Australia Forum

Scoping Study
April 2011

A centre for significant events, meetings and dialogue in the nation's capital.
The home of democratic dialogue.

Prepared for the Australia Forum Steering Committee, Canberra Business Council and ACT Government

Ernst & Young
Quality In Everything We Do

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The Australian Forum Scoping Study was commissioned by Canberra Business Council, with the support of the ACT Government. Many other partnering organisations provided financial and practical support. The Study was overseen by the Australian Forum Steering Committee, who also commissioned other associated research.

For further information go to
www.australiaforum.com.au

Top: Professor Peter Shergold Chair of the Australia Forum Steering Committee
Above: The initial Australia Forum Steering Committee meeting

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Ms Chris Faulks
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4 April 2011

Private and confidential

Dear Chris

Australia Forum Scoping Study

Please find attached the Australia Forum Scoping Study, which has been prepared by Ernst & Young and Cox Architects.

The Scoping Study has been prepared using information obtained from a number of sources including the Canberra Business Council (CBC), the Canberra Convention Bureau and other key stakeholders consulted during the course of this project, Rider Levett Bucknall Quantity Surveyors, as well as information prepared by the CBC's other consultants.

When considering the results of our assessment of the various options presented in this report, it is important to note the disclaimer set out in section 9, which highlights the significant uncertainty that inevitably surrounds any estimates of the potential future demand for the facilities to be provided by Australia Forum and the economic impacts arising from the use of those facilities.

Yours faithfully

Dr David A Cochrane
Representative
Ernst & Young
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Executive Summary

Purpose and Structure of this Report

The Canberra Business Council, in association with the Australia Forum Steering Committee, has commissioned Ernst & Young and Cox Architects to:

- develop a comprehensive functional brief for Australia Forum;
- investigate the feasibility of such a new national facility to meet the current and future needs of the National Capital; and
- prepare a business case that evaluates the benefits and costs of Australia Forum from the point of view of the nation as a whole.

Consistent with best practice business case guidelines, this report:

- provides a description of the project (i.e. the nature of the proposed investment), including Australia Forum's vision;
- outlines the nature of the problems that the proposed investment is intended to address and the consistency of the proposed investment with government objectives. This also involves a detailed analysis of the market for events, including recent trends in the international, national and local demand for events, and the supply of event venues to meet that demand;
- identifies and evaluates a range of alternative options to address those problems;
- conducts a detailed financial and economic analysis of those options; and
- outlines the process that will be required in order to implement the preferred option.

Australia Forum – Vision

"Australia Forum is to be a world class institution that caters for significant meetings, dialogue, cultural events, and other occasions of national importance appropriately held in Australia's capital".[1]

Australia Forum will be a centre unlike any other in Australia or South East Asia – much more than just another iconic venue. It will serve as a people's forum for the nation, designed in both symbolic and practical terms to meet the increasing demand for a new generation of engagement of Australians in international and national dialogue.

It will be an investment in Australia's future – the infrastructure required to shape Australia's future through new forms of dialogue and engagement between Australians and with the rest of the world. Centres such as Australia Forum are the learning hubs of the future – pivotal to economic development and the transfer of knowledge from Australian and international research institutions to both the public and private sectors of the Australian economy.

The Forum will open a new window to the world to capitalise on the potential for greater innovation and collaboration. The Forum will be linked to the nation through a multi-hub network, and connected internationally through outstanding multimedia capacity – consistent with the direction of international

[1] Canberra Business Council, Information on Scoping Study, http://www.canberrabusinesscouncil.com.au/pages/images/ANF2010.pdf

best practice identified in the results of the International Congress & Convention Association's (ICCA) "Convention 2020" study.

The Forum is to be a significant national institution for all generations. All Australians should have the opportunity to access the Forum:

> "*The Australia Forum is envisaged as a place to come together to celebrate, be inspired, encouraged or entertained, or to learn and creatively look to the future. A place for important dialogue and for Australia's big conversations. It should be a special place that will allow Australians to listen, speak and connect with others. It will be an asset for the people of Australia*".[2]

The Nature of the Problem

Lack of appropriate facilities

Underlying the vision and goals of Australia Forum is a concern that the National Capital currently lacks an appropriate venue to host:

- the meetings that are required for the Australian Government to perform its increasingly important role in international and national affairs (e.g. Commonwealth Heads of Government Meeting, G20);

- international and national meetings to facilitate increased collaboration between government, the academic and business communities, which is a key goal of both the Australian Government's Innovation Strategy and its Blueprint for the Reform of Australian Government Administration; and

- meetings that allow Australians to engage in meaningful dialogue on key issues of national importance. While Parliament House provides the forum for dialogue between Australia's elected representatives, there is no suitable national forum to foster and host significant dialogue involving the wider community. The study identified an emerging role for centres of this nature in facilitating democratic dialogue using available media and technologies. It is conceivable that the Australia Forum could and should assume a programming role for this purpose.

In order to fulfil its role as the nation's capital, Canberra needs a venue of the scale, security, design and character that is appropriate for hosting major meetings of international and national importance.

Risk of under investment by the private sector

This current lack of an appropriate meeting venue in the National Capital might not be a problem for government if it could rely on the private sector to provide those facilities.

In practice, however, there are several key reasons why, in the absence of government intervention, the private sector is unlikely to invest in the construction of such a venue:

- Information has many of the features of a "public good" in that the consumption of information does not reduce the amount of information that can be provided to others (i.e. it is "non rival") and it generates external benefits that are difficult to prevent other individuals from enjoying (i.e. it is only "partially excludable"). As a result, in the absence of government intervention, there is a risk that the private sector will under invest in the process of innovation and collaboration, which includes informal processes of collaboration such as conferences and meetings, and the venues required to hold those meetings;

[2] Canberra Business Council, Information on Scoping Study, http://www.canberrabusinesscouncil.com.au/pages/images/ANF2010.pdf

- There are also significant "economies of scale" associated with the provision of events. The physical infrastructure facilities provided by business event venues are one of the most important and costly inputs into the "production" of events. Just as the construction and extension of Australia's telecommunications network requires large and ongoing investments in the physical infrastructure required to host different modes of electronic communication (e.g. teleconferencing, video and internet conferencing), so too does the "face-to-face" communications network; and

- There is also increasing recognition of the wider economic benefits generated by events. In effect, events create new and larger information networks that generate benefits not only for the participants who attend those events, but also for other sections of the community that do not attend those events (e.g. the "economies of scope" or "network" benefits generated by events).

Proposed Solution – Australia Forum

The proposed solution to these problems is for the Australian and ACT governments to invest in the construction of Australia Forum, which would serve as **a meeting place for the nation.**

In particular, Australia Forum would meet the nation's need for:

- **a centre for international and national government meetings** to facilitate the Government's increasing role in international, Asia Pacific regional, and national affairs;

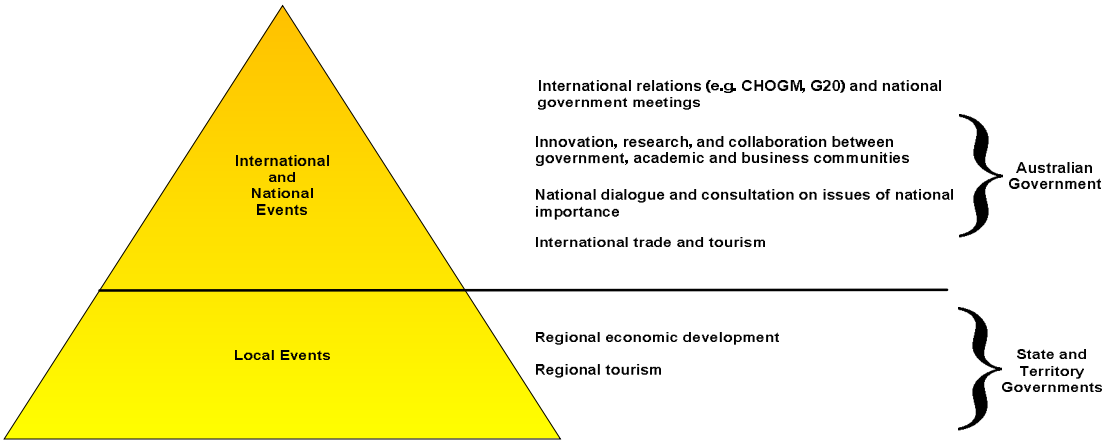
- **a national forum**, which would provide the people of Australia with a centre for meaningful dialogue on issues of national importance; and

- **a centre to enable increased collaboration between government, the academic and business communities.** Australia Forum will drive further economic and social development in a manner consistent with the direction of the National Innovation Strategy and the Blueprint for the Reform of Australian Government Administration.

Overall, as illustrated in the figure below, Australia Forum is intended to serve both:

- the Australian Government's policy interests in terms of fostering international relations; promoting innovation through increased collaboration between government and the academic and business communities; facilitating increased community dialogue and consultation on issues of international and national significance; and promoting economic development through increased trade and tourism; and

- the ACT Government's policy interest in promoting increased regional economic development and tourism.



Australia Forum Functional Requirements

In order to perform its role, Australia Forum will need to satisfy the following key functional requirements:

- An "iconic" design that is at least commensurate with the quality of the National Capital's other major national institutions;
- Specialised security arrangements, design features and services required for Australia Forum to host international dignitaries;
- A "Centre for Dialogue" (2,500 m^2) to cater for important "meetings in the round" for 180 delegates (e.g. government meetings such as CHOGM and G20 meetings, as well as other specialised forums);
- High quality "exhibition" areas (8,000 m^2) with the multifunctional capacity to serve large scale government events, exhibitions, conferences and other functions;
- Outstanding multimedia services and other technologies to facilitate enhanced communication not only between delegates, conference organisers and presenters, but also to link Australia Forum with other event centres in Australia and overseas; and
- Core facilities required to cater to the needs of the more traditional business events market, including:
    - a plenary hall (3,000 m^2), capable of holding 3,000 people that would be divisible into 4, as well as two 250 m^2 theatrettes, together capable of another 500 delegates;
    - a ballroom (1,500 m^2), divisible into 4, together with a banqueting room (1,800 m^2);
    - parking for around 600-1200 cars, depending on the site where Australia Forum is located;
    - a continuous bus transport system connecting delegates at the Australia Forum Lake Front site to their hotels and the CBD;
    - on site retail outlets (e.g. restaurants, bars); and
    - an on site 350 to 400 bed hotel providing 5 star and 4 star accommodation.

Potential Options

Four potential options were identified for further development and evaluation:

- a "Base Case Option", which involves a continuation of the current National Convention Centre facilities, without any further capital investment in those facilities (due to the inability to expand and modify those facilities on the current site); and
- an "Australia Forum Option" which involves the construction of a new venue on one of three alternative sites - the "City Hill" site; the "Lake Front" site; and the "Constitution Avenue" site.

Two variants of each of the Australia Forum options were also considered:

- a "base configuration" which provides the facilities outlined above; and

- an "expanded configuration" which incorporates an additional 4,000 m^2 of exhibition space, 450 m^2 of banqueting room and 500 m^2 of concourse, as well as an additional 600 car parks for the Lake Front site.

Market Analysis and Projected Demand for Australia Forum

A detailed analysis of the international, national and local markets for events was conducted for the purposes of this study. That analysis draws from publicly available information regarding the international and national event markets, Canberra Convention Bureau data on the market for events in the ACT, as well as well as a series of surveys of market participants undertaken specifically for the purposes of this study.

Key results of the market analysis

In brief, the results of the demand analysis indicate that:

- international demand for "face to face" meetings and events has been remarkably robust in the face of increasing competition from the electronic media, threats arising from global terrorism and the Global Financial Crisis (GFC). Over the period from 1999 to 2009, the number of international association meetings held globally has increased at a compound annual growth rate of around 6.5 per cent;

- international, national and local markets for business events are recovering and growing following the effects of the GFC; and

- substantial unmet demand exists for national and international meetings in Canberra, if facilities of suitable scale, security, character and infrastructure are established.

In response to this increasing international and national demand, there has been a continued expansion in the supply of event venues, both overseas and in Australia. The nature of the event venues has also been changing over time, with the emergence of new "iconic" venues with multifunctional facilities, specialised "centres for dialogue", co-located near other existing facilities in the CBD, or in other "clusters" in order to increase external benefits.

Key factors driving the demand for business events

The latest available information on the key factors driving the demand for business events is that provided by Phase 1 of the "Convention 2020" study, which is being conducted by ICCA, IMEX and Fast Future Research.

The most important factors that drive demand for business events are:

- the quality and quantity of networking opportunities;

- the quality of the information content provided by those events;

- personal security, an increasingly important consideration for most delegates, particularly foreign politicians, diplomats and senior government officials; and

- the environmental impact of venues and events.

In particular, the preliminary results of the Convention 2020 study indicate:

- the need for venues to incorporate the latest technology not only to facilitate networking between delegates attending the event, but also to expand the virtual network by connecting up with other event venues;

- the trend towards embedding the knowledge outputs from meetings in some sort of repository following events; and

- the important role that business events serve in the "exchange of knowledge" and the education process. Although the potential for business events to increase tourism is recognised, the focus is increasingly shifting to key role that such events play in "knowledge exchange" and economic development.

Key results from the survey of government agencies, associations, corporates and PCOs

The survey of government agencies, associations, corporates and the professional conference organisers (PCOs) that help those agencies with the planning and management of their business events indicates that:

- large meetings of international and national importance, such as CHOGM and the G20 cannot be held in Canberra due to the lack of a sufficiently large, high quality, secure venue that can be locked down without disrupting the city, as well as the lack of sufficient accommodation of a suitably high standard; and

- many associations and corporates are either not currently considering Canberra as a potential destination due to the current lack of an appropriate venue, particularly events attracting more than 250 delegates.

Overall, the results of the surveys and discussions with key stakeholders indicated that most government agencies, associations, and corporates would seek to hold additional events in the National Capital if more suitable facilities were available:

- Over 90 per cent of surveyed PCOs indicated that they would seek to organise additional or new events in Canberra if the Australia Forum facilities were established (one PCO who currently delivers no events in Canberra identified 8 such events); and

- Over 70 per cent of associations indicated that they would be interested in holding additional events at the proposed Australia Forum in view of its improved facilities. (This factor alone is estimated to increase the number of events held by more than 65 per cent).

Implications for the demand for Australia Forum

The results of the demand analysis suggest that following the construction of Australia Forum, there is likely to be a significant increase in the demand for events in the National Capital as a result of a number of key factors including the:

- quality and appeal of Australia Forum, which will improve Canberra's "image" as a destination for major meetings and events;

- ability of Australia Forum to hold much larger events as well as several events at one time;

- increased price competitiveness of Australia Forum, as a result of its ability to reap economies of scale and scope;

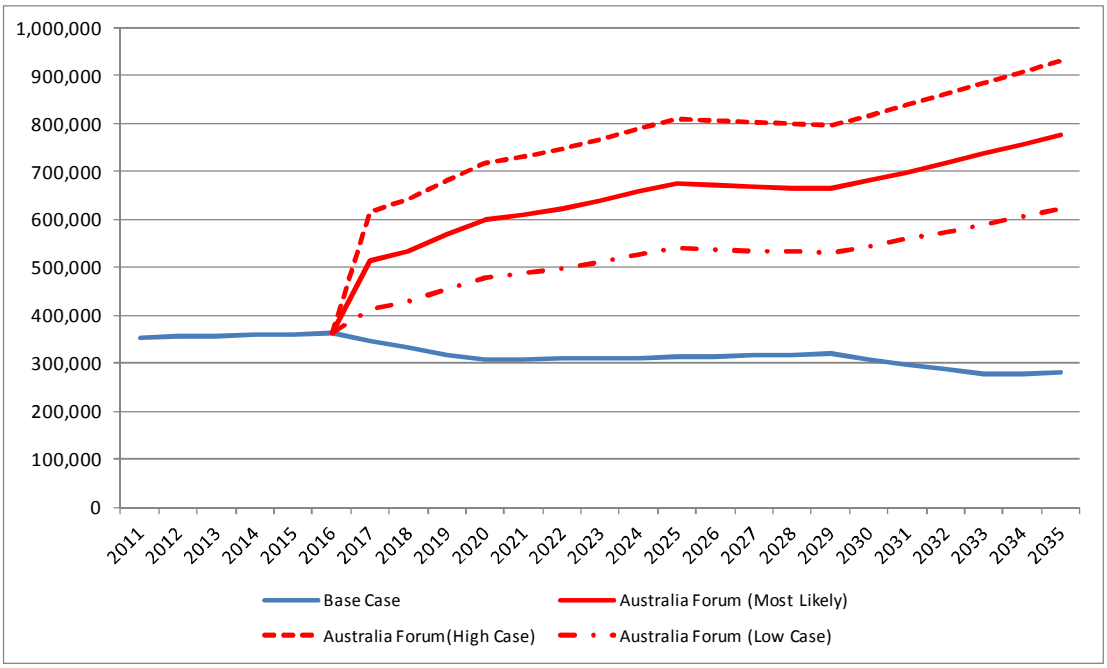
- increasing demand from government for a venue in the National Capital to hold meetings and conferences on issues of national and international importance; and

- increasing demand from associations, companies and the regional community, given that Australia Forum will have higher quality facilities that are more suited to holding private social events, as well as restaurants, retail outlets and a hotel.

The demand projections under both the Base Case Option and the Australia Forum Option are outlined in the figure below (subject to an important disclaimer contained in section 9 of this report).

In view of the inevitable uncertainty surrounding demand projections, a sensitivity analysis has been prepared considering the opportunity for a 20 per cent higher rate of growth in the number of attendees over the period of analysis (i.e. the Australia Forum "high case"), or a 20 per cent lower case (i.e. the Australia Forum "low case").

Projected number of attendee days under the Base Case option and Australia Forum option (base configuration)



Evaluation of the Options

Financial analysis of the options

The results of the financial analysis indicate that the construction of Australia Forum would require a substantial investment by government in the capital costs of constructing the facilities, which are set out for each option in real, nominal, NPV, and risk-adjusted NPV terms, in the table below.

Capital cost of constructing Australia Forum

Australia Forum Site	Cost of Constructing Australia Forum			
	Real cost $m	Nominal cost (2014 & 2015) $m	NPV $m	Risk Adjusted NPV $m
Australia Forum - City Hill Site				
Base Configuration	369.0	414.4	271.1	298.2
Expanded Configuration	403.4	453.0	296.3	326.0
Australia Forum - Lake Front Site				
Base Configuration	327.6	367.9	240.7	264.7
Expanded Configuration	386.0	433.5	283.5	311.9
Australia Forum - Constitution Avenue Site				
Base Configuration	337.1	378.6	247.7	272.4
Expanded Configuration	372.1	417.9	273.4	300.7

Australia Forum would also require consideration of a number of additional infrastructure projects that are consistent with the implementation of the Griffin Legacy plans for the National Capital (e.g. Lake Burley Griffin foreshore development). The capital cost of these additional related infrastructure investments are set out in the table below.

