HillPDA CONSULTING

SCONE SERVICE CENTRE

Economic Impact Assessment

Prepared for Murdoch

October 2019

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Reviewer

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INTRODUCTION

1.0 INTRODUCTION

1.1 Purpose of the study

HillPDA was commissioned by Scott Murdoch (Murdoch) to prepare an Economic Impact Assessment (the 'Study') to analyse the potential economic impacts that may result from a proposed highway service centre (HSC) at 2912 New England Highway, Scone (hereafter referred to as the subject site).

The objectives of this Study are as follows:

- Consider the statutory, economic and competitive landscape of the proposed HSC. This is to develop a more detailed understanding of the need and appropriateness of the proposed land use on the subject site.
- Assess the economic impacts of the proposed HSC in the locality in terms of investment and job generation and in terms of impacts on the wider local government area (LGA) including impacts on existing centres and on existing and proposed HSC.

1.2 Assessment methodology and structure

The conclusions and recommendations of this Assessment have been developed using the following methodology:

- **Chapter 2** reviews the Site, including location and regional context, as well as the specific site characteristics relevant to development of a HSC
- **Chapter 3** provides a summary overview of relevant strategies and state and local policies that relate to the MidCoast locality and in particular the proposed Highway Service centre at the Subject Site
- **Chapter 4** analyses the existing and forecast demographics of Scone, the local economy and the competitive context
- **Chapter 5** assesses the economic impacts of the proposed HSC in the locality and in the LGA
- **Chapter 6** provides an overall conclusion on the impacts of the highway service centre versus no highway service station.

SUBJECT SITE AND PROPOSAL

2.0 SUBJECT SITE AND PROPOSAL

This Chapter provides a description of the subject site, including location and regional context, as well as the specific site characteristics relevant to development of a service centre.

2.1 Location and regional context

The town of Scone is located on the New England Highway approximately 30km north of Muswellbrook, 270kms north of Sydney and 153kms north west of Newcastle. Scone is in the Upper Hunter Shire and the former Scone LGA. The Upper Hunter Shire was formed in 2004 from the amalgamation of Merriwa, Murrurundi, and Scone LGAs.

The Upper Hunter Shire is a predominantly rural area encompassing a total land area of about 8,000 square kilometres, of which a large proportion is National Park and nature reserves. The Upper Hunter is recognised for its agricultural diversity and equine industry. These industries, together with viticulture, power generation and coal mining, will continue to benefit from the quality of the region's natural features and systems and the competitive advantages of the Upper Hunter.

Scone is the Upper Hunter's main township and plays an important service role for the Shire, including providing for the needs of local residents and smaller townships at Aberdeen, Merriwa and Murrurundi. Scone has a mainstreet centre anchored by Coles and Woolworths supermarkets and boutique retailers.

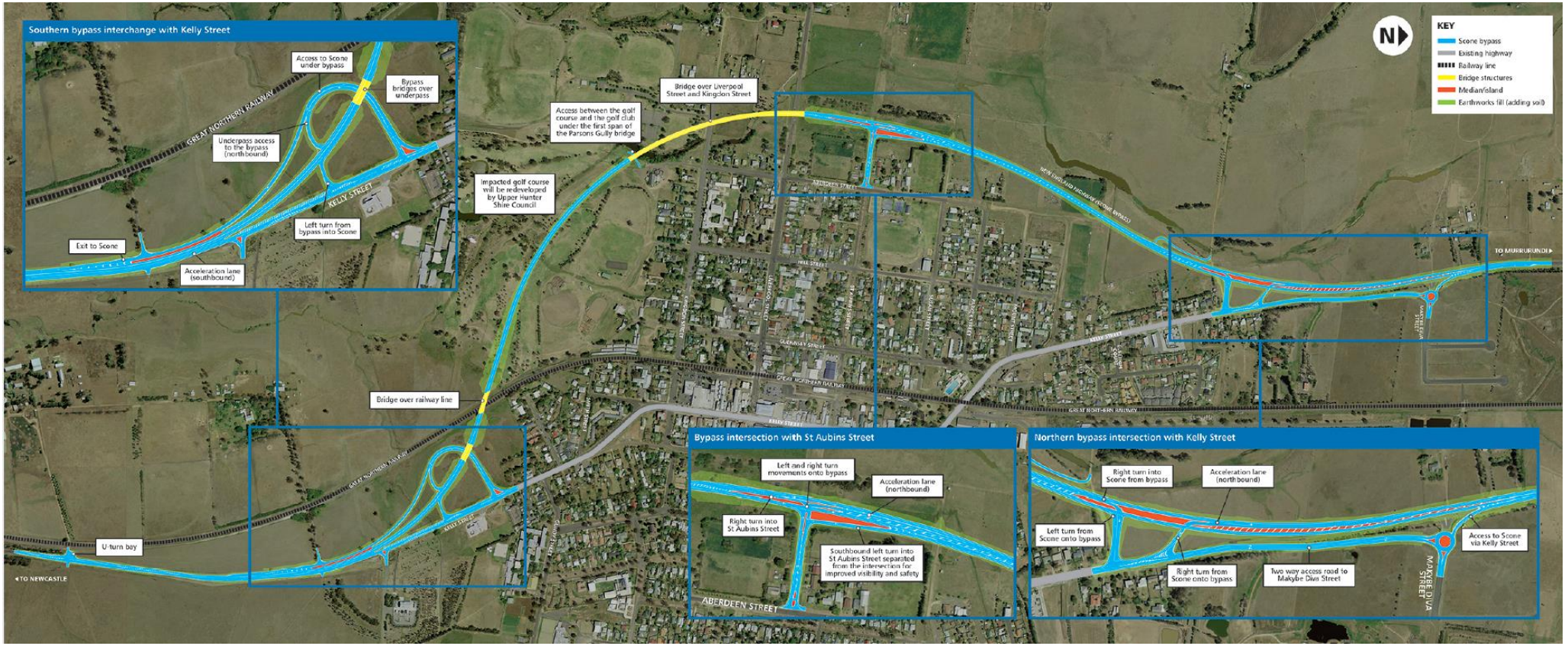
In addition to being a rural service centre for residents of the Upper Hunter, Scone is renowned for breeding thoroughbred racehorses and the long running "Scone and Upper Hunter Horse Festival" and is the world's second largest thoroughbred and horse-breeding centre. The equine industry along with the region's landscape and established agricultural industry (with an increasing number of vineyards in surrounding towns) are key tourist draw cards for the region.

Tourism into Scone is also brought about by its proximity to the New England Highway – one of the main links between Sydney and Brisbane. The highway is an inland route connecting Newcastle and Warwick, Queensland. This means that Scone is a popular stopping point for travellers seeking a brief rest stop during their journey.

2.2 Scone bypass

Roads and Maritime Services are constructing a New England Highway bypass of Scone to improve traffic flow, travel times and safety for road users. Access to and from the bypass would be provided to the north and south of town and midway at St Aubins Street. The below map depicts the proposed design for the Scone bypass.

Figure 1: Scone Bypass Design Map



Source: RMS

According to the RMS the New England Highway south of Scone carries 8,400 vehicles a day, peaking in town at 14,000. Approximately 8,000 vehicles use the Kelly Street crossing every day, including 1,200 heavy vehicles.

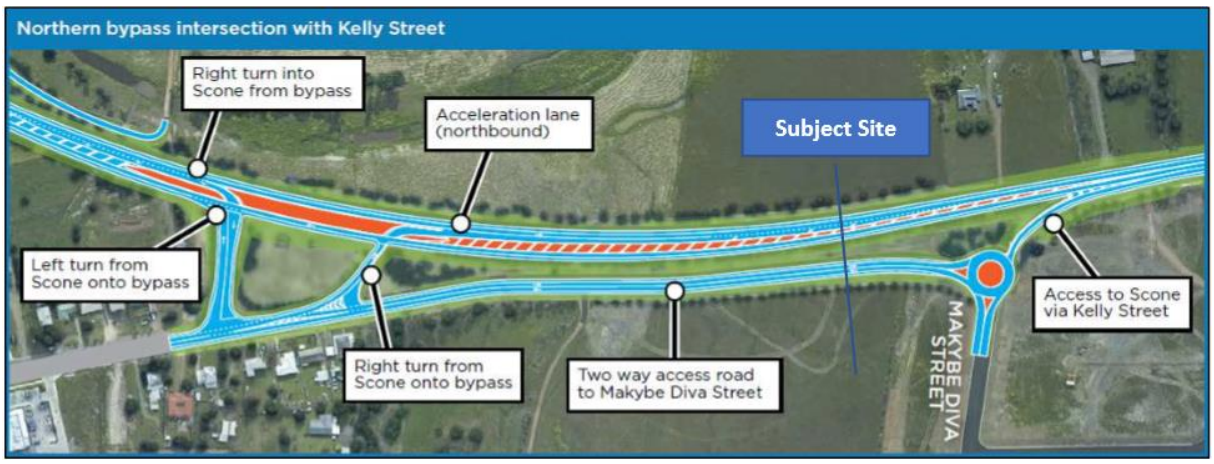
The bypass will remove a large number of heavy vehicles from the town centre which will result in improved:

- Traffic flow and amenity for local traffic
- Travel times for freight and long distance traffic
- Safety for all road users.

The bypass also provides an alternative route for road users wanting to travel across town unimpeded by rail operations[1].

