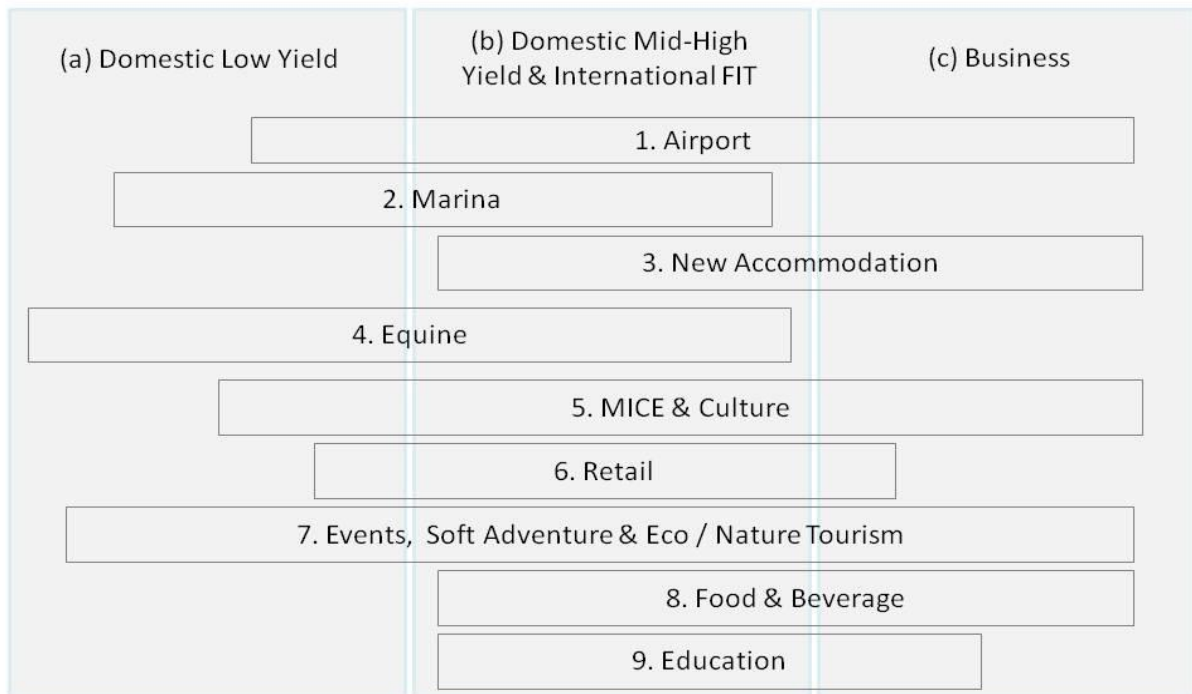
At this point, it is key to reiterate that the purpose of this work is to develop a communications strategy that would attract investors who have the pre-requisite domain knowledge and skills to develop such assets. That is, the scope of this project is focused on connecting Council with private sector investors and not to prescriptively define what the assets should be in detail. As a result, we only provide a top-level portrait of the asset(s) itself.



GAP ANALYSIS - TOURISM

Figure 12 – Assets gap analysis vs. Visitor objectives

UNDISCOVERED



Segment & Objective

A. DOMESTIC LOW YIELD

Protect and optimise spend from Domestic Day Trippers and Domestic Overnights

B. DOMESTIC MID/HIGH YIELD & INTERNATIONAL FIT

Attract more higher spending visitors including Chinese FIT travellers.

C. BUSINESS

Grow MICE visitors from Canberra, Sydney and possibly other state capitals.

GAP ANALYSIS - TOURISM

Assessment

It is important to note that each existing or new asset development does not work in isolation. As noted in the analysis of the type of investments in tourism currently being made, standalone assets typically don't work unless they are close to a gateway of suitable size and scale which justifies the asset serving a single purpose.

1. Airport (see Phase 1 / Part 1 report):

It is noted that Rex's statutory monopoly may not change any time soon, and as a result, existing flight costs may not change. Low cost flights may attract more VFR movement in the low-yield segment, but the current prices of airlines tickets may not have too much impact on the higher-yield audiences as such visitors tend to be less price elastic. However, any airport redevelopment needs to consider more than the functional requirements for passenger and general aviation as indicated in the master plan. Any redevelopment needs to consider the airport as a destination experience in its own right. An experience that includes, but is not limited to, retail and food/beverage.