Capital cost of additional related infrastructure

Australia Forum Site	Cost of Additional Related Infrastructure			
	Real cost $m	Nominal cost (2014 & 2015) $m	NPV $m	Risk Adjusted NPV $m
Australia Forum - City Hill Site	233.1	261.8	171.2	188.3
Australia Forum - Lake Front Site	53.5	60.0	39.3	43.2
Australia Forum - Constitution Avenue Site	32.2	36.1	23.6	26.0

As indicated in the table below, the cash flows generated by Australia Forum would help reduce, but not completely offset, the size of the investment required by government. Ignoring capital costs, each of the Australia Forum options generates a significantly higher cash flow than the Base Case Option, with the Constitution Avenue site option generating the highest NPV. However, these results need to be considered in the context of the additional economic benefits generated by each of the Australia Forum options, which are considered further below.

Net present value of cash flows under each option

Revenue of Expenditure Item	Revenue and Expenditure						
	Base Case Option	Australia Forum Option					
		City Hill		Lake Front		Constitution Avenue	
	NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m
REVENUE							
Operating revenue							
Revenue from Events	102.8	163.2	172.1	163.2	172.1	163.2	172.1
Non-Event Revenue	17.2	19.1	19.4	19.1	19.4	19.1	19.4
Revenue from additional car parks	0.0	48.9	48.9	1.7	20.0	48.9	48.9
Revenue from sale of NCC site	0.0	39.7	39.7	39.7	39.7	39.7	39.7
Revenue from lease of retail space	0.0	4.0	4.0	15.1	15.1	7.2	7.2
Revenue from hotel development on site	0.0	14.6	14.6	14.6	14.6	14.6	14.6
Total Revenue	***120.0***	***289.4***	***298.7***	***253.3***	***280.8***	***292.6***	***301.8***
EXPENDITURE							
Operating costs							
COGS	(22.1)	(35.2)	(37.2)	(35.2)	(37.2)	(35.2)	(37.2)
Staff Costs	(16.7)	(26.3)	(27.6)	(26.3)	(27.6)	(26.3)	(27.6)
General Expenses	(26.2)	(35.4)	(36.2)	(35.4)	(36.2)	(35.4)	(36.2)
Cost of Additional Car Spaces	0.0	(4.9)	(4.9)	(0.2)	(2.0)	(4.9)	(4.9)
Cost of bus transport to and from Lake Front site	0.0	0.0	0.0	(5.6)	(5.6)	0.0	0.0
Building Costs	(45.8)	(50.9)	(53.2)	(48.2)	(52.0)	(48.9)	(51.1)
Total operating costs	***(110.8)***	***(152.7)***	***(159.0)***	***(150.9)***	***(160.6)***	***(150.6)***	***(157.0)***
Preliminary estimate of cost of not renewing existing lease arrangements	**0.0**	***(3.5)***	***(3.5)***	***(3.5)***	***(3.5)***	***(3.5)***	***(3.5)***
NET PRESENT VALUE (excluding construction costs)	**9.2**	**133.3**	**136.1**	**99.0**	**116.7**	**138.5**	**141.3**
Construction costs							
Total construction costs	0.0	(271.1)	(296.3)	(240.7)	(283.5)	(247.7)	(273.4)
NET PRESENT VALUE (including construction costs, excl. risk allowances)	**9.2**	**(137.8)**	**(160.2)**	**(141.7)**	**(166.8)**	**(109.1)**	**(132.0)**

Economic analysis of the options

The results of the economic analysis of the options are outlined in the table below, which identifies a number of additional benefits and costs that need to be taken into account when evaluating each of the options.

This includes a range of additional benefits such as the additional "consumer surplus" derived by delegates (unquantified), the value of non-income generating assets created by the project, the potential "tourism benefits" to the ACT, and the potential "network" benefits arising under each option (unquantified).

Of these, it is the potential "network benefits" generated by Australia Forum that are considered to be the most significant. These include the external benefits that would be derived from increased collaboration between government, the academic, business, and wider communities. The potential "tourism benefits" to the ACT need to be interpreted with considerable caution given the limitations of the approach traditionally used to calculate those benefits.

The economic analysis also considers a range of additional costs, including the opportunity cost of land, the potential congestion and environmental costs arising under each option, and the efficiency costs (i.e, "deadweight costs") associated with raising the additional tax revenue required to fund the construction of Australia Forum.

The economic analysis concludes that Australia Forum has the potential to generate significant net benefits for Australia that are closely aligned with national policy objectives. Overall, the Australia Forum Lake Front option is likely to generate the greatest net additional economic benefits of the options considered.

Additional economic benefits and costs associated with each option.

Benefit or Cost Item	Economic Benefits and Costs Under Each Option			
	Base Case Option	Australia Forum Option (Base Configuration)		
		City Hill	Lake Front	Constitution Avenue
	$m	$m	$m	$m
ADDITIONAL ECONOMIC BENEFITS				
Additional direct benefits				
Additional "consumer surplus" derived by event venue users				
Value of new assets	0	200.3	85.1	21.5
Additional indirect benefits				
Potential regional "tourism benefits" to the ACT		0 to $762m	0 to $762m	0 to $762m
External "network" benefits	Lowest	2nd Highest	Highest	3rd Highest
ADDITIONAL ECONOMIC COSTS				
Aditional direct costs				
Opportunity cost of land	Lowest	Highest	2nd Highest	3rd Highest
Additional indirect costs				
Congestion costs	2nd Highest	Highest	3rd Highest	Lowest
Environmental costs	Lowest	Highest	2nd Highest	3rd Highest
Deadweight costs associated with funding Base Configuration		(175.0)	(110.8)	(107.4)

Implementation of Australia Forum

Delivery of Australia Forum

A range of possible models could be used to fund and deliver Australia Forum, ranging from pure public funding models, where the government bears all of the risks and rewards, through to models where the private sector plays a much greater role in both project funding and delivery. These alternative models, and the process that will need to be followed in order to evaluate which model would be the most suited to implementing Australia Forum, are discussed further in section 8 of this report.

Recent event venue developments in Australia have used a variety of delivery models. The predominant approach involves traditional procurement with ownership retained by the public sector.

Governance of Australia Forum

Proposed governance arrangements for Australia Forum have been developed from first principles, drawing on the experience of international centres as well as Australian experience, whilst recognising the vision and goals of the project. Research and analysis was also carried out into the ethos and management of a range of comparable centres. This has identified a number of principles for the Australia Forum.

It is proposed that consideration should be given to establishing Australia Forum through the introduction of Commonwealth legislation (e.g. the Australia Forum Act), which would establish Australia Forum as a body corporate and outline its functions.

Overall responsibility for Australia Forum would rest with an **Australia Forum Board**, which would comprise members drawn from government, the academic community, the business community, and the wider community, who have demonstrated national leadership, capacity, expertise and interests aligned to the particular Forum goals.

Conclusion and Next Steps

The scoping study has identified the potential for Australia Forum to generate significant net benefits, closely aligned to national goals, by:

- facilitating the Australian Government's increasing role in international and regional affairs;
- providing a national forum that will provide the people of Australia with a centre for meaningful dialogue on issues of national importance; and
- promoting increased innovation and economic development by enabling greater collaboration between government, the academic and business communities.

It is in the policy interests of both the Australian and ACT governments to develop co-operative arrangements to plan, resource and implement the Australia Forum.

PART 1

1. Introduction

1.1 Background to the project

In April 2010, the Canberra Business Council (CBC), with financial assistance from the ACT Government, commissioned Ernst & Young and Cox Architects to prepare a Scoping Study and Business Case for the proposed Australia Forum.

Australia Forum is to be a world-class institution to host significant meetings, dialogue, and cultural events of national importance in the National Capital. A new national institution is envisaged - a forum that plays a proactive role in promoting national development, using the latest technology to reach out across Australia and open up new windows of opportunity, both nationally and internationally.

For capital cities in the 21st century it is increasingly important to provide high quality, secure facilities that cater successfully for top level government meetings, international dialogue, and strategic forums in research, learning and trade.

A centre of this nature is important to the positioning of Australia's role in affairs in the Asia Pacific region as well as to the function of a capital serving its nation. It would provide a long term asset to the nation. A meeting place of truly national function and design has long been considered a major deficiency in the infrastructure of the National Capital.

As noted by Professor Peter Shergold, Chair of the Australia Forum Steering Committee, while the National Capital has a new Parliament House to facilitate dialogue between Australia's elected representatives, it still lacks appropriate facilities to host dialogue between government (Federal, State and Local), industry, the academic community, and the wider community on issues of national and international significance:

> *"One of the things that I think is missing and in fact people have talked about this since the 1920s, is a counterpoint to Parliament House, a house for the people, if you want, where you can have civic engagement in democratic dialogue. And that's the idea of an Australia Forum. A new national institution, in my view, is the missing national institution, to be placed in Canberra as our national capital.*
>
> *A really neat counterpoint if you will. So you have Parliament which is where our representatives of democracy sit and somewhere else within Canberra, an Australia Forum where the citizens themselves can come together to discuss the major national and international issues".*[3]

1.2 Purpose of this scoping study

The purpose of this Scoping Study is to:

- develop a comprehensive functional brief for Australia Forum;
- investigate the feasibility of such a new national institution to meet the current and future needs of the National Capital; and
- prepare a business case that evaluates the benefits and costs of Australia Forum from the point of view of the nation as a whole.

[3] Presentation by Professor Shergold on Stateline Canberra on 26 March 2010

1.3 Our approach to the scoping study

During the course of developing this scoping study, we consulted a number of "best practice" business case development guidelines produced by the Department of Finance and Deregulation, Infrastructure Australia, as well as State and Territory governments.

While these guidelines all differ to some extent in order to meet the specific requirements of their respective government processes, they are all structured to provide decision makers with the key pieces of information they need to make an informed decision as to whether or not to proceed with a proposed investment, including:

- a description of the project (i.e. the nature of the proposed investment);
- the nature of the problems that the proposed investment is intended to address and its consistency with government objectives;
- the identification and evaluation of range of alternative options to address those problems;
- a detailed financial and economic analysis of those options; and
- an outline of the process that will be required in order to implement the preferred option.

As a result, rather than seek to tailor the structure of this scoping study to suit the needs of a particular government agency, we have sought instead to employ a generic business case structure, which is outlined further below.

1.4 Structure and content of this scoping study

The structure and content of the remaining sections of Part 1 of this scoping study is as follows:

- **Objectives of Australia Forum (section 2)**:
  - provides a description of the project (section 2.1) that outlines:
    - the vision and goals of Australia Forum;
    - the facilities and services to be provided by Australia Forum;
  - identifies the nature of the problems that the proposed Australia Forum is intended to address (section 2.2);
  - explains the strategic alignment of Australia Forum with the Government's objectives (section 2.3);
- **Market analysis (section 3)** provides an analysis of trends in the market for the facilities and services to be provided by Australia Forum, including:
  - the demand for business events (section 3.1); and
  - the supply of business event venues (section 3.2);
- **Functional requirements for Australia Forum (section 4)** refines the preliminary description of Australia Forum's facilities developed by the Steering Committee in light of the market analysis provided in section 3.

Part 2 of the report is structured as follows:

- **Options considered (section 5)** identifies the alternative options, sites and indicative designs considered, which include:
  - Base case – which involves continuing to use the current National Convention Centre (NCC) site with no further capital improvements;
  - Option 1 – City Hill site;
  - Option 2 – Constitution Avenue site;
  - Option 3 – Lake front site;
- **Projected demand for Australia Forum (section 6)** provides forecasts of the demand for Australia Forum's facilities that are used for the purposes of the financial and economic analysis of the options in section 7;
- **Detailed analysis of the options (section 7)** provides a detailed:
  - financial analysis of the options (section 7.1), which estimates the potential revenue and costs that are likely to be derived and incurred under each of the options; and
  - economic analysis of the options (section 7.2), which considers the economic benefits and costs of each of the options. This involves considering not only the direct costs and benefits of Australia Forum, but also the wider economic benefits that the community as a whole would derive from Australia Forum;
- **Implementation of Australia Forum (section 8)** discusses a range of issues regarding the implementation of the Australia Forum project including:
  - delivery of Australia Forum (section 8.1), which:
    - identifies alternative delivery models;
    - outlines the process for evaluating those models; and
    - outlines the process for implementing the preferred delivery model;
  - governance of Australia Forum (section 8.2), which outlines the proposed governance arrangements for Australia Forum.

2. Objectives of Australia Forum

Key Points:

- ***Australia Forum's Vision:*** Australia Forum is to be a world class institution that caters for significant meetings, dialogue, cultural events, and other occasions of national importance appropriately held in Australia's capital.

- ***Australia Forum's Goals***:

  - International and national goals:

    - Enhance the National Capital's capacity to conduct effective international relations through a world class meeting venue;

    - Establish a high quality regional conference and meeting venue for the Asia Pacific Region;

    - Provide a highly secure venue to meet future international requirements as well as those of Australia's security, defence and intelligence communities;

    - Establish a forum where the people of Australia engage in dialogue on issues of national importance;

    - Establish a centre of innovation, education and human development where leaders from government, community, business and other fields of endeavour meet for dialogue in a creative environment; and

    - Contribute to the positioning of Australia, and its National Capital, as a centre of creativity and significant international dialogue;

  - Local capital region goals: Australia Forum seeks to contribute to the economic and community development of the Capital Region through an increased range of events and visitation; and

  - Design goals: Australia Forum will need to be designed in a manner that communicates and facilities the achievement of these international, national and local capital region goals.

- ***Nature of the Problem:*** Underlying the vision and goals of Australia Forum is a concern that:

  - The National Capital currently lacks appropriate infrastructure to host:

    - the meetings that are required for the Australian Government to perform its increasingly important role in international and national affairs (e.g. CHOGM, G20);

    - international and national meetings to facilitate increased collaboration, research, innovation, collaboration, trade and development; and

    - meetings that allow Australians to engage in meaningful dialogue on key issues of national importance;

... continued over page

- In particular, there is a risk that, in the absence of additional funding from government, there will continue to be an under-investment in those facilities due to:
  - the "public good" nature of information, which is likely to result in an under investment in the process of innovation and collaboration, which includes informal processes of collaboration such as conferences and meetings, and the venues required to hold those meetings;
  - the "economies of scale" associated with the provision of events. The physical infrastructure facilities provided by business event venues are one of the most important and costly inputs into the "production" of events. Just as the construction and extension of Australia's telecommunications network requires large and ongoing investments in the physical infrastructure required to host different modes of electronic communication (e.g. teleconferencing, video and internet conferencing), so too does the "face-to-face" communications network; and
  - the wider economic benefits generated by events. In effect, events create new and larger information networks that generate benefits not only for the participants who attend those events, but also for other sections of the community that do not attend those events (e.g. the "economies of scope" or "network" benefits generated by events).

- ***Strategic alignment with Government Policy Objectives***: Australia Forum is consistent with:
  - the recommendations of the Review of the National Innovation System and the Australian Government's Innovation Agenda, which seek to promote innovation through greater collaboration between the academic, research and business communities; and
  - the recommendations of the Blueprint for the Reform of Australian Government Administration, which also seeks to promote increased collaboration and consultation between government, the academic and research communities, the business community and the wider community.

In order to evaluate the merits of the proposed Australia Forum, first it is necessary to identify the objectives of the project. In the absence of a clear understanding of the objectives of Australia Forum, it is difficult to:

- conduct an analysis of the market for the services to be provided by Australia Forum (section 3);
- refine the functional requirements for Australia Forum in the light of that market analysis (section 4);
- identify alternative indicative design options for more detailed analysis (section 5);
- forecast the demand for Australia Forum's facilities (section 6);
- conduct a detailed financial and economic analysis of the benefits and costs of the options (section 7); and
- determine how the preferred option would be implemented in a manner that ensures the objectives of Australia Forum are met in practice (section 8).

As a result, before proceeding to discuss these key issues, this section of the report:

- provides a brief description of the Australia Forum project (section 2.1), including:
  - the vision for Australia Forum;
  - the draft project goals of Australia Forum; and
  - the facilities and services to be provided by Australia Forum;
- identifies the nature of the problem that the proposed Australia Forum is intended to address (section 2.2); and
- outlines the strategic alignment of Australia Forum with Government objectives (section 2.3).

2.1 Australia Forum – project description

2.1.1 Australia Forum - vision

Australia Forum is to be a world class institution that caters for significant meetings, dialogue, cultural events, and other occasions of national importance appropriately held in Australia's capital.

2.1.2 Australia Forum – draft project goals

Consistent with this vision, a series of draft project goals for Australia Forum were identified by the Steering Committee, which include:

- national and international goals;
- goals for the Capital Region (i.e. the ACT and the surrounding regional areas of NSW that rely heavily on infrastructure in the ACT); and
- design goals for Australia Forum.

2.1.2.1 National and international goals

Australia Forum is intended to achieve a number of national and international goals, including:

- Enhancing the National Capital's capacity to conduct effective international relations through a world class meeting venue;
- Establishing a high quality regional conference and meeting venue for the Asia Pacific Region;
- Providing a highly secure venue to meet future international requirements as well as those of Australia's security, defence and intelligence communities;
- Establishing a forum where the people of Australia engage in dialogue on issues of national importance;
- Establishing a centre of innovation, education and human development where leaders from government, community, business and other fields of endeavour meet for dialogue in a creative environment; and

- Contributing to the positioning of Australia, and its National Capital, as a centre of creativity and significant international dialogue.

2.1.2.2 Capital region goals

In addition to these national and international goals, Australia Forum also seeks to contribute to the economic and community development of the Capital Region through an increased range of events and visitation.

It is recognised that Australia Forum will attract a large number of international and interstate visitors to the ACT, who will benefit the ACT economy and its development through their expenditure not only on the goods and services available from Australia Forum, but also the goods and services provided by other ACT business.

In addition, as discussed further below, it is recognised that the facilities provided by Australia Forum will generate wider economic benefits for Australia by fostering greater dialogue and collaboration between government, business, academia and the wider community on major issues of international and national importance.

2.1.2.3 Design goals

In order to achieve these national, international, and Capital Region goals, Australia Forum will need to be designed in a manner that communicates and facilitates the achievement of these goals.

Specifically, the design goals of Australia Forum are to:

- establish a landmark building of high architectural quality commensurate with other national institutional buildings;
- contribute significantly to the quality and character of Canberra and its Central Area; and
- demonstrate sustainability leadership in design and use.

