
PORT MACQUARIE ENTERTAINMENT PRECINCT

ECONOMIC IMPACT ASSESSMENT

PLANET WARRIEWOOD
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EXECUTIVE SUMMARY

BACKGROUND

Planet Warriewood own a vacant site located on the corner of Park Street and Warlters Street, Port Macquarie (referred to as 'the Site'). Comprising 5,771sqm in site area, the Site is located in the Port Macquarie City Centre within the Settlement City Precinct and within the Port Macquarie-Hastings local government area. The Site is zoned B3 Commercial Core under the *Port Macquarie-Hastings Local Environmental Plan 2015*. The Site has an FSR of 2:1 and varying height controls of 11.5m, 16m and 19m.

The Proposal envisages a new entertainment precinct with the following uses in a four-storey commercial building:

- Cinema with nine screens (with capacity for 1,343 seats) operated by United Cinema with restaurant, function room and managers residence;
- Gymnasium;
- Indoor recreation including indoor bowling facility;
- Food and drink premises including two ground level drive-through premises;
- Retail tenancies;
- Basement car parking with 153 spaces and 12 bicycle spaces.

The Proposal envisages a total of 11,433sqm GFA which is within the permissible GFA. A clause 4.6 variation is sought to vary a building height control. The proposed uses are permissible in the B3 Commercial Core zone.

PURPOSE AND SCOPE

AEC Group (AEC) is engaged by Planet Warriewood to prepare an Economic Impact Assessment (EIA) to consider the economic impacts likely to result from development of the Proposal. The EIA is prepared in response to a request from Port Macquarie-Hastings Council (Council).

In particular, the EIA seeks to examine the following issues:

- Demand for cinema screens.
- Role of the Proposal in:
 - Facilitating growth in local employment;
 - Meeting the needs of local residents/ workers and visitors;
 - Contributing to competitiveness of Port Macquarie City Centre as a destination to visit and live in;
 - Contributing to tourism growth.
- Competition and impact to existing business.
- Consistency with Council's Retail Strategy and Growth Strategy.
- Contribution to overall supply of retail floorspace, and in particular the impact to viability of the Port Macquarie CBD, Settlement City Precinct and other commercial areas in the Port Macquarie Regional City.

The purpose of the EIA is to consider the merits of the Proposal from a planning and economic perspective, specifically if the Proposal would strengthen the offer and competitive position of the Port Macquarie City Centre.

STRATEGIC CONTEXT

The UGMS identifies a centres hierarchy for the Port Macquarie Regional City (i.e. the City Centre). The Port Macquarie CBD and Settlement City at the top of the hierarchy, with local and neighbourhood centres at the bottom.

“...the Port Macquarie CBD is defined as the B3 Commercial Core zone in the Port Macquarie Town Centre, in recognition of its role as the primary business and service centre in the Port Macquarie-Hastings.

Settlement City is highlighted as a Core Business Centre at the Regional City level, with significant development potential.” (Port Macquarie-Hastings Council, 2018, Volume 2 page 70).

The B3 Commercial Core zone is distributed across four precincts in the Regional City Port Macquarie CBD, Settlement City, Gordon Street and Munster/ Lord Street. Owing to their common B3 land use zone, the precincts are subject to similar zone objectives and permitted uses.

The Site falls within the Settlement City precinct, within walking distance of the Settlement City Shopping Centre.

SUPPLY AND DEMAND ASSESSMENT

Patronage Trends

Research by Screen Australia indicates that people aged 14-24 years are the most likely cohort to visit the cinema. In 2018, 86% of 14-24 year olds had visited the cinema in the last 12 months and on average they visited 8.5 times per year (Screen Australia, 2019). This was followed by the 24-34 year age cohort, of whom 76% had visited the cinema over the last year with an average of 6.5 visits per year.

Although young people are over-represented in visitor attendance statistics, a major trend over the last decade has been the growth in over-50s visiting the cinema. To some extent this reflects the ageing population more generally, although the rate of cinema attendance amongst this group has grown faster than broader population growth.

Screen Australia data (2019) shows that the proportion of over-50s who visited the cinema within the last 12 months in 2017 was 62% compared to 54% a decade earlier. Over the same period, the proportion of over-50's in the Australian population generally grew from 31% in 2007 to 33% in 2017. This suggests an increase on two fronts - older people and retirees are growing in proportion to overall population *and* they visit the cinema more often.

Council's Urban Growth Management Strategy (UGMS) indicates the proportion of residents aged 18-34 years and above 50 years is expected to grow over the coming decades to 2036. Cinema data indicates that both of these age cohorts are expected to generate strong demand for cinema visitation. This will contribute to driving demand for cinema uses in Port Macquarie moving forward to 2036.

Broadening of Offer

Cinemas have faced rising competition in recent years, predominantly due to the rise in online video streaming services such as Netflix. The affordability and availability of these services, especially to young people, has contributed to a steady decline in average cinema attendances across Australia. This trend has been occurring across most Western countries. Some cinemas are now fighting back with success.

New investment into existing or new cinemas provides a significantly better offer to consumers. This includes creating larger more comfortable seats, bigger IMAX-style cinema screens with higher-quality imaging or an improved reinvigorated food and beverage offer. At the same time, boutique operators have been increasing, offering a more niche product which includes recliner seats, curated screenings and more personalised services. Not only have these initiatives helped to boost cinema patronage in many markets, they also enable the operator to charge a higher ticket price for a superior offer.

These initiatives are assisting to drive cinema patronage in Australia. After declining since 2000, the average cinema attendances per year per resident increased from 6.6 times (2016) to 8.6 times (2017) (Screen Australia, 2019). This was the highest attendance level recorded since 1996.

The proportion of people who had visited the cinema within the last 12 months grew to 72% in 2017, the joint highest level ever recorded since record keeping began in 1974. The number of cinema screens in NSW/ ACT is also growing, it is up by 26 screens (4%) between 2016 and 2018 alone.

These trends align with growing consumer preference for experiential retail, that is to spend disposal income on experiences rather than physical goods. This suggests that to stay relevant and provide what consumers want, cinema operators need to invest in existing product or create new facilities which are aligned to market demand.

Resident Demand

In 2018, the number of cinema screens in NSW and ACT was at an average of 12,026 persons per screen.

Though this average rate relates to metropolitan and regional cities and centres. Metropolitan and regional cities and centres are expected to demand cinema screens at different rates due to differing levels of entertainment and retail on offer. Metropolitan cities and centres are expected to require a higher average number of persons to support demand per screen due to diversity of offer and choice from other entertainment options.

Regional cities including Port Macquarie are expected to require a lower average number of persons to support demand per screen due to a more limited offer of entertainment options.

For the purposes of the EIA, demand is estimated at 10,000 persons per screen benchmark to reflect the regional city location of Port Macquarie City Centre.

- Applying the 10,000 persons benchmark rate to a 2019 forecast population suggests there is demand to support over 8.4 cinema screens on residents alone.
- As recognised in Council's Retail Strategy, the Port Macquarie City Centre also serves residents in neighbouring LGAs of Greater Taree and Kempsey. Allowing for additional trade from neighbouring LGAs could support 9.2 screens.
- Assuming tourist visitation at 15%, additional demand could support 10.5 screens (rounded to 11) in 2019.

Over the next decade, cinema growth in the Port Macquarie City Centre is expected to be driven by population growth and market trends and drivers already observed:

- Population growth of 12,000 people (average of 1,200 per year) by 2029.
- Continued trade capture from adjoining LGAs assumed at 10% of demand from new residents.
- Growing tourist visitation as objectives of UGMS are realised, with visitor demand assumed at 15% of revenue.
- Rising proportion of residents aged 18-34 years who have the greatest propensity to visit the cinema and those aged over 50 years whose age cohorts underpin the greatest rise in cinema visits. The projected rise in these age cohorts in particular is expected to drive higher cinema visitation rates, and for the purposes of this analysis additional demand from the changing demographic profile is assumed to increase aggregate demand by 10%.
- Continued rise in experiential retail trends as consumers favour spending on experiences rather than physical goods, concurrent with cinemas improving their offer, assumed at 15% of demand.
- Cumulatively, these trends could support a further five screens in the City Centre by 2029, taking total supported screens to 15.5 screens, rounded to 16 screens.

Existing Supply

The existing cinema has 5 cinema screens. With current demand estimated at 11 screens in 2019, there is an immediate shortfall of six screens. Demand rises to 14 screens by 2021 (shortfall of nine screens) and to 16 screens (shortfall of 11 screens) by 2029.

The construction process for the new facility requires a lead-in time and in reality, by the time the Proposal is operational the demand threshold is likely to have been reached.

Benchmarking with Other Regional Cities

The demand assessment is benchmarked with cinema provision and trading figures in other regional cities, finding:

- Lowest cinema provision in Port Macquarie LGA - 122 residents to a seat, compared to 44 to 59 residents per seat in the other regional cities.
- Annual turnover per seat in Port Macquarie LGA is at the higher end of the range, ranging from \$3,700 to \$4,100 per seat compared to \$2,500 to \$3,000 per seat in the other regional cities.

- Annual cinema spend per resident is the lowest in the Port Macquarie LGA (\$33 per resident in 2018) compared to other regional cities (\$45 to \$72 per resident) suggesting the undersupply of cinema screens has led to expenditure leakage from the LGA.
- Despite its scale and significance as a regional city, the cinema offering in the Port Macquarie (5 screens and 683 seats) is the lowest of the regional cities examined. Lismore has fewer cinema screens but a greater seating capacity (895 seats compared to 683 seats at Port Macquarie).
- The Majestic Cinema in Port Macquarie trades strongly in comparison to benchmark cinemas. This affirms the observations of an undersupply of cinema screens in Port Macquarie.

Role for the Proposal

The Proposal is demonstrated to respond to unmet demand for cinema screens, this demand driven by population growth, increase in proportional share of residents aged 18-34 years and those over 50 years and evolving consumer trends favouring unique and quality experiences. Importantly, the Proposal will assist to stem the escape expenditure leaving the LGA as residents are not able to have their entertainment and leisure needs met locally.

With the Proposal's nine screens (1,343 seats), cinema provision in Port Macquarie would rise to 43 residents per seat (on 2021 population forecast) and 51 residents per seat (on 2036 projected residents). This is within the benchmark cinema provision observed elsewhere on the North Coast.

ECONOMIC IMPACT ASSESSMENT

Construction Phase

During construction, economic activity generated by businesses and workers in the Port Macquarie-Hastings LGA is expected to be supported by direct and flow-on impacts:

- \$40.6 million in total economic output (including \$20.2 million directly).
- \$22.1 million contribution to Gross Regional Product (GRP) (including \$8.2 million directly).
- \$11.2 million in income and salaries (including \$4.4 million directly).
- 142 Full Time Equivalent (FTE) jobs (including 52 directly).

Operational Phase

Following completion and operation of the Proposal, the activity associated with new business activity is estimated to support the following economic impacts through direct and flow-on impacts (per annum):

- \$43.5 million in total economic output (including \$17.7 million directly).
- \$21.9 million contribution to GRP (including \$7.8 million directly).
- \$12.2 million in income and salaries (including \$5.3 million directly).
- 171 FTE jobs (including 80 directly).

POLICY ASSESSMENT

Port Macquarie City Centre

The Proposal would introduce a new, modern cinema offer to the City Centre that is differentiated from existing provision. It would create new leisure uses including a gym, indoor recreation and bowling alley. It would support new food, beverage and retail options. These would enhance the attraction and competitiveness of the City against other cities, attracting more visits which create the opportunity for more linked trips to other City Centre businesses.