Capacity or route growth will be driven by the overall improvements in Eurobodalla as an destination eco-system. The development of attraction assets (e.g. Marina, Accommodation & Equine) is critical to increasing passenger volume. With the proximity of the beach and race-track to the airport, the value of the adjoining properties is key to the airports unique value equation. General aviation facilities could potentially bring in higher-yielding domestic visitors. An airport investment including General Aviation initiatives such as pilot training could also be an opportunity to create a foreign student segment and more VFR traffic.

IMPACT: HIGH-YIELD VISITOR; BUSINESS

2. Marina:

A multi-purpose (i.e. boating & non-boating) development that appeals to locals, domestic day visitors, domestic over-nights and Asian ASD / FIT travellers is not currently available in the Eurobodalla region. While it is noted that there is already a healthy retail and restaurant mix in Batemans Bay, these tend to be geared to the local population or towards current domestic visitors. The opportunity for affordable luxury, boutiques and higher end restaurants is currently a gap and addressing it will provide a base-level response to the "shopping" needs of Chinese travellers. Small footprint luxury accommodation at a Marina could also expand high-yield visitorship to the region on a repeat basis.

IMPACT: LOW-YIELD DOMESTIC VISITOR; HIGH-YIELD VISITOR

GAP ANALYSIS - TOURISM

3. Accommodation:

A wide selection of accommodation options that cater and appeal to higher yielding tourists is seen as the biggest and most critical gap in the market. However, these need to be authentic to the regional brand and local government policy by being low foot-print & eco. Beyond the Marina, such accommodation developments that are Nature (e.g. Wellbeing) or Activity (e.g. Golf) based would increase the appeal to both high-yield domestic and international visitors.

IMPACT: HIGH-YIELD VISITOR; BUSINESS

4. Equine:

While there are currently discussions underway for a development of an Equine Centre, we see potential other gaps in the development of segments of the Equine Industry such as Thoroughbred breeding, Activities, Schooling and enhanced Events (e.g. Polo on the Coast) that would have mixed appeal across all segments. In particular, the proximity of a potential Equine Centre to the airport could be significant in attracting high-yield domestic visitors who stable their horses at the centre or in near-by locations.

IMPACT: LOW-YIELD DOMESTIC VISITOR; HIGH-YIELD VISITOR

5. MICE & Culture:

Dedicated conference facilities are missing and a performance centre of a suitable size and scale means that there is a reliance on event based cultural activities as well as small productions and studios. If a conference facility was co-located with accommodation and a unique experience (e.g. at the Equine Centre or Zoo) while also being located close to the airport, a marketable asset would be available to attract MICE visitors.

IMPACT: LOW-YIELD DOMESTIC VISITOR; HIGH-YIELD VISITOR; BUSINESS

6. Retail:

The current retail mix, including the type of property development, does not deliver on one of the core needs of the growing Asian traveller. More luxury Australian goods and authentic Chinese / Asian cuisine needs to be catered for. A cart before the horse scenario can be avoided by ensuring that any Marina, Accommodation and / or Airport development be conducted so such needs form part of the core "development" requirements. Also, consider potential relocation of existing assets such as RM Williams or Art Studios to any new developments to create a luxury "hub".

IMPACT: HIGH-YIELD VISITOR

GAP ANALYSIS - TOURISM

7. Events, Soft Adventure & Eco-Tourism :

Additional work needs to be done to create unique experiences (e.g. photography) with existing and new enterprises. While Mogo Zoo does offer a wildlife experience it does have a limited Australian Fauna selection which could have some impact on international tourism. The current events schedule seems to be predominantly focused on servicing existing visitors. Existing infrastructure may not attract sporting and other large public events. However, concepts such as Splendour in the Grass (Byron Bay) show that large scale temporary infrastructure does work in regional locations when it comes to hosting events. Event genres that target high-yield visitors should be explored.

IMPACT: LOW-YIELD DOMESTIC VISITOR; HIGH-YIELD VISITOR; BUSINESS

8. Food & Beverage:

As mentioned previously, high-end and authentic Asian cuisines are missing in the food & beverage mix. However, it is noted that the region has an emerging and impressive food culture. All new developments should provide food and beverage experiences as part of the development plans. To maintain a level of authenticity to the region, it is recommended that a seafood focus on Asian cuisine be provided.

IMPACT: LOW-YIELD DOMESTIC VISITOR; HIGH-YIELD VISITOR; BUSINESS

9. Education:

There is some possibility to take advantage of niche Education offers such as Pilot Training and Agricultural / Land Management. This could be in the form of expanding Australian institutions campuses or potentially foreign campuses such as Chinese universities.