Australia Forum is intended to be a centre unlike any other in the country, befitting the role of the National Capital, and helping to position Australia's role in the Asia Pacific Region. World class standards should apply in design, security and delivery of services.

In particular, the Forum would, through its design and use, also seek to:

- strengthen international connections and relationships;
- engage all Australians; and
- strengthen the national values of social justice and equity.

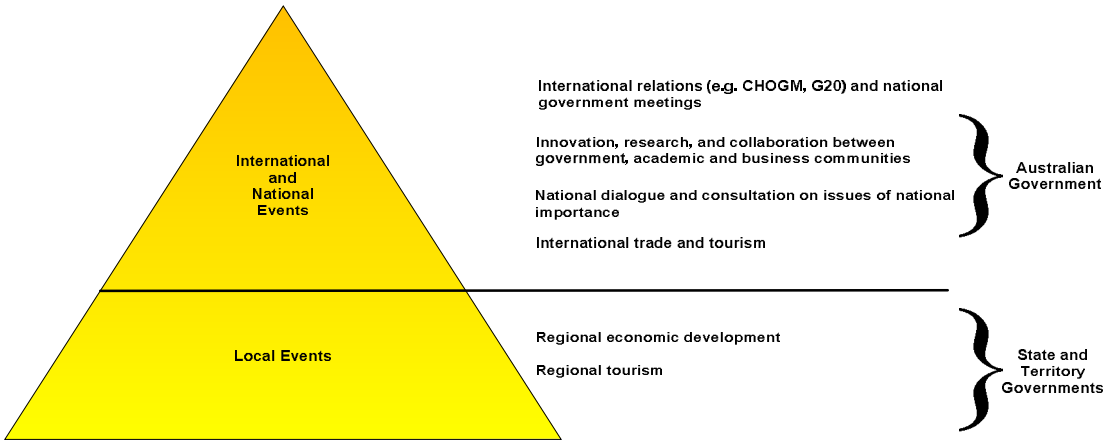
2.1.2.4 Serving the policy interests of both the Australian and ACT governments

In summary, as illustrated in Figure 1 below, Australia Forum is intended to serve both:

- the Australian Government's policy interests in terms of fostering international relations; promoting innovation through increased collaboration between government and the academic and business communities; facilitating increased community dialogue and consultation on issues of international and national significance; and promoting economic development through increased trade and tourism; and

- the ACT Government's policy interest in promoting increased regional economic development and tourism.

Figure 1: Responsibility for international, national and local events



2.1.3 Australia Forum – facilities and services

2.1.3.1 Description of facilities

In addition to outlining the vision and goals of Australia Forum, the Steering Committee also developed a preliminary description of the types of facilities and services that would be provided by Australia Forum in order to achieve its vision and goals.

The key facilities to be provided by Australia Forum include:

- **Conference and meeting facilities:**
  - **A Plenary Hall** catering for around 3,000 delegates minimum and 3,300 patrons on a flat floor standing mode for performance events with dividing walls. Equipment and facilities fit-out to provide capacity to host national and international conferences and business events along with significant performing arts events from time to time;
  - **An International Affairs Meeting Venue** with adjacent function and dining facilities to host high level international forums with design elements to accommodate the highest standards of building security including VIP and dignitary vehicle drop-off and pick-up area;
  - **An International Centre for Dialogue**, which is discussed further below; and
  - **Break-out rooms** to support major conferences and business events;
- **Exhibition Facilities:**
  - Exhibition Halls with flexible design to accommodate large banqueting events:
    - 7,500m^2 of exhibition space with capacity for 5,000-10,000m^2 of future expansion;
    - Capable of division into a minimum of 4 halls operating simultaneously;

    - Loading dock access to each hall (3.6m wide x 6m high);
    - Additional indoor use of foyer space and circulation space 2,000m^2 minimum; and
    - Additional outdoor use of external concourse areas 2,000m^2 minimum;

- **Banquet and Ballroom Facilities:**
    - Banqueting Ballroom with capacity for a minimum of 1,500 patrons in banquet mode and 1,000 persons in ballroom mode; capable of division into 4 separate venues operating simultaneously (acoustic isolation provisions, access points for each divided space); configured to allow for temporary dance floor and/or stage; and
    - Co-location to accommodate efficient use of facilities;

- **Food and Beverage Facilities:**
    - A food & beverage outlet with casual lounge area strategically located offering the wider community of Canberra opportunities to enjoy and participate in the use of the venue providing local ownership of the facility. This outlet would also provide suitable meeting areas for conference delegates to network and conduct out of session business discussions – an essential element of conferencing culture;

- **Support Facilities:**
    - Business Centre;
    - Interpreter and press facilities;
    - Capacity to cater for advanced technological support services and connectivity;
    - Facilities enabling large group concurrent conversations, with international; connectivity;
    - Back of house and external supporting facilities; and
    - Car parking facilities with secure all weather access to meeting and function facilities.

This preliminary list of facilities and services was not intended to be conclusive. Rather, it was intended to provide a working framework within which the scoping study process would develop more detailed and targeted venue specifications. The functional requirements for Australia Forum, which are outlined in section 4 of this report, were determined based on research of the market mix and market segment demand data.

2.1.3.2 Centre for Dialogue

As noted above, it is proposed that Australia Forum will incorporate an international Centre for Dialogue, with capacity to host dialogue and meetings "in-the-round."

The Australian Centre for Dialogue (ACD) is a partner to the scoping study and is very closely linked with the Australian National University (www.anu.edu.au/dialogue).

The parties have agreed to investigate and develop the concept of the Forum as a flexible, integrated centre and to also explore and develop international opportunities for dialogue, recognising the rare strategic advantages of Canberra as a location. Meetings 'in the round' facilitate an environment where all can be equal in an atmosphere of comfort, mutual respect and collaboration.

The design of the Forum and architectural treatment of an ACD area within it would provide for a separate sense of arrival, retention of a unique identity for the Centre and a specific intimate space. The layout would be capable of providing no "sides" evoking the corroboree and the "round table". There would be seating for others to observe public dialogue events without impacting on the intimacy of those in dialogue. It would be possible to provide this facility in a flexible way consistent with the multi-use philosophy of the Forum. Flexibility in the design, location and number of break-out rooms could provide a suitable facility to service the requirements of the Centre, and other specific interest groups.

The ACD would retain its important linkages with the Australian National University (ANU). The study will also not compromise the Centre's long term development of dialogue programs and services. The outcomes of this study can provide a further possible avenue for establishment of an operational Centre for Dialogue.

2.2 Nature of the problem

Underlying the vision, goals and preliminary views on the facilities and services to be provided by Australia Forum is a concern that:

- the National Capital currently lacks appropriate infrastructure to host:
  - the meetings that are required for the Australian Government to perform its increasingly important role in international and national affairs;
  - international and national meetings to facilitate increased collaboration, research, innovation, collaboration, trade and development; and
  - meetings that allow Australians to engage in meaningful dialogue on key issues of national importance;
- there is a risk that, in the absence of additional funding from government, there will continue to be an under-investment in those facilities.

This is the fundamental reason why the Canberra Business Council, with financial assistance from the ACT Government, has commissioned the preparation of this scoping study to assess the merits of the proposed Australia Forum.

2.2.1 Lack of appropriate meeting, conference, exhibition and performing arts facilities

Like other State and Territory governments, the ACT Government is responsible for investing in the infrastructure required in Canberra and the ACT region to:

- meet the current and forecast needs of its residents and the residents of the regional areas of NSW who also use the ACT's infrastructure facilities (e.g. residents of Queanbeyan, Cooma, and the South Coast of NSW); and
- promote increased economic development in the Capital Region.

Unlike other State and Territory governments, however, the ACT Government is also responsible for working closely with the Australian Government to ensure that there is suitable infrastructure in Canberra to fulfil its role as the National Capital and assist the Federal Government to perform the increasingly important role it is playing in both international and national affairs.

Since the selection of Canberra as the site of the National Capital, both the Australian and ACT governments have, with the support of the business community, been investing heavily in the planning, funding and provision of the infrastructure that Canberra needs to perform both its roles as the National Capital of Australia and Capital City of the ACT region.

These major infrastructure investments have included the construction of:

- both the old and new Parliament House;
- a range of national education, scientific, legal and cultural institutions including the:
  - Australian National University;
  - Australian Academy of Science;
  - National Library of Australia;
  - High Court of Australia;
  - National Gallery of Australia;
  - National Portrait Gallery;
  - Questacon; and
  - National Museum of Australia;
- government offices to house public servants (e.g. the new ASIO headquarters which are currently under construction); and
- both temporary and permanent accommodation to house public servants (e.g. government housing).

Over the last decade, however, there has been increasing recognition, by both government and the business sector, that despite that significant investment, the National Capital still lacks the facilities required to host:

- the meetings, conferences and exhibitions required by the Australian Government to perform its increasingly important role in international and national affairs;
- meetings that provide Australians with the opportunity to engage in meaningful dialogue on issues of national importance;
- meetings and conferences that facilitate greater collaboration between government, the academic and business communities; and
- major national performing arts events. While the Australian Government has invested heavily in the establishment of national cultural and visual arts facilities, the National Capital still lacks a facility suited to hosting major performing arts events of national and international significance.

2.2.1.1 Lack of appropriate facilities to support the Australian Government's increasingly important role in international affairs

In order to fulfil its role as the National Capital in the 21st century, Canberra needs appropriate facilities to host the meetings, conferences and exhibitions that are required for the Australian Government to perform its increasingly important role in international affairs.

In particular, the National Capital needs more appropriate facilities to host the events that are required for the Australian Government to perform the increasingly important role it is playing in global affairs, including:

- the activities of a wide range of international organisations of which Australia is a member (e.g. the G20, which is now the most significant forum for global economic co-operation among the world's major powers, the Australian National Commission for UNESCO, the OECD, the Commonwealth of Nations, the United Nations, and the World Trade Organisation);
- global security issues (e.g. counter-terrorism, nuclear non-proliferation, arms control and disarmament, US Security Council financial sanctions and the freezing of terrorist assets);
- global immigration and human rights issues (e.g. people smuggling and trafficking); and
- global environmental issues (e.g. global warming and biosecurity).

To date, however, the lack of suitable facilities at the NCC has meant that the National Capital has not been able to host major international events, such as the Commonwealth Heads of Government meetings (CHOGM). Rather, these events have had to be held in other Australian capital cities such as Sydney and Perth.

In addition, the National Capital also needs more appropriate facilities to host the events that are required for the Australian Government to perform the increasingly important role it is playing in Asia-Pacific regional affairs, including:

- the activities of regional organisations of which Australia is a member (e.g. the Asia Pacific Economic Cooperation, the Association of Southeast Asian Nations, the ASEAN

Regional Forum, the Asia-Europe Meeting, the East Asia Summit, and a range of South Pacific Organisations);

- the activities of the regional foundations and councils of which Australia is a member (e.g. the Australia-China Council, Australia-India Council, Australia-Indonesia Institute, Australia-Japan Foundation, Australia-Korea Foundation, Australia-Malaysia Institute, Australia-Thailand Institute, Council on Australia Latin America Relations); and

- bilateral trade and taxation issues arising from Australia's trade and tax agreements with countries in the Asia Pacific region.

Once again, however, it is recognised that the current NCC facilities are not of an appropriate size, configuration or standard to host major Asia-Pacific regional events.

2.2.1.2 Lack of appropriate facilities to support the Australian Government's increasingly important role in national affairs

In order to fulfil its role as a National Capital, Canberra also needs appropriate facilities to host the meetings, conferences and exhibitions that are required for the Australian Government to perform the increasingly important role it is playing in issues of national importance.

Over the last decade, the Australian Governments has been playing an increasingly important role in issues of national importance that to date have mainly been the domain of State and Territory governments, including infrastructure reform, transport reform, health reform, education reform, and more recently the reform of the taxation of mineral rents.

As a result, there is now much greater consultation and collaboration between Australian, State and Territory governments through the Council of Australian Governments on major issues. In particular, the Australian Government has:

- signed a wide range of Inter Governmental Agreements ("IGAs") with the State and Territory Governments on issues of national importance such as:
  - Federal Financial Relations;
  - Reform of Commonwealth-State Financial Relations;
  - Personal Property Securities;
  - Management of Security Risks Associated with Chemicals;
  - Food Regulation;
  - Gene Technology;
  - Regulatory and Operational Reform in Occupational Health and Safety;
  - Murray-Darling Basin;
  - Surface Transport Security;
  - Research Involving Human Embryos and Prohibition of Human Cloning;
  - National Response to a Foot and Mouth Disease;
  - Natural Gas Pipelines;
  - Tourism Collaboration;
  - Corporations; and
  - National Action Plan for Salinity and Water Quality;

- established over 40 of Ministerial Councils to facilitate consultation and cooperation between the Australian Government and state and territory governments in specific policy areas. These councils initiate, develop and monitor policy reform jointly in these areas, and take joint action in the resolution of issues that arise between governments. In particular, Ministerial Councils develop policy reforms for consideration by COAG, and oversee the implementation of policy reforms agreed by COAG.

2.2.1.3 Lack of appropriate facilities for increased collaboration between government, the academic and business communities

The National Capital also lacks that facilities that will be required to increase collaboration between government, the academic and business communities.

There has been increasing recognition by government of the need for greater consultation and collaboration between the Australian Government agencies and other key stakeholders involved in, or potentially affected by, those major reforms, including:

- Australian, State and Territory Government agencies involved in the design, implementation and administration of those reforms;
- academic institutions;
- public and privately funded research institutes (e.g. the Lowy Institute);
- businesses, industries and the associations that represent their interests; and
- members of the community and their respective representative bodies (e.g. consumer organisations).

2.2.1.4 Lack of appropriate facilities to allow Australians to engage in national dialogue

The National Capital also lacks the facilities required to enable Australians to engage in meaningful discussions on issues of national importance (e.g. health reform, tax reform, and environmental policy).

As noted by Professor Peter Shergold when outlining the Australia Forum project on Stateline Canberra on 26 March 2010, while the National Capital has a new Parliament House to facilitate dialogue between Australia's elected representatives, it still lacks appropriate facilities to host dialogue between government (Federal, State and Local), industry, the academic community, and the wider community on issues of national and international significance:

> *"One of the things that I think is missing and in fact people have talked about this since the 1920s, is a counterpoint to Parliament House, a house for the people, if you want, where you can have civic engagement in democratic dialogue. And that's the idea of an Australia forum. A new national institution, in my view, is the missing national institution, to be placed in Canberra as our national capital.*
>
> *A really neat counterpoint if you will. So you have Parliament which is where our representatives of democracy sit and somewhere else within Canberra, an Australia Forum where the citizens themselves can come together to discuss the major national and international issues."*

This lack of appropriate facilities in the National Capital to host discussions regarding issues of national and international significance was, as Professor Shergold noted, particularly apparent when the 2020 summit was held in Canberra:

> *"I was lucky enough to get invited to the 2020 summit at the beginning of the Rudd Government and it was a wonderful occasion, but two things stood out to me. We met in Parliament House and it was not well suited to it. But secondly in a real sense it was a wrong place, because this was bringing together citizens to talk about the big issues of the day. And my view is that they should have had their own forum in which to do that, designed for purpose in which politicians and prime ministers would then come to talk to the people about the deliberations that had taken place.*
>
> *So I see an Australia Forum where a number of times each year we would actually have, you know, a big national conversation, it might be about security and individual freedoms, it might be about the management of water, it may be about the role of arts or sport, it may be about environmental issues or the state of Indigenous Australia. But where we have a forum of the people to be able to discuss these issues and not just Parliament."*

This is the reason why the proposed Australia Forum is not intended to be just another convention centre. Rather, as noted by Professor Shergold, like the Woodrow Wilson centre in Washington and the Tokyo forum, it is intended to provide a centre for dialogue between governments, academia, business and the wider community on issues of international and national importance:

> *"I think none of the steering committee would have been persuaded of the importance if we'd just been talking about a Convention Centre. It is clear that around the world capitals are looking at a way in which they can develop centres or forums or Congresses which represent the capital of the nation. There's a new centre about to be opened in Dublin, in Washington you have things like the Woodrow Wilson centre, in Tokyo you actually have a forum that has been created, Ottawa is developing such a centre. So I think we have to look at what capitals, national capitals, are doing around the world to create institutions which give a broader voice to the capital of a nation. It isn't the same as a convention centre."*

2.2.1.5 ***Lack of appropriate facilities to host major national performing arts events***

In order to fulfil its role as the National Capital, Canberra also needs appropriate facilities to host major events of national cultural significance to Australia, including the performing arts.

As noted above, the Australian Government has already invested heavily in the establishment of national institutions located in the National Capital to preserve and promote an increased appreciation of Australia's cultural heritage including the:

- Australian War Memorial;
- National Art Gallery;
- National Portrait Gallery;
- National Library of Australia; and
- National Museum of Australia.

Despite these significant investments, however, the National Capital still lacks appropriate facilities, of a comparable standard to the other national institutions outlined above, to

meet its current and future needs to host major performing art events of national significance.

For these reasons, this scoping study explores the scope for designing Australia Forum in such a manner that its facilities can provide an interim solution to the National Capital's need to host performing arts events of national significance, at least until investment in a purpose-built national performing arts centre is warranted.

2.2.2 Risk of ongoing under-investment in the National Capital's meeting, conference, exhibition and performing arts facilities

The current lack of appropriate meeting, conference, exhibition and performing arts facilities in the National Capital might not be a problem for government if it could rely on the private sector to:

- identify the community's needs for those facilities;
- prepare scoping studies and business cases to evaluate the merits of alternative investments aimed at meeting those needs; and
- raise the funds necessary to finance the considerable investment in infrastructure that is required to provide those facilities.

As discussed further below, however, a number of recent government reviews have highlighted a range of key problems that, in the absence of government intervention, are likely to result in the private sector under-investing in these activities and facilities.

2.2.2.1 Problems identified by the Review of the National Innovation System

In January 2008, the Australian Government announced a Review of the Innovation System with a view to reversing the relative decline in Australia's innovation capacity and performance since the 1990s.

The review panel's report, *Venturous Australia: Building Strength in Innovation*, which was released on 9 September 2008:

- identified gaps and weaknesses in Australia's innovation system, including evidence of both:
  - "market failure" – where commercial incentives are insufficient to induce socially and economically desirable behaviour; and
  - "system failure" – where the scope for innovation is limited by policy and institutional shortcomings;
- recommended ways to correct those problems.

Of particular relevance to the Australia Forum project is the review panel's recommendation that the Australian Government should introduce measures to increase domestic and international collaboration between businesses and researchers, to maximise knowledge flows and value creation.