The supply and demand assessment identified an immediate screen shortfall in the Port Macquarie-Hastings LGA of six screens, the shortfall rising to nine screens by 2021 and to 11 screens by 2029. Assuming the Proposal is operational by 2021, demand for the proposed nine screens would therefore align.

The Proposal is justified by unmet demand. It would likely to redirect some trade away from the Majestic Cinema which, as the only cinema, is unsurprisingly trading at the upper end of the benchmarked range. However, the existing facility provides a differentiated offer compared to the proposed United Cinema. Much of the trade that the new facility would capture would otherwise go unmet (as affirmed by the lower annual spend in the LGA - \$33 per resident compared to \$53 per resident in Coffs Harbour and \$72 per resident in Tweed Heads).

A continued absence of sufficient supply that meets contemporary demand represents a lost opportunity to better meet the needs of residents and visitors, enhance the competitiveness of all parts of the Port Macquarie City Centre, including the CBD, and support greater trade capture.

Local Employment

The Proposal would generate employment in two ways: temporary employment during the construction process and permanent employment once operational.

- During the construction period a total of 142 full-time equivalent jobs (direct and indirect) are estimated to be supported in the Port Macquarie LGA.
- Operational employment is estimated at 80 full-time equivalent direct jobs (those on-site). Roles will range from front of house to management positions and staff are expected to be drawn from Port Macquarie. The Proposal will also support indirect jobs (jobs elsewhere in the LGA), estimated at 91 full-time equivalent jobs.

Analysis indicates above average levels of unemployment and a declining labour participation rate. Many of the jobs created on-site would be available on a part-time basis offering flexibility. These types of jobs help to support job diversity in the local market by enabling residents with limited experience or competing commitments more access to employment. The proposal would deliver a strong positive benefit on access to employment.

Local Residents

Demand from residents in the LGA for cinema screens is going unmet due to a lack of provision (122 residents per seat compared to benchmarked cities where provision is at 44 to 59 residents per seat).

If local residents want to access a large, modern cinema complex they must travel a significant distance to visit another regional city or have their need go unmet. If they travel elsewhere, it is likely they will undertake other linked activities at the same time such as shopping or eating out. This represents a lost opportunity for the LGA and means adverse impacts for residents in terms of additional travel time, travel costs and environmental pollution.

In addition to the cinema, residents will benefit from access to a new gymnasium, indoor recreation with bowling alley, new shops and food and beverage outlets. Their choice of services and leisure activity would be improved.

Overall, residents would be better off if the Proposal proceeded than not. It would allow more of their needs to be met without the need to travel longer distances and endure the associated travel externalities.

Impact on Tourism

Tourists have a high propensity to direct their retail spending towards leisure activities. The proposed development would create multiple new leisure activities within the CBD which are not currently present, in addition to a significantly stronger cinema offer. This provides more options for tourists and more opportunities for them to spend time in the CBD. This can only benefit the attraction of Port Macquarie-Hastings LGA as a place to visit and to stay.

Existing Business

From a planning perspective, trading impacts on individual businesses are not a material consideration as it is a matter of business competition and is a consumer benefit. The Proposal would enhance the City Centre, strengthen its offer and improve its competitiveness relative to other regional cities.

The Majestic Cinema is expected to continue trading if the Proposal proceeds. It would still appeal to customers seeking a more traditional, intimate cinema experience. Evidence from other locations (including the benchmarked regional cities) indicates viable co-existence of large, modern cinema facilities such as Hoyts with smaller, more boutique cinemas like Majestic. The two formats can co-exist as there is sufficient demand and a different offer.

Competition that results from the existing Majestic Cinema and the new United Cinema constitutes a consumer benefit. Competition facilitates choice, encourages price competition and assists in ensuring efficiency, for example by encouraging investment in existing facilities or higher and better land uses.

Planning Policy

Planning policy places emphasis on the importance of directing development according to the hierarchy of centres to support Port Macquarie CBD and Settlement City precinct in their positions at the top of the centres hierarchy.

The Proposal is consistent with the centres hierarchy and will assist Port Macquarie City Centre develop a more competitive offer as a regional city. It will make cinema provision more comparable to other regional cities.

There is immediate unmet demand for cinema screens in the City Centre. This shortfall in supply will exacerbate over time, leading to more leakage in expenditure and resident activity to outside the LGA. Port Macquarie (despite its population base) has the lowest cinema provision compared to benchmarked regional cities.

In terms of trading impact, beyond the overall impact on the vitality and viability of defined centres, impact on individual businesses is not a material consideration. Given the Proposal would improve the trading performance of the City Centre and bolster its viability overall, it fulfils this objective. On balance this scheme would yield a positive economic impact overall from the community perspective and thus it accords with s4.15 of the EP&A Act.

The Proposal is expected to have the following implications for Port Macquarie local residents, residents from neighbouring LGAs and visitors to Port Macquarie:

- Better diversity of entertainment and activity offer in the City Centre.
- Availability of modern cinematic experience co-located with other experiential options.
- Enhance the attractiveness and competitiveness of Port Macquarie as a place to live, do business in and visit.
- Increased competition which arises from the Proposal is considered to be a consumer benefit.
- Reduce travel and expenditure by local residents to outside the LGA for entertainment and leisure.

The Settlement City precinct is at the top of the centres hierarchy with Port Macquarie CBD. The UGMS recognises the CBD as the primary retail and business centre and Settlement City as having significant potential to grow.

Development on the Site, which forms part of Settlement City precinct would contribute to achieving the development potential identified in the UGMS.

The significant need for additional retail floorspace (additional 65,100sqm identified in Council's Retail Strategy) in Port Macquarie to 2036 provides enough support for the proposed 2,611sqm of retail floorspace in the Proposal.

The Majestic Cinema with five screens is located in the Port Macquarie Town Centre (or CBD) offering a more intimate cinematic experience. Entertainment and leisure space of the nature proposed is not currently provided in Port Macquarie CBD, therefore it would not compete directly with the retail function of the CBD or reduce the potential for additional retail investment. Rather, the Proposal will assist to arrest retail expenditure leakage associated with resident travel to beyond the City Centre to have their entertainment and leisure needs met. This assists with the sustainability of the CBD and other commercial areas.

CONCLUSION

The Proposal is demonstrated to respond to unmet demand for cinema screens, this demand driven by population growth, increase in proportional share of residents aged 18-34 years and those over 50 years and evolving consumer trends favouring unique and quality experiences. Importantly, the Proposal will assist to stem the escape expenditure leaving the LGA as residents are not able to have their entertainment and leisure needs met locally.

On balance, the impact on the community would be positive notwithstanding trading impacts on individual business that are likely to result. An under-provision results in poor self-containment for residents; residents of Port Macquarie will be better off with the Proposal proceeding compared to the alternative of no development. It presents a compelling case for consideration from an economic impact perspective.

TABLE OF CONTENTS

DOCUMENT CONTROL.....	I
EXECUTIVE SUMMARY	II
TABLE OF CONTENTS	VIII
1. INTRODUCTION.....	1
1.1 BACKGROUND	1
1.2 THE PROPOSAL	1
1.3 SCOPE AND PURPOSE.....	2
1.4 STRUCTURE OF THE STUDY	2
1.5 ASSUMPTIONS AND LIMITATIONS	2
2. LOCATION AND PLANNING CONTEXT	3
2.1 LOCATION	3
2.2 SITE CONTEXT	4
2.3 PLANNING CONTEXT	5
2.4 IMPLICATIONS FOR THE PROPOSAL	7
3. SUPPLY AND DEMAND ASSESSMENT.....	9
3.1 EXISTING SUPPLY	9
3.2 MARKET TRENDS.....	10
3.3 RESIDENT DEMAND	11
3.4 VISITOR DEMAND	13
3.5 DEMAND ASSESSMENT.....	13
3.6 IMPLICATIONS FOR THE PROPOSAL	17
4. ECONOMIC IMPACT ASSESSMENT	18
4.1 DRIVERS OF ECONOMIC IMPACT	18
4.2 ECONOMIC ACTIVITY AND IMPACTS.....	19
4.3 POLICY ASSESSMENT	20
REFERENCES.....	24
APPENDIX A: INPUT-OUTPUT METHODOLOGY	25

1. INTRODUCTION

1.1 BACKGROUND

Planet Warriewood own a vacant site located on the corner of Park Street and Warlters Street, Port Macquarie (referred to as 'the Site'). Comprising 5,771sqm in site area, the Site is located in the Port Macquarie City Centre in the Settlement City Precinct and within the Port Macquarie-Hastings local government area. The Site is zoned B3 Commercial Core under the *Port Macquarie-Hastings Local Environmental Plan 2015*. The Site has an FSR of 2:1 and varying height controls of 11.5m, 16m and 19m.

Planet Warriewood are seeking to progress development of the Site into an entertainment and commercial precinct to include a cinema, indoor recreation facilities and supporting retail and commercial uses (the Proposal).

AEC Group (AEC) is engaged by Planet Warriewood to prepare an Economic Impact Assessment to analyse the economic impacts likely to result from implementation of the Proposal.

1.2 THE PROPOSAL

The Proposal envisages the development of the Site into a new entertainment precinct. The following uses are proposed in a four-storey commercial building:

- Cinema with nine screens (with capacity for 1,343 seats) to be operated by United Cinema with restaurant, function room and managers residence;
- Gymnasium;
- Indoor recreation including indoor bowling facility;
- Food and drink premises including two ground level drive-through premises;
- Retail tenancies;
- Basement car parking with 153 spaces and 12 bicycle spaces.

Overall, the Proposal envisages a total of 11,433sqm of gross floor area (GFA) which is within the permissible GFA on the Site. The building is expected to range from 11.5m to 19m, slightly exceeding the height controls. A clause 4.6 variation is sought to vary the building height control. The uses proposed are permissible in the B3 zone.

An illustration of the development envisaged in the Proposal is depicted in Figure 1.1.

Figure 1.1: Illustration of Proposed Development



Source: MM Altelier Architects

1.3 SCOPE AND PURPOSE

AEC Group (AEC) is engaged by Planet Warriewood to prepare an Economic Impact Assessment (EIA) to consider the economic impacts likely to result from development of the Proposal. The EIA is prepared following a request from Port Macquarie Hastings Council (Council).

In particular, the EIA seeks to examine the following issues:

- Demand for cinema screens.
- Role of the Proposal in:
 - Facilitating growth in local employment;
 - Meeting the needs of local residents/ workers and visitors;
 - Contributing to competitiveness of Port Macquarie City Centre as a destination to visit and live in;
 - Contributing to tourism growth.
- Competition and impact to existing business.
- Consistency with Council's Retail Strategy and Growth Strategy.
- Contribution to overall supply of retail floorspace, and in particular the impact to viability of the Port Macquarie CBD, Settlement City Precinct and other commercial areas in the Port Macquarie Regional City.

The purpose of the EIA is to consider the merits of the Proposal from a planning and economic perspective, specifically if the Proposal would strengthen the offer and competitive position of the Port Macquarie City Centre.

1.4 STRUCTURE OF THE STUDY

The Economic Impact Assessment is structured in the following manner:

- **Chapter 2: Location and Policy Context**
This chapter provides an overview of the Site, including its location, surrounding uses, strategic planning context and proposed amendments to planning controls.
- **Chapter 3: Competitive Context**
This Chapter undertakes an appraisal of existing/ planned provision of entertainment uses proximate the Site and in the region. This is needed to assess the potential economic impacts of the Proposal.
- **Chapter 4: Demand Assessment**
This Chapter identifies the sources of demand available to support the Proposal and conducts a high-level analysis of projected demand growth. This allows the need for the proposed development to be estimated and possible impacts on existing/ planned centres and businesses to be assessed.
- **Chapter 5: Economic Impact Assessment**
This Chapter assesses the economic impacts likely to eventuate from the Proposal and. On this basis, the Chapter examines the extent to which the Proposal is supportable from an economic impact perspective.