The section of New England Highway fronting the subject site (and some 200 to 300m south of the site) is planned to be converted to a two way access road and renamed Kelly Street. Kelly Street will have access to both the Scone CBD and the New England Highway (Scone Bypass), with direct access to Kelly Street available for both northbound and southbound highway traffic. The figure below illustrates the northern bypass intersection with Kelly Street.

Figure 2: Northern bypass intersection with Kelly Street



Source: RMS

The town of Scone currently features five service stations: Shell, two BPs, Caltex and an independent service station (Liberty). All of these stations are on the current highway or main street through the town centre. Service stations typically rely on high exposure to passing trade and therefore the location of these existing sites will be sub-optimal on completion of the proposed bypass. Two of these stations are north of the town centre, two are located to the south and one outlet is in the town centre. All existing stations will be bypassed by the new road.

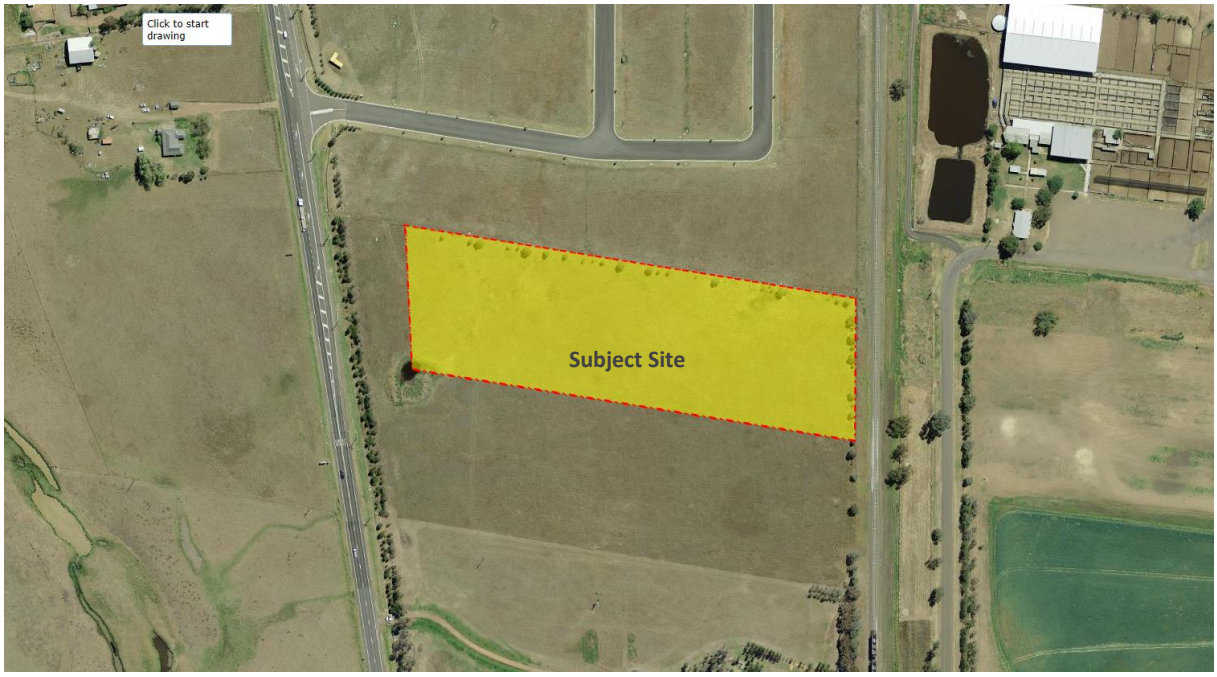
Note that negative trading impacts maybe the result of the bypass itself which may occur irrespective of the proposed service centre on the subject site.

2.3 Subject Site

The subject site is located on the eastern side of New England Highway at 2912 New England Highway, Scone and is known as Lot 22 DP1235763. The site is 2.5 hectares and is currently vacant. Agricultural uses formerly occupied the subject site and surrounding area however most agricultural activity appears to have now ceased.

[1] http://www.rms.nsw.gov.au/projects/hunter/new-england-highway/scone-rail-level-crossing/index.html

Figure 3: Aerial View of Subject Site



Source: NSW Six Viewer

The site is on the eastern/south bound side of the New England Highway less than 300 metres south of the planned northern bypass intersection with Kelly Street, which will be the main route into Scone Town Centre for traffic travelling south bound. The subject site would obtain access from Kelly Street (former New England Highway). However access to the site for traffic travelling northbound along the planned bypass is further back – around 0.5km before reaching the site.

Motorists can turn right from the planned bypass onto Kelly Road and continue some 400m north to the subject site. However those motorists wishing to continue to travel northbound from the site would need to turnaround for some 400m and from there they can turn right onto the bypass and continue on northbound. Access is not possible from New England Highway.

A diverse range of land uses surround the subject site – ranging from light industrial zoned land to the north (known as the Scone Business Park), Scone Regional Live Stock Selling Centre (Sale Yards) across the railway tracks to the east (which is currently operational), general housing to the south and primary production land opposite New England Road to the west.

The subject site is zoned R1- General Residential under the Upper Hunter Local Environmental Plan (LEP) 2013.

2.4 Proposed Development

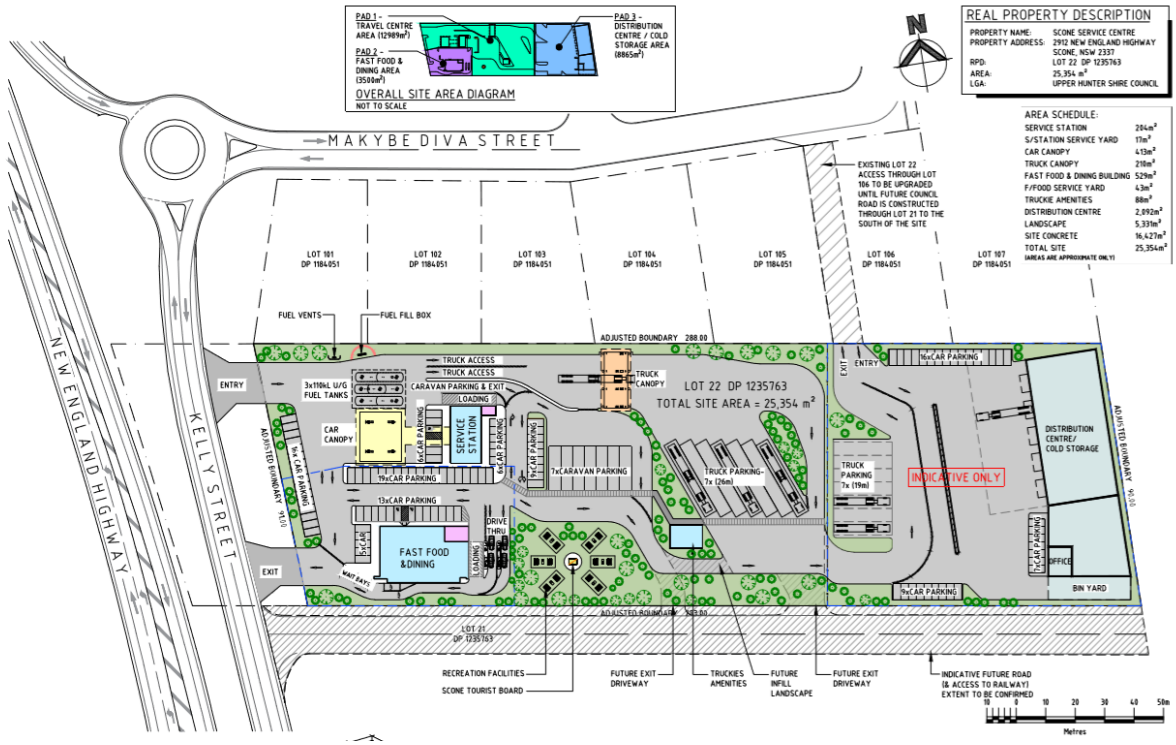
The proposed development comprises a highway service centre, with a provision of fast food stores. The key features of the proposed development are outlined below:

- **Commercial Building**: incorporating a service station (204sqm), fast food and dining with drive-thru (529m2) and public amenities.
- **Light Vehicle Fuel Canopy:** offering eight dispensing positions for retailing products such as Unleaded, E10, Premium Grades of fuel, Diesel as well as air/water facilities.

- **Truck Fuel Canopy:** Offering four dispensing positions for retailing products such as Diesel, Premium Diesel, Biodiesel blends and Diesel Exhaust Fluid ("Adblue").
- **Parking facilities**: for light vehicles, cars with trailers and caravans, buses/coaches, and heavy vehicles.
- In addition to the proposed highway service centre land uses it is proposed to develop the rear / eastern portion of the site for **industrial units** (2,092sqm).

All of the above proposed land uses are prohibited within the R1 – General Residential zone. Therefore the owner is seeking to rezone the land to IN2 Light Industrial to facilitate the development of a highway service centre with ancillary uses. The proposed land zone will be consist with the adjoining land to the north.

Figure 4: Planning Proposal



Source: TFA Project Group

STRATEGIC POLICY CONTEXT

3.0 STRATEGIC POLICY CONTEXT

This chapter provides a summary overview of relevant strategies that relate to the Scone locality and in particular the proposed HSC at the Subject Site.