As noted in the Government's response to the review panel's recommendations, *Powering Ideas: An Innovation Agenda for the 21st Century*, innovation is a complex process of information generation, diffusion and application that requires collaboration on a national and international level:

> *"Innovation involves generating, diffusing and applying knowledge. It is not a linear process, with an inventor at one end and a customer at the other. There are many players involved, and they interact and influence each other in complex ways. Ideas can come from anywhere and take us in unexpected directions.*
> *Making innovation work requires a workforce with sophisticated skills of all kinds – including leadership and management skills. It also requires cooperative workplaces in which creativity is encouraged. Few organisations command all the skills needed to innovate successfully on their own. They must network and collaborate – locally and globally. Innovation happens because organisations mobilise resources to make it happen; it happens because they invest in innovative capacity. How much they invest is influenced by the opportunities and incentives available to them".*[4]

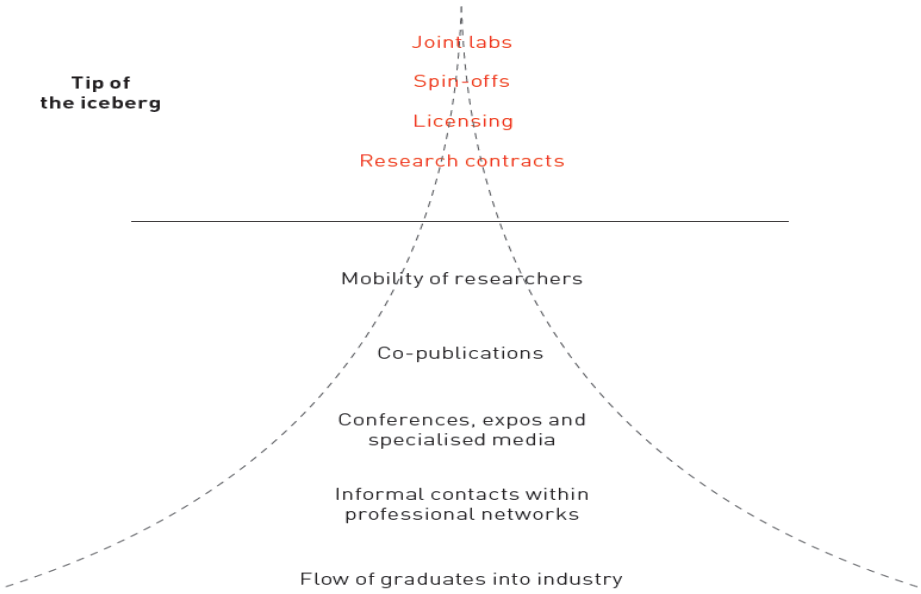
In particular, the Australian Government's Innovation Agenda recognises the important role that informal forms of collaboration such as conferences, meetings and exhibitions play in the process of innovation (see Figure 2):

> *"Formal collaboration is the tip of the iceberg, which is underpinned by many less formal links. Firms in the United States and the United Kingdom regard informal contacts as the most important type of university-industry interaction contributing to innovation, ahead of graduate employment, research publications and technology licensing. In other cases, it will be necessary to establish more formal partnerships, resource-pooling arrangements, exchanges of personnel, and lines of communication".*[5]

Formal collaboration is the tip of the iceberg, which is underpinned by many less formal links.

Powering Ideas: An Innovation Agenda for the 21st Century, p61.

Figure 2: Industry-science relationships



Source: Figure 7.2, *Powering Ideas: An Innovation Agenda for the 21st Century*, sourced from *Benchmarking Industry-Science Relationships (Paris: OECD, 2002).*

[4] Powering Ideas: An Innovation Agenda for the 21st Century, Minister for Innovation, Industry, Science and Research, 2009, p. 17.

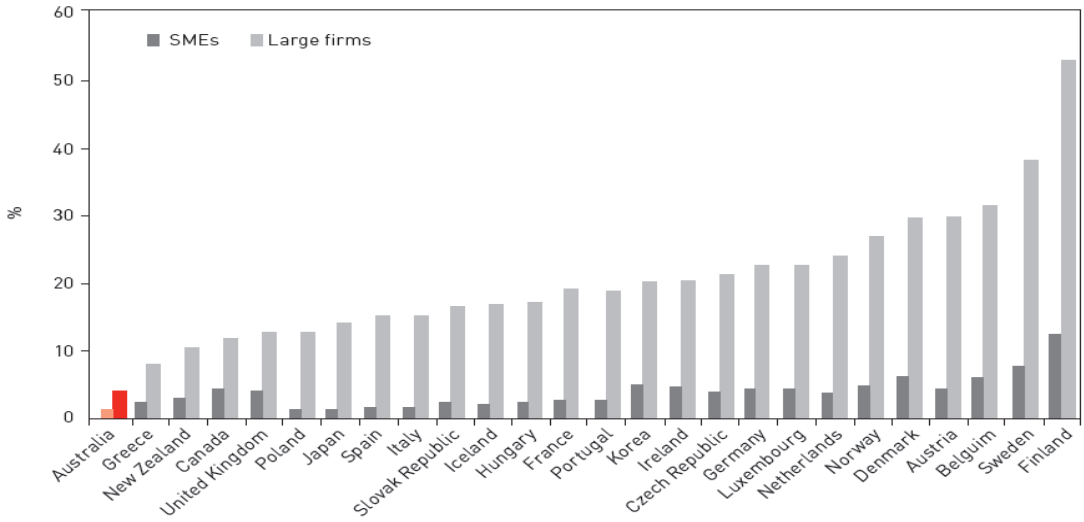
[5] op. cit. p. 60.

Australia's innovation system is handicapped by fragmentation, duplication and a lack of coordination. Business-to-business and research-to-business links are poor. We rank last in the OECD on rates of collaboration between firms and universities.

Powering Ideas: An Innovation Agenda for the 21st Century, p59.

However, the *Innovation Agenda* also notes that one of the major problems with Australia's innovation system is that it is handicapped by fragmentation, duplication and a lack of co-ordination. In particular, business-to-business linkages are poor and, as illustrated in Figure 3 below, Australia ranks last in the OECD on rates of collaboration between firms and universities.

Figure 3: Firms collaborating in innovation with higher education institutions 2002 -04



Source: Powering Ideas: An Innovation Agenda for the 21st Century, p. 59, sourced from OECD (2007): Science, Technology and Industry Scorecard.

"Public good" nature of information

The review panel's report, *Venturous Australia: Building Strength in Innovation*, which was released on 9 September 2008, attributes this lack of collaboration to a number of key features of information which are likely to result in the failure of the private sector to undertake sufficient investment in innovation.

In particular, as outlined in the text box below, information possesses many of the features of a "public good" to the extent that:

- the consumption of information does not reduce the amount of information that can be consumed by others (i.e. it is "non-rival"); and
- it can be difficult to exclude other people from enjoying the benefits of information (i.e. it is only "partially excludable").

The Theoretical Case for Public Intervention

A case for public innovation policy relies on identifying areas where intervention in the innovation system can generate enough improvement in the outcomes to outweigh the costs associated with public intervention. A fundamental challenge is to identify reasons why such intervention will improve on the outcomes generated by individuals and firms operating freely and interacting through markets.

The case rests largely on those properties of information and ideas which are central to all forms of innovation.

- ***Knowledge is non-rival***. An idea, unlike a consumer good or service, has to be produced only once and it can then be used many times without detracting from its value. Toyota does not have to reinvent the blueprint for the hybrid engine every time it opens up a new manufacturing plant.

- ***Knowledge is cumulative***. The current stock of knowledge provides the fertile ground from which further research develops new knowledge.

- ***Knowledge is reproducible at negligible cost***. With recent developments of computer and communication technologies, digitised knowledge can be reproduced and transmitted at close to zero cost – for example recordings of music or online journals or analysis of the principles behind the hybrid engine.

- ***Knowledge is only partially excludable***. Inspection of patent applications and reverse engineering can reveal most of the information in product innovations. Toyota may be able to patent specific aspects of the manufacturing design of its hybrid engine, but it is not possible to stop others from utilising freely the idea of transferring the energy generated by braking a vehicle into stored energy that can then power the vehicle, energy that would otherwise have been dissipated as heat.

- ***Knowledge is an intangible asset***. It is not a tangible asset that can be recovered by an investor in the way that a building or a machine can be recovered.

- ***The generation of new knowledge involves fundamental uncertainty***. Most investments involve risk which is quantifiable, but by definition the generation of new knowledge takes us beyond what we know and can quantify into the area which economists refer to as irreducible uncertainty. In the famous and lucid words of Donald Rumsfeld, research takes us into the area where *there are also unknown unknowns, the ones we don't know, we don't know*.

Source: VenturousAustralia: Building Strength in Innovation, p 38.

This means that there is a potential case for government intervention in the innovation system to ensure that there is not an underinvestment in innovation. As noted by the review panel, the world's most successful knowledge-based economies tell us that innovation is most likely to occur in a supportive public policy environment.

It is important to note, however, that these "public good" characteristics of information are not the only reasons why the private sector might, in the absence of government intervention, under invest in collaboration and innovation. There are other key problems

with the process of information dissemination that can also result in an under investment by the private sector in the process of collaboration and innovation.

As noted above, business events such as conferences, meetings and exhibitions are all important forms of informal collaboration that establish the foundations for more formal processes of collaboration and innovation.

However, as discussed further below:

- there are several key features of such business events and the venues required to hold those events that may, in the absence of government intervention, result in less than optimal levels of investment in those events and the infrastructure facilities required to host those events; and

- these potential sources of "market failure" help explain many of the recent trends in the market for business events, which are discussed further in section 3 of this report.

"Experience good" nature of business events and event venues

One of the key features of business events is that individuals have to attend those events in order to determine the value of those events and event venues. In other words, business events, and the venues where those events are held, are examples of what are typically called "experience goods".

This means that individuals who have not yet attended a particular event in a particular country, city or event venue have much less information about the quality of the services they can expect that venue to provide than other people who have previously either organised or attended an event at that venue (i.e. there is an "information asymmetry" between those individuals who have not previously attended an event at that venue, and those who have, including the operators of the venue).

As a result, individuals who have not previously attended an event at a particular venue must base their decisions on whether or not to attend such an event on the benefits they expect to derive from that event. These expectations are, in turn, influenced by a range of factors, including reputation that the country, city and venue hosting the event has for hosting such events.

As discussed further in section 3.2, this is the reason why the private and public sectors in most countries have been investing heavily in:

- international advertising campaigns aimed at establishing a strong "country brand" that helps attract visitors by providing them with more information on what they can expect when visiting that country;

- Convention Bureaus, which help provide information on the types of facilities offered by the event venues located in their particular regional areas;

- the services of Professional Conference Organisers, which help provide companies, associations, and government agencies with information on the types of event venues that are available to suit their particular event needs; and

- the construction of new "iconic" event venues which also provide potential visitors with more information about the quality of the experience they can expect to derive when they attend an event at that particular venue.

"Economies of scale"

Another key feature of business events is that they require significant capital investment in the conference and exhibition facilities required to hold those events.

This means that the additional cost associated with hosting an additional delegate at a particular business event decreases significantly as the number of attendees increases (i.e. there are "economies of scale" in hosting conferences and exhibitions).

The existence of the potential economies of scale in the production of business events helps explain the international trend towards the construction of increasingly larger facilities designed to accommodate much larger conferences and exhibitions.

It also explains the reason why the market for large business events in a particular regional area is usually not sufficiently large to support more than one large business event venue, which will tend to dominate the market for such large business events in that region. This raises the possibility that, in the absence of government intervention to regulate the activities of this regional "national monopoly", it may operate in an anti-competitive manner that reduces the efficiency with which the market for business events operates. That is, in the absence of government regulation, a venue may seek to exploit its market power by restricting supply and driving up the prices they charge for events. The extent to which this can occur in practice, however, is limited by competition from both major event venues in other States and Territories and other venues in that region (e.g. conference facilities at hotels).

"External benefits" arising from business events

Another distinguishing feature of business events is that not all of the benefits generated by those events are necessarily derived by the businesses and individuals who respectively hold and attend those events. Rather, some of those benefits can "spill over" onto other sections of the community who are not directly involved in either holding or attending the event (i.e. business events generate "external benefits" for the wider community). This means that in the absence of government intervention, there is a risk that the private sector could under-invest in business events and the venues required to host those events.

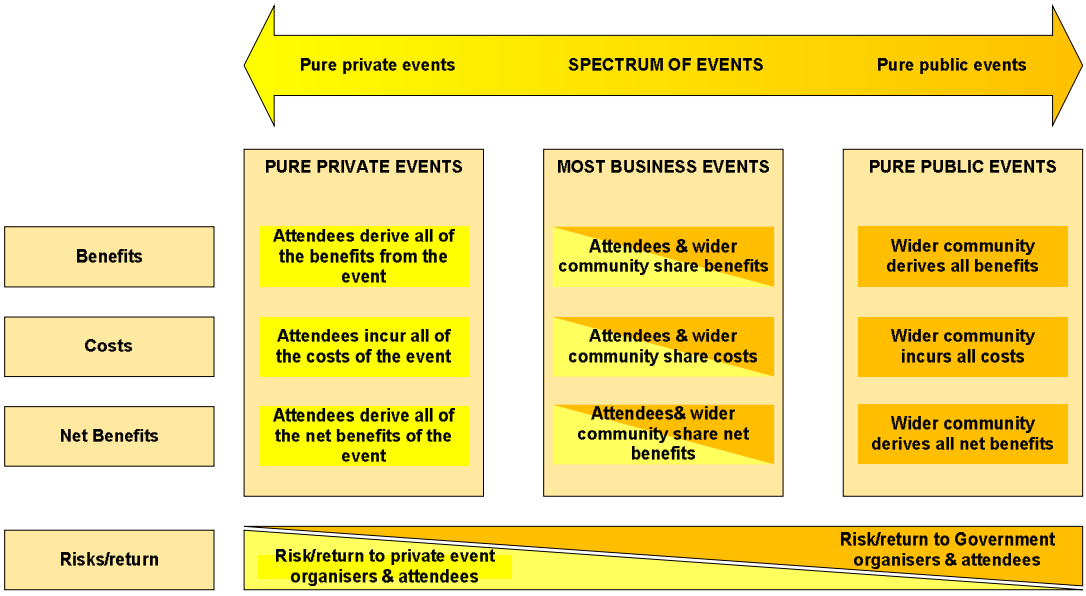
As illustrated in Figure 4, the extent of those wider economic benefits varies across the spectrum of events, which ranges from:

- "pure private events", where the benefits, costs, net benefits, risks and returns arising from that event are borne by those private sector individuals involved in organising and attending those events; to

- "pure public events", where the benefits, costs, net benefits, risks and returns arising from that event are borne by wider community.

In practice, however, most events fall somewhere in between these two theoretical extremes. That is, most events generate benefits and costs not only for those individuals that organise and attend those events, but also for other sections of the community that did not attend that event. That is, some of the benefits and costs associated with events "spill over" onto other sections of the community and are not captured by either event venues or event organisers. It is the existence of these "external benefits" that can potentially lead to an under investment in business event venues.

Figure 4: Spectrum of events



In particular, business events have the potential to increase innovation and improve government policy formulation by promoting increased collaboration between government, business, academia and the wider community. This is, of course, the reason why:

- Australia's innovation strategy, which is discussed further in section 2.3.2 below, recognises the important role that informal forms of collaboration, such as conferences, play in the process of innovation; and

- the review of government administration, which is discussed further in section 2.3.3 below, has recommended new approaches to consultation and collaboration that allow citizens, community groups and businesses to engage more effectively on policy and service delivery issues.

In addition, business events also have the potential to generate significant "network economies". For example, the decision to hold a business event at a particular venue, or to construct a new venue to host business events, has the potential to generate external benefits for other businesses in the vicinity of that venue. This includes:

- businesses that provide other "complementary" goods and services that are required to host business events (e.g. hotels that provide accommodation for delegates and businesses involved in the provision of transport services, including the airlines, taxis and hire cars); and

- other businesses involved in the provision of other goods and services that are unrelated to the supply of business events (e.g. retailers of other goods and services).

In other words, there are significant "economies of scope", or "network economies", in the "production" of business events. In particular, the location of a business event venue can generate external benefits for other businesses located in the vicinity of that venue (i.e. it can generate "agglomeration" economies).

This is, of course, the reason why:

- the private sector has been:
  - investing heavily in the construction of new multipurpose venues that incorporate not only conference centres, but also other facilities such as hotel accommodation, restaurants, high end retail outlets (since space is limited, the main retail outlets found in these complexes are those that tend to add the highest value per square metre of retail space); and
  - forming strategic alliances with other private and public sector entities who own and operate other business event venues and related infrastructure (e.g. joint ventures between the owners of convention centres and hotel accommodation);
- the public sector, both in Australia and overseas, has been investing heavily in the construction of new convention centres in recognition of the potential benefits to be derived from attracting business event visitors to their jurisdictions. Similarly, the decision of an individual to attend a particular business event has the potential to generate additional external benefits for the other individuals who attend that event, (i.e. there are "economies of scope" in the "consumption" of business events).

When an individual attends a business event, they also generate external benefits for other individuals **who attend** that event. For example:

- the value that an exhibitor derives from an exhibition tends to increase as the number of individuals attending that exhibition increases, since this increases the number of potential sales that they are able to make at the exhibition and the number of contacts they are able to make at the exhibition that lead to subsequent sales; and
- the value that an individual derives from attending a conference or exhibition tends to increase as the number of other individuals attending that conference increases, since this increases the number of new personal network connections that they can establish, and existing network relationships that they can refresh.

The existence of these "economies of scope" in the consumption of business events is of course the reason why:

- individuals often seek to attend larger conferences and exhibitions, where they have the potential to establish new personal network links with a larger number of delegates and exhibitors; and
- the business event organisers and managers of event venues seek to brand their events and venues as "the" event or venue that participants should attend if they are involved in a particular type of activity (e.g. medical research), since this has the potential to attract a much larger number of delegates.

In addition, by establishing new interpersonal relationships at business events, the individuals who attend those events also create benefits for the other members of their respective interpersonal networks **who did not attend** those events.

For example, when two individuals attend a particular business event and create a new interpersonal relationship, they not only potentially derive benefits from that new interpersonal relationship, but they also in effect create a new expanded network that generates benefits for all of the individuals who comprise their respective interpersonal networks.

The creation of a new personal network link at a conference has much the same impact as say the addition of a new road to an existing road network.