1.5 ASSUMPTIONS AND LIMITATIONS

Input-Output modelling has been used in assessing the economic impacts of The Proposal, and this methodology is subject to a range of assumptions and limitations. An overview of the broad assumptions and limitations of Input-Output modelling is presented in Appendix A.

In addition to the general assumptions and limitations inherent in Input-Output modelling, assumptions have been made regarding where goods and services are likely to be sourced during construction of The Proposal. The accuracy of the estimated economic impacts is limited by the accuracy of the assumptions used for construction and ongoing enabled activity.

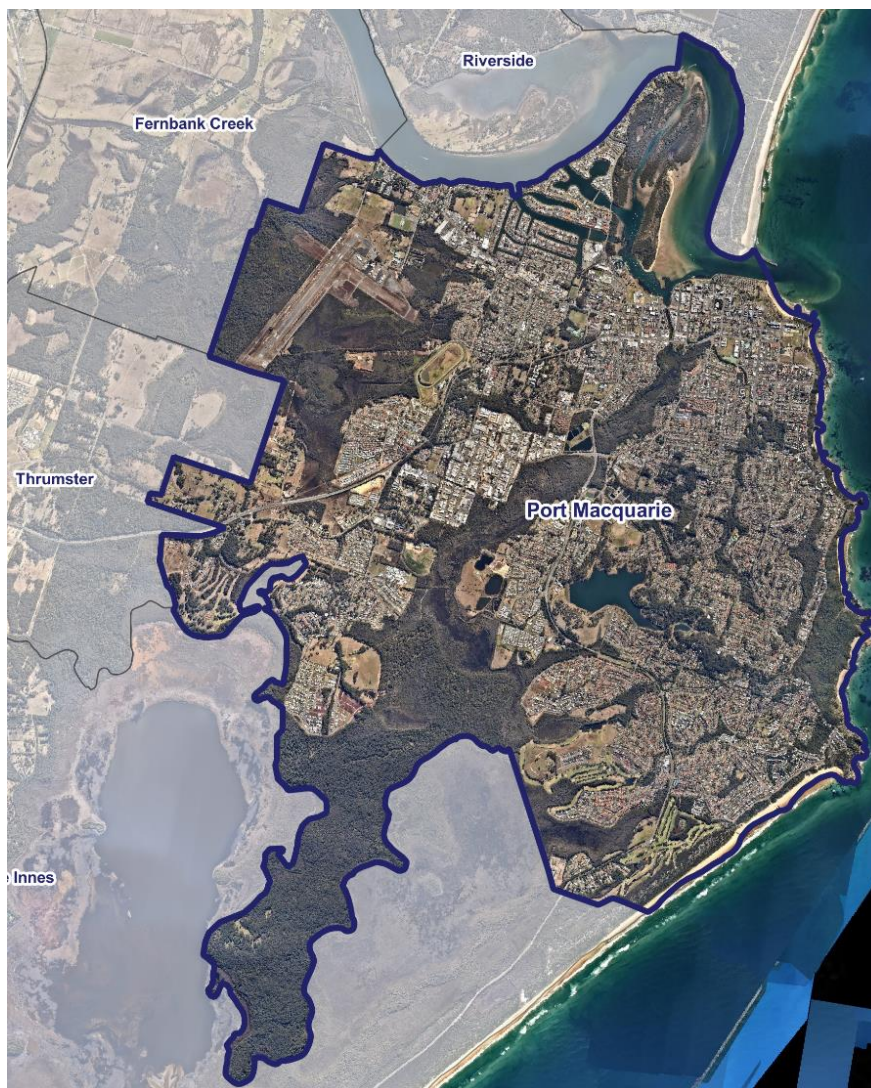
2. LOCATION AND PLANNING CONTEXT

2.1 LOCATION

Located about 150km south of Coffs Harbour and 250km north of Newcastle, Port Macquarie (along with Coffs Harbour) is the largest regional city in the NSW Mid North Coast. Referred to as the southern gateway to the NSW North Coast, Port Macquarie is an important civic, recreational and commercial hub with a local economy heavily focused on health and education, tourism, agriculture and aviation. Port Macquarie also serves the neighbouring LGAs of Kempsey, Mid-Coast and Walcha.

The suburb of Port Macquarie is the principal commercial, civic and residential area within the broader Port Macquarie-Hastings LGA. The suburb was estimated to comprise some 51,600 residents in 2018, accounting for over 60% of the broader Port Macquarie-Hastings LGA (.ID, 2019).

Figure 2.1: Location Map, Port Macquarie (suburb)



Source: AEC

As a regional city, Port Macquarie benefits from a large and diverse local economy. The health and education sectors are particularly strong, with key anchors being the Port Macquarie Base Hospital, UNSW Rural Clinical School and recently developed Charles Sturt University Port Macquarie campus.

Port Macquarie similarly benefits from a sizeable retail sector with a number of major enclosed shopping centres including the Port Central Shopping Centre, Lighthouse Plaza and Settlement City in addition to strip retailers within the Port Macquarie City Centre and other smaller shopping centres and arcades.

2.2 SITE CONTEXT

The Site bears a site area of approximately 5,711sqm and is formally identified as Lot 22 in Deposited Plan 1220661. The Site is triangular in shape and is held in a single allotment with two separate frontages to Warlters Street and Park Street respectively. The Site is generally flat and has been cleared.

The Site is well serviced by transport infrastructure with local bus stations located immediately north along Park Street with a variety of bus services operating therefrom. The Oxley Highway is located approximately 550m to the south, providing access to the Pacific Highway (A1).

Figure 2.2: Site Map



Source: Nearmap

A mix of residential and commercial land uses surround the Site.

- Low-rise (2 storey) apartment buildings are located immediately south along Warlters Street with low-density detached housing located south-west along Warlters Street.
- A large commercial building and associated at-grade carparking (Kmart Port Macquarie) is located immediately west of the Site with the Port Macquarie Marina located to the north on the northern side of Park Street.
- The Westport Club is located east of the Site.

The Settlement City Shopping Centre and Panthers Port Macquarie are located approximately 320m north of the Site. Settlement City Shopping Centre is a sub-regional shopping centre is the largest shopping centre within the Port Macquarie LGA, comprising some 18,600sqm of retail floorspace (PCA, 2018). The centre is anchored by Big W (6,600sqm), Woolworths (4,250sqm) and Best and Less (1,175sqm) with 63 specialty retailers.

The Site is defined in strategic planning policy as forming part of the Greater Port Macquarie Regional Centre ('the City Centre') and falls within the Settlement City precinct.

2.3 PLANNING CONTEXT

2.3.1 NSW Environmental Planning and Assessment Act (1979)

The principles of an EIA are set out in s4.15 of the *NSW Environmental Planning and Assessment Act (1979)* (referred to as 'EP&A Act'). It requires, *inter alia*, consent authorities assess development applications to consider 'the likely impacts of that development, including...economic impacts in the locality' (NSW Government, 2019).

Centre Impacts v Trading Impacts

Trading impact on centres overall is only a relevant matter if any adverse impact would be severe enough to cause a defined centre to cease functioning in the manner envisaged in the retail hierarchy. Beyond the impact on the role and function of a centre overall, trading impacts are not a material consideration. Impacts between businesses are a matter of competition only.

The principle of trading impacts on individual retailers for development consent has been established in two benchmark legal cases: *Kentucky Fried Chicken v Gantidis (1979)* 140 CLR 675 and *Fabcot Pty Ltd v Hawkesbury City Council (1997)* 93 LGERA 373.

In the first case it was held:

"...mere threat of competition to existing businesses, if not accompanied by a prospect of a resultant overall adverse effect upon the extent and adequacy of facilities available to the local community if the development proceeded, will not be a relevant town planning consideration."

The second case, by applying the same principle as the first case found that:

"...economic competition between individual trade competitors is not an environmental or planning consideration to which the economic effect described in s90(1)(d) is directed. The *Trade Practices Act (Cth)* and the *Fair Trading Act 1987 (NSW)* are the appropriate vehicles for regulating economic competition...It is not part of the assessment...for a consent authority to examine and determine the economic viability of a particular proposal or the effect any such proposal on the economic viability of a trade competitor."

Several recent government advisory documents embody this principle - the Competition Policy Review Final Report (2015); and the Retail Expert Advisory Committee Independent Recommendations Report (2017). These reiterate that competition between individual businesses is not a relevant planning consideration nor are viability impacts on existing businesses.

Economic impacts that are relevant for consideration include impacts on planning policy objectives and defined centres. These however, *exclude* competition or trading impact on individual retailers which is a private impact.

Indeed, greater competition within centres and between businesses is encouraged by Government at a State and Federal level as a community benefit because it facilitates greater efficiency, promotes consumer choice and helps to deliver cheaper prices. Trading impacts resulting from new development should thus be reviewed positively, provided that the role and function of existing or planned centres would not be undermined and there would be no net loss in access to retail facilities.

2.3.2 North Coast Regional Plan, NSW Planning & Environment (2017)

The North Coast Regional Plan 2036 (the Regional Plan) sets out the Goals and Directions for the NSW North Coast, to guide land use planning priorities and directions to 2036.

The regional cities of Port Macquarie, Coffs Harbour, Lismore and Tweed Heads are envisioned to evolve into vibrant metropolitan hubs which will house over three-quarters of the region's population and support residents with greater employment opportunities and amenity.

The Regional Plan sets out a series of Directions for maximising the potential of the North Coast Region to 2036. The Directions of relevance to the Proposal are outlined below.

Direction 6: Develop Successful Centres of Employment

Direction 6 supports the intensification of economic activity in the regional cities. Retail and commercial growth should be planned and supported with a range of services needed to support growing catchment populations. Investment in Central Business Districts (CBDs) is to be encouraged and supported.

Direction 7: Coordinate the Growth of Regional Cities

Direction 7 encourages development of action plans to deliver additional housing and employment to 2036. A key action of Direction 7 is to promote new job opportunities around existing employment nodes.

Direction 8: Promote the Growth of Tourism

The Regional Plan recognises the importance of the visitor economy to the vitality of the four Regional Cities. Direction 8 outlines the significance of promoting tourism growth through a variety of channels with a key action being the facilitation of appropriate larger-scale tourism orientated developments in the Regional Cities.

The Proposal aligns with these key directions, supporting the growth and vitality of the Port Macquarie City Centre through the provision of a modern entertainment precinct.

2.3.3 Port Macquarie Hastings Local Environmental Plan (2011)

The Port Macquarie-Hastings LEP (2011) governs and guides land use and development in the Port Macquarie-Hastings LGA. The Site is zoned B3 Commercial Core subject to density controls of FSR 2:1 with a primary maximum building height of 19m, 16m height control along Park Street and a 11.5m control along Warlters Street.

The land uses envisaged in the Proposal are permitted within the B3 Commercial Zone, namely commercial premises, entertainment facilities, function centres, recreation facilities (indoor) and shop-top housing. A clause 4.6 variation is sought to vary the building height control.

2.3.4 Urban Growth Management Strategy 2017-2036 (2018)

The Urban Growth Management Strategy (the UGMS) was adopted by Council in August 2018. The UGMS seeks to guide development across the LGA, including housing, retail and commercial, and tourism over a 20-year timeframe. Council envisages the LGA to provide 'sustainable high-quality life for all'. The UGMS outlines a series of economic growth principles to guide planning for future development, with key principles of relevance including:

- **Principle 1: Business Centres.** Retail growth will be directed in accordance with the hierarchy of business centres to ensure development scale is appropriate.
- **Principle 2: Port Macquarie CBD.** The role of the CBD as the primary multifunctional business centre in Port Macquarie-Hastings and as a regionally significant centre will be maintained and enhanced.
- **Principle 7: Tourism.** Opportunities to promote prime tourist development in Port Macquarie will be supported.