3.1 State Plan

The NSW State Plan identifies challenges and opportunities facing NSW whilst recognising the need for Governments to 'reconcile competing demands in an environment of constant social and economic change'. The Plan sets out the following key goals and priorities relevant to this Implementation Strategy:

- NSW Open for Businesses:
    - increase business investment
    - maintain and invest in infrastructure
    - cutting red tape
    - facilitate more people participating in education and training throughout their life.
- Stronger Rural and Regional Economies:
    - increased business investment in rural and regional NSW
    - better access to training in rural and regional NSW to support local economies
    - strengthening Aboriginal Communities
    - improved health and education for Aboriginal people
    - healthy Communities
    - improved access to quality healthcare.
- Build Harmonious Communities:
    - increased participation and integration in community activities
    - opportunity and support for the most vulnerable.
- Practical Environmental Solutions:
    - better environmental outcomes for native vegetation, biodiversity, land, rivers and coastal waterways.
- Improve Urban Environments through:
    - jobs closer to home
    - housing affordability
    - improve the efficiency of the road network
    - more people using parks, sporting and recreational facilities and participating in the arts and cultural activity.

The proposed rezoning is consistent with a number of the above goals namely building a stronger regional and rural economy and improving the urban environment through job creation. This is discussed in further detail in Chapters 4 and 5.

3.2 Upper Hunter Land Use Strategy 2017

The Upper Hunter Land Use Strategy 2017 (Strategy) outlines Council's key land use priorities and principles for the Upper Hunter local government area (LGA), and is referenced by Council when processing requests to amend the Upper Hunter Local Environmental Plan. Of relevance to this Assessment is Part C, Section 2.2 of the Strategy which outlines the strategic directions for the Town of Scone, including Scone's industrial area (focussed along Muffett Street). This industrial area immediately adjoins the subject site to the north. Key items for consideration include the following:

- The area (including the lands fronting the New England Highway and accessible to the heavy rail line) offers further capacity to accommodate industrial-related uses;
- New industrial uses within this area will need to consider impacts resulting from residential development to the south;
- Restrict residential development to the north in order to minimise future land use conflict with existing and planned industrial areas;
- Potential for land use conflict, including impacts to:
    - The ongoing management and viability of existing uses, including the abattoir, saleyards and landfill
    - Residential to south/west
    - The ongoing management and viability of surrounding rural industries (particularly equine industries).

The proposed rezoning is consistent with the relevant sections of the Upper Hunter Land Use Strategy. The proposed rezoning would act as a natural extension from the existing IN2 – Light Industrial zoned land to the north.

3.3 Hunter Regional Plan

The NSW Government has prepared the Hunter Regional Plan to establish the guiding principles for how the future growth of the region will be planned and managed. The Upper Hunter Shire formed in 2004 from the amalgamation of Merriwa, Murrurundi, and Scone shires. Over the next 20 years (2016-2026), the Upper Hunter Shire is projected to experience a 10% (+1,500 dwelling) population increase, reflecting a considerable amount of growth and change.

The Plan also anticipates that Upper Hunter will undergo a transition in the context of a changing industry environment, particularly in mining and power generation, and emerging trends in agribusiness. Further a key action from the Plan is growing the tourism in the Upper Hunter through integration with the Equine Critical Industry Cluster, suggesting considerable growth is anticipated in the tourism market.

3.4 New England Draft Corridor Strategy

The construction of the Scone Bypass was identified as a specific priority to improve local traffic flow and amenity within Scone, improve travel times for freight and long distance journeys on the New England Highway, and increase safety for all road users.

The Strategy describes the key issue with the current road network at Scone as follows:

"At-grade railway level crossings are situated on both of these key routes within Scone. With only 600 m between these crossings, existing rail freight movements (coal trains up to 1,300 m long) can close both rail crossings simultaneously. These closures isolate the eastern and western sides of Scone, block through traffic on the New

England Highway, and prevent emergency vehicle access. With major coal development forecast for the Gunnedah Basin, the length and frequency of coal trains is expected to increase, resulting in further delays and isolation in Scone"

Following the completion of the Scone bypass, the Strategy identifies that there may be opportunities for Upper Hunter Council to improve the provision of cycling and pedestrian access along Kelly Street which may in turn improve amenity in the Scone town resulting in a positive impact.

Bypasses significantly alter the function of the existing road when it is bypassed. The existing road through the town centre will transition from a busy through road with large volumes of traffic (including heavy vehicles), towards a place for people and will give more priority to road space allocation for uses that support this place function. On this basis, the bypass may encourage greater local visitation to the Scone town centre and may have the potential to enhance the experience for regular users of the town centre, as well as for day-trippers and overnight tourists visiting Scone.

There are numerous examples of the positive impacts of bypasses on towns such as Macksville and Nambucca Heads[2], Karuah[3] and Yass, Gunning and Goulburn[4]. In all these cases residents viewed strong improvement in the quality of life with reductions in through traffic, heavy vehicles, noise and air pollution and an improvement in safety, town appearance and amenity. This is despite the economic loss that has occurred on businesses that rely on passing traffic – particularly on service stations, cafes and restaurants.

For example one of the most impacted towns has been Karuah which lost 2 of its 3 service stations and all three restaurants within a year of the bypass opening. After 5 years it gained six new restaurants as well as a couple of new businesses[5]. This reinforces the idea that adverse economic impacts are often short term rather than long term. Notwithstanding a slight increase in the number of businesses (from 38 to 42) there were 35 fewer jobs five years after the opening of the bypass and total revenue from retail, food and accommodation is believed to be a little lower in real terms.

Economic impacts from bypasses are not always necessarily negative. In some cases (such as Berrima) the impacts have been positive due to the significant improvement in amenity.

Judging by the experience in Karuah there are likely to be some losers in Scone – particularly the service stations. However these impacts are all the result of the bypass itself – not the result of a service centre at the northern entrance of the township. The proposed HSC acts as an extension of the town centre and may encourage some motorists travelling southbound to continue along the existing road network (Kelly Street) to Scone Town Centre rather than the veering right for the bypass. This is discussed further in Chapter 5.

3.5 Upper Hunter Local Environmental Plan (LEP) 2013

The subject site is currently zoned R1 – General Residential.

The objectives of the R1 zone include:

- *To provide for the housing needs of the community.*
- *To provide for a variety of housing types and densities.*
- *To enable other land uses that provide facilities or services to meet the day to day needs of residents.*

[2] Macksville CBD relaxes into new rhythm, Guardian News, 18 January 2018
[3] Phibbs, P., Heidrich, A. and Cooney, C. eds. (2009) The Karuah Highway Bypass. Economic and Social Impacts. The 5 year report. Urban and Regional Planning Program. University of Sydney, 2009
[4] Economic Evaluation of Town Bypasses, Bruno Parolin, UNSW for NSW RMS, 2012
[5] Phibbs, P., Heidrich, A. and Cooney, C. eds. (2009) The Karuah Highway Bypass. Economic and Social Impacts. The 5 year report. Urban and Regional Planning Program. University of Sydney, 2009

The LEP lists a wide range of permissible uses. HSC is not included in the list meaning that it is not permissible. Notwithstanding the site provides an ideal opportunity for an HSC being on the New England Highway at the northern entrance to the township. Rezoning of the land is therefore required to permit the HSC.

A HSC under the LEP is defined as *"a building or place used to provide refreshments and vehicle services to highway users. It may include any one or more of the following:*

- *a restaurant or cafe*
- *take away food and drink premises*
- *service stations and facilities for emergency vehicle towing and repairs*
- *parking for vehicles*
- *rest areas and public amenities.*

3.6 Guidelines for the Provision of Heavy Vehicle Rest Area Facilities Edition 1.1 2019

This document provides guidelines for both the spacing of heavy vehicle rest area facilities (HVRA) and for their design and management. The guidance considers both long (e.g. sleep) and short-term rests which will aid the freight industry to support safe heavy vehicle operations while meeting their workplace goals within the prescribed heavy vehicle driving hours regulatory framework.

The guidelines recognises the types of HVRA (informal and formal or other rest opportunities with varying levels of service) and indicates that consideration should be given to the impacts of town bypasses and whether this may impact opportunities for rest. The proposal will offer a premium HVRA and facilitate adequate rest for drivers. Moreover the proposal has the potential to accommodate increased demand for HVRA in the locality (which is currently underprovided for) and provides flexibility in rest opportunities for drivers. It is therefore not inconsistent with the guidelines. Given the long term strategy to bypass Scone the need for the proposal to manage fatigue will become increasingly important.

3.7 Site Specific Considerations

The site is considered suitable for HSC and light industrial uses for the following reasons:

- Strong Accessibility: HSC and Industrial developments usually require good access to highways with two entry points. Located along New England Highway (including access to the future Scone Bypass entry and exit points) the Site has excellent regional and local accessibility.
- Land Use Compatibility: The surrounding land uses (i.e. New England Highway, Railway, Saleyards, Industrial Zoned Land) have the potential to have negative impacts on residential amenity and therefore a light industrial zoning and HSC is considered to be more appropriate.
- Topography and developable area: Industrial developments usually require level ground and a large developable area to allow for large floor plates, storage areas and vehicle turning and access points. The Subject Site comprises approximately 2.5ha of level land which is ample and suited to most industrial uses and HSC.
- Agglomeration benefits: Industrial uses benefit from agglomeration economies - the industrial zoned land to the north coupled with the subject site would provide the critical mass (and hence agglomeration) to drive productivity and foster a stronger economy.

3.8 Planning and Site Considerations

The planning proposal is consistent with the state and regional plans and will facilitate the development of HSC and employment generating uses which will lead to stronger economic outcome for the Upper Hunter locality thereby benefiting the community. Further and as acknowledged in the Upper Hunter Land Uses Strategy 2017 the site is better suited to industrial uses including a HSC (as intended in the planning proposal) given its Highway location and the surrounding land uses (i.e. New England Highway, Railway, Saleyards, Industrial Zoned Land).