When a new road is added that connects two existing road networks, it generates benefits not only for the individuals who use that new road link, it also generates benefits for all other existing and potential future users of the two interconnected road networks, even if they never use that new link. This is because that new link creates a wide range of new travel route "options" that all existing potential and future users can use. This has an "option" value to those individuals even if they never use that new road link (i.e. even if they choose not to "exercise" that option).

Similarly, when two individuals attend a business event and establish a new link between their respective interpersonal networks, they generate benefits not only for each other, but also all other existing and potential future members of their respective personal networks. This is because that new network link in effect creates the option for each current and potential future member of their respective networks to contact each other at some time in the future (e.g. through a process of personal referral). This has an "option" value to each of those individuals, even though they did not attend the conference and may never chose to exercise that option to connect with each other.

The extent of those external benefits depends on the extent to which business events and business event venues provide participants with the opportunity to "network" with each other.

This is, of course, the reason why:

- individuals place a high value on business events and venues that offer greater scope for them to network with other key individuals, either before, during, or after the business event; and

- conferences now provide participants with more opportunities to "network" during the conference by:

  - enabling participants to break out into smaller groups to discuss particular issues and then report back on the results of their discussions to the general conference. As a result, new conference facilities tend to incorporate a larger number of "break out" rooms than they did in the past to cater for this need;

  - providing larger board rooms and "centres for dialogue" that provide participants with facilities that are more suited to facilitating increased dialogue between each of those participants; and

  - providing participants with access to a wide range of communication technologies to maximise the size of the network and the external benefits generated by that network. A good example of the use of multiple medial sources is the ABC's Q&A program, which combines a studio audience with traditional television broadcast technology, as well as internet and twitter feedback, to maximise the scope for dialogue on the issues discussed.

"External costs" arising from business events

In addition to generating external benefits, business events also have the potential to generate external costs.

That is, not all of the costs associated with an individual attending a business event are incurred by that individual. Rather, some of those costs spill over onto both:

- other individuals attending the event. For example, as the number of individuals who attend a conference or exhibition increases, so too does the risk of "congestion costs" (i.e. there are potential "diseconomies of scale, or "negative network externalities, that arise once a business event gets too big); and

- other sections of the community. For example, business events can:

  - impose congestion costs on other sections of the community (e.g. users of roads that have to be closed down to host a large conference);

  - require sections of the CBD to be closed down to ensure the security of conference delegates, thereby imposing costs on businesses operating in those areas; and

  - impose environmental costs on the community (e.g. as a result of the carbon emissions arising from travel to and from the business event and the operation of the event venue).

Government intervention in the market for business events can also have a number of unintended effects that also impose external costs on the community. These external costs include:

- the external costs associated with raising revenue through the tax system to finance the government subsidisation of business event venues (commonly referred to as the "deadweight costs" of taxation); and

- the external costs arising from competition between governments for major business events (commonly referred to as "rent seeking" losses).

2.2.2.2 Problems identified by the Review of Government Administration

In March 2010, the Advisory Group on Reform of Australian Government Administration released its report Ahead of the Game: Blueprint for the Reform of Australian Government Administration.

Of particular relevance to the Australia Forum project are the Advisory Group's findings that there is a need to:

- **create more open government**. The Advisory Group:

  - noted that Australia faces unprecedented challenges to address citizens' increasing demands, rising expectations and seemingly intractable social problems in a tight fiscal environment. The Advisory Group concluded that new ways of thinking about engagement with citizens are required to develop improved solutions. It considered that citizens need to become active participants involved in government, rather than being passive recipients of services and policies; and

  - recommended the development of new approaches to consultation and collaboration that allow citizens, community groups and businesses to engage more effectively on policy and service delivery issues (recommendation 2.1);

- **enhance policy capability**. The Advisory Group:
  - noted the importance of innovation and outward looking advice, the need to improve the link between policy and implementation, and the need to forge strong partnerships with external organisations; and
  - recommended that the government should build partnerships with academia, research institutions and the community and private sectors.

2.2.2.3 Problems identified by the Review of the Arts in Canberra

The recent review of the Arts in Canberra has also:

- highlighted a number of key problems, including concerns regarding the lack of suitable venues for certain types of professional arts practice. In particular, it notes that the Australian Ballet will no longer visit the ACT because there is no appropriate venue to host its performances;
- noted that facilities are a vital element of infrastructure to support the arts in the ACT; and
- recommended that the ACT Government should develop an ACT Cultural Facilities Plan, to be led by the Chief Minister's Department, consistent with the new arts policy, with plans for professional and communities arts venues and facilities for the next 20 to 30 years. The Plan would include: core cultural facilities, future arts precincts, heritage buildings, regional and multiple use facilities, and any new major developments of cultural facilities for Canberra. The Plan should be developed in an open and collaborative process with input from all key stakeholders.

While the proposed Australia Forum is not intended to be a purpose built building to host major national performing arts events in Canberra, it is intended to be sufficiently flexible in its design to host such events pending the development of a national performing arts complex. This would also help ensure that Australia Forum is utilised to the greatest extent possible when it is not hosting conferences and exhibitions.

2.3 Strategic alignment with Government policy objectives

2.3.1 Consistency with the recommendations of the Review of the National Innovation System

The proposed Australia Forum is consistent with the recommendations of the Review of the National Innovation System.

In particular, the proposed Australia Forum would assist the Government to:

- promote networks (within federal, state and territory governments) to maximise the dissemination of knowledge about worthwhile new approaches to issues faced by public agencies; and
- act in concert with an appropriate university partner such as the Australia and New Zealand School of Government, to hold an annual international conference on innovation in government, with the aim of it becoming the premier international conference on the subject – the Davos of public sector innovation.

Recommendation 10.3: An Advocate for Government Innovation should be established to promote innovation in the public sector.

The Advocate would:

- operate a scheme similar to Singapore's Enterprise Challenge;
- provide a source for funds and expertise for conducting randomised policy trials;
- manage a process by which agencies within government, and also firms outside it, were able to challenge established practices, administrative arrangements, or regulation which obstructs beneficial innovation;
- provide specific 'project facilitation' assistance to firms seeking regulatory approvals in order to introduce worthwhile and innovative business practices;
- **promote networks (including within federal, state and territory governments) to maximise the dissemination of knowledge about worthwhile new approaches to issues faced by public agencies;**
- operate as a repository of knowledge and resources to the Australian Government and participating State and Territory government agencies to promote tendering practices designed to maximise the scope for innovation in the supply of goods and services to government;
- establish a high profile national awards system to provide national awards for individuals, and public agencies at the Federal, State and Territory or local government level, that make the greatest contribution to public sector innovation; and
- **act in concert with an appropriate university partner such as the Australia and New Zealand School of Government, to hold an annual international conference on innovation in government, with the aim of it becoming the premier international conference on the subject – the Davos of public sector innovation.**

Source: VenturousAustralia: Building Strength in Innovation, p 134.

2.3.2 Consistency with the Australian Government's Innovation Agenda

Australia Forum is also consistent with the Australian Government's Innovation Agenda as outlined in *Powering Ideas: An Innovation Agenda for the 21st Century*, which responds to the recommendations of the Review of the National Innovation System.

As noted in section 2.3.2.1, one of the main problems with Australia's innovation system is that it is handicapped by fragmentation, duplication and a lack of coordination:

- Business-to-business and research-to-business links are poor;
- Australia's connections to global research and business networks are also inadequate; and
- Our distance from the knowledge-intensive economies of the northern hemisphere is still a problem, even in the digital age. As the volume of knowledge grows, complex technologies proliferate, and supply chains become more specialised, it is getting harder to innovate in isolation. Networking and collaboration are essential. Australia's weakness in this area puts us at a serious disadvantage.

INNOVATION POLICY PRIORITIES

The establishment of Australia Forum would help the Australian Government to achieve some of its key innovation policy priorities including:

Priority 4: More effective dissemination of new technologies, processes, and ideas increases innovation across the economy, with a particular focus on small and medium-sized enterprises.
The Australian Government's goal is to achieve a **25 per cent increase in the proportion of businesses engaging in innovation over the next decade.** This would bring Australia up to the present European average and — depending on what other countries do — place us in the top third globally.

Priority 5: The innovation system encourages a culture of collaboration within the research sector and between researchers and industry.
Australia has a poor record of collaboration between businesses, between businesses and researchers, and between research agencies. The Australian Government's ambition is to **double the level of collaboration between Australian businesses, universities and publicly-funded research agencies over the next decade**.

Priority 6: Australian researchers and businesses are involved in more international collaborations on research and development.
Australia produces 3 per cent of the world's formal research. Our capacity to innovate depends very much on how effectively we harness and apply the other 97 per cent. The Australian Government has therefore adopted the long-term aim of **increasing international collaboration in research by Australian universities**.

Priority 7: The public and community sectors work with others in the innovation system to improve policy development and service delivery.
Public and community sector innovation brings new and better services to individuals and families. By increasing efficiency, it can also boost national productivity.

Source: Powering Ideas: An Innovation Agenda for the 21st Century, pp 26-27.

The proposed world-class facilities at Australia Forum would:

- facilitate more effective dissemination of new technologies, processes, and ideas, increasing innovation across the economy (Priority 4);
- encourage a culture of collaboration within the research sector and between researchers and industry (Priority 5);
- enable Australian researchers and businesses to become involved in more international collaborations on research and development (Priority 6); and
- enable the public and community sectors to work with others in the innovation system to improve policy development and service delivery (Priority 7). Australia Forum would provide a national forum within which the Australian Government could engage in consultation and collaboration with business, academia, and the wider community on policy issues of international and national importance.

2.3.3 Consistency with the Blueprint for the Reform of Australian Government Administration

The establishment of Australia Forum would also help the Australian Government to implement several of the key recommendations of the Advisory Group on Reform of Australian Government Administration that are outlined in the report *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* that was released in March 2010.

In particular, Australia Forum would provide the facilities required for the Australian Government to enable citizens to collaborate with government in policy and service delivery issues (recommendation 2.1).

Australia Forum's Centre for Dialogue and main conference hall would provide the Australian Government with the types of facilities it needs to engage in greater consultation and collaboration with the wider community on issues of international and national significance.

In effect, the interactive "forum" facilities provided by the Centre for Dialogue would serve as the central hub of a network that would enable the Australian Government to link up with other venues across Australia and internationally to engage in dialogue on key issues of national and international importance.

KEY RECOMMENDATIONS OF THE BLUEPRINT FOR THE REFORM OF AUSTRALIAN GOVERNMENT ADMINISTRATION

The establishment of Australia Forum would facilitate the implementation of several of the key recommendations of the Australian Government's Blueprint for the Reform of Australian Government Administration, including:

Recommendation 2.1: Enable Citizens to Collaborate with Government in Policy and Service Design

- Develop and implement new approaches to collaboration and consultation with citizens on policy and service delivery issues.
- Make public sector data available to the wider public in a manner consistent with privacy and secrecy laws.

Lead Agencies: Department of Prime Minister and Cabinet (PM&C) and Department of Finance and Deregulation (Finance)

Recommendation 3.2: Build Partnerships with Academia, Research Institutions and the Community and Private Sectors

- Reinvigorate and establish new relationships with academia and research institutions.
- Strengthen links with private sector experts.

Lead Agencies: Department of Prime Minister and Cabinet (PM&C) and Department of Innovation, Industry, Science and Research (DIISR)

Source: Ahead of the Game: Blueprint for the Reform of Australian Government Administration, p 39 and p 43.

In addition, Australia Forum would provide the Australian Government with the facilities it needs to build partnerships with academia, research institutions and the community and private sectors (recommendation 3.2).

Specifically, Australia Forum's Centre for Dialogue and main plenary hall would provide the proposed "APS 200" senior leadership forum with the facilities it needs in Canberra to consult and collaborate with academia, research institutions, the business community and the wider community.

Similarly, Australia Forum would also provide the facilities required by the proposed Australian National Institute for Public Policy, which is to be established at the ANU, to host its meetings and conferences with government and industry.

The proposed Australian National Institute for Public Policy, which was announced by the then Prime Minister on 8 May 2010, is modelled on the Kennedy School of Government at Harvard University and will involve:

- bolstering public policy expertise at the ANU by enhancing the capacity of The Crawford School of Economics and Government and establishing the H. C. Coombs Policy Forum, which will inform future policy development;

- the construction of a National Security College, which will house both the College and an enhanced presence of the ANZSOG in the precinct; and

- the construction of an Australian Centre on China in the World.

The Australian Government has allocated funding for the construction of new buildings on the ANU campus to house both the National Security College (and ANZSOC) and the Australian Centre on China in the World.

It is important to note, however, that those buildings are to be designed primarily to provide the staff and students of the Institute with appropriate research and educational facilities, not with facilities suited to conferences.

As a result, the proposed facilities at Australia Forum will complement, rather than compete with, the facilities to be built to house the various parts of the Australian National Institute for Public Policy.

In particular, Australia Forum would provide the facilities that the proposed H.C. Coombs Policy Forum, the National Security College and the Australian Centre on China in the World will need to convene their meetings with government and industry and host their national and international conferences.

In addition, the proposed governance arrangements for Australia Forum would enable them to actively participate in the development of Australia Forum's program of events.

3. Market analysis

Key Points:

- *Demand for "business events":*
  - International demand for "business events", which include association conventions, corporate and government meetings, exhibitions and "incentive travel" reward programs, has been remarkably robust in the face of increasing competition from the electronic media, threats arising from global terrorism and the Global Financial Crisis (GFC). Over the period from 1999 to 2009, the number of international association meetings held globally has increased at a compound annual growth rate of around 6.5 per cent;
  - International, national and local markets for business events are recovering and growing following the effects of the GFC;
  - The "Convention 2020" study by the International Congress & Convention Association (ICCA) indicates that the main factors driving the demand for business events are the quality and quantity of the networking opportunities at the event, the quality of the content of those events, personal security, and the environmental impact of those events. In particular, the results of the study highlight:
    - the need for venues to incorporate the latest technology not only to facilitate networking between delegates attending the event, but also to expand the virtual network by connecting up with other event venues;
    - the trend towards embedding the knowledge outputs from meetings in some sort of repository following events; and
    - the important role that business events serve in the "exchange of knowledge" and the education process. Although the potential for business events to increase tourism is recognised, the focus is increasingly shifting to the key role that such events play in "knowledge exchange" and economic development.
- *Supply of Business Event Venues:* In response to these changes in the level and nature of demand for business events, the supply of venues to host those events has also been changing over time:
  - The supply of new and improved business event venues has increased significantly, both overseas and in Australia. As a result, the National Convention Centre is now one of the oldest and smallest convention centres in Australia; and
  - The nature of business event venues has also been evolving over time, with the emergence of:
    - new iconic, multifunctional, environmentally friendly centres designs that are co-located near central business districts and other supporting infrastructure (e.g. hotels); and
    - new "Centres for Dialogue" that seek to provide a forum for the discussion of issues of national importance, and to promote innovation through increased collaboration between the government, academic, research, and business communities.

This section examines the potential market for Australia Forum's facilities drawing from available data on the international, national and ACT markets for "business events", which include association conventions, corporate and government meetings, exhibitions and "incentive travel" reward programs. More detailed market data are provided in Appendix A.

Our market analysis involves an analysis of both:

- the demand for business events (section 3.1), which examines recent trends in both:
  - the level of demand for business events, as indicated by the number of events held and the number of individuals participating in those events; and
  - the nature of demand for business events, as indicated by the type of events being held and the factors that are expected to influence future demand for business events;
- the supply of business event venues (section 3.2), which examines recent trends in both:
  - the level of supply of business events, as indicated by the number and size of new and refurbished venues that are being constructed to meet this demand for business events; and
  - the nature of venues that are being supplied to meet anticipated demand, as indicated by their design and the facilities they incorporate.

The results of this market analysis are then used to:

- refine the functional requirements for Australia Forum (section 4);
- project the potential demand for Australia Forum's facilities (section 6); and
- conduct the detailed financial and economic analysis of the options (section 7).

3.1 Demand for business events

In order to further refine the functional requirements for Australia Forum (in section 4) and forecast the demand for those facilities (in section 6), it is necessary to have a good understanding of past and expected future trends in the international, national and local ACT demand for business events which drives the demand for business event venues.

As discussed further below, it is apparent from available market data and the results of our discussions with government agencies, associations, and the Professional Conference Organisers (PCOs) who participate in the market, that both the level and nature of demand for business events has been changing significantly over the last decade.

In particular, our analysis of the demand for business events indicates that the level of demand for business events is showing initial signs of recovery:

- International demand for association meetings has been increasing over the period 1999 to 2009 at a compound annual growth rate of 6.5 per cent:
  - The level of demand has been remarkably resilient in the face of increasing competition from new communication technologies (e.g. teleconferencing, videoconferencing, and Internet conferencing), international security concerns (e.g. arising from September 11 and the Bali bombings) and the Global Financial

Crisis, showing only a slight decline in 2009. In addition, there are recent signs that the international market could be recovering from its slow down in 2009. For example, the results of the Second Annual INCON Survey of the Global Association Market indicate that 60 per cent of respondents stated their business was faring better in 2010 than the previous year. Similarly, the post-show survey conducted at IMEX 2010, the most recent worldwide exhibition for the business events industry, indicated that hosted buyers had experienced a 20 per cent increase in orders placed with exhibitors during the exhibition in relation to the previous year;

- The number of international meetings held in Australia has also been increasing over the period 1999 to 2009 at a compound annual growth rate of 1.8 per cent, even though Australia's share of the international meetings market has been declining over time from a level of around 3.2 per cent in 2000, to around 2 per cent in 2009. This lower rate of growth in the number of international events held in Australia is primarily due to the combined effects of the fall in the number of events following the Olympic Games in Sydney in 2000 and the decline in the number of international events held in Australia in 2009. In between these two shocks, the number of international events held in Australia increased at a compound annual growth rate of 2.6 per cent over the period 2001 to 2008; and

- No international events are recorded in the International Congress & Convention Association (ICCA) database as having been held in the ACT. This does not mean that the ACT did not host any international events. Rather, it means that the ACT did not host any international events that satisfied the criteria set out by ICCA for the inclusion of those events in its database. An examination of the international events calendar for 2010 indicates that 3 per cent of the events listed have or are to be held, in the ACT in 2010;

- National demand for business events appears to have been relatively static over the period 2001 to 2007, after which it declined, but has more recently been showing signs of recovery:

  - Tourism Research Australia's National Visitor Survey indicates that the numbers of domestic day and overnight visitors attending conventions, conferences, exhibitions or trade fairs in mid 2000 were much the same as they were in late 2006;

  - Since 2007, the number of domestic visitors attending business events in Australia has declined. Once again, however, there is some more recent evidence to suggest that the national market for business events is recovering. The Sydney Convention Centre secured more business events in 2009-10 than event in its history and the Adelaide Convention Bureau exceeded all of its targets; and

  - Although the ACT has only around 1.6 per cent of Australia's population, in 2002-03, the NBES indicated that it held 6 per cent of conferences and meetings and 8 per cent of the exhibition market. In addition, the Tourism Research Australia's *Business Events in Australia: Results from the International Visitor Survey and the National Visitor Survey 2008* indicates that in 2008, 5 per cent of domestic overnight visitors attended business events located in Canberra and 4 per cent of international incentive travellers visit the ACT;

- Local demand for business events in the ACT has been increasing over the period 2000 to 2008, but decreased in 2009:

  - Demand for business events in the ACT has been increasing at a compound annual growth rate of around 4.2 per cent over the period 2000 to 2008, as indicated by

Canberra Convention Bureau data on the numbers of confirmed events held in the Canberra; and

- In 2009, the number of confirmed events held in Canberra decreased. However, since then, there has been some signs that demand for business events in the ACT is recovering, with the NCC reporting that is has had its most successful year of business to date, welcoming nearly 117,000 visitors to a total of 269 conferences and events in 2009, generating a record-breaking $8.4 million in revenue.