The UGMS identifies a centres hierarchy for the Port Macquarie Regional City (i.e. the City Centre). The Port Macquarie CBD and Settlement City at the top of the hierarchy, with local and neighbourhood centres at the bottom.

"...the Port Macquarie CBD is defined as the B3 Commercial Core zone in the Port Macquarie Town Centre, in recognition of its role as the primary business and service centre in the Port Macquarie-Hastings.

Settlement City is highlighted as a Core Business Centre at the Regional City level, with significant development potential." (Port Macquarie-Hastings Council, 2018, Volume 2 page 70).

The B3 Commercial Core zone is distributed across four precincts in the Regional City Port Macquarie CBD, Settlement City, Gordon Street and Munster/ Lord Street. Owing to their common B3 land use zone, the precincts are subject to similar zone objectives and permitted uses.

The Site falls within the Settlement City precinct, within walking distance of the Settlement City Shopping Centre.

The UGMS identifies the importance of the Port Macquarie CBD and recommends that it is recognised as the primary retail and business centre in the LGA and as a centre of regional significance on the NSW North Coast. It notes that efficient use of the CBD for commercial and retail businesses will serve the broader region.

Settlement City occupies the top of the centres hierarchy together the CBD; the UGMS recognises the CBD as the primary retail and business centre and Settlement City as having significant potential to grow. Development on the Site, which forms part of Settlement City precinct would contribute to achieving the development potential identified in the UGMS, however should contribute to, rather than detract from the CBD. Though, the land use controls (specifically the B3 zone) that apply to the CBD and Settlement City do not differentiate between the precincts.

The UGMS recognises that the retail landscape is in a phase of significant change which may impact the City Centre and other smaller centres. This includes the rising amount of retail spending which is being directed towards online retailers and changing nature of retail formats.

The UGMS estimates a need for an additional 65,100sqm of retail floorspace to be provided in the City Centre overall by 2036 to meet the needs of future residents. This total excludes non-retail shop front space such as real estate agents, medical and travel agencies. The proposed cinema, indoor recreation and gymnasium floorspace comprise non-retail shopfront space, rather commercial uses.

2.3.5 Port Macquarie Hastings Retail Strategy Review (2015)

The Retail Strategy Review outcomes are incorporated in the principles of the UGMS and identifies the amount of additional retail floorspace needed in order to meet demand.

The Retail Strategy recognises that the Greater Port Macquarie CBD comprises Settlement City, Port Macquarie Town Centre (which includes Port Central and surrounding shop front spaces), Gordon Street precinct and Munster Village.

It recognises that there is potential for competition between new retail facilities at Settlement City and the Port Macquarie Town Centre. For this reason, the Retail Strategy Review advocates encouraging future retail proposals in the Port Macquarie Town Centre, even if this would result in retail floorspace oversupply.

2.4 IMPLICATIONS FOR THE PROPOSAL

The EP&A Act specifies the nature of economic impact that is relevant for consideration, specifically the impact on existing or planned centres which is of material consideration.

Trading impact on individual operators or business is not a planning consideration. Any adverse impacts on individual operators is a private matter of business competition. Business competition yields positive consumer benefits by encouraging cheaper prices and greater choice, contributing to the sustainability and vitality of a centre.

From a locational and strategic planning perspective, the Site is well-positioned to assist in delivering additional employment opportunities in the Port Macquarie LGA. Key points of relevance include:

- The Site is part of the Settlement City precinct which is identified in the Regional Plan as a focal point for investment and development. The Proposal aligns with the strategic principles in the Regional Plan.
- The Site is highly accessible with two bus stops located directly north of the Site along Park Street with the Oxley Highway located approximately 550m to the south, providing direct access to the Pacific Highway.
- The Site is zoned B3 Commercial Core with the proposed uses permissible in the LEP. Nominal increase in building height is proposed through a clause 4.6 variation.
- The Proposal responds to the Retail Strategy which requires new retail development to accord with the retail hierarchy, identifying Port Macquarie CBD as being top of the hierarchy. The Proposal would create new non-retail floorspace in the Settlement City which would serve an entertainment/ leisure purpose. A differentiated, non-retail offer would be provided not currently available in the CBD. In so doing it would add to the vitality and viability of the City Centre as a whole.
- The Proposal aligns with key economic growth principles of the UGMS, in particular by providing opportunity to support and grow the business centre in the City Centre as well as grow the tourism sector.

The Proposal would provide new, non-retail uses on the Site, demand for which is not quantified in the Retail Strategy Review. The new facility is not comparable to any facility that currently exists in the CBD or the wider City Centre.

It would not depend on absorbing any notable demand from the significant need for additional retail floorspace over the period to 2036, as it would primarily serve demand which is not quantified in 65,100sqm of retail floorspace identified. As such it would not prejudice the potential for additional retail investment in the CBD to meet this demand.

The Majestic Cinema with five screens is located in the Port Macquarie Town Centre (or CBD) offering a more intimate cinematic experience. Entertainment that is co-located with leisure uses of the nature proposed is not currently provided in the CBD therefore it would not compete directly with the retail function of the CBD or reduce the potential for additional retail investment to be made in the Port Macquarie Town Centre as identified in the Retail Strategy. Rather, the Proposal will assist to arrest retail expenditure leakage associated with resident travel to beyond the City Centre to have their entertainment and leisure needs met. This issue is detailed further in Chapter 3.

3. SUPPLY AND DEMAND ASSESSMENT

The cinema is the primary anchor to the proposed development and this Chapter accordingly focuses on supply and demand of cinemas in the Port Macquarie LGA and surrounds. To assess potential impact and the appropriateness of the Proposal, it is necessary to understand existing and planned provision.

Demand for cinema uses is considered by examining market trends and the drivers of demand, particular from residents and visitors.

3.1 EXISTING SUPPLY

A desktop audit has been carried out to identify the number of existing cinemas within the Port-Macquarie LGA and surrounding North Coast region.

The Port Macquarie-Hastings LGA currently comprises two cinemas, namely the Majestic Cinema located in the Port Macquarie CBD (as defined in the UGMS, rather than by land use zone) and the Plaza Theatre in Laurieton. These two cinemas are the closest options for residents of Port Macquarie LGA.

- **Majestic Cinema, Port Macquarie**

Located in the Port Macquarie CBD as defined in the UGMS, the Majestic Cinema is a historic cinema which has been operating since 1937. Comprising five screens and approximately 683 seats, Majestic Cinema provides a distinct, traditional offering distinguished from that provided in more modern cinemas (e.g. Hoyts). Centrally located within the CBD, Majestic Cinema benefits from high levels of foot traffic from both local shoppers and visitors and is considered to be in a superior location compared to the Site.

- **Plaza Theatre, Laurieton**

Located in Laurieton approximately 33km south of the Site, the Plaza Theatre is a small, independent theatre which has been in operation since 1959. Comprising two cinema screens with a 400-seat capacity, the theatre plays a primarily local role with its location in the southernmost end of the Port Macquarie-Hastings LGA also drawing upon a population catchment from the neighbouring Mid-Coast LGA.

Given the large distance from the Site and its relatively modest offer, direct competition between the Proposal and the Plaza Theatre is likely to be limited.

A review of other neighbouring centres has been undertaken to understand their cinema offering.

- **Roxy Cinema, South West Rocks** is a small independent theatre located approximately 62km north of the Site in the Kempsey LGA. The cinema comprises one screen and is open on weekends and public holidays.
- A four screen **Majestic Cinema** is under construction in the Kempsey Centre Shopping Centre, due for completion in 2019. To assist with delivery of the proposal, a significant amount of capital was contributed by Government recognising that cinemas offer a range of important benefits to their catchment populations and despite this cinema being of a size that exceeds demand generated by the catchment population of Kempsey (29,700 persons in 2018).
- **Majestic Cinemas Nambucca Heads and Majestic Cinemas Sawtell** are located 87km and 120km north of the Site, respectively. Both cinemas are relatively small with three screens or fewer.
- Located 155km north of the Site in the Coffs Harbour CBD, the **BCC Cinemas** is amongst the largest, modern cinema offerings in the NSW North Coast. Comprising five cinema screens, the BCC Cinemas is the premier cinema destination in the Mid North Coast.

For comparative purposes, the cinema offering in the Regional Cities of Lismore and Tweed Heads has also been considered. The Lismore CBD comprises a four-screen BCC Cinema which is broadly comparable to that observed in the Port Macquarie CBD. The Tweed Heads CBD comprises the largest, modern cinema in the NSW North Coast with HOYTS Tweed which comprises five screens and a variety of modern facilities.

Coffs Harbour (76,500 persons) and Tweed Heads (96,100 persons) Regional Cities with 10 and 13 screens respectively are considered to have superior cinema offerings compared to Port Macquarie.

Overall, the cinema offering in the Port Macquarie is considered comparable to that of Lismore's. Lismore comprised an estimated resident population of just under 44,000 persons in 2018, significantly smaller than that observed in the Port Macquarie LGA (just over 83,000 persons in 2018).

3.2 MARKET TRENDS

Patronage Trends

The Federal Government's key funding organisation for Australia's screen production industry is Screen Australia. Research by Screen Australia indicates that younger people aged 14-24 years are the most likely cohort to visit the cinema. In 2018, 86% of 14-24 year olds had visited the cinema in the last 12 months and on average they visited 8.5 times per year (Screen Australia, 2019). Cinema-going was followed by the 24-34 year age cohort, of whom 76% had visited the cinema over the last year with an average of 6.5 visits per year.

Although young people are over-represented in visitor attendance statistics, a major trend over the last decade has been the growth in older people aged 50 or over visiting the cinema. To some extent this reflects the ageing population more generally, although the rate of cinema attendance amongst this group has grown faster than broader population growth.

Screen Australia (2019) data shows that the proportion of over-50s who visited the cinema within the last 12 months in 2017 was 62% compared to 54% a decade earlier. Over the same period, the proportion of over-50's in the Australian population more generally grew from 31% in 2007 to 33% in 2017 (ABS, 2019). This suggests an increase on two fronts - older people and retirees are growing in proportion to overall population and they also visit the cinema more often.

The UGMS indicates the proportion of residents aged 18-34 years and above 50 years is expected to grow over the coming decades to 2036. Cinema data indicates that both of these age cohorts are expected to generate strong demand for cinema visitation. This will contribute to driving demand for cinema uses in Port Macquarie moving forward to 2036.

Broadening of Offer

Cinemas have faced rising competition in recent years, predominantly due to the rise in online video streaming services such as Netflix. The affordability and availability of these services, especially to young people, has contributed to a steady decline in average cinema attendances across Australia. This trend has been occurring across most Western countries. Some cinemas are now fighting back with success.

New investment into existing or new cinemas provides a significantly better offer to consumers. This includes creating larger more comfortable seats, bigger IMAX-style cinema screens with higher-quality imaging or an improved reinvigorated food and beverage offer. At the same time, boutique operators have been spreading in markets like the UK, offering a more niche product which includes recliner seats, curated screenings and more personalised services. Not only have these initiatives helped to boost cinema patronage in many markets, they also enable the operator to charge a higher ticket price for a superior offer (IBISWorld, 2019).

These initiatives are assisting to drive cinema patronage in Australia. After declining since 2000, the average cinema attendances per year per resident increased from 6.6 times (2016) to 8.6 times (2017) (Screen Australia, 2019). This was the highest attendance level recorded since 1996.

The proportion of people who had visited the cinema within the last 12 months grew to 72% in 2017, the joint highest level ever recorded since record keeping began in 1974. The number of cinema screens in NSW/ ACT is also growing, it is up by 26 screens (4%) between 2016 and 2018 alone.