THE LOCAL ECONOMY

4.0 THE LOCAL ECONOMY

This Chapter provides an overview of key demographic, employment and economic trends which are of relevance to the proposal.

Analysis for Scone has been undertaken at the Statistical Area Level 2 with comparisons made to the Upper Hunter Upper Hunter Local Government Area (LGA) and Regional NSW to highlight unique locational characteristics.

4.1 Resident population characteristics

Over the last ten years the population of Scone increased from 5,347 to 5,827 persons, representing an increase of 480 persons or an annual compound growth rate of 0.9%. Upper Hunter Shire had a similar growth rate from almost 13,000 to more than 14,100 over the same period. Although growth is modest it is in line with Regional NSW.

Table 1: Population growth

Area	2006	2016	Growth	Average growth rate
Scone	5,347	5,827	480	0.9%
Upper Hunter Shire	12,974	14,112	1,139	0.8%
Regional NSW	2,419,769	2,643,536	223,767	0.9%

Source: ABS time series data 2016

4.1.1 Population Growth

Based on NSW Planning and Environment population projections the population of Upper Hunter is expected to grow at 0.7% per annum over the next 20+ years which will generate demand for further retail and other employment uses.

4.1.2 Household and family structure

Over the last ten years family households have remained the dominant household type (62% of households in 2016). However, this dominance has proportionally decreased over the period with 'lone person' households increasing. This is a trend reflected across the Upper Hunter and Regional NSW.

Family structure within Scone and the Upper Hunter has remained relatively stable over the last ten years with 'couples with children' being the dominant family type followed by 'couples without children'.

4.1.3 Employment industries

As of 2016 there were 2,641 employed residents in Scone, representing an increase of 86 over that recorded in 2006 (2,555 employed residents).

Over this period, mining experienced significant growth in employment (145 jobs) becoming the dominant industry for employed Scone residents. The second fastest growing industry was accommodation and food services which experienced a growth of 44 jobs.

The industry of retail has remained a dominant employment industry for residents within Scone, with it being the second largest employment generator. The data below also highlights the importance of blue-collar industries such as mining, construction, manufacturing, transport, postal and warehousing for the local economy and for local employment and for the encouragement of activities or projects that support these sectors. In this

regard, the planning proposal will provide new employment opportunities during both its development phase – which would be expected to employ many local construction and transport workers – and on an on-going basis through the operation of the industrial uses proposed on site and future upgrades of these facilities.

Table 2: Employed Scone residents by industry type

Top eight employment industries (2016)		Top eight growth industries (06-16)	
Industry	**Employment**	**Industry**	**% growth**
Mining	337	Mining	138%
Retail trade	237	**Accommodation and food services**	42%
Education and training	232	Education and training	37%
Health care and social assistance	223	Administrative and support services	29%
Manufacturing	213	Transport, postal and warehousing	14%
Agriculture, forestry and fishing	207	Arts and recreation services	3%
Accommodation and food services	195	Wholesale trade	2%
Construction	159	Health care and social services	1%

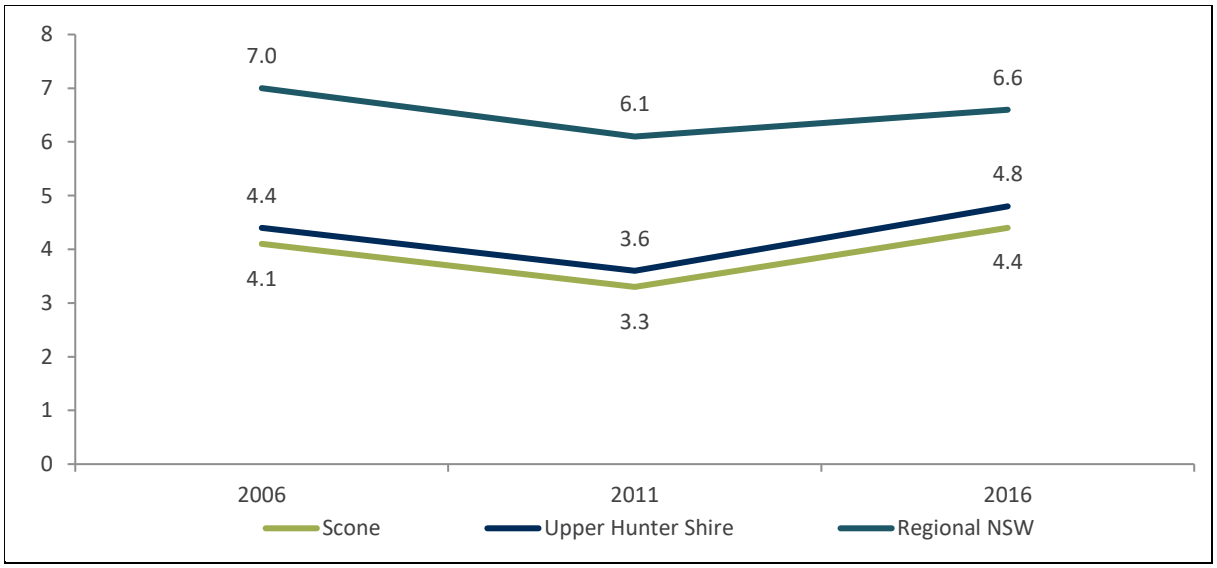
Source: ABS time series data 2016

4.1.4 Unemployment trends

The unemployment rate in Scone has increased over the last ten years, from 4.1% in 2006 to 4.4% in 2016. This is reflective of the wider Upper Hunter. In comparison, the unemployment rate across Regional NSW was higher than that recorded in Scone and the Upper Hunter however it has decreased over the ten year period.

Of particular interest is the profile of those residents who are unemployed and actively seeking work. Of the 122 unemployed persons in Scone as of 2016, a total of 70 people indicated that they were seeking full-time employment, while 49 people were seeking part-time employment.

Figure 5: Unemployment rate



Source: ABS time series data 2016

Full-time and part-time positions would be created by the planning proposal, providing additional employment opportunities for residents with a range of options that suit the employment preferences of the local labour force. The proposed HSC will also assist in offsetting any potential job losses that result from the bypass itself and provides new

local employment and business opportunities in the short-term (ie, construction phase) and on a permanent basis (ie, during the site's on-going operational phase).

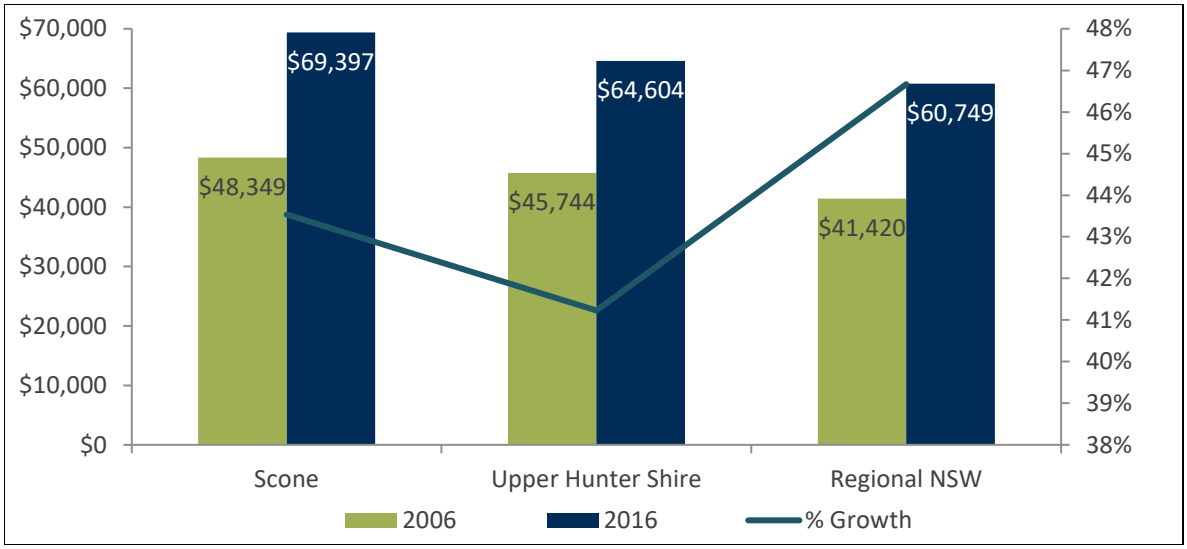
4.1.5 Household income

The average household income in Scone has remained higher than that recorded for the Upper Hunter and Regional NSW. As of 2016, the average household income in Scone was around $69,400, representing a $21,000 or 44% increase over the last ten years.

This is compared to the Upper Hunter Shire which had an average household income of around $64,600 and regional NSW with $60,750.

The higher household incomes in Scone suggests that residents have a greater proportion of disposable income that could be directed towards discretionary items.