IMPACT: HIGH-YIELD VISITOR

Recommended target assets for investor communications:

While certain experiences such as retail and food & beverage are critical to pursuing growth in high-yield visitors, these experiences can be interwoven into the "destination" developments / redevelopments at the following core asset categories:

- Accommodation
- Marina
- Airport
- Equine

11

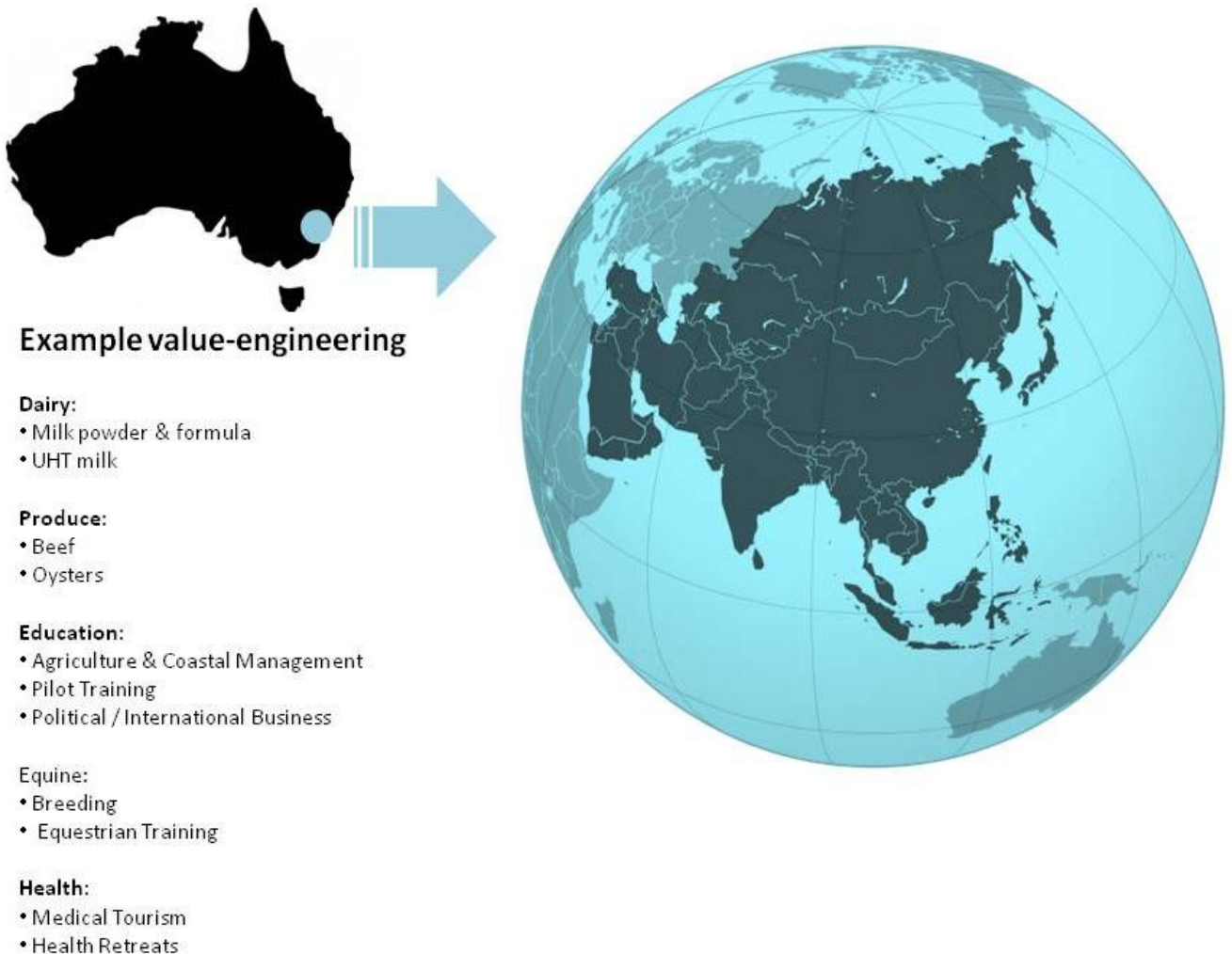


**ADDITIONAL
INVESTMENT
OPPORTUNITIES**

ADDITIONAL INVESTMENT OPPORTUNITIES

As discussed, it has been identified that there are opportunities for value-engineering in existing industries with a view to growing net exports and external income. The figure below showcases some areas identified as value engineering opportunities and are recommended for investor communication testing:

Figure 13 – Value-add in existing Eurobodalla industries for export growth



COUNCIL ENABLEMENT

12

COUNCIL ENABLEMENT

On a side note, it has been highlighted in our discussions with stakeholders that it is key that all layers of Council are enabled and empowered to support the handling of requests from investors. While bureaucracy and red tape is expected from dealing with regulatory bodies, having each and everyone who is part of the process understand Council's goals and objectives, as well as how to nurture opportunities, is key to a successful transaction with an investor.

While our Phase 3 work would be focused on Campaign Planning, this needs to be supported by the development of Council staff skills and enabled by the right internal processes at Council.

APPENDIX

13

APPENDIX 1

Regional Australia Competitive Index -

Comparison between Port Macquarie-Hastings LGA & Eurobodalla LGA.

	Eurobodalla NSW (LGA)		Port Macquarie-Hastings NSW (LGA)	
	Indicator Value	Rank	Indicator Value	Rank
Infrastructure & Essential Services	-	221	-	147
Access to tertiary education services	3.7%	128	4.2%	44
Access to technical or further education services	2.1%	294	2.7%	215
Access to allied health services	12.5%	102	14.9%	25
Access to GP services	5.29	197	5.15	221
Access to primary education services	3.9	271	4	273
Access to secondary education services	18.4	386	10.1	311
Distance to Airport (replaces Aviation infrastructure)	20.4	173	10.4	97
Distance to Port (replaces Port infrastructure)	132.18	341	188.37	403
Distance to a medical facility (replaces Access to hospital)	20.6	396	15.6	360
Road infrastructure	2.7	246	3.2	281
Rail infrastructure	97.1	500	13	337
Economic Fundamentals	-	518	-	476
Wage/labour costs	\$36,229	453	\$40,836	297
Business turnover	\$29,222	398	\$29,284	397
Number of hours worked	17.7	532	20	499
Building approvals - residential	\$1,919	203	\$1,575	249
Building approvals - non-residential	\$395	345	\$783	213
Value of industrial buildings	\$6,997	236	\$7,865	217
Value of Commercial buildings	\$118,934	229	\$131,468	217
Human Capital	-	150	-	135
University qualification	16.6%	148	16.0%	161
Technical qualification	43.9%	6	45.5%	3
Lifelong learning	44.9%	266	46.7%	169
Early school leavers	60.7%	319	62.4%	354
Health	65.3%	417	63.1%	357

APPENDIX 1

English proficiency	94.7%	272	96.0%	125
Early childhood development	16.2%	104	23.9%	279
Primary School Attainment	58.5%	236	65.1%	120
Secondary School Attainment	33.6%	160	35.2%	133
Labour Market Efficiency	-	456	-	427
Unemployment rate	11.5%	516	6.0%	310
Youth unemployment	14.3%	439	13.9%	428
Participation rate	56.5%	481	52.7%	519
Skilled labour	26.0%	418	28.3%	356
Welfare dependence	41.3%	493	38.7%	474
Long Term Unemployment	9.0%	423	8.0%	392
Technological Readiness	-	262	-	220
Internet connections	72.2%	295	72.8%	276
Employment in technology-related industries	5.2%	168	4.9%	189
Employment in ICT and electronics	0.9%	211	1.2%	171
Mobile Coverage	66%	437	65%	438
Mobile internet	2.7	285	4.1	150
Broadband coverage	5.63	241	5.42	285
Business Sophistication	-	197	-	176
Economic diversification	0.87	137	0.85	161
Exporters, importers, wholesalers	0.11%	276	0.21%	130
Income source - own business	\$17,381	364	\$18,367	332
Access to local finance	3.13%	194	4.29%	101
Innovation	-	302	-	300
Human resources in science and technology	23.4%	343	23.2%	355
Research and development managers	0.02%	251	0.03%	247
Presence of research organisations	0	80	0	80
Number of patents	0.13	197	0.13	203
Business start-ups	11.6%	243	11.0%	280
Natural Resources	-	271	-	252
Timber resources	0.04%	92	0.07%	81
Commercial fishing and aquaculture	0.60%	71	0.29%	105
Coastal access	1	20	5.7	147
National park	21.2	157	8.5	31
Agriculture	1.5%	383	2.1%	368