In addition, our analysis also indicates that the nature of demand for business events has also been changing over time.

In particular, Phase 1 of the "Convention 2020" study, which is being conducted by ICCA, IMEX and Fast Future Research, has revealed the increasing importance that delegates are placing on:

- the quality and quantity of networking opportunities at business events;
- the quality of the content at business events, which includes the relevance of the subject matter, the quality of those presenting papers or exhibiting goods and services. In particular, there is an expected trend in the future to smaller, more specialised business events and this trend is already apparent in:
  - ICCA data on the size of international associations meetings, which indicates that the greatest rates of growth in the number of events held in past years has been exhibited by events catering for 50 to 249 delegates; and
  - Canberra Convention Bureau data, which indicates that the greatest growth rates in demand for business events has been for events catering for between 50 and 249 delegates;
- personal security, which is an increasingly important consideration for most delegates, particularly foreign politicians, diplomats and senior government officials attending international meetings in Australia; and
- the environmental impact of business events and the venues hosting those events.

The implications that these key trends and assumptions have for the projected demand for Australia Forum's facilities are discussed further in section 6 of this report.

3.1.1 International demand for business events

As noted in Appendix A, our analysis of the international national market for business events has had to rely on available data drawn from two main sources:

- The International Congress & Convention Association (ICCA), which collates data on the international association meetings market and publishes this on an annual basis. In order to be included in the ICCA database, a convention must have at least 50 participants, be organised on a regular basis (which excludes one-off meetings) and be rotated between at least 3 different countries (which excludes events that are always held in the same country, or change countries infrequently); and
- Tourism Research Australia data which draws from Australian Bureau of Statistics data on short term arrivals in Australia (3401.0), as well as their International Visitor Survey.

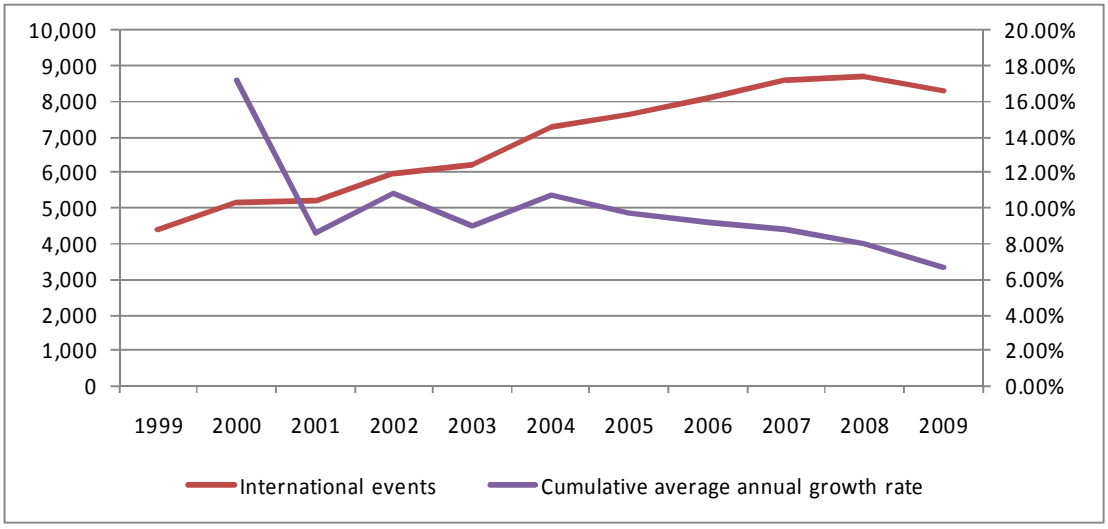
This available data has been supplemented with information obtained from confidential discussions with key stakeholders including government agencies, associations, and Professional Conference Organisers who are active in the international market for business events.

3.1.1.1 Increasing number of international association meetings

With rapid advances in electronic communications technology (e.g. teleconferences and internet conferencing), increased security screening of international travellers to combat terrorists, and the Global Financial Crisis, it would not be unreasonable to expect that the demand for international meetings would be decreasing over time.

As illustrated in Figure 5, however, despite these developments, the number of international conventions held worldwide increased steadily over the period 1999 to 2008 (from 4,423 to 8,715), with only a slight decline in 2009 (to 8,294). Overall, the number of international associations meetings increased over the period 1999 to 2009 at compound annual rate of growth of 6.5 per cent.

Figure 5: Number of international conventions worldwide (LHS) and cumulative average annual growth rate (RHS) 1999-2009



Source: *ICCA data*

As noted by the CEO of ICCA in the preface to their most recent release of data on the international association meetings market, while many international association events have suffered recently from falling numbers and reduced exhibition size, many others have seen stable figures, or even surprisingly rapid growth.

This remarkable resilience of global demand for international association meetings has been attributed to the combined effect of a wide range of factors including:

- increasing demand for Continuing Medical Education accreditation;
- massive innovation in industries such as telecoms and IT;
- scientific advances in genetics, biotechnology, nanotechnology, robotics;
- increasing competition between associations leading to new regional meetings;
- spin-offs from large established events;

- new events being created from scratch by destinations, venues, and delegates themselves; and

- continued economic growth in markets like China, India and Brazil which are major targets for association development strategies.

3.1.1.2 Key factors influencing the demand for international meetings

This resilience of demand for international meetings in the face of rapid technological advances in telecommunications technologies (e.g. teleconferencing and internet conferencing) and the GFC is also explained, to some extent, by the results of Phase 1 of the "Convention 2020" study. That study, which is being conducted by ICCA, IMEX and Fast Future Research, is intended to help all members of the meetings industry prepare for the decade ahead and ensure they stay competitive.

As illustrated in Figure 6 and Figure 7, the results of Phase 1 of the Convention 2020 study suggest that the top three factors that would influence respondents' decisions about whether or not to attend a live event in the future are:

- quality of networking (76% of respondents);

- seeing the very latest sector developments (69% of respondents); and

- guaranteed opportunity to meet key people (68% of respondents).

This highlights the importance that delegates place on both their ability to network with other delegates and the quality of the information content at the event – most of the top 10 factors relate to these key requirements, confirming the importance of "network economies" in the international meetings market.

Despite the growing interest in the use of communications technologies as an alternative to face-to-face meetings, the top ten factors influencing decisions to attend conferences did not relate to technology. Indeed, only one per cent of all respondents indicated that they would not attend live events at all in the future.

Similarly, despite the severity of the recent GFC, less than 50 per cent of respondents said they would be motivated by economic factors:

- 44 per cent said they would be attracted by "value for money" pricing;

- 33 per cent by "low cost attendance"; and

- only 31 per cent by free attendance.

Figure 6: Key factors influencing future decisions to attend live events

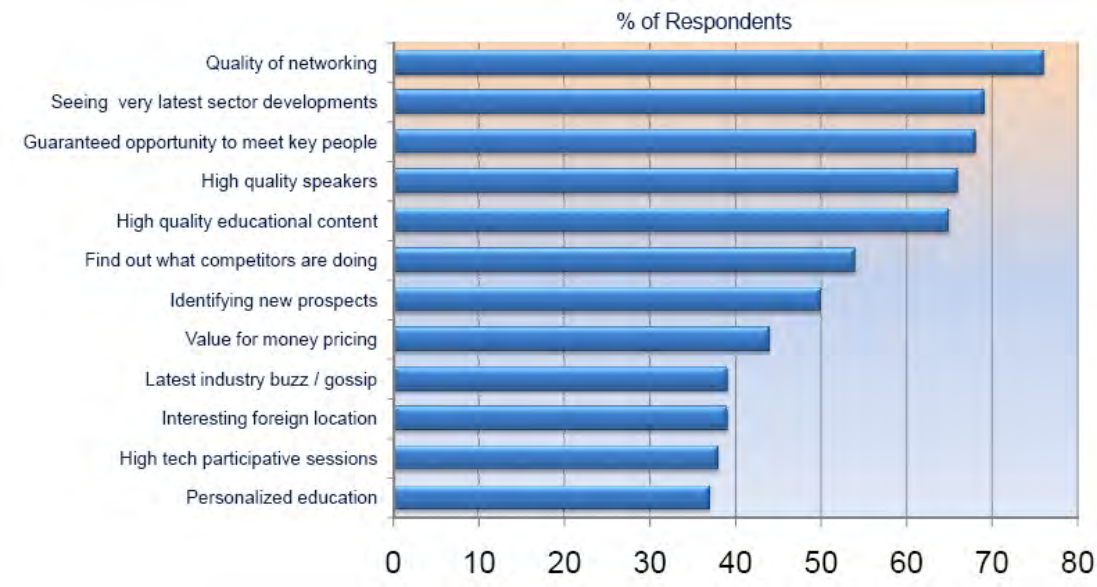
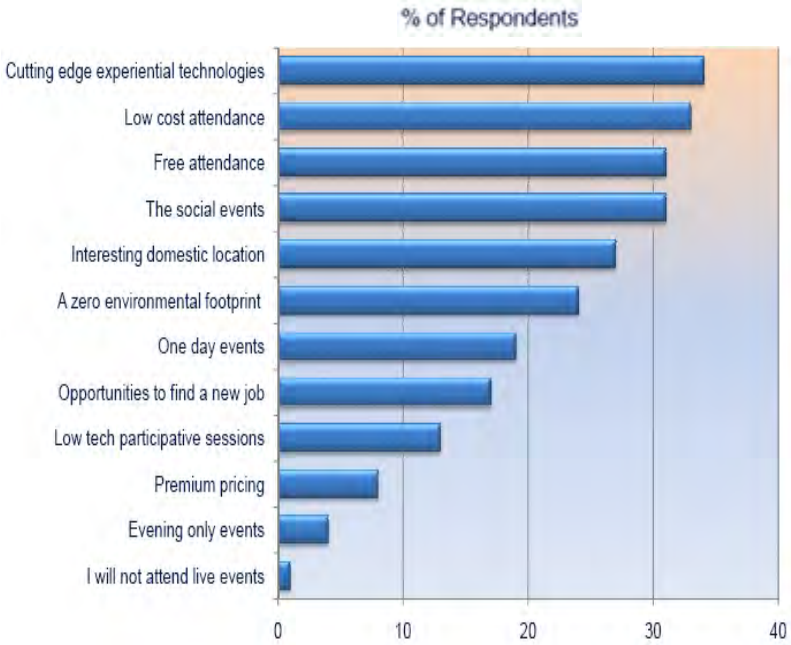


Figure 7: Key factors influencing future decisions to attend live events (continued)



Source: Convention 2020 – The Future of Exhibitions, Meetings and Events, Phase 1 Survey Findings, March 5th 2010 http://convention2020.meetingsreview.com/uploads/imagemanager/pdfs/Convention-2020-Phase-1-Survey-Report-March-5th-2010.pdf

These survey results suggest that most of the respondents do not view the internet and other forms of telecommunication (e.g. teleconferencing, video conferencing and internet conferencing) as close substitutes for face-to-face meetings, and are prepared to pay for the opportunity to attend those meetings, particularly if the opportunities for networking are high and the information content is of a high quality.

Rather than being a substitute for face-to-face meetings, the latest advances in communications technology are seen as a way of complementing those meetings to enable delegates to get more out of those meetings. In particular, most respondents were of the

view that advances in science and technology will provide opportunities for far greater personalisation of the entire event experience and total immersion of delegates in the content of events. This was seen as an area that could prove to be a major differentiator between different event venues.

In particular, the survey highlights the importance that delegates place on networking and subject matter content, as well as their expectation that there will be much greater commercial opportunities at conferences and exhibitions in the future.

For example, when asked whether in 2020, conferences and exhibitions will include far greater opportunities to sample and purchase products and services than they do at the moment – there will be vastly more business opportunities at conferences and exhibitions than there are today:

- around 13 per cent of respondents thought this would be "very likely"; and
- over 60 per cent thought this would be "likely".

At first sight, this might seem to suggest that respondents might be expecting conferences, exhibitions and meetings to get much larger in the future, since the potential networking opportunities are greater the large the number of participants at the event (i.e. the potential network economies increase as the number of delegates increase).

On the contrary, the results of the survey reveal that respondents expect conferences, exhibitions and meetings to become smaller and more specialised in the future.

In particular, when asked whether in 2020, they expect there to be a greater choice of many smaller, highly specialised conferences, exhibitions and meetings – there will be much competition for events wanting me to attend:

- over 20 per cent of respondents thought this would be "very likely"; and
- around 59 per cent thought this would be "likely".

Once again, this reflects the importance respondents place on content and the quality of the other attendees at the event, as well as the potential disadvantages associated with larger events (e.g. network diseconomies, such as congestion costs).

In addition, the survey also highlighted that most respondents thought that security and environmental concerns were likely to play an increasing role in their decisions as to whether or not to attend future events (in 2020).

For example, when asked whether in 2020 those attending conferences will be even more concerned about personal security than today, and will avoid attending any events in destinations where there are perceived high risks:

- over 20 per cent of respondents thought this would be "very likely"; and
- around 48 per cent thought this would be "likely".

Similarly, when asked whether in 2020, ethical and environmental decisions will play a big part in determining which events are attended (e.g. is the meeting environmentally sustainable; can the delegate justify the carbon cost of travelling to this destination):

- around 14 per cent of respondents thought this would be "very likely"; and

- over 40 per cent thought this would be "likely".

As discussed further in section 4 of this report, the results of this survey have a number of important implications for the functional design of Australia Forum and its operation including the need for:

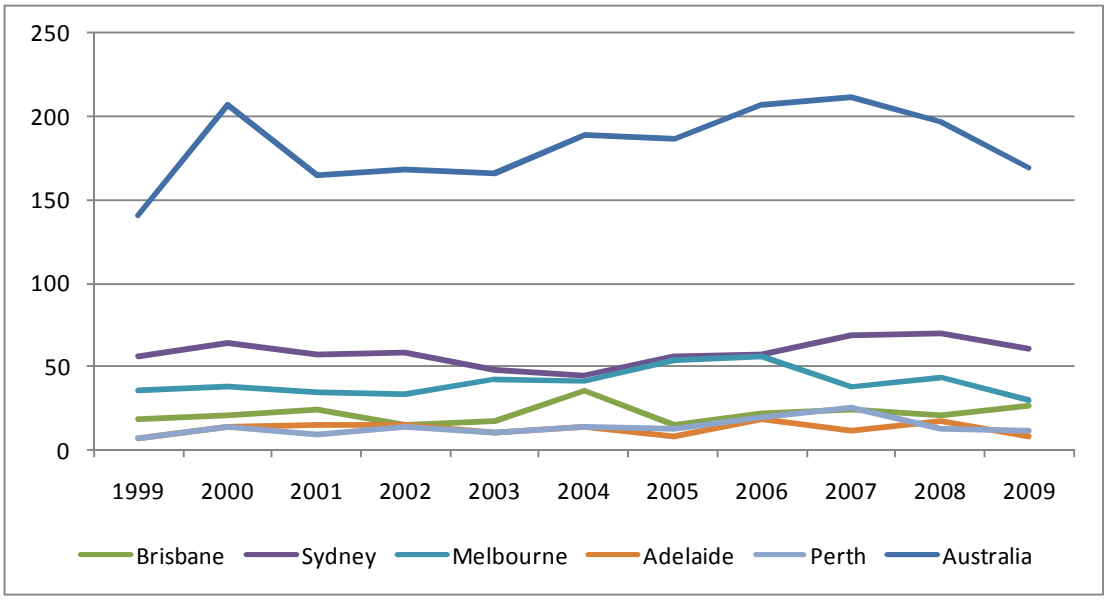
- a functional design that facilitates networking and dialogue (which is particularly relevant to the design of the proposed Centre for Dialogue at Australia Forum);
- high quality business event content (which highlights the potential benefits to be derived from increased involvement of the academic community and government agencies in developing high quality programs for associations and companies to participate in, attracting internationally recognised key speakers, and facilitating the process of dialogue);
- the latest technology to enhance the effectiveness and efficiency of events and meet the specific needs of individual delegates;
- secure facilities (which has implications for location of Australia Forum); and
- environmentally sustainable facilities and events.

3.1.1.3 Increasing number of international conventions held in Australia

As illustrated in Figure 8, consistent with trends in the world market for international conventions, the number of international conventions in Australia:

- slumped significantly following September 11 and the Asian economic downturn in 2001;
- has gradually increased over the period 2001 to 2006, so that by 2007, the number of international conventions in Australia had exceeded its level in 2000; and
- has declined slightly since 2007.

Figure 8: Number of international conventions in Australia and selected capital cities 1999-2009



Source: *ICCA data*

As a result, over the entire period 1999 to 2009, the number of international association meetings held in Australia has increased by:

- a cumulative average annual growth rate of 3.2 per cent; and
- a compound annual growth rate of 1.8 per cent.

It is important to note, however, that both of these estimated growth rates are significantly affected by the slump in demand following "September 11" and the GFC.

If these shocks are ignored, and the trend from 2001 to 2008 is examined, it is apparent that the number of international association meetings held in Australia has increased at a compound annual growth rate of around 2.6 per cent.