Figure 6: Household incomes



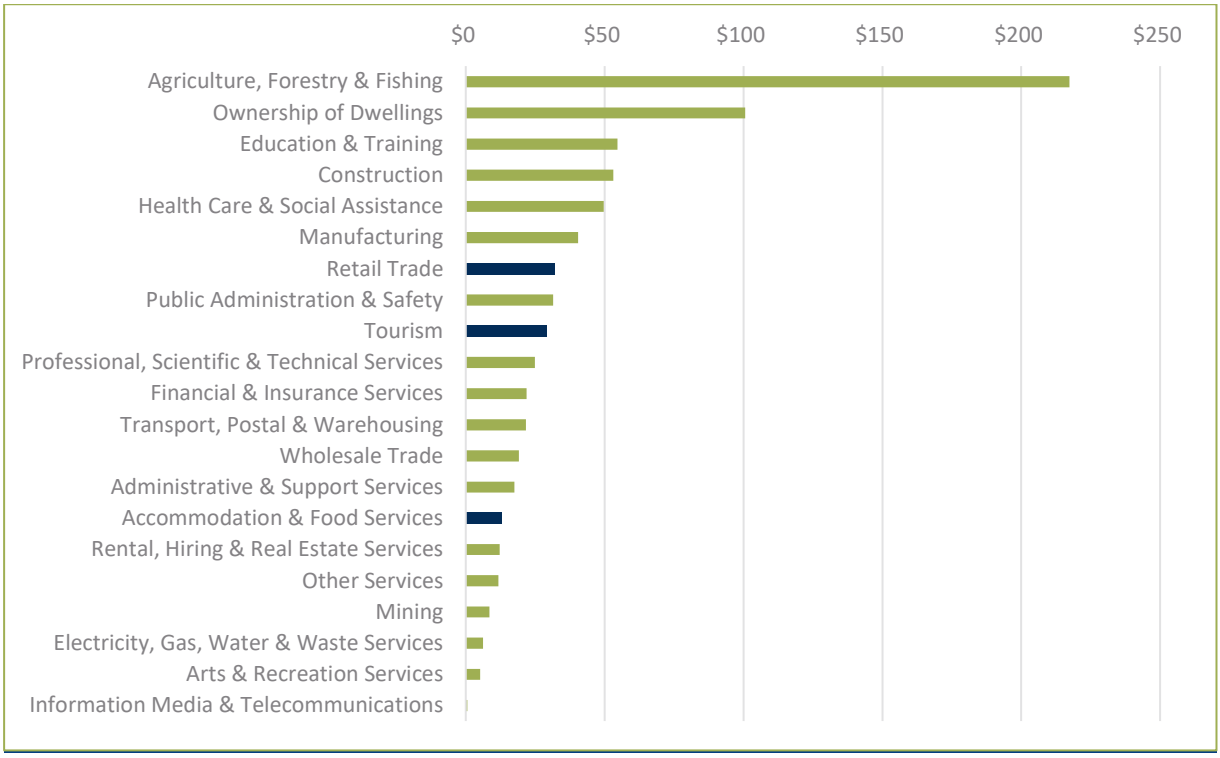
Source: ABS time series data 2016

4.2 Economic trends

4.2.1 Gross value added

Of the total value added in the Upper Hunter economy of $770.71m it is estimated that tourism, retail trade and accommodation and food services contribute $74m or 9.6%, whilst blue-collared sectors contribute $123.8m or 16.1%. Evidently these industry sectors make up a significant economic contribution to the Upper Hunter Shire and perform a key role in the local economy.

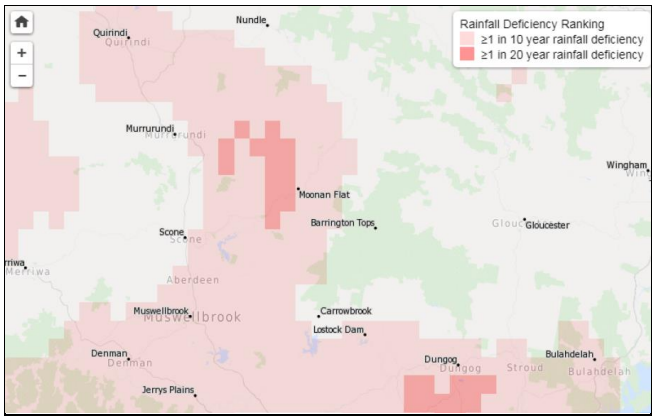
Figure 7: Upper Hunter gross value-added by industry



Source Remplan 2017

Given the rural nature of the Upper Hunter the agriculture sector contributed the most to the local economy ($217.3 million). However agriculture is volatile due to climate variations and during 2017, parts of the Upper Hunter experienced a one in 20-year rainfall deficiency (see figure below). Diversification across other industry sectors would help to mitigate this risk and promote longer term sustainability. On this basis the planning proposal would contribute to industry diversification across industry sectors which (as demonstrated above) are major economic contributors.

Figure 8: Left - Rainfall deficiency 2016 - 2017



Source: ABC news, *Hunter Valley farmers question NSW Government's drought strategy amid worsening dry condition,* By Cecilia Connell January 2018.

4.2.2 Business counts

As of 2017, there were 717 businesses located in Scone, representing 43% of businesses located in the Upper Hunter Shire. Interestingly, although employment in Scone has increased over the last five years, the number of businesses has decreased (24 businesses over the last three years).

The number of retail businesses has decreased by two over the last three years with this contributing to the decline in employment as identified previously.

Accommodation and food service businesses increased over the period by two, highlighting this growing industry and growth in tourism.

The development of retail and industrial uses on the subject site would increase the number of businesses within Scone helping address the recent decline while also providing additional employment opportunities for local residents. These new jobs would also offset any possible job losses arising from the bypass itself.

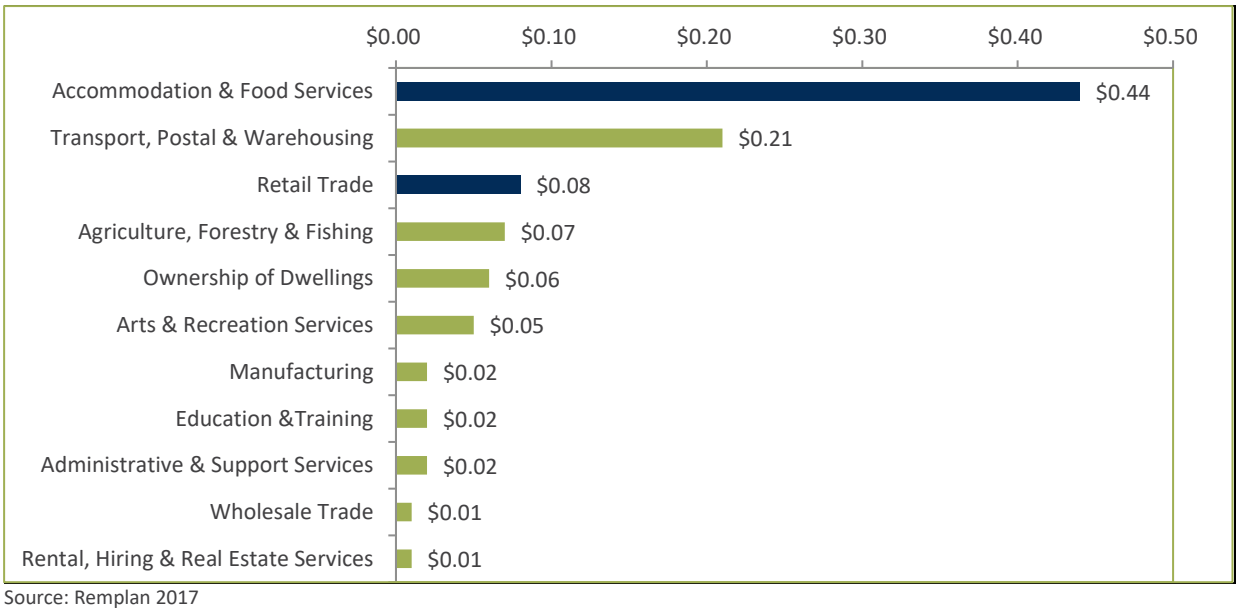
4.2.3 Tourism expenditure – Upper Hunter

Tourism Research Australia estimates that total expenditure generated by visitors to the Upper Hunter was $46 million in 2016. Of this, $4 million was attributed to international visitors, $28 million from domestic overnight and $14 million from domestic day visitors.

The figure below details how, on average, a dollar spent by a visitor to Upper Hunter benefits local industries. The most beneficial industry is accommodation and food services while retail the third most beneficial.

It is reasonable that increased retail services within the area would have significant positive flow on effects to the estimated 166 tourism related businesses and 74 retail businesses within the Upper Hunter.

Figure 9: Tourism expenditure per dollar



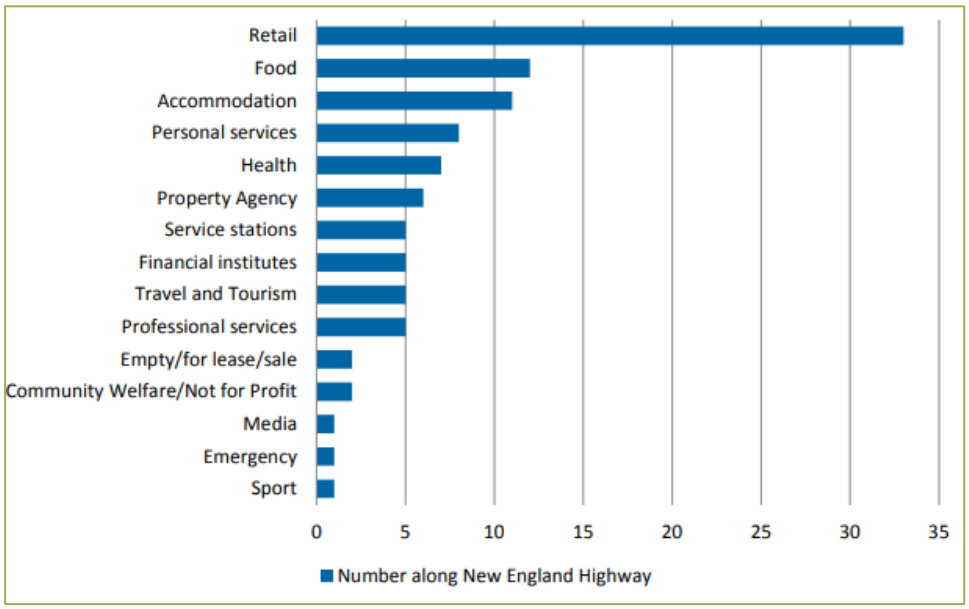
Source: Remplan 2017

4.3 Scone Town Centre

The commercial core within Scone Township is centred on the New England Highway (existing) / Kelly Street. Along this stretch of road there are around 104 operating businesses which cater for the business and shopping needs of the local residents and surrounding villages of Merriwa, Murrurundi and Aberdeen[6].