APPENDIX 1

Mineral and energy resources	0.2%	395	0.2%	385
Demography	-	401	-	232
Population size	37,104	158	76,046	97
Population growth rate	0.1%	428	1.1%	248
Population density	10.8	221	20.6	194
Population turnover	29.5%	46	34.4%	114
Senior dependency ratio	47.1%	559	43.7%	550
Young dependency ratio	28.7%	177	30.7%	283
Institutional Foundations	-	365	-	249
Volunteer Activity	21.9%	285	20.7%	320
Community Skills Base	16.9%	150	16.4%	160
Leadership Capacity	28.1%	406	30.4%	337
Public Service Workforce	2.2%	398	2.0%	455
Financial Burden of Local Government	n/a	n/a	n/a	n/a
Presence of Major Organisations	9	199	16	91
Local Economic Development Support	2.3	156	3.1	87
Local Government Discretionary Expenditure	\$176	331	\$118	371

Source: Regional Australia Institute

APPENDIX 2

South Coast Register Article

International visitors fall for the delights of the NSW South Coast

By ADAM WRIGHT May 12, 2015, 5:57 p.m.

[Like](#) [10](#) [Tweet](#) [0](#) [+1](#) [0](#)



THE South Coast is the new poster region for Tourism NSW.

From an international point of view this is the place to holiday.

A decade ago the international market was miniscule, in 2014 visitation to the South Coast grew by 7.1 per cent compared to the rest of the state's 3 per cent growth.

Part of the success has been attributed to collaboration between businesses under the banner Discover Jervis Bay.

Discover Jervis Bay is a combination of businesses that are part of a package offering experiences and accommodation, keeping visitors here a few days longer than they might have otherwise stayed.

The enterprise has what is referred to as international-ready businesses, such

Source: South Coast Register

APPENDIX 3

JLL Research - SWOT Analysis of Accommodation Investments in Australia -

Research and analysis carried out on the attractiveness of Australian accommodation assets for foreign investors.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Risk profile • Capital growth potential • Political environment • Liquidity • Income growth potential 	<ul style="list-style-type: none"> • Labour costs • Energy costs • Refurbishment costs • Market size • Government marketing support
Opportunities	Threats
<ul style="list-style-type: none"> • Current industry fundamentals • Increased visitation from Asia and in particular China • Mid market / limited service hotels and mixed use developments • Refurbishment of existing assets and repositioning opportunities • Yield seeking investment 	<ul style="list-style-type: none"> • Labour costs, productivity and inflexible work ethics which result in low service experience, particularly compared to Asia • High or increasing operating and refurbishment costs • Strength of the Australian dollar • Inconsistent policy, poor planning and bad governments leading to build up of supply and volatility in accommodation markets • High cost of development and poor quality accommodation product
<p>Source: JLL/TA Short Term Accommodation Stakeholder Consultation Survey</p>	

APPENDIX 4

Stakeholder Meetings & Interviews – Interviews and discussions have been held with the following stakeholders:

Mark Berry The Bower	The Hon. Gary Nairn AO
Sandra McCuaig & Lukasz Kiekowski Bodalla Dairy	James Beaver Moffatt & Nichol (a Land/Sea Development Consultant)
Scott Stuart Mogo Zoo	Monique Marks John Singleton Group
Paul Smith Sky DiveOz	Nigel McKinnon Regional Director NSW Trade & Investment, Regional Development
Maureen Nathan Gold Rush Colony	Ray Wilcox Oyster Farm Owners
Tim Gilbo South Coast Seaplanes	Ruth Tilba Valley Wines

Client: Eurobodalla Shire Council (Council)
Author: Total Brand Activation Pty Ltd (Pico)

All right, title and interest in and to all property, data, information, equipment, supplies and materials provided by Council or its affiliates shall remain at all times exclusively vested in Council or its affiliates, and nothing contained herein shall be deemed in any way to transfer any ownership or other interest therein to Pico. All ideas, inventions, discoveries, creations, improvements, concepts, developments, methods, tools, know-how, trade secrets, works of authorship, documentation, templates, processes, techniques, data, programs, reports, information, materials, designs, drawings, specifications, plans and other documents of any kind whatsoever prepared or created by or on behalf of Pico, any Personnel and/or any Council or its affiliates' personnel in connection with, pursuant to or resulting from the development of this report, and not referenced as Third Party Material, shall be the sole property of and belong to Council to the extent that Council has paid for such deliverables.