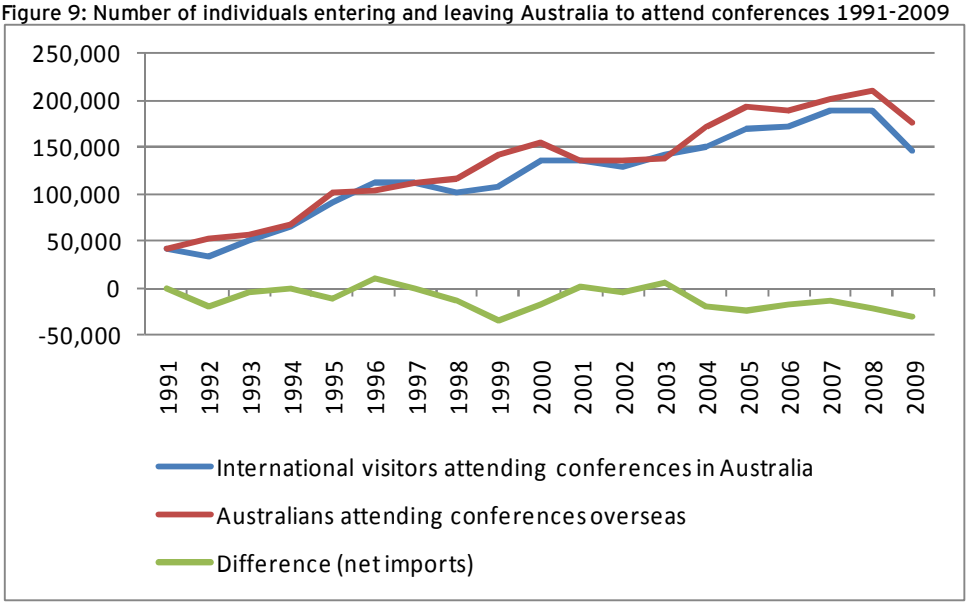
A further indication of the potential rate at which the number of international meetings held in Australia has been growing over time can be obtained by examining Tourism Research Australia data obtained from their International Visitor Survey data for individuals entering into Australia for business purposes, since the majority of those visitors (87%) were found to have attended a conference, convention or seminar.

That data indicates that:

- over the period 1999 to 2009, the number of international visitors entering Australia for business purposes increased at a compound annual growth rate of around 2.85 per cent; and
- over the period 2001 to 2008, the number of international visitors entering Australia for business purposes increased at a compound annual growth rate of 5.7 per cent.

The increasing size of the international meetings market is also reflected in ABS data on the number of individuals who have been entering and leaving Australia to attend conferences. As illustrated in Figure 9, there had been a long term increase in both the number of individuals entering and leaving Australia to attend conferences over this period. In particular, since 2003, Australia has been a net importer of conference services (i.e. more individuals have left Australia to attend international conferences than individuals who have visited Australia to attend conferences).

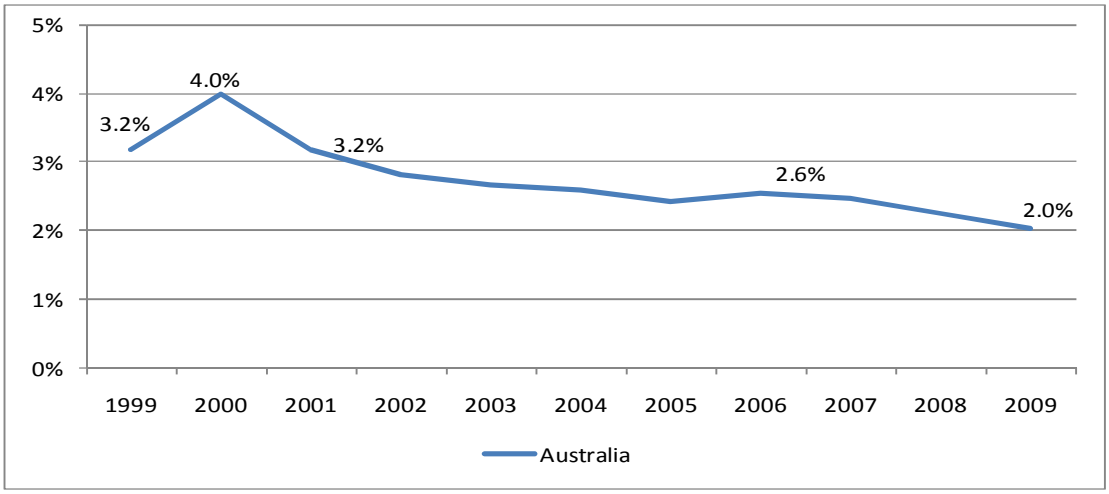
Figure 9: Number of individuals entering and leaving Australia to attend conferences 1991-2009



3.1.1.4 Australia's declining share of the international meetings market

Although the number of international meetings held in Australia has been increasing over time, Australia's share of the international meetings market has been falling over time from around 3.2 per cent in 1999 to around 2 per cent in 2009, which equates to a compound annual rate of decline in market share of around 4.4 per cent.

Figure 10: Decline in Australia's share of the international convention market 1999-2009



Source: *ICCA data*

As noted in section 2, an important feature of business events is that individuals need to attend those events in order to determine the value of those events (i.e. they are "experience goods"). This means that individuals who have not yet attended a particular event in a particular country, city and event venue must base their decisions on whether or not to attend such an event on the benefits they expect to derive from that event. These expectations are, in turn, influenced by a range of factors, including reputation that the country, city and venue hosting the event has for hosting such events.

This is the key reason why a country's "brand" name in the business events industry is a critical feature that influences decisions, along with the "brand" name of the particular city and venue hosting that event. In effect, that "brand" name serves the purpose of providing individuals who have not yet attended an event at that particular venue with the information they need to decide whether or not to attend that event (i.e. it is a means of seeking to overcome the market failure that would otherwise arise in relation to decisions whether or not to consume such "experience" goods).

As illustrated in Table 1, after being ranked the number one country brand for three consecutive years, in 2009 Australia fell to third position after experiencing a modest softening across "familiarity", "preference", "advocacy" and several "image" attributes.

Table 1: Top country brand rankings 2005-2009

Rank	2005	2006	2007	2008	2009
1	Italy	Australia	Australia	Australia	USA
2	Australia	USA	USA	Canada	Canada
3	USA	Italy	UK	USA	Australia
4	France	France	France	Italy	New Zealand
5	Maldives	Greece	Italy	Switzerland	France
6	Greece	UK	Canada	France	Italy
7	Fiji	Spain	Spain	New Zealand	Japan
8	Thailand	New Zealand	New Zealand	UK	UK
9	Egypt	Maldives	Greece	Japan	Germany
10	Bahamas	India	Japan	Sweden	Spain

Source: FutureBrand, Country Brand Index

As illustrated in Table 2, in 2005 Australia was also ranked as the second most preferred destination for a conference in 2005. However, despite being ranked as the number one country brand in 2006, 2007, and 2008, by 2006, Australia's brand as a destination for conferences had slipped to 7th place and since then, Australia has failed to be ranked in the top ten destination countries for conferences. This highlights the fact that the overall attractiveness of a country as a destination to visitors is not the only factor driving decisions about which country they should visit to attend a business event. Rather, there are other more important factors, including the opportunities the event provides for networking and the quality of content.

Table 2: Top country brand rankings – conferences 2005-2009

Rank	2005	2006	2007	2008	2009
1	USA	USA	USA	Japan	Japan
2	Australia	France	Switzerland	USA	Germany
3	China	Singapore	Germany	Singapore	Singapore
4	United Kingdom	Canada	Singapore	Germany	USA
5	Bahamas	China	United Arab Emirates	Canada	UK
6	United Arab Emirates	Germany	Japan	Switzerland	Canada
7	Japan	Australia	France	United Arab Emirates	United Arab Emirates
8	France	Switzerland	Canada	UK	Italy
9	Singapore	United Arab Emirates	China	Qatar	
10	Thailand	Brazil	Ireland	Sweden	

Source: FutureBrand, Country Brand Index

3.1.1.5 ACT's share of the international meetings market

As illustrated in Figure 8 above:

- Sydney has consistently attracted the highest share of the international convention market over the period 1999 to 2009 and in 2009 had just over 36 per cent of Australia's share of the market;
- Melbourne's share of the market increased over the period 2002 to 2006 to the extent that it almost had the same share as Sydney in 2005 and 2006. However, its share fell in 2007 and has been recovering since. As a result, in 2009, Melbourne had around 17.8 per cent of Australia's share of the international convention market;
- Brisbane had 15.7 per cent of Australia's share of the international convention market in 2009;
- Perth had just over 7 per cent Australia's share of the international convention market in 2009; and
- Adelaide had just over 4.7 per cent of Australia's share of the international convention market in 2009.

Although information on the number of international conventions held in Canberra does not appear in the ICCA data set, this does not mean that there are no international conventions held in Canberra. Rather, it means that those conventions do not satisfy the criteria required for inclusion in the ICCA data set.

For example, as indicated in Business Events Australia calendar of confirmed international association events (of more than 50 people) for 2010 (which includes events that do not satisfy the criteria required to be included in the ICCA data), the ACT is to host 10 international association events. That data suggests the ACT currently may have around a 3 per cent share of that larger international association event market in Australia.

3.1.1.6 Expected future demand for international events

As noted below, there is a range of evidence that suggests that there has been a recent recovery in the international conference market:

- The Second Annual INCON Survey of the Global Association Conference Market, which provides an overview of the global association market in 2010 and expected future developments, indicates that:
  - 60 per cent of respondents stated that their business was faring better in 2010 than the previous year;
  - 50 per cent of partners expect an increase in attendance figures at 2010 events as compared to 2009 events;
  - 63 per cent of respondents expect to offer a broader range of services in 2011;
  - 47 per cent of partners state that their business is more profitable in 2010 than 2009;
  - 33 per cent of respondents have higher employment figures in their Professional Conference Organiser departments than in 2009;

- IMEX 2010, the most recent worldwide exhibition for the incentive travel, meetings and events industry, conducted a post-show survey that was responded to by more than 1,000 hosted buyers. This indicated that those hosted buyers had experienced a 20 per cent increase in orders placed with exhibitors during the exhibition in relation to the previous year; and

- The Hong Kong Exhibition and Convention Industry Association's 2009 Exhibition Survey indicates that industry is recovering from the 2008 global economic downturn, with the number of exhibitions, exhibiting companies, as well as visitors increasing:

  - net square meters occupied by trade exhibitors rose 6.2 per cent:

  - the total number of companies exhibiting in trade shows rose 7 per cent; and

  - the number of trade visitors from outside Hong Kong rose 3.7 per cent in 2009.

In addition, as discussed further below, there is also evidence that there has been a recovery recently in Australia's business event market.

3.1.2 National demand for business events

In relation to the amount of information that is available from ICCA on the international meetings market, relatively little up to date information is currently available on the national market for business events in Australia.

In recognition of this lack of information, a joint Business Events Venue Project (BEVP) is being co-ordinated by the Business Events Council of Australia (BECA) and led by Professor Leo Jago, to regularly collect business event data from venues.

Stages 1 and 2 of this project, which have been funded by Victoria University, have involved:

- collection of business event data from a small pilot study group of event venues (Stage 1); and

- extension of the project to include five hotels (Stage 2).

Stage 3 of the project involves the extension of the project to include more hotels and other business event venues in Australia. Funding for this stage of the project has been provided through an AusIndustry TQUAL grant, with the support of BECA and the Australian Hotels Association.

Once fully operational, it is hoped that the BEVP will deliver timely consolidated reports on business events in Australia, including the type of event, industry area, number of days and number of participants.

At the time of writing this report, however, preliminary data was not available from the BEVP. As a result, as noted in Appendix A, our analysis of the national market for business events has had to rely on available data drawn from the following sources:

- Sustainable Tourism Cooperative Research Centre's *National Business Events Study: An Evaluation of the Australian Business Events Sector*, which presents the results of a survey of business event venues in Australia regarding the number of events and participants they hosted over the 2002/03 financial year; and

- Tourism Research Australia's *Business Events in Australia: Results from the International Visitor Survey and the National Visitor Survey 2008*, which presents the

results of a survey of both international and national visitors who attended business events in Australia in 2008.

Once again, this available data was supplemented with information obtained from confidential consultations with key stakeholders from the government, associations and corporate sectors of the economy that operate in the national market for business events.

3.1.2.1 Size of the national market for business events

As noted in Appendix A, the National Business Event Study (NBES) estimated that in 2002-03, there were around 316,371 business events in Australia, most of which (113,894) were single day events held by corporates.

In particular, the NBES study indicated that of the 316,371 business events held in Australia in 2002-03:

- 171,774 (54%) were corporate events;
- 75,623 (24%) were government events; and
- 68,974 (22%) were association events.

The NBES estimated that these events were attended by around 28.4 million people:

- 14.8 million (52%) people attended corporate events;
- 8.3 million (29%) people attended government events; and
- 5.3 million (19%) people attended association events.

3.1.2.2 Composition of the national market for business events

The NBES indicates that the national market for business events largely comprises conferences and meetings that are mainly attended by local residents.

Of the 28.4 million people who attended business events held in Australia in 2002-03:

- 19.9 million people attended conferences and meetings, of whom:
  - 17.2 million (86.9%) were local residents;
  - 1.7 million (8.5%) were from within the same State or Territory where the event was held;
  - 0.7 million (3.6%) were from interstate; and
  - 0.2 million (1%) were international delegates;
- 8.5 million visitors and exhibitors attended exhibitions. Of these, 5.4 million attended 300 large exhibitions that were visited by 5.4 million people, of whom:
  - 40 per cent visited a public only exhibition;
  - 34 per cent visited a trade only exhibition;
  - 18 per cent visited an exhibition as part of a conference; and

- 8 per cent visited an exhibition open to both the trade and the general public.

As highlighted above, exhibitions are mainly run and attended by individuals from within the State in which the exhibition venue is located:

- 90 per cent of exhibitors come from within the State, whereas only 7 per cent come from interstate and only 3 per cent are international exhibitors; and
- 84 per cent of those visiting exhibitions are local and 8 per cent come from within the State, whereas only 6 per cent come from interstate and only 2 per cent are international visitors.

The NBES also found that, although most floor space sold for exhibitions is in the range of 500 to 6,000 m^2, as noted below, 21 per cent of sales are for exhibition spaces in excess of 10,000 m^2:

- 29 per cent of floor space sold has an area between 2,001 and 4,000 m^2;
- 21 per cent of floor space sold has an area in excess of 10,000 m^2;
- 19 per cent of floor space sold has an area between 4,001 and 6,000 m^2;
- 14 per cent of floor space sold has an area between 500 and 1,000 m^2;
- 9 per cent of floor space sold has an area between 1,001 and 2,000 m^2;
- 6 per cent of floor space sold has an area between 6,001 and 8,000 m^2; and
- 2 per cent of floor space sold has an area between 8,001 and 10,000 m^2;

- 1.577 million people were incentive travellers, of whom:
  - 49.7 per cent were domestic overnight travellers;
  - 39.8 per cent were domestic day incentive travellers; and
  - 11 per cent were international incentive travellers, of which most came from the Asia Pacific region.

3.1.2.3 ACT's share of the national market for business events

Although the ACT has only 1.6 per cent of Australia's population, the NBES indicates that in 2002-03, the ACT had:

- 6 per cent of the number of conferences and meetings held in Australia and 6 per cent of the number of participants attending those events. The respective shares for each of the other States and Territories are as follows:
  - NSW holds 27 per cent of those events and attracts 40 per cent of participants;
  - Victoria holds 25 per cent of those events and attracts 19 per cent of participants;
  - Queensland holds 20 per cent of those events and attracts 16 per cent of participants;
  - Western Australia holds 12 per cent of those events and attracts 9 per cent of participants;

    - South Australia holds 6 per cent of those events and attracts 7 per cent of participants;
    - Tasmania holds 3 per cent of those events and attracts 2 per cent of participants; and
    - Northern Territory has 1 per cent of those events and attracts 1 per cent of participants;
- 8 per cent of the exhibition market. The shares of the market for the other States and Territories are as follows:
    - NSW, 28 per cent;
    - Victoria, 25 per cent;
    - Queensland, 19 per cent;
    - Western Australia, 11 per cent;
    - South Australia, 7 per cent;
    - Tasmania, 2 per cent; and
    - Northern Territory, 0 per cent.

In addition, the Tourism Research Australia's *Business Events in Australia: Results from the International Visitor Survey* and the *National Visitor Survey 2008* indicates that in 2008:

- 5 per cent of domestic overnight business event visitors attended events held in the ACT. The shares for the other States and Territories are as follows:
    - NSW, 33 per cent;
    - Queensland, 25 per cent;
    - Victoria, 20 per cent;
    - Western Australia, 7 per cent;
    - South Australia, 7 per cent;
    - Tasmania, 3 per cent; and
    - Northern Territory, 2 per cent;
- 4 per cent of international incentive travellers visit the ACT. The shares for the other States and Territories are as follows:
    - NSW, 35 per cent;
    - Queensland, 31 per cent;
    - Victoria, 20 per cent;
    - Western Australia, 7 per cent;

- South Australia, 2 per cent; and
- Northern Territory, 1 per cent.

While the ACT has been able to "punch above its weight" when it comes to attracting events and event participants to Canberra, it was apparent from the results of our consultation with Australian Government agencies, associations, corporates and the Professional Conference Organisers that represent their interests, that the ACT has the potential to attract a much greater proportion of the Australian business event market and participants than it has in the past.

Our discussions with Government agencies indicated that:

- As discussed in section 2, the Australian Government and its agencies are playing an increasingly important role in:
  - issues of global significance (e.g. issues relating to the Global Financial Crisis);
  - regional affairs (e.g. border security issues in the Asia Pacific Region); and
  - issues of national importance (e.g. health, education, local environmental issues);
- In addition, Australia's innovation policy and the Blueprint for Reform of Australian Government Administration both call for government agencies to engage in much greater collaboration and consultation in the process of policy formulation, implementation and provision of services;
- In combination, these factors are expected to significantly increase government demand in the future for appropriate facilities in the National Capital to host dialogue between government, the academic and business community, and the wider community;
- It is clear that the larger government agencies, including the Department of Prime Minister and Cabinet, the Department of Foreign Affairs and Trade, and the Department of Innovation, Industry and Scientific Research are well advanced in planning and co-ordinating these major international and national events;
- At the same time, however, it is also apparent that these agencies are having to "make do" with the existing facilities to host those events. This inevitably involves compromise to the extent that there are few venues that fully meet the requirements to host those meetings, which include:
  - a secure venue, which is of primary importance;
  - a venue in a location that can be locked down without disrupting the city;
  - sufficient 5 and 4 star accommodation to host delegates without the need to spread the delegation across multiple venues and transport them to and from the venue;
  - large board room facilities capable of seating each of the key delegates around a board room table, and their support staff (which can include up to 5 officials); and
  - sufficient support rooms to provide office accommodation for delegates, security, press, and interpreters;

- These requirements inevitably rule out the National Capital out as a potential venue for major government meetings such as the G20 and CHOGM, which share similar demanding requirements;

- It is also apparent that many government agencies are still in the process of developing and implementing the internal systems required to plan and co-ordinate their process of increased collaboration with the academic, business, and wider communities, to improve their processes of policy development, program implementation and the delivery of service, as recommended by the Review of Government Administration. As a result, many government agencies experienced difficulty, despite their best efforts, to respond to our survey which sought information on the number of events they held each year and the facilities required to host those events, since they do not plan, monitor or co-ordinate their events centrally. Rather, those events often tend to be organised by a wide range of different parts of the agency; and

- This makes it difficult to forecast future government demand for Australia Forum's facilities, since it will ultimately depend on:

  - the nature of the collaboration and consultation strategies that government agencies develop in the future; and

  - the extent to which they continue to tailor the nature and extent of that collaboration and consultation to suit the current lack of suitable venues, as opposed to considering the development of facilities more suited to meeting the Australian Government's long term needs.