The types and number of businesses located along Kelly Street is shown in the figure below.

Figure 10: Number and types of business on New England Highway / Kelly St, Scone



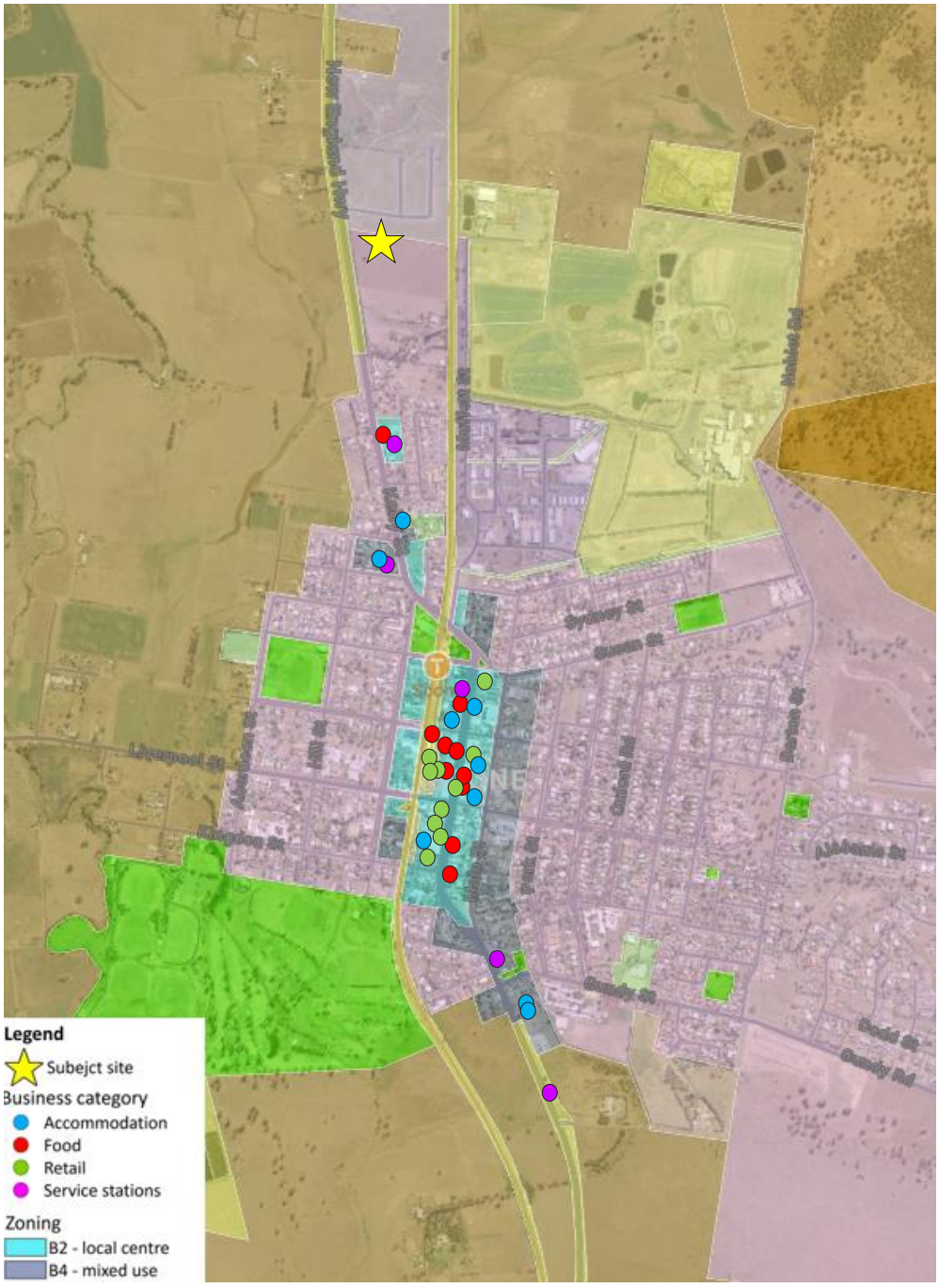
Source: New England Highway bypass of Scone, Socio-Economic Impact Assessment, December, GHD 2015

The Socio-economic Impact Assessment which was submitted with the New England Highway bypass at Scone Environment Impact Statement stated that there were around 40 businesses that may attract passing trade or have some dependence on highway-related trade.

These businesses include 11 in accommodation, 12 restaurants/cafes/fast food premises, 11 retail and five service stations. The location of these businesses is provided in the following figure.

[6] New England Highway bypass of Scone, Socio-Economic Impact Assessment, December, GHD 2015

Figure 11: Location of sensitive businesses



Source: HillPDA, SixMaps

Regarding the potential impacts upon these sensitive businesses the report stated:

Consultations with the Scone Chamber of Commerce, the Upper Hunter Shire Council, Scone Visitor Centre and Upper Hunter Tourism have indicated the majority of the highway dependent businesses within Scone catered to local and regional markets, visitors to Scone as well as passing highway trade. Consultations suggested that a small proportion of businesses along Kelly Street (about 30 per cent) catered to highway trade and less than 10 per cent could be considered to have more than 50 per cent passing trade, with the rest of the trade coming from local and regional customers and visitors to Scone.

According to the consultations and observations, passing highway trade, particularly for retailers, eateries, accommodation and food shops, is mainly generated by people travelling in light vehicles, while passing heavy vehicles mainly use the service stations. ***Overall, it is considered that businesses in Scone have a low degree of dependence on highway-related trade***[7].

This is further confirmed in the table below which shows numbers of workers in Scone by industry type.

Table 3: Working Population in Scone by Industry Type 2016

Industry	Males	Females	Persons
Agriculture, Forestry and Fishing	125	95	228
Mining	5	5	11
Manufacturing	238	88	326
Electricity, Gas, Water and Waste Services	7	0	7
Construction	123	16	138
Wholesale Trade	45	21	67
Fuel Retailing	9	10	19
Other Retail Trade	84	205	291
Accommodation	11	29	44
Food Services	85	118	207
Transport, Postal and Warehousing	80	43	118
Information Media and Telecommunications	3	0	3
Financial and Insurance Services	9	37	48
Rental, Hiring and Real Estate Services	9	12	26
Professional, Scientific and Technical Services	45	114	157
Administrative and Support Services	27	46	71
Public Administration and Safety	73	80	157
Education and Training	58	214	272
Health Care and Social Assistance	39	294	331
Arts and Recreation Services	35	22	53
Other Services	42	62	107
Inadequately described/Not stated	62	51	114
Total	**1,214**	**1,562**	**2,795**

Source: ABS Census 2016 Working Profile

Of almost 2,800 workers in Scone the most vulnerable to the bypass are those in fuel retailing and food services. This represents 226 workers or 8% of workers. These industries are high employers of part time staff. 73% of workers in 'food services' work less than 35 hours a week compared to 40% for total industries. As a result the overall impact on Scone Town Centre from the bypass and/or the planning proposal is not expected to be significant given the Town Centres minimal reliance on passing trade.

4.4 Potential Competing Businesses

Potential competing businesses with the proposed HSC in the Scone locality include service stations, restaurants and motels. These are described below.

[7] New England Highway bypass of Scone, Socio-Economic Impact Assessment, December, GHD 2015

4.4.1 Service stations

There are five services stations located within Scone Township, these are as follows:

1. **BP service station**

   This is a relatively modern service station located at 30 Kelly Street at the northern end of the Scone township, around 0.6 kilometres or a one minute drive from the subject site.

   The service station provides five pumps and a convenience store of approximately 230sqm. The service station is adjacent to McDonald's of around 330sqm.

2. **BP Scone, highway service**

   This service station is located at 66 Kelly Street within the commercial core of Scone, around 1.0 kilometres or a one minute drive from the subject site.

   The service station provides around three pumps, a convenience store of approximately 60sqm and a workshop of around 350sqm.

3. **Coles express / Shell service station**

   This service station is located at 93 Kelly Street within the commercial core of Scone, around 1.4 kilometres or a two minute drive from the subject site.

   The service station provides around three pumps, a convenience store of approximately 70sqm and a workshop of around 115sqm.

4. **Liberty service station**

   This service station is located at 236 Kelly Street at the southern entrance to Scone, around 2.4 kilometres or a four minute drive from the subject site.

   It provides four pumps, a convenience store of approximately 50sqm and a workshop of around 130sqm.