These trends align with changing consumer tastes and a growing preference for experiential retail, that is to spend disposal income on experiences rather than physical goods. This suggests that to stay relevant and provide what consumers want, cinema operators need to invest in existing product or create new facilities which are aligned to market demand.

3.3 RESIDENT DEMAND

The surrounding resident catchment area is the primary source of demand for cinema screens on the Site. This catchment area would primarily comprise the Port Macquarie-Hastings LGA, with some demand also likely to be generated from the neighbouring LGAs of Kempsey, Mid-Coast and Walcha. This accords with the findings of Council's Retail Strategy (Hill PDA, 2015).

3.3.1 Population Growth

In 2016, just over 80,000 residents were recorded in the Port Macquarie-Hastings LGA. The population experienced healthy rates of growth between 2006 and 2016, achieving average annual growth of 1.5% over 2006-2011 and 1.3% in 2011-2016.

Table 3.1 illustrates historic population growth in the Port Macquarie-Hastings LGA over 2006-2016.

Table 3.1: Historic Population Growth (2006-2016), Port Macquarie-Hastings LGA

2006	2011	2016	Change (%)		Avg Annual Growth	
			2006-11	2011-16	2006-11	2011-16
69,947	75,232	80,073	7.6%	6.4%	1.5%	1.3%

Source: ABS (2018)

The Estimated Resident Population (ERP) for the Port Macquarie-Hastings LGA is 83,131 residents (June 2018), following an increase of circa 2,400 residents since 2016 (average 1,200 residents per annum), indicative of annual growth of 1.9%. This rate of growth is higher than that observed over the previous decade to 2016.

Projected Population Growth

Population projections for the Port Macquarie-Hastings LGA are contained in the UGMS. It indicates that the LGA is expected to experience average annual growth of around 1,200 residents per annum to 2036, resulting in a population of circa 104,000 (Port Macquarie-Hastings LGA, 2018). This expected rate of growth is equivalent to an average annual rate of 1.3% which is broadly in line with that observed over the 2006-2016 period.

3.3.2 Age Profile

In 2016, adolescents and teenagers (14 years and under) made up 17% of the residents in the Port Macquarie-Hastings LGA, representing the largest age cohort. That said, the LGA has a relatively large older population, with approximately 40.6% of residents aged 55 years and over.

Over the decade to 2016, an increase in the number and proportion of residents aged 55 years and over has been observed, whereas the proportion of younger residents has decreased.

Table 3.2 illustrates the age profile of residents in the Port Macquarie-Hastings LGA over the 2006-2016 period and projections to 2036.

Table 3.2: Age Profile (2006-2036), Port Macquarie-Hastings LGA

Age	2006	2011	2016	2036
0-14 years	18.3%	17.7%	17.2%	16.9%
15-24 years	10.5%	10.3%	9.9%	9.2%
25-34 years	8.7%	8.2%	8.9%	8.5%
35-44 years	12.6%	11.6%	10.5%	11.2%
45-54 years	13.9%	13.8%	12.9%	12.1%
55-64 years	13.7%	14.0%	14.0%	12.7%
65-74 years	11.3%	12.7%	14.4%	13.2%
75-84 years	8.4%	8.5%	8.5%	10.5%
85+ years	2.8%	3.3%	3.7%	5.6%
Total	100%	100%	100%	100%

Source: ABS (2017), PMCC, .ID (2019)

Projected Age Profile

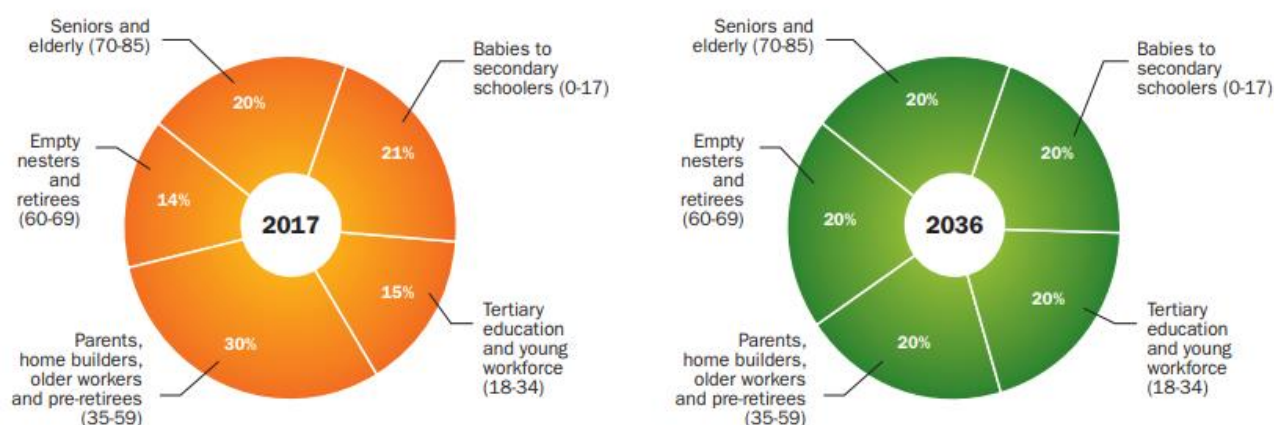
Age profile projections for the Port Macquarie-Hastings LGA are also provided in the UGMS. Key expectations over the coming decades to 2036 include:

- The proportion of babies and secondary schoolers (residents aged between 0 and 17 years) is expected to nominally fall from 21% (2017) to 20% (2036).
- Younger residents aged between 18 and 34 years are expected to increase from 15% (2017) to 20% (2036), representing a 33% increase.
- Residents aged between 35 and 59 years are expected to decline significantly as a proportion of population, from 30% (2017) to 20% (2036).
- Empty nesters and retirees (residents aged between 60 and 69 years) are expected to increase from 14% (2017) to 20% (2036), representing a 43% increase.
- The proportion of residents aged 70 years and older are expected to remain constant at 20% of the population.

The increasing proportional share of residents aged 18-34 years and those 50 years and over has demand implications broader than from just population growth.

Figure 3.1 illustrates the projected change in the age profile of the Port Macquarie LGA over 2017-2036.

Figure 3.1: Age Profile Projections (2017-2036), Port Macquarie LGA



Source: Port Macquarie-Hastings Council (2018)

3.3.3 Resident Demand Projections

Screen Australia indicates that in 2018, NSW/ ACT provided 696 cinema screens (Screen Australia, 2019).

In 2018, the estimated resident population of NSW was almost 8m with the estimated resident population of ACT approximately 424,000 (NSW Government, 2018; ACT Government, 2019). Dividing the number of cinema screens by the population of NSW and ACT equates to an average rate of 12,026 persons per screen.

The average rate relates to metropolitan and regional cities and centres. Metropolitan and regional cities and centres are expected to demand cinema screens at different rates due to differing levels of entertainment and retail offer. Metropolitan cities and centres are expected to require a higher average number of persons to support demand per screen due to diversity of offer and choice from other entertainment options.

Regional cities including Port Macquarie are expected to require a lower average number of persons to support demand per screen due to a more limited offer of entertainment options.

The difference between metropolitan and regional areas is reflected in the number of seats per screen. A typical cinema screen in a regional area has fewer seats compared to a cinema screen in a dense metropolitan area.

The stadium seating capacity per screen is generally 250-300 seats while full recliner seating capacity per screen is 120-150 recliner seats.

For the purposes of the EIA, demand is estimated at 10,000 persons per screen benchmark to reflect the regional city location of Port Macquarie City Centre.

Applying this benchmark rate to the estimated resident population of the Port Macquarie-Hastings LGA of 83,131 residents suggests there is a sufficient population catchment to support over eight cinema screens in 2018. As recognised in Council's Retail Strategy, the Port Macquarie City Centre also serves residents in neighbouring LGAs of Greater Taree and Kempsey.

Whilst there are small cinemas in these neighbouring LGAs and a new facility in Kempsey soon to be completed, it is reasonable to expect that some of these residents would prefer to frequent a more modern cinema in a higher order centre such as Port Macquarie City Centre that has a range of facilities and activities on offer. The inflow from residents in these adjoining LGAs would create additional demand.

Benchmarking indicates that current residents (2018) in Port Macquarie-Hastings LGA generate sufficient demand for approximately eight cinema screens. Some additional demand can be expected from residents in neighbouring LGAs who visit the Port Macquarie City Centre for higher order shopping and other services. Over the next 20 years cinema demand per person is likely to rise as operators provide a better offer more tailored to consumer demand. This includes both modern, larger cinemas and smaller, boutique cinemas.

3.4 VISITOR DEMAND

Tourism is a key component of the Port Macquarie-Hastings economy. The LGA accommodates 730,000 average annual domestic overnight visitors, equivalent to 2.4 million nights. The LGA hosts approximately 57,000 international visitors per annum as well as 700,000 day trips.

In total, tourists spend approximately \$460 million annually in Port Macquarie-Hastings LGA (Port Macquarie-Hastings Council, 2018).

Tourists can be expected to direct a high proportion of their retail spending whilst on holiday towards food, beverage and leisure activities, such as cinema and indoor recreation uses. The proposed cinema and its supporting uses can be expected to capture additional demand from tourists. In this regard, providing additional leisure and entertainment facilities such as the proposed development strengthens the appeal of Port Macquarie City Centre to tourists and helps to retain a greater share of their disposable income.

To inform the EIA, United Cinemas has provided data on patronage trends. The data indicates that for a proposed cinema of this size (9 screens), in the context of the number of tourists received by the LGA each year, can expect to derive 15% of its revenue from tourists.

3.5 DEMAND ASSESSMENT

3.5.1 Cinema

Based on the above, cinema demand in the Port Macquarie City Centre in 2019 can be estimated by applying a 10,000 person per screen benchmark.

- The estimated resident population (ERP) of Port Macquarie-Hastings LGA in 2019 is forecast at 84,331 persons (83,131 ERP in 2018 plus one year of annual growth at 1,200), supporting 8.4 screens.
- The Port Macquarie-Hastings LGA (and specifically the Port Macquarie City Centre) is the principal retail, commercial and civic centre for the region, capturing trade from the surrounding LGAs of Kempsey, Mid-Coast and Walcha. It is assumed that 10% of additional trade could be generated from these LGAs, supporting demand for 9.2 screens.
- Allowance for tourist visitation at 15%, additional demand to support 10.5 screens (rounded to 11) in 2019.

Over the next decade, cinema demand growth in the Port Macquarie City Centre is expected to be driven by market trends and drivers already observed:

- Population growth of 12,000 people (average of 1,200 per year) by 2029.
- Continued trade capture from adjoining LGAs assumed at 10% of demand from new residents.

- Growing tourist visitation as objectives of UGMS are realised, with visitor demand assumed at 15% of revenue.
- Rising proportion of residents aged 18-34 years who have the greatest propensity to visit the cinema and those aged over 50 years who underpin the greatest rise in cinema visits. The number of older people in the LGA will grow particularly strongly, with residents aged over 55 accounting for 46% of population growth over the period to 2036 despite constituting 41% of the population in 2016. On this basis, the faster rise in these age cohorts in particular is expected to drive higher cinema visitation rates, and for the purposes of this analysis additional demand from the changing demographic profile is assumed to increase aggregate demand by 10%.
- Continued rise in experiential retail trends as consumers favour spending on experiences rather than physical goods, concurrent with cinemas improving their offer, assumed at 15% of demand.
- Cumulatively, these trends could support a further five screens in the City Centre by 2029, taking total supported screens to 15.5 screens, rounded to 16 screens.

