

## Revised Economic Study of Bastion Point Ocean Access Not Reliable

East Gippsland Shire Council (EGSC) commissioned an economic study (July 2010)<sup>1</sup> by Buchan Consulting that forecasts the Option 3b Bastion Point breakwater development would have a Benefit Cost Ratio (BCR) of 6.4. It was revealed that this was highly erroneous due to a \$2.8 million mistake in calculation of the annual benefits from the development. Buchan revised the analysis in November 2010<sup>2</sup>, reducing the BCR to 1.6. Yet the revised version has little more credibility than the original study:

1. Other than a photo credit, it does not refer to the findings of the Inquiry Panel<sup>3</sup> that found the economics of the project were poor, and that it would be to the overall net detriment to tourism due to losses of nature-based tourism. Instead, the Pryor report is used as a source document, which the Panel found had 'myriad deficiencies'.
2. The BCR of 1.6 is calculated using unreliable base data and calculations, and neither a 'discount rate' is used to calculate Net Present Values, nor is a sensitivity analysis performed, as suggested by Victorian Treasury for project economic analysis<sup>4</sup>. Small changes in demand and costings, such as removing local expenditure, and adjusting for existing and seasonal use adjusts the BCR to well below 1, where costs outweigh benefits.
3. An error not corrected from the previous report is the use of a daily tourist expenditure rate that is double that in Tourism Victoria's 2008 market profile for Gippsland<sup>5</sup>.
4. An undisclosed method is used to estimate that uses of the new facility will be 7-fold those accepted by the Panel. Seasonality of boating is not considered, instead assuming it will remain at 353 uses per month throughout the year. The Panel found there was no evidence that the facility would attract boaters in the low season.
5. As shown by EGSC's funding application<sup>6</sup>, existing boating tourism at Bastion Point has erroneously been included as a benefit of a new facility, inflating the number of 'new uses' of a facility by 750.
6. Annual local expenditure of \$0.5 million on new boating is included as a benefit that creates 3 jobs. Yet Mallacoota residents would have to forego other expenditure to achieve this. They are assumed to eat almost \$0.2 million per year in take-away food and groceries (\$50 per person per boat trip) on top of their normal diet.
7. The report uses 'regional multipliers' to add 5 further regional jobs. Multiplier jobs would be created if government were to spend \$6.5 million on other employment generating projects in Mallacoota, so should only be included in a benefit cost analysis when comparing projects.
8. Unsubstantiated usage figures are presented for the current ramp. Buchan claims they are sourced from the Pryor report, yet the Pryor report has no such figures. For instance, Buchan states that there are 1,000 government and other agency uses of the current ramp. Enquiries of the two main government users of the ramp reveal that Parks Victoria averaged just 27 uses per year for the past four years, and Dept. Primary Industries just 10 uses in 2005/6, and 15 uses for the last 12 months.
9. No account is taken of the difficulty of tourism promotion for a facility designated as a 'hazardous waterway', nor are costs factored in for breakwater maintenance or possible breakwater extensions mooted in a safety study<sup>7</sup> of the proposed facility.
10. It is not explained why this revision drops the launching fees envisaged for the major current users, the commercial boat operators, instead transferring significant operating costs estimated at (\$225,000 p.a.) from the lucrative abalone industry, to ratepayers.

<sup>1</sup> Buchan Consultants, 2010, <http://savebastionpoint.org/wp-content/uploads/2010/07/Buchan21.pdf>

<sup>2</sup> <http://savebastionpoint.org/wp-content/uploads/2010/07/Buchan-Rev-14-Nov-2010.pdf>

<sup>3</sup> Panel p3, <http://savebastionpoint.org/wp-content/uploads/2010/01/Bastion+Point+EES+Inquiry+Report.pdf>

<sup>4</sup> Department of Treasury and Finance, 2007. Victorian Guide to Regulation.

<sup>5</sup> <http://www.tourism.vic.gov.au/images/stories/Documents/FactsandFigures/gippsland-market-profile-2008.pdf>

<sup>6</sup> <http://savebastionpoint.org/wp-content/uploads/2010/07/RDV-Funding-Application-Oct-2010.pdf>

<sup>7</sup> AMCS Ltd, Safety Audit, p46 <http://savebastionpoint.org/wp-content/uploads/2010/07/AMCS.pdf>