5. **Woolworths / Caltex petrol station**

   This service station is located at 402 Kelly Street at the southern entrance to Scone, around 2.9 kilometres or a four minute drive from the subject site.

   The service station provides four pumps and a convenience store of approximately 80sqm.

4.4.2 Cafes and Restaurants

In addition to the motels and the RSL Club there are a further 10 cafés and restaurants in the Scone township.

4.4.3 Implications

There are a three main important points to consider with the above list:

- Firstly some of these businesses may experience adverse impacts resulting from the bypass itself. This is particularly the case with petrol outlets and to some extent with the restaurants.
- Secondly the trade area for the proposed service centre extends beyond Scone. It follows a direction along the highway. It will compete with other HSCs up and down the highway well beyond the boundaries of the Upper Hunter Shire.
- Lastly the proposed service centre has potential to encourage light vehicles into the town, particularly those travelling southbound which will benefit the community. The service centre is therefore expected to have some positive as well as negative impacts on the town centre and this is explored in the next chapter.

4.5 Growth in New England Highway Traffic

Traffic volumes along New England Highway increased between 2007 and 2010, according to Roads and Maritime Services (RMS) data. 123 more vehicles per day have been using the stretch of New England Highway at Aberdeen in 2019 compared with the numbers recorded for 2015. This trend represents a nominal 0.3% average annual increase in traffic flows. While light vehicle volumes have witnessed a drop during this time, there has been a steady increase of heavy vehicles using New England Highway per day in 2019 compared with 2015, representing a significant 3.5% average annual growth rate. This information is shown in the following table.

Figure 12: New England Highway traffic volumes, Scone, 2015-2019

Vehicle type	2015	2019	AAGR
Light vehicles	8,636	8,531	-0.3%
Heavy vehicles	1,543	1,771	3.5%
All vehicles	10,179	10,302	0.3%

Source: Traffic Volume Viewer, NSW Roads and Maritime Services
Note: Date refers to RMS Station Id: 6158, located 16.8km South of the Subject Site, Aberdeen
AAGR = Average Annual Growth Rate

Unfortunately RMS has not undertaken recent traffic surveys along New England Highway towards Scone. A traffic survey[8] undertaken by AECOM in 2011 found that the stretch of New England Highway south of Scone carries 8,400 vehicles per day (VPD), peaking in town at 14,000 VPD, dropping to 5,800 VPD north of Scone, of which 21% are heavy vehicles. The subject site is located to the north of the Scone Town Centre and on the east side of the main road.

In the absence of forecast growth data from RMS, HillPDA adopted a conservative rate of 2.0% per annum growth which is considerably lower than the historical growth rate of 3.5% for heavy vehicles and a 0.5% per annum growth rate for light vehicles to predict New England Highway traffic volumes between 2019 and 2031. The estimated traffic volumes are shown in the table below.

Table 4: Forecast New England Highway traffic volumes, 2010-2031

Year	Traffic Volume (average vehicles per day)
2019	10,302
2031	11,303
Total change, 2016-2028	1,000
Total change, 2016-2028 (%)	10%

Approximately 2,250 (or 20%) of the 11,300 total vehicles in 2031 are anticipated to be heavy vehicles, based on trends observed between 2015 and 2019. Given the large volume of heavy vehicles travelling along New England Road, with this trend expected to continue, the planning proposal which intends to include a truck canopy and parking will help to service this heavy vehicle market. Heavy vehicles utilising the proposed service centre will be able to enter (or re-enter) the Scone Bypass without having to pass through the town centre thereby maintaining safer traffic conditions as well as ambience. This would promote a positive outcome through providing heavy vehicles with another rest opportunity.

[8] Scone – Kelly Street Level Crossing , Feasibility Report, AECOM, 2014

ECONOMIC IMPACT ASSESSMENT

5.0 ECONOMIC IMPACT ASSESSMENT

The indicative development scenario of a highway service centre including fast food services can be expected to generate a number of economic impacts in the locality and in the LGA as a whole which is described in this Chapter.

These impacts are likely to be in the form of the creation of new employment opportunities, introducing new opportunities for commercial development, and expand levels of household expenditure on a wide range of retail and other services. There are also impacts during construction discussed immediately below in the next section.

5.1 Economic impacts during construction

Total construction cost is estimated to be in the order of $7.6 million. This includes the service station at $3.0m, the fast food and dining at $1.3m, the industrial uses at around $2.5m and the carparking at $0.1m plus contingencies at 10%[9]. Excluded are any external infrastructure costs and soft costs such as consultants, developer contributions, application fees, finance and holding costs.

Project cost figures used in this analysis are an indicative estimate only, based on a HillPDA estimate. Detailed cost estimations would be required to confirm these high level preliminary estimates.

5.1.1 Construction Multiplier Impacts

The construction industry is a significant component of the economy accounting for 7.3% of Gross Domestic Product (GDP) and employing almost one million workers across Australia. The industry has strong linkages with other sectors, so its impacts on the economy go further than the direct contribution of constructed buildings. "Multipliers" refer to the level of additional economic activity generated by a source industry.

There are two types of multipliers:

- Production induced: which is made up of:
  - First round effect: which is all outputs and employment required to produce the inputs for construction
  - An industrial support effect: which is the induced extra output and employment from all industries to support the production of the first round effect
- Consumption induced: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

The source of the multipliers adopted in this report is ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0). These tables identify first round effects, industrial support effects and consumption induced multiplier effects at rates of $0.620, $0.661 and $0.905 respectively to every dollar of construction.

[9] High level estimate by HillPDA based on Rawlinsons Construction Handbook and various web sites

Table 5: Construction Multipliers ($m)

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Output multipliers	1	0.620	0.661	0.905	3.186
Output ($million)	**7.6**	**4.7**	**5.1**	**6.9**	**24.3**

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2015-16 (ABS Pub: 5209.0)

With an estimated construction cost of $7.6m the planning proposal will generate further economic activity described as:

- Production induced effects of $9.8m
- Consumption induced effects of $6.9m.

Total economic activity generated by construction is therefore estimated at $24.3m.

Note that the multiplier effects will occur over a national reach and are not necessarily local. The ABS states that:

> *"Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy."*

In particular the multiplier impacts can leave the impression that resources would not have been used elsewhere in the economy had the development not proceeded. In reality many of these resources would have been employed elsewhere. It should also be noted, as stated in the NSW Treasury guidelines, that:

> *"Direct or flow on jobs will not necessarily occur in the immediate vicinity of the project – they may be located in head office of the supplier or in a factory in another region or State that supplies the project"*[10].

Nevertheless, economic multiplier impacts represent considerable added value to the local and broader Australian economy.

5.1.1 Construction Related Employment

It is estimated that the equivalent of 2.5 construction jobs over 12 months are created for every one million dollars of construction work undertaken[11]. Based on $7.6m construction cost, 19 job years[12] would be directly generated by the development.

Table 6: Construction Employment

	Direct Effects	Production Induced Effects		Consumption Induced Effects	Total
		First Round Effects	Industrial Support Effects		
Multipliers	1	0.731	0.851	1.434	4.016
Employment No. per $million	2.497	1.826	2.125	3.581	10.029
Total job years created	**19**	**14**	**16**	**27**	**77**

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0) adjusted by CPI.

[10] Source: Office of Financial Management Policy & Guidelines Paper: Policy & Guidelines: Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government (TPP 09-7) NSW Treasury
[11] Source: ABS Australian National Accounts: Input-Output Tables 2016-17 (ABS Pub: 5209.0)
[12] Note: One job year equals one full-time job for one full year

From the ABS Australian National Accounts: Input-Output Tables 2016-17 HillPDA identified employment multipliers for first round, industrial support and consumption induced effects of 0.731, 0.851 and 1.434 respectively for every job year in direct construction. Including the multiplier impacts, the development is estimated to generate 77 job years directly and indirectly.

5.2 Operational Employment

5.2.1 Direct jobs

The Planning Proposal would generate employment for an estimated 76 persons of which 10 jobs would be in fuel retailing, 44 jobs in the fast food/restaurant and 22 jobs in the distribution centre. Many of these jobs would be sourced from surrounding localities including Scone, noting the industry experience that most retail employees live locally. Around two thirds of these jobs would be part time and casual positions largely for young adults.

5.2.2 Salary Generation

The Planning Proposal would generate a combined total of workers' remunerations on site of approximately $2.7 million as shown in the table below.

Table 7: Estimated Salary Generation

Land Use	Jobs	Avg Annual Wage	Total ($m)
Service Station / Convenience	10	$33,000	$0.33
Family restaurant / drive-in fast foods	44	$18,500	$0.82
Distribution Centre	22	$71,980	$1.59
TOTAL	**76**	**$35,941**	**$2.74**

Source: IBISWorld Industry Reports, ABS and HillPDA Estimate ($2018).

5.2.3 Gross Value Added

Gross value added (GVA) (also known as industry value added) refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the country's wealth or gross domestic product (GDP) or gross regional product (GRP).

We estimate the GVA from the proposed uses would be $4.6 million every year as shown in the table below.

Table 8: Estimated Gross Value Added

Land Use	Jobs	GVA / Worker	Gross Value Added ($m)
Service Station / Convenience	10	$63,000	$0.63
Family restaurant / drive-in fast foods	44	$29,000	$1.28
Distribution Centre	22	$120,302	$2.66
TOTAL	**76**	**$59,989**	**$4.57**

Source: IBISWorld Industry Reports, ABS and HillPDA Estimate ($2018).