The existing cinema in Port Macquarie (Majestic Cinema) accommodates 5 cinema screens. With current demand estimated at 11 screens, there is an immediate shortfall in the Port Macquarie-Hastings LGA of six screens. Demand is projected to rise to 14 screens by 2021 (concurrent with shortfall of nine screens) and to 16 screens by 2029 (concurrent with shortfall of 11 screens).

The existing cinema in Laurieton comprises two screens, however this centre is some distance from the Port Macquarie City Centre and lacks the higher order offer capable of attracting customers from a large catchment. The Laurieton cinema is not likely to capture trade from visitors at the same rate as the Port Macquarie City Centre nor can it expect to capture the same proportion of visits from Port Macquarie-Hastings residents or adjoining LGAs. The presence of two cinema screens in Laurieton is thus discounted for the purposes of this assessment.

The construction process for the new facility requires a lead-in time and in reality, by the time the Proposal is operational the demand threshold for a total of 14 screens is likely to have been reached.

Benchmarking with Other Regional Cities

The cities of Coffs Harbour and Tweed Heads are considered to bear a most comparable demand profile to Port Macquarie. The Tweed Heads CBD comprises the largest, modern cinema in the NSW North Coast with Hoyts Tweed which comprises six screens and a variety of modern facilities.

- Coffs Harbour:
 - There were 76,500 residents in 2018;
 - 10 screens across BCC Cinemas, Majestic Nambucca Heads and Majestic Sawtell (1,691 seats);
 - 7,700 residents per screen or 45 residents per seat.
- Tweed Heads:
 - There were 96,000 residents in 2018;
 - 7 screens across Hoyts and Cinemax in Tweed and another 6 screens at BCC Cinemas in Coolangatta;
 - 7,400 residents per screen or 59 residents per seat.
- Lismore:
 - There were 43,800 residents in 2018;
 - Existing 4 screens in BCC Cinemas (895 seats)
 - Existing cinema provision at 11,000 residents per screen or 49 residents per seat.
- Port Macquarie:
 - There were 83,100 residents in 2018;
 - Existing 5 screens in Majestic Port Macquarie (683 seats);
 - Existing cinema provision at 16,620 residents per screen or 122 residents per seat.

Table 3.3 compares cinema provision and trading figures between regional cities.

Table 3.3: Cinema Provision and Trading Figures, Regional Cities Benchmarking

Cinema	Screens (Seats)	Year	Annual Turnover		LGA Residents*	Resident per Seat	Annual Turnover per Resident
Coffs Harbour LGA							
BCC Cinema	5 (1,035)	2016					
		2017					
		2018					
Majestic Nambucca Heads	3 (468)	2016					
		2017					
		2018					
Majestic Sawtell	2 (188)	2016					
		2017					
		2018					
Total	10 (1,691)	2016					
		2017					
		2018					
Tweed Heads LGA and surrounds							
Hoyts Tweed	5 (519)	2016					
		2017					
		2018					
Cinemax Kingscliff	2 (65)	2016					
		2017					
		2018					
BCC Cinema	6 (1,038)	2016					
		2017					
		2018					
Total	13 (1,622)	2016					
		2017					
		2018					
Lismore LGA							
BCC Cinema	4 (895)	2016					
		2017					
		2018					
Port Macquarie LGA							
Majestic Port Macquarie	5 (683)	2016					
		2017					
		2018					

*estimated resident population (ABS estimate)
Source: Comscore as sourced by United Cinema

The benchmarking exercise identifies the following key metrics over the 2016-2018 period:

- Cinema provision is the lowest in Port Macquarie - 122 residents per seat compared to 44 to 59 residents per seat in the other cities. After adding the Proposal's nine screens (1,343 seats), cinema provision would increase to 43 residents per seat (2021 forecast population) and 51 residents per seat (2036 projected residents).
- Annual cinema spend per seat is at the higher end of the range in Port Macquarie, ranging from \$3,700 to \$4,100 per seat compared to the general range of \$2,500 to \$3,000 per seat in the other regional cities.
- Annual cinema spend per resident is the lowest in the Port Macquarie LGA, at \$33 per resident compared to \$45 to \$72 per seat in the other regional cities.

The Tweed Heads LGA and surrounds enjoys the largest spend due its large local catchment that includes Coolangatta and the Gold Coast.

Despite the Port Macquarie resident catchment (83,100) being larger than Coffs Harbour (76,500), annual cinema spend is a third lower (\$2.7m in 2018 compared to \$4.1m in Coffs Harbour). This indicates a significant amount of escape expenditure from Port Macquarie.

Trading figures indicate Majestic Cinema in Port Macquarie is trading strongly compared to benchmark cinemas (those whose facilities have not been modernised to include recliner seats). This affirms the observations of an undersupply of cinema screens in Port Macquarie also indicated by the lowest cinema provision. This undersupply of cinema screens has unsurprisingly led to expenditure leakage from the LGA, resulting in an annual resident spend in Port Macquarie (\$33 per resident in 2018) that is notably lower than other regional cities (\$45 to \$72 per resident).

Despite its scale and significance as a regional city, the cinema offering in the Port Macquarie (5 screens and 683 seats) is the lowest of the regional cities examined. Lismore has fewer cinema screens but a greater seating capacity (895 seats compared to 683 seats at Port Macquarie).

Demand would be sufficient to support both the new facility and the existing Majestic Cinema. The United Cinema would provide a differentiated offer to the Majestic Cinema, which is a smaller, more traditional experience compared to the modern cinema complex envisaged in the Proposal. The Majestic Cinema trades strongly and with less capacity than demanded, it is logical to expect a large proportion of resident spend on cinema, entertainment and associated retail to escape beyond the Port Macquarie LGA.

With the Proposal's nine screens (1,343 seats), cinema provision in Port Macquarie would rise to 43 residents per seat (on 2021 population forecast) and 51 residents per seat (on 2036 projected residents). This is within the benchmark cinema provision observed elsewhere on the North Coast.

The presence of both cinemas and the competition between them is a consumer benefit as it supports more choice for the public. Any price competition between the two facilities or additional enhancements to the existing Majestic Cinema to create a more competitive offer would induce further positive community outcomes.

The cinema offering envisaged in the Proposal (including recliner seats and supporting food, beverage and amenity uses) is not comparable to any existing cinemas within the Port Macquarie-Hastings LGA, being more comparable to the larger multiplex cinemas situated in the other regional cities to the north. Accordingly, the Proposal presents an opportunity to offer a unique and diverse experience and better meet the needs of residents and visitors, enhance the profile of the Port Macquarie City Centre and capture additional visitation expenditure.

3.5.2 Retail Floorspace

The Proposal includes provision for ground level food and drink premises and retail tenancies (2,611sqm GFA).

Council's Retail Strategy Review quantified a need for an additional 65,100sqm of floorspace within Port Macquarie City Centre by 2036. This space is required to help ensure the City Centre remains competitive and continues to provide the goods and services demanded by a growing population. This proposed amount of retail specialty floorspace of 2,611sqm is therefore comfortably justified in the context of need.

3.5.3 Local Employment

The Australian Government compiles information on employment and population in the Mid North Coast. Analysis of this dataset indicates that the unemployment rate in the Mid North Coast is above the national average in July 2019 at 6.1% compared to 5.2% (Australian Government, 2019). The labour force participation rate in the Mid North Coast fell to 50.4% in July 2019 compared to 55.6% a year earlier.

The Mid North Coast has a slightly higher proportion of retail trade workers compared to the national average, with most workers in the sector employed on a part time basis. These jobs require fewer entry level qualifications compared to professional services and are thus more accessible to a wider spectrum of the community.

Analysis of local employment characteristics suggests that increasing the number of job opportunities available overall, and accessible jobs in particular, would benefit residents and generate the most employment opportunities.

The Proposal is estimated to support 120 jobs (full time, part time and casual) post-development when a steady state of operations is achieved. These types of jobs would align with the high proportion of retail trade workers already employed and have the greatest potential to provide employment opportunity to a broad range of people - including students, older workers and those with young families who may have the greatest propensity to seek more flexible, part time work.

3.6 IMPLICATIONS FOR THE PROPOSAL

Several observations can be drawn from the Supply and Demand Assessment of direct relevance to the Proposal:

- The outlook for cinema demand in Port Macquarie is positive, driven by population growth and growing patronage rates which are shaped by changing consumer tastes towards high quality and diverse experiences.
- The primary source of cinema demand in Port Macquarie is expected to be from residents of Port Macquarie-Hastings LGA. Additional demand is also expected from residents in adjoining LGAs.
- Tourists provide a lesser but important source of demand for cinema screens in Port Macquarie given the significance of the tourism economy and the propensity of visitors to seek leisure activities whilst on holiday.
- Port Macquarie is serviced by a single traditional cinema (5 screens) which has been operational since 1937. Residents need to travel elsewhere to access a modern cinematic experience.
- Port Macquarie is estimated to support immediate demand for 11 screens, rising to 14 screens by 2021 and 16 screens by 2029. Demand for the proposed nine screens in addition to the existing five screens would therefore align from 2021, which is the likely time for the Proposal to become operational.
- Beyond 2021, cumulative impacts of population growth (and demographic change) and market trends towards experiential retail and leisure are expected to require more screens even after completion of the Proposal.

Benchmarking of cinema provision and trading figures in other regional cities indicates the following:

- Lowest cinema provision in Port Macquarie LGA at 122 residents to a seat, compared to 44 to 59 residents per seat in the other regional cities.
- Annual turnover per seat in Port Macquarie LGA is at the higher end of the range, ranging from \$3,700 to \$4,100 per seat compared to \$2,500 to \$3,000 per seat in the other regional cities.
- Annual turnover per resident is the lowest in the Port Macquarie LGA at \$33 per resident compared to \$45 to \$72 per seat in the other regional cities.
- Despite its scale and significance as a regional city, the cinema offering in the Port Macquarie (5 screens and 683 seats) is the lowest of the regional cities examined. Lismore has fewer cinema screens but a greater seating capacity (895 seats compared to 683 seats at Port Macquarie).
- The Majestic Cinema in Port Macquarie trades strongly in comparison to benchmark cinemas. This affirms the observations of an undersupply of cinema screens in Port Macquarie.
- The undersupply of cinema screens has led to expenditure leakage from the LGA, resulting in a lower annual resident cinema spend (\$33 per resident in 2018) compared to other regional cities (\$45 to \$72 per resident).

The Proposal is demonstrated to respond to unmet demand for cinema screens, this demand driven by population growth, increase in proportional share of residents aged 18-34 years and those over 50 years and evolving consumer trends favouring unique and quality experiences. Importantly, the Proposal will assist to stem the escape expenditure leaving the LGA as residents are not able to have their entertainment and leisure needs met locally.

The next chapter investigates and quantifies the economic impacts associated with the Proposal.

4. ECONOMIC IMPACT ASSESSMENT

This chapter provides an overview of the economic impacts arising from the Proposal.

4.1 DRIVERS OF ECONOMIC IMPACT

The following sections estimate the economic activity supported through the operations of businesses locating to the Site if it was redeveloped as proposed.

The economic impacts have been assessed at the Port Macquarie-Hastings LGA level. An Input-Output model, including the development of specific regional Input-Output transaction tables, was developed to reflect the economic structure of the Port Macquarie-Hastings LGA.

Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in Table 4.1.

Table 4.1: Economic Indicators

Indicator	Description
Output	Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
Gross Product	Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
Income	Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the Project.
Employment	Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow on activity, and is expressed in terms of Full-Time Equivalent (FTE) positions. One FTE job is defined as one person working full time for a period of one year.

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement.

- **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in the Port Macquarie-Hastings LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.
- **Operations Phase:** During the operational phase, the Site is expected to generate ongoing economic/operational activity through direct turnover generated by the retail/commercial operational activities on-site.

Refer to Appendix A for a description of the drivers and assumptions that underpin the assessed economic impacts.

4.2 ECONOMIC ACTIVITY AND IMPACTS

The economic impacts/ contribution can be traced through the economic system via:

- **Direct impacts**, which are first round of effects from direct operational expenditure on goods and services.
- **Indirect Impacts (Flow-on impacts)**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
 - **Indirect Impact (Type I)** represents production induced support activity a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
 - **Indirect Impact (Type II)** represents consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries paid within the economic system.

The premise behind Type I and Type II indirect impacts applies across both the construction and operations phase, except the impacts on industry will be different. For example, Type I impacts during construction may include professional services (e.g. architects, engineers) and manufacturing (steel, construction materials) while examples of Type I impacts during operations may include manufacturing (food and beverage and related) and administrative and support services (e.g. building cleaning, employment services, etc).

4.2.1 Construction Phase

During construction, economic activity generated by businesses and workers in the Port Macquarie-Hastings LGA is expected to be supported by direct and flow-on impacts:

- \$40.6 million in total economic output (including \$20.2 million directly).
- \$22.1 million contribution to Gross Regional Product (GRP) (including \$8.2 million directly).
- \$11.2 million in income and salaries (including \$4.4 million directly).
- 142 Full Time Equivalent (FTE) jobs (including 52 directly).

Table 4.2: Construction Impacts in Port Macquarie-Hastings LGA

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$20.2	\$8.2	\$4.4	52
Indirect (Production Induced)	\$13.7	\$6.1	\$3.5	43
Indirect (Household Consumption)	\$13.0	\$7.8	\$3.3	47
Total	\$46.8	\$22.1	\$11.2	142

Source: AEC.

*Note: Totals may not sum due to rounding.

Major industry beneficiaries of the construction phase include:

- Construction (direct and flow on GRP \$8.6 million).
- Ownership of dwellings (flow on GRP \$2.2 million).
- Professional, scientific and technical services (direct and flow on GRP \$1.9 million).

4.2.2 Operational Phase

Following completion and operation of the Proposal, the activity associated with new business activity is estimated to support the following economic impacts through direct and flow-on impacts (per annum):

- \$43.5 million in total economic output (including \$17.7 million directly).
- \$21.9 million contribution to GRP (including \$7.8 million directly).
- \$12.2 million in income and salaries (including \$5.3 million directly).
- 171 FTE jobs (including 80 directly).

Table 4.3: Operational Impacts in Port Macquarie-Hastings LGA

Impact	Output (\$M)	GRP (\$M)	Incomes (\$M)	Employment (FTEs)
Direct	\$17.7	\$7.8	\$5.3	80
Indirect (Production Induced)	\$11.0	\$5.3	\$3.1	38
Indirect (Household Consumption)	\$14.7	\$8.8	\$3.8	53
Total	\$43.5	\$21.9	\$12.2	171

Source: AEC.

*Note: Totals may not sum due to rounding.

Major benefiting industries in terms of GRP supported in Port Macquarie-Hastings LGA from the Proposal's operations include:

- Information, media and telecommunications (direct and flow on GRP \$3.7 million per annum).
- Ownership of dwellings (flow on GRP \$3.1 million per annum).
- Professional, scientific and technical services (direct and flow on GRP \$2.7 million per annum).

4.3 POLICY ASSESSMENT

This section discusses the impacts from a community viewpoint, that is, the residents of the LGA whose interests are safeguarded by local and regional planning policy. Impacts are considered against a scenario where the proposed development does not take place.

In particular, the EIA has sought to examine the following issues:

- Demand for cinema screens.
- Role of the Proposal in:
 - Facilitating growth in local employment;
 - Meeting the needs of local residents/ workers and visitors;
 - Contributing to competitiveness of Port Macquarie City Centre as a destination to visit and live in;
 - Contributing to tourism growth.
- Competition and impact to existing business.
- Consistency with Council's Retail Strategy and Growth Strategy.
- Contribution to overall supply of retail floorspace, and in particular if the viability of the Port Macquarie CBD and Settlement City Precinct and other commercial areas.

The purpose of the EIA is to consider the merits of the Proposal from a planning and economic perspective, specifically if the Proposal would strengthen the offer and competitive position of the Port Macquarie City Centre.

Port Macquarie City Centre

The Proposal would introduce a new, modern cinema offer to the City Centre that is differentiated from existing provision. It would create new leisure uses including a gym, indoor recreation and bowling alley. It would support new food, beverage and retail options. All these changes would enhance the attraction of the City Centre as a place to visit for residents and tourists. In doing so it would help it become more competitive against other regional cities, attract more frequent visits and create the opportunity for more linked trips to other City Centre businesses.

Chapter 3 identified there is an immediate screen shortfall in the Port Macquarie-Hastings LGA of six screens, the shortfall rising to nine screens by 2021 and to 11 screens by 2029. Assuming the Proposal is operational by 2021, demand for the proposed nine screens would therefore align.

Benchmarking metrics affirm the findings of the supply and demand assessment - that Port Macquarie LGA is undersupplied and in need of greater cinema capacity and choice. Of the regional cities benchmarked, Port Macquarie has the lowest cinema provision and the lowest resident cinema spend. This indicates a notable level of escape expenditure from the LGA, with residents travelling outside for their cinematic and entertainment needs.

The Proposal is justified by unmet demand. It would likely to redirect some trade away from the Majestic Cinema which, as the only cinema, is unsurprisingly trading at the upper end of the benchmarked range. However, the existing facility provides a differentiated offer is not directly comparable to the proposed United Cinema. Much of the trade that the new facility would capture would otherwise go unmet (as affirmed by the lower annual spend - \$33 per resident compared to \$53 per resident in Coffs Harbour and \$72 per resident in Tweed Heads).

A continued absence of sufficient supply that meets contemporary demand represents a lost opportunity to better meet the needs of residents and visitors, enhance the competitiveness of all parts of the Port Macquarie City Centre, including the CBD, and support greater trade capture.

Local Employment

The proposed development would generate employment in two ways: temporary employment during the construction process and permanent employment once it is operational.

The capital investment value of the Proposal (base building and fitout) would support significant short-term benefits to the local economy through construction-related employment and material purchases which would not otherwise be realised.

The Proposal would generate employment in two ways: temporary employment during the construction process and permanent employment once operational.

- During the construction period a total of 142 full-time equivalent jobs (direct and indirect) are estimated to be supported in the Port Macquarie LGA.
- Operational employment is estimated at 80 full-time equivalent direct jobs (those on-site). Roles will range from front of house to management positions and staff are expected to be drawn from Port Macquarie. The Proposal will also support indirect jobs (jobs elsewhere in the LGA), estimated at 91 full-time equivalent jobs.

Analysis indicates that Mid North Coast has above average levels of unemployment and a declining labour participation rate. Many of the jobs created on-site would have low barriers to entry and be available on a part-time basis offering flexibility. These types of jobs help to support job diversity in the local market by enabling residents with limited experience or competing commitments, such as students, single parents or older people, more access to employment opportunities. The Proposal would deliver a strong positive benefit on access to employment.

Local Residents

Demand from residents in the LGA for cinema screens is going unmet due to a lack of provision (122 residents per seat compared to benchmarked cities where provision is at 44 to 59 residents per seat).

If local residents want to access a large, modern cinema complex they must travel a significant distance to visit another regional city or accept that their need will go unmet. If they travel elsewhere to visit the cinema, it is likely they will undertake other linked activities at the same time such as shopping or eating out. This represents a lost opportunity for the Port Macquarie City Centre and also means adverse impacts for residents in terms of additional travel time, travel costs and environmental pollution.

In addition to the cinema, residents will benefit from access to a new gymnasium, indoor recreation with bowling alley, new shops and food and beverage outlets. Their choice of goods, services and leisure activity would be improved.

Overall, residents would be better off if the Proposal proceeded than not. It would allow more of their needs to be met without the need to travel longer distances and endure the associated travel externalities.

Impact on Tourism

Tourists have a high propensity to direct their retail spending towards leisure activities. The proposed development would create multiple new leisure activities within the CBD which are not currently present, in addition to a significantly stronger cinema offer. This provides more options for tourists and more opportunities for them to spend time in the CBD. This can only benefit the attraction of Port Macquarie-Hastings LGA as a place to visit and to stay.

Existing Business

From a planning perspective, trading impacts on individual businesses are not a material consideration as it is a matter of business competition and is a consumer benefit. The trading impact on a centre overall is important, given the need to enhance the vitality and viability of centres in accordance with the retail hierarchy. The Proposal would enhance the City Centre, strengthen its offer and improve its competitiveness relative to other regional cities.

The Majestic Cinema is expected to continue trading if the Proposal proceeds. It would still appeal to customers seeking a more traditional, intimate cinema experience. Evidence from other locations (including the benchmarked regional cities) indicates viable co-existence of large, modern cinema facilities such as Hoyts with smaller, more boutique and niche cinemas like Majestic. The two formats can co-exist as there is sufficient demand *and* they each offer a different experience.

The Majestic could expect reduced ticket sales and lower revenue as a result of the Proposal, albeit from a position of strong trading which is currently the case given the level of cinema screen under-supply. The Majestic could respond by investing in its offer or enhancing the experience to provide a further differentiated product. This is one consumer benefit of competition in that it forces businesses to adapt and be more efficient.

With the Proposal's nine screens (1,343 seats), cinema provision in Port Macquarie would rise to 43 residents per seat (on 2021 population forecast) and 51 residents per seat (on 2036 projected residents). This is within the benchmark cinema provision observed elsewhere on the North Coast.

Competition that results from the existing Majestic Cinema and the new United Cinema constitutes a consumer benefit. Competition facilitates choice, encourages price competition and assists in ensuring efficiency, for example by encouraging investment in existing facilities or higher and better land uses.

Planning Policy

Planning policy places a repeated emphasis on the importance of directing development in accordance with the hierarchy of centres and in supporting Port Macquarie CBD and Settlement City precinct in their positions at the top of the centres hierarchy.

The Port Macquarie CBD should be protected from development which would detract from its role and function and strengthened through new development which consolidates its position. The Proposal is a higher order use attracting trade from a large catchment area. The Site is zoned B3 Commercial Core as part of the Settlement City.

The Proposal is consistent with the centres hierarchy and will assist Port Macquarie City Centre develop a more competitive offer as a regional city. This will make cinema provision more comparable to what is available at other regional cities on the North Coast.

There is immediate unmet demand for cinema screens in the City Centre. This shortfall in supply will worsen over time, leading to more leakage in expenditure and resident activity to outside the LGA. Port Macquarie (despite its population base) has the lowest cinema provision compared to benchmarked regional cities.

In terms of trading impact, beyond the overall impact on the vitality and viability of defined centres, impact on individual businesses is not a material consideration. Given the Proposal would improve the trading performance of the City Centre and bolster its viability overall, it fulfils this objective. Any trading impacts that would eventuate should thus be viewed positively for the community, having the potential to create more consumer choice, encourage greater efficiency and price competition. On balance this scheme would yield a positive economic impact overall from the community perspective and thus it accords with s4.15 of the EP&A Act.

While the Proposal would compete with the existing cinema to some extent, it offers a different cinema experience supported by other leisure, retail and food and beverage options. The City Centre as a whole (which includes Settlement City and Port Macquarie CBD) would gain more from the Proposal than from it not proceeding.

If the proposal *only* had retail floorspace on the Site, it would likely to compete far more strongly with Port Macquarie CBD and lead to greater cannibalisation of trade. A far more competitive impact would occur if the Site were developed predominately with retail uses which are permissible under the zoning. The Proposal adheres to the need to contribute to the City Centre as a whole and is a positive outcome in terms of specific impact on the CBD.