5.3 Impacts on Scone

Measuring the impact of the proposed service centre on Scone main-street businesses (Kelly Street) is vexed for a number of reasons. It is important to note that although the proposal is inside the boundary of the defined locality the site is at the northern entrance of the township some 0.5 to 1km north of the town centre.

Firstly, the negative impacts on Scone's fuel outlets are likely to primarily be a direct result of the opening of the Scone Bypass rather than the proposed service centre. Due to the bypass the sustainability of five fuel retailers in Scone is questionable, irrespective of whether a service centre is developed on the subject site and/or on the Scone bypass.

5.3.1 Food Services

Scone has 12 existing food services premises (restaurants, cafes and take-away / fast food). The subject proposal will add a further food offering to Scone bringing the number to 13. Based on fair market share the immediate impacts would average 7.6% (1/13) loss of trade on existing food businesses. Impacts below 10% is considered an acceptable impact within normal competitive trading levels.

Also while there may be some competition between the proposed fast food restaurant and the businesses on Kelly Street, the offer differs. The proposed service centre will provide a fast food option whereas most of the café restaurants along Kelly Street are local run businesses offering alternative menus and in some cases with alcoholic beverages and/or BYO. The proposed service centre will have a drive-through service whereas, with the exception of McDonalds, the other Kelly Street food services do not have such an offer. Due to the difference in food services between the existing businesses and the proposed service centre a considerably level of competition will come from other HSCs to the north and south of Scone. The average impact on existing businesses in Scone is therefore likely to be less than 7.6% loss of trade and is more likely to be some level closer to 5%.

This is evident in the survey undertaken KJA Engaging Solutions of 132 shoppers (45% local residents and 55% visitors) in Stroud Street Bulahdelah over 2 days (Sunday and Monday) in June 2017[13]. The purpose of that survey was to better inform the impacts that the proposed HSC on the Bulahdelah bypass would have on the Stroud main street businesses. Whilst the survey was relating to a different proposed HSC and locality the results do provide some useful information to better understand the likely impacts from the proposed HSC on the Scone township.

The survey results suggest the impacts are likely to be mixed. 78% believed the HSC would not have had an impact on their decision to stop on the main street, 4% were unsure and 18% said they would have stopped at the HSC instead. A majority of respondents stated that they prefer the country town and main street ambience, restaurants and retail services.

Interestingly visitors overwhelmingly stated that they would still visit the main street even though they were pessimistic about the impacts of the proposed Bulahdelah HSC on the main street. Residents were much more likely to indicate the HSC would have a positive impact on the town as it would provide more local jobs.

To gain a better appreciation of possible impacts during the holiday period the intercept survey by KJA Engaging Solutions was repeated over 30 to 31 March 2018 being the Easter Weekend. A total of 131 surveys were completed. Of those surveyed 87% (114) indicated that they were visiting Bulahdelah. This was a much higher proportion of respondents than the June 2017 survey (54% visitors) due to a much higher level of tourism over the Easter weekend. 18% (20) of visitors were staying overnight in Bulahdelah.

[13] Bulahdelah Highway Service Centre Survey Report by KJA Engaging Solutions, July 2017

The results of this second survey suggest similar findings to the initial visitor survey undertaken in July 2017, with 70.23% of respondents indicating that the proposed Bulahdelah HSC would not have impacted their decision to visit the Bulahdelah township on the day of the survey, had it been operational already. Further, 52.67% of respondents indicated that they would be either 'unlikely' or 'very unlikely' to visit the proposed Bulahdelah HSC instead of the Bulahdelah township more generally.

The results confirm the view that the food offer at the proposed HSC will be different from the food and drink offer in the Scone Town Centre and that there will be travellers that prefer the offer in Scone and would continue to patronise Scone township. The loss of trade (or risk) to Scone would result predominantly from spontaneous decision making by motorists to patronise the HSC without knowledge about alternatives. There are ways to mitigate that loss or risk. The main method is to include suitable signage on the highway and in digital media to inform motorists as they approach Scone of the options for rest and food services.

Finally, the service centre is located at northern entrance of the township on Kelly Street. It is not on the bypass but is on the old main street itself. Motorists travelling southbound along New England Road must turn off the highway towards the town centre to access the proposed HSC. As such the HSC may encourage motorists who would have otherwise used the Scone bypass and evaded the town centre to continue through to the Scone town centre (since they have already commenced this route) and potentially stop over to use the town centres amenities.

To access the site from the Scone bypass motorists will need to turn right via a slip road into Kelly Street and continue 450m north to the site. To continue north from the site motorists will need to head back south 450m to turn right onto the bypass and then continue on north. The subject site is less convenient for north bound travellers.

Motorists travelling northbound from Kelly Street will have to pass through town centre (and passing the existing service stations) before reaching the subject site. As such the vast bulk of patrons at the proposed service station will be motorists travelling southbound on the old highway.

5.3.2 Petrol Outlets

There are a number of service stations in the locality. The table immediately below shows the locations of stations within 60km to the north and 30km to the south of the subject site.

Table 9: Service Stations in the locality

Facility Name	Address	Distance from subject site	Truck stop-over parking	Restaurant(s)
BP	30 Kelly St, Scone	0.6km	No	No
BP	66 Kelly St, Scone	1.0km	No	No
Coles Express	93 Kelly St, Scone	1.4km	No	No
Liberty	236 Kelly St, Scone	2.4km	No	No
Caltex	402 Kelly St, Scone	2.9km	No	No
Metro Petroleum	148 Mayne St, Murrurundi	39.3km	No	No
Murrurundi BP	3/5 Mayne St	37.3km	Yes	Yes
Murrurundi Roadhouse	3 Mayne St	37.3km	No	Yes
United	49 Maitland St, Muswellbrook	27.9km	Yes	Yes
Shell	148 Bridge St, Muswellbrook	27.6km	No	No
Caltex	16 Sydney St, Muswellbrook	27.3km	No	No
Puma	50 Sydney Street, Muswellbrook	27.4km	No	No
Caltex	84-86 Maitland Street, Muswellbrook	27.6km	No	No

The stations at Murrurundi to the north and Scone and Muswellbrook to the south of the subject site are relatively convenient and have direct frontage to the highway. To estimate the impact on existing service centres we used a type of gravity model which assumes that centres closer to the subject site will be impacted the most. Impacts will also be stronger on those service centres on the southbound side of the highway and those with restaurants and truck stopping areas.

The stations that are most likely to be impacted are the five existing stations on Kelly Street in the Scone Town Centre which are all within 3km of the subject site. The impacts are likely to be a fall in the moderate range of 10% to 15% loss in trade. Outside Scone the impacts on other centres is likely to be less than 10% loss in trade which is below moderate or insignificant. Note however that over time the impacts on these centres will be diminished or negated by growth in trade due to growth in traffic along the highway.

We note that there is a proposal for another HSC on the Scone bypass on Aberdeen Street. At this stage it is not known if that proposal will be approved and thus for the purpose of this assessment we have assumed that it would not proceed. Note however that the two proposed HSCs will have slightly different roles in that the subject proposal is positioned on the old highway that runs through the town centre whilst the other proposal is positioned on the bypass.

5.4 Other impacts

The Australian Trucking Association has campaigned for an increase in the number of truck resting facilities along major highways. It has also campaigned for an improvement to existing facilities. The Association represents 50,000 businesses and 200,000 workers across Australia. Truck drivers must meet legal fatigue requirements and make use of truck rest areas to meet their obligations. It is critical that they are provided with appropriate

facilities to ensure a safe journey. According to the Association "there are not enough rest areas on our roads and many are in shocking condition"[14].

The proposed service centre will extend these services considerably providing additional truck parking bays, food services, fuel sales etc. This will greatly assist in improved safety and fatigue management for truck drivers.

Other benefits at the community level, including the following:

- Enhanced service facilities for local residents and visitors
- Provision of additional local employment opportunities
- New workers would generate further demand for local retail and commercial goods and services and contribute to their sustainability
- Where a significant property investment decision has been made it is generally viewed as a strong positive commitment for the local area. Such an investment can in turn stimulate and attract further investment to the immediate area.

[14] https://www.trucksafe.com.au/trucksafe-news/news/

CONCLUSION

6.0 CONCLUSION

The proposed service centre with an ancillary fast food service and distribution centre is expected to contribute a number of economic benefits in the locality and in the wider local government area. Economic impacts, both positive and negative, which are likely to be brought about by the development are summarised as follows:

- Total cost of construction is estimated to be in the order of $7.6 million
- Construction on site would provide 19 job years directly on site and 58 indirect (or flow-on) job years in the wider Australian economy
- A further 76 jobs would be provided in fuel retail, food services (of which around two thirds would be part time and casual workers) and in distribution
- Total salaries of the workers would amount to $2.7m per annum (constant 2018 dollars)
- Gross value added (contribution to the local economy) would amount to $4.6m each year
- Negative impacts on Scone is likely to be acceptable given the location of the service centre. Almost all the entire total fuel and food sales will be derived from motorists on the New England Highway, predominantly travelling southbound with the intention of turning off the highway through the town centre.
- There may be some negative impact on fuel and food businesses in the Scone town centre but many patrons (evident by the visitor surveys) will continue to prefer the rest and food offering in the Scone township which will be different to the offering in the service centre.
- There are ways to mitigate any potential or risk of loss in trade to Scone. The main method is to include suitable signage on the highway and also in digital media to inform motorists as they approach Scone of all the main options for rest and food services.
- Any adverse impacts on Scone businesses will diminish over time with growth in traffic and tourism in the area.

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