The Proposal is expected to have the following implications for Port Macquarie local residents, residents from neighbouring LGAs and visitors to Port Macquarie:

- Better diversity of entertainment and activity offer in the City Centre.
- Availability of modern cinematic experience co-located with other experiential options.
- Enhance the attractiveness and competitiveness of Port Macquarie as a whole as a place to live, do business in and visit.
- Increased competition which arises from the Proposal is considered to be a consumer benefit.
- Reduce travel and expenditure by local residents to outside the LGA to have their entertainment and leisure needs met.

The Settlement City precinct occupies the top of the centres hierarchy together with the Port Macquarie CBD. The UGMS recognises the CBD as the primary retail and business centre and Settlement City as having significant potential to grow.

Development on the Site, which forms part of Settlement City precinct would contribute to achieving the development potential identified in the UGMS.

The significant need for additional retail floorspace (additional 65,100sqm) in Port Macquarie to 2036 provides enough support for the proposed 2,611sqm of retail floorspace in the Proposal.

Entertainment and leisure space of the nature proposed is not currently provided in Port Macquarie CBD, therefore it would not compete directly with the retail function of the CBD or reduce the potential for additional retail investment to be made in the Port Macquarie Town Centre as identified in the Retail Strategy. Rather, the Proposal will assist to arrest retail expenditure leakage associated with resident travel to beyond the City Centre to have their entertainment and leisure needs met. This assists with the sustainability of the CBD and other commercial areas therein.

On balance, the impact on the community would be positive notwithstanding trading impacts on individual business that are likely to result. An under-provision results in poor self-containment for residents; residents of Port Macquarie will be better off with the Proposal proceeding compared to the alternative of no development. It presents a compelling case for consideration from an economic impact perspective.

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APPENDIX A: INPUT-OUTPUT METHODOLOGY

INPUT-OUTPUT MODEL OVERVIEW

Input-Output analysis demonstrates inter-industry relationships in an economy, depicting how the output of one industry is purchased by other industries, households, the government and external parties (i.e. exports), as well as expenditure on other factors of production such as labour, capital and imports. Input-Output analysis shows the direct and indirect (flow-on) effects of one sector on other sectors and the general economy. As such, Input-Output modelling can be used to demonstrate the economic contribution of a sector on the overall economy and how much the economy relies on this sector or to examine a change in final demand of any one sector and the resultant change in activity of its supporting sectors.

The economic contribution can be traced through the economic system via:

- **Direct impacts**, which are the first round of effects from direct operational expenditure on goods and services.
- **Flow-on impacts**, which comprise the second and subsequent round effects of increased purchases by suppliers in response to increased sales. Flow-on impacts can be disaggregated to:
- **Industry Support Effects (Type I)**, which represent the production induced support activity as a result of additional expenditure by the industry experiencing the stimulus on goods and services in the intermediate usage quadrant, and subsequent round effects of increased purchases by suppliers in response to increased sales.
- **Household Consumption Effects (Type II)**, which represent the consumption induced activity from additional household expenditure on goods and services resulting from additional wages and salaries being paid within the economic system.

These effects can be identified through the examination of four types of impacts:

- **Output:** Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
- **Gross Product:** Refers to the value of refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g. Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
- **Income:** Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the project.
- **Employment:** Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow-on activity, and is expressed in terms of full-time equivalent (FTE) positions.

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow-on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending.

Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

MODEL DEVELOPMENT

Multipliers used in this assessment are derived from sub-regional transaction tables developed specifically for this project. The process of developing a sub-regional transaction table involves developing regional estimates of gross production and purchasing patterns based on a parent table, in this case, the 2014-15 Australian transaction table (ABS, 2017b).

Estimates of gross production (by industry) in the Port Macquarie-Hastings LGA were developed based on the percent contribution to employment (by place of work) of the Port Macquarie-Hastings LGA to the Australian economy (ABS 2012, 2017a), and applied to Australian gross output identified in the 2016-17 Australian tables.

Industry purchasing patterns within the Port Macquarie-Hastings LGA were estimated using a process of cross-industry location quotients and demand-supply pool production functions as described in West (1993).

Where appropriate, values were rebased from 2016-17 (as used in the Australian national IO transaction tables) to current values using the Consumer Price Index (ABS, 2017c).

MODELLING ASSUMPTIONS

The key assumptions and limitations of Input-Output analysis include:

- **Lack of supply-side constraints:** The most significant limitation of economic impact analysis using Input-Output multipliers is the implicit assumption that the economy has no supply-side constraints, so the supply of each good is perfectly elastic. That is, it is assumed that extra output can be produced in one area without taking resources away from other activities, thus overstating economic impacts. The actual impact is likely to be dependent on the extent to which the economy is operating at or near capacity.
- **Fixed prices:** Constraints on the availability of inputs, such as skilled labour, require prices to act as a rationing device. In assessments using Input-Output multipliers, where factors of production are assumed to be limitless, this rationing response is assumed not to occur. The system is in equilibrium at given prices, and prices are assumed to be unaffected by policy and any crowding out effects are not captured. This is not the case in an economic system subject to external influences.
- **Fixed ratios for intermediate inputs and production (linear production function):** Economic impact analysis using Input-Output multipliers implicitly assumes that there is a fixed input structure in each industry and fixed ratios for production. That is, the input function is generally assumed linear and homogenous of degree one (which implies constant returns to scale and no substitution between inputs). As such, impact analysis using Input-Output multipliers can be seen to describe average effects, not marginal effects. For example, increased demand for a product is assumed to imply an equal increase in production for that product. However, it may be more efficient to increase imports or divert some exports to local consumption rather than increasing local production by the full amount. Further, it is assumed each commodity (or group of commodities) is supplied by a single industry or sector of production. This implies there is only one method used to produce each commodity and that each sector has only one primary output.
- **No allowance for economies of scope:** The total effect of carrying on several types of production is the sum of the separate effects. This rules out external economies and diseconomies and is known simply as the “additivity assumption”. This generally does not reflect real world operations.
- **No allowance for purchasers’ marginal responses to change:** Economic impact analysis using multipliers assumes that households consume goods and services in exact proportions to their initial budget shares. For example, the household budget share of some goods might increase as household income increases. This equally applies to industrial consumption of intermediate inputs and factors of production.
- **Absence of budget constraints:** Assessments of economic impacts using multipliers that consider consumption induced effects (type two multipliers) implicitly assume that household and government consumption is not subject to budget constraints.

Despite these limitations, Input-Output techniques provide a solid approach for taking account of the inter-relationships between the various sectors of the economy in the short-term and provide useful insight into the quantum of final demand for goods and services, both directly and indirectly, likely to be generated by a project.

In addition to the general limitations of Input-Output Analysis, there are two other factors that need to be considered when assessing the outputs of sub-regional transaction table developed using this approach, namely:

- It is assumed the sub-region has similar technology and demand/ consumption patterns as the parent (Australia) table (e.g. the ratio of employee compensation to employees for each industry is held constant).
- Intra-regional cross-industry purchasing patterns for a given sector vary from the national tables depending on the prominence of the sector in the regional economy compared to its input sectors. Typically, sectors that are more prominent in the region (compared to the national economy) will be assessed as purchasing a higher proportion of imports from input sectors than at the national level, and vice versa.

DRIVERS OF ECONOMIC IMPACT

The following sections examine the estimated economic activity supported through the operations of businesses locating to the Site if it was redeveloped under the Proposal.

The economic impacts have been assessed at the Port Macquarie-Hastings Local Government Area (LGA) level. Input-Output modelling describes economic activity through the examination of four types of impacts which are defined and described in Table A.1.

Table A.1: Economic Indicators

Indicator	Description
Output	Refers to the gross value of goods and services transacted, including the costs of goods and services used in the development and provision of the final product. Output typically overstates the economic impacts as it counts all goods and services used in one stage of production as an input to later stages of production, hence counting their contribution more than once.
Gross Product	Refers to the value of output after deducting the cost of goods and services inputs in the production process. Gross product (e.g., Gross Regional Product) defines a true net economic contribution and is subsequently the preferred measure for assessing economic impacts.
Income	Measures the level of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the Project.
Employment	Refers to the part-time and full-time employment positions generated by the economic shock, both directly and indirectly through flow on activity, and is expressed in terms of Full-Time Equivalent (FTE) positions. One FTE job is defined as one person working full time for a period of one year.

Source: AEC

Input-Output multipliers can be derived from open (Type I) Input-Output models or closed (Type II) models. Open models show the direct effects of spending in a particular industry as well as the indirect or flow on (industrial support) effects of additional activities undertaken by industries increasing their activity in response to the direct spending. Closed models re-circulate the labour income earned as a result of the initial spending through other industry and commodity groups to estimate consumption induced effects (or impacts from increased household consumption).

The following estimates consider both Type I and Type II flow on impacts though it should be noted that Type II impacts are commonly considered to overstate economic activity.

Drivers of Economic Activity

In order to understand the economic impacts likely to result from the Proposal, it is necessary to distinguish economic impacts during the construction phase and those economic impacts that will be more permanent in nature following construction completion and operations commencement.

- **Construction Phase:** Construction activity will draw resources from and thereby generate economic activity in the Macquarie-Hastings LGA as well as from outside the LGA. Assumptions are made on the proportion sourced from within and from outside the LGA.

- **Operations Phase:** On completion of development, the Site is expected to generate ongoing economic/operational activity through the direct turnover generated by the retail commercial operational activities on the Site.

Construction Phase

For modelling purposes, construction costs (including contingency) for the Proposal were broken down into their respective ANZSIC industries. This breakdown was developed based on assumptions by AEC regarding the most appropriate ANZSIC industries for each activity.

Table A.2: Construction Cost Allocations, Proposal Case (Including Contingency)

ANZSIC	\$M
Non-Residential Building Construction	\$21.0
Heavy and Civil Engineering Construction	\$8.4
Construction Services	\$8.4
Professional, Scientific and Technical Services	\$4.2
Total	\$42.0

Source: AEC.

*Note: Totals may not sum due to rounding.

Of the above capital outlay, not all activity will be undertaken within the Port Macquarie-Hastings LGA economy. For example, some professional services activities are likely to be sourced from capital city centres. The following table outlines assumptions used in the modelling to identify where relevant activity is anticipated to occur.

Table A.3. Location of Construction Phase Activity by Industry

Industry	% Local
Non-Residential Building Construction	100%
Heavy and Civil Engineering Construction	100%
Construction Services	100%
Professional, Scientific and Technical Services	30%

Source: AEC.

For the purposes of this assessment it was assumed:

- Approximately 50% of the direct expenditure on construction-related (i.e. Residential Building Construction, Non-Residential Building Construction and Construction Services) activity would be sourced from local businesses and labour. Of this:
 - Approximately 25% of purchases on goods and services (supply chain related activity) made by construction-related businesses sourced from outside the Port Macquarie-Hastings LGA would be spent within the local economy (i.e., 25% of the Type I flow on activity associated with non-local construction companies is assumed to represent additional local activity in Port Macquarie-Hastings LGA).
 - Approximately 5% of wages and salaries paid to construction-related workers sourced from outside the region would be spent on local goods and services, such as food and beverages (i.e., 5% of the Type II flow on activity associated with non-local workers is assumed to represent additional local activity in Port Macquarie-Hastings LGA).
- Approximately 30% of the direct expenditure on professional, scientific and technical services activity would be sourced from local businesses and labour.

Only flow-on activity of locally sourced professional, scientific and technical services activity is included, as it is not anticipated professional, scientific and technical services businesses located outside of Port Macquarie-Hastings LGA would purchase goods/ services from within Port Macquarie-Hastings LGA.

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OUTCOME DRIVEN