Our process of consultation with national associations also revealed that the current lack of appropriate facilities in the ACT is also reducing the extent to which associations consider the ACT as a potential venue for their meetings. In particular, our discussions with national associations, and the Professional Conference Organisers (PCOs) acting as agents for those associations, revealed that:

- Most national associations tend to hold a major national conference/exhibition once a year that is rotated around each of the capital cities, including, in some cases, Canberra;

- Some national associations exclude Canberra from the list of potential locations for their annual conference on the grounds that they do not have sufficient numbers of members in Canberra to organise and run the conference;

- By contrast, other national associations that only have limited numbers of members in the ACT still include Canberra on the list of potential venues for their conferences in recognition of:

  - the large number of members they have in rural and regional areas surrounding the ACT; and

  - the advantages to be gained from holding events in Canberra (e.g. as a result of the proximity of politicians and government officials);

- Canberra is still viewed by many associations and PCOs as a "high risk" destination, largely because of preconceived notions that many delegates still have about Canberra. This view was found to be:

  - more prevalent among those associations and PCOs located outside the ACT. Even then, however, most interstate PCOs made it clear that they had held

successful events in Canberra, but indicated that Canberra did not often appear high on the list of possible venue locations of their association clients; and

- less prevalent for those associations that have offices in Canberra. Even then, however, the Canberra offices of those associations indicated that there was some reluctance to hold events in Canberra, even though once held, those events were often very successful;

- Several large national associations and PCOs that had previously held events in Canberra indicated they would not consider doing so again due to:

  - the lack of appropriate facilities. The current facilities at the NCC were considered to be inadequate to host larger conferences and exhibitions that attract in excess of 1,000 delegates;

  - the shortage of suitable accommodation to host all of the delegates in one location, particularly during Parliamentary sitting times; and

  - the lack of sufficient flights into and out of Canberra, particularly during Parliamentary sitting times;

- Most associations and PCOs expressed the view that the proposed Australia Forum would help overcome the current negative perceptions regarding Canberra as a destination for events. In particular, several interstate PCOs indicated that the proposed Australia Forum would be a viable alternative to the current convention centre facilities at Darling Harbour, due to its proximity to Sydney.

Similar themes emerged from our discussions with corporates and the PCOs who organise events on behalf of corporates:

- Most large businesses tend to hold at least one major conference/exhibition a year, although the nature and frequency of corporate events varies much more across different businesses than it does across associations, and seems to be more sensitive to the state of the economic climate. Like association meetings/exhibitions, corporate events such as exhibitions tend to be held in locations that are near the company's market for its goods and services and rotated around those major markets;

- As a result, those companies that do not have significant markets for their products in the ACT tend not to hold business events in Canberra (e.g. major consumer goods);

- By contrast, those companies that do have significant markets for their products in Canberra (e.g. those supplying goods and services to the Australian Government, such as IT services and Health services, or whose businesses are significantly affected by government policy) are more interested in hosting events in Canberra. At the moment, however, most discussions with government agencies tend to be small and are held in meeting rooms located within government agencies. This suggests that the demand for larger venues is likely to depend on the extent to which Australian Government agencies change their style of collaboration with business to include more policy oriented discussions involving a much larger number of participants from the private sector; and

- Although the NCC was not considered to be a suitable venue for incentive travel events, several PCOs did indicate that Canberra was a suitable venue for short stay business incentive travel, since it minimised travel time and had a number of attractive events (e.g. Floriade and major exhibitions at the National Gallery). Once again, however, they noted that there was a shortage of appropriate venues and

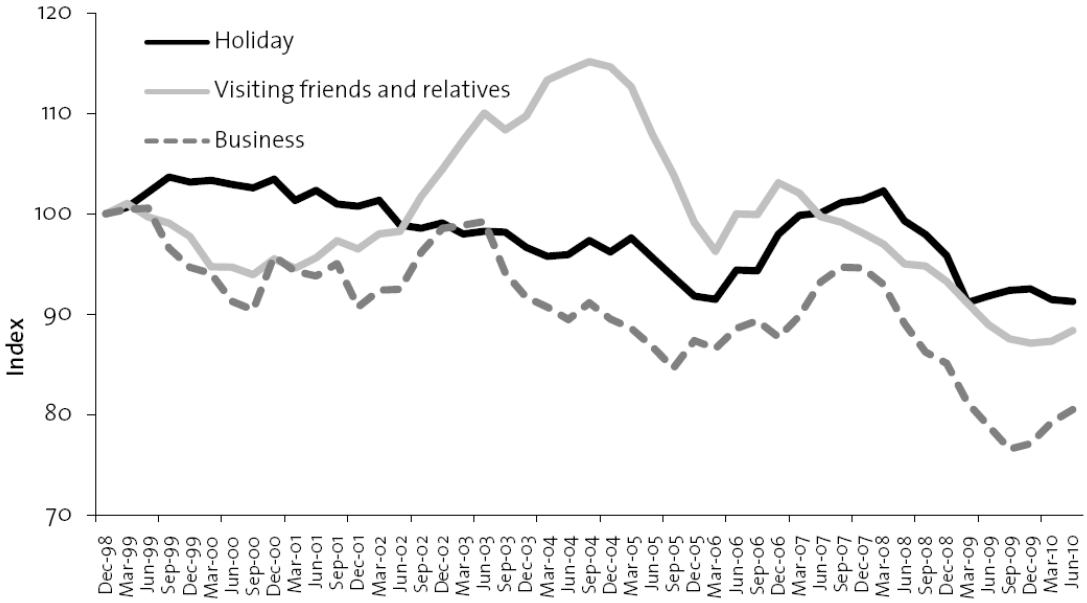
accommodation that is constraining the potential growth of short stay incentive travel in Canberra, particularly during Parliamentary sitting times and when major events are being held in Canberra.

3.1.2.4 Recent recovery in the number of business visitors

As indicated in Figure 11 below, the latest Tourism Research Australia data (June 2010) collected from their National Visitor Survey indicates that:

- over the period 2000 to 2006, the number of domestic nights spent by business visitors has been relative static, as has their number of domestic visitor nights, with levels in late 2006 being comparable with levels in late 2000;
- since late 2006, however, there has been a significant decline in both the number of nights they stayed; and
- since September 2009, there has been a recovery in the number of domestic visitor nights spent by business visitors.

Figure 11: Domestic visitor nights by main purpose of journey



Source: Tourism Resource Australia National Visitor Survey, June 2010

3.1.2.5 Expected future demand for business events in Australia

Consistent with recent international experience, there is also some evidence of a recent recovery in the national market for business events:

- Sydney Convention Centre secured more business events (69) in 2009/2010 than ever in its history (previous record was 47 events) and was ranked as the top Australian host city for international business events by ICCA, even though it is facing increasing competition from newer venues both in Australia and the Asia Pacific region; and
- Adelaide Convention Bureau exceeded all of its targets for the 2009/2010 financial year with respect to the number of bed nights (5 % up on budget and 12 % up on last year), the economic impact of the business events on South Australia (4 % up on

budget and 25 % up on last year), and the number of international events won (up 60 % on last year).

In addition, the recent significant investment by Australian Governments in word class event venues across Australia is also expected to at least slow the rate of long term decline in Australia's share of the international meetings market, as will increased political and economic instability in competitor countries in the Asia Pacific region. Considerable uncertainty surrounds the extent of that impact, however, given the significant ongoing investment in new convention centre facilities in the Asia Pacific region.

3.1.3 ACT demand for business events

The most comprehensive and detailed data set regarding the ACT market for business events is, as noted in Appendix A, that collected by the Canberra Convention Bureau.

Once again, however, although this data is useful for the purposes of providing an overview of the market for business events in the ACT, it has its limitations.

In particular:

- like all market data, it tends to reflect "met" demand, rather than actual (i.e. potential) demand for business event services to the extent that the supply of available facilities constrains demand;
- changes in the data reflect not only changes in demand, but also changes in the resources and effort that the Canberra Convention Bureau is able to put into marketing ACT venues;
- not all business events held in Canberra are recorded in the database – only those events that have been pursued by the Canberra Convention Bureau on behalf of Canberra's venues. As is the case nationally, the ACT lacks a comprehensive database of all events held in the region; and
- the database does not include all venues in the ACT. In particular, it does not include all venues at the ANU.

As such, it is reasonable to assume that the market data presented in this section understates both the demand for, and supply of, business events in the ACT.

Once again, this available data was supplemented by information obtained from confidential consultations with key stakeholders from the government, associations and corporate sectors of the economy that operate in the ACT market for business events.

3.1.3.1 Trends in demand for business events in the ACT

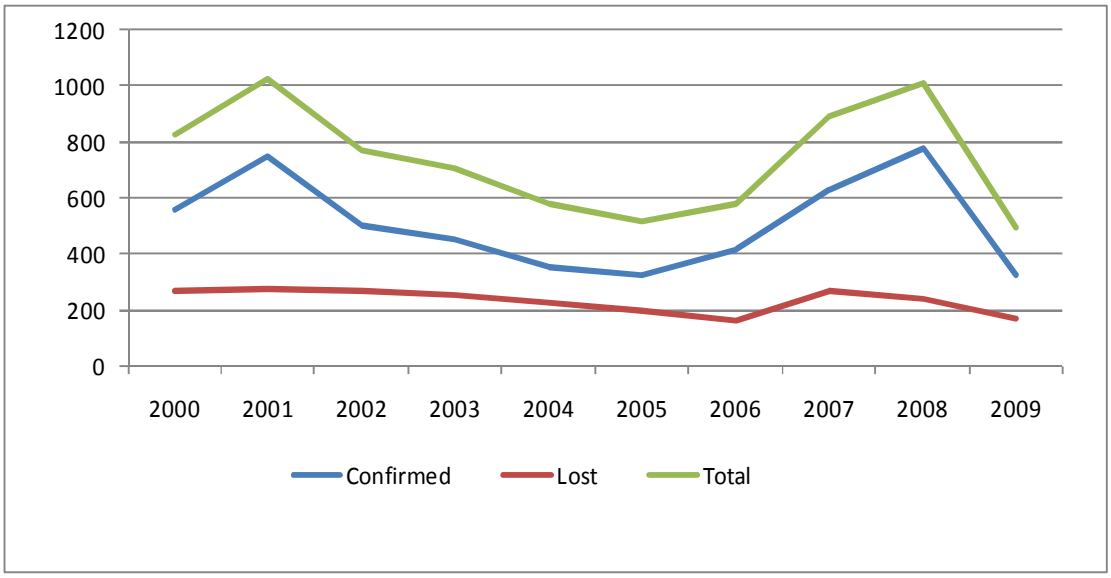
As noted in Appendix A, and illustrated in Figure 12 below, consistent with the trends outlined above in the national demand for business events:

- the demand for business events in the ACT, as indicated by CCB data, has been relatively static over the period 2000 to 2008, with the number of events confirmed in the ACT being much the same in 2008 as it was in 2000; and
- there has been a decrease in the number of confirmed business events held in Canberra from 2008 to 2009.

Indeed, if the recent downturn in demand in 2009 is ignored, then it is apparent that the number of business events confirmed in the ACT has increased over the period 2000 to

2008 by a compound annual growth rate of around 4.2 per cent (or 4.7% over the period 2002 to 2008).

Figure 12: Trends in total number of business events both won and lost 2000 to 2009



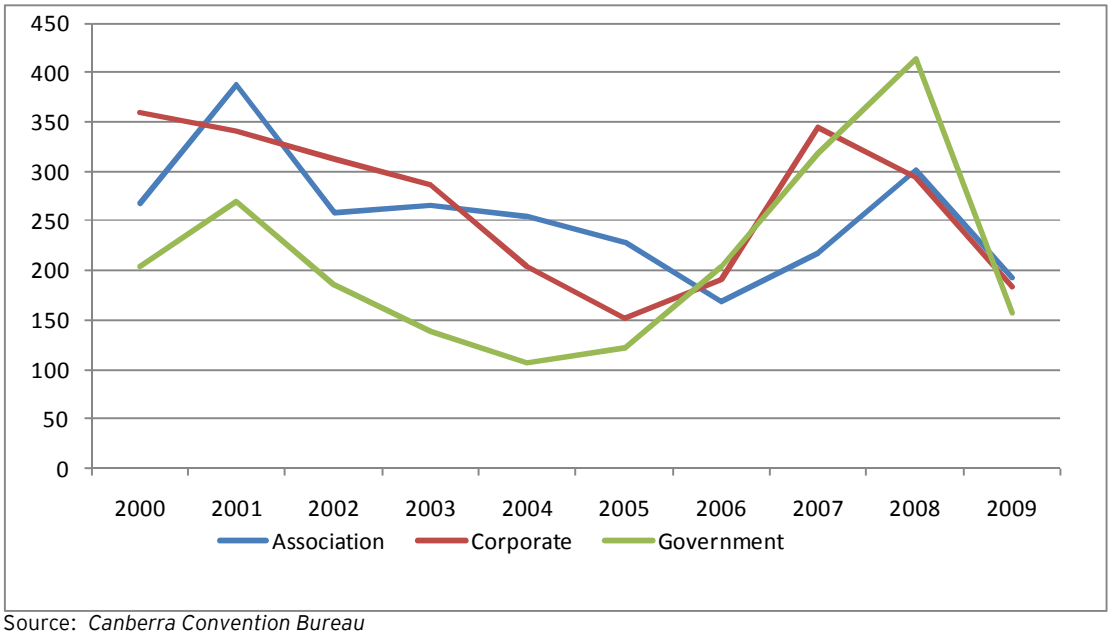
Source: *Canberra Convention Bureau*

3.1.3.2 Growth in government demand for business events in the ACT

As indicated in Figure 13, up until 2005, corporates and associations were responsible for most business events. However, since 2005, government events have become increasingly important in the ACT market.

Indeed, most of the growth in demand for business events in the ACT since 2004 has come from an increase in the government's demand for business events.

Figure 13: Number of events in the ACT by type of client 2000 to 2009



Source: *Canberra Convention Bureau*

3.1.3.3 Expected future demand for business events in the ACT

The nature and extent of future demand for business events in the ACT is quite uncertain since it depends heavily on the future decisions that the government and associations make.

It seems highly likely that, in the absence of a new centre such as the proposed Australia Forum, Canberra will continue to be bypassed as a potential venue for larger association events due to the lack of appropriate conference and exhibition facilities.

As a result, the nature and extent of future demand for business events in the ACT will rest heavily on the decisions made by government agencies and smaller associations.

Once again, this makes the nature and extent of demand difficult to predict with any real accuracy.

At one end of the spectrum is the possibility that the Canberra market for business events will remain relatively static, as has the national market for business events.

At the other end of the spectrum, it is possible that the market for business events in Canberra could increase significantly if the Australian Government, with the assistance of the academic community in the ACT, decides to embark on a much more rigorous process of collaboration and consultation with the academic community, the business community, associations and the general public, as recommended by Australia's innovation strategy and Blueprint for the Reform of Australian Government Administration.

3.2 Supply of business event venues

In response to the changes in the level and nature of demand for business events outlined in section 3.1 above, the supply of venues to host those events has also been changing over time, albeit at a slower pace, in view of the longer lead times required to construct new facilities and upgrade existing facilities.

In particular, as discussed further below:

- the level of supply of business event venues has been increasing significantly to meet the increasing demand for those events:
  - the international supply of business event venues has increased significantly over the last decade, particularly in the Asia Pacific region;
  - the national supply of business event venues has also increased significantly, with Australian State and Territory governments investing heavily in new and upgraded venues with a view of attracting a greater proportion of the increasingly lucrative international association meetings market to their respective jurisdictions; and
  - the local supply of business event venues in the ACT has also increased, with the construction of a range of new hotels (e.g. the Realm) which incorporate conference facilities, as well as the refurbishment of the National Convention Centre to improve the quality of its facilities. Despite these developments, however, it is apparent from discussions with key stakeholders that Canberra's existing conference and accommodation facilities are not sufficiently large to meet the needs of major international meetings (e.g. G20 and CHOGM) or the needs of associations seeking to find a venue suited to hosting conferences with in excess of 1,000 delegates;

- the nature of the business event venues supplied to meet that demand for business events has also been changing over time:
  - the old windowless "concrete box" convention centres of the 1980s are being replaced by new venues noted for their "iconic" design. This trend is more than just "window dressing". Rather, these iconic designs are being used as a signal to convey information to individuals who have never attended an event at that venue (i.e. to overcome the problems arising from the "experience good" nature of business events and event venues that were discussed in section 2);
  - multifunctional facilities, which integrate conference facilities with other facilities such as hotel accommodation, restaurants and entertainment facilities. This enables the operators of those facilities to capture some of the external benefits arising from those conference facilities that would otherwise have gone to other businesses in the region (i.e. it helps operators of the centre to capture some of the "agglomeration" economies that would otherwise have been derived by businesses outside the centre);
  - the co-location of new conference facilities near other existing facilities in the CBD, or in other business "clusters" in order to increase the external benefits ("economies of scope" or "agglomeration economies") that businesses in that cluster derive from new facilities;
  - the development of environmentally friendly facilities and events, aimed at reducing the external costs that business event venues impose on the environment (e.g. by offering delegates the opportunity to purchase carbon credits to offset the emissions arising from their travel to and from a business event and through the application of "green building" technologies); and
  - the development of new facilities to provide participants with increased opportunities for dialogue and collaboration. This includes the development of "centres for dialogue" which bundle together both the human capital that is required to extract the maximum value from business event venues with new innovative venue designs (e.g. such as "meetings in the round" at the Morris J. Wosk Centre for Diaolgue in Vancouver).

3.2.1 Increasing investment in new "iconic", multi-functional, environmentally friendly centres

In recognition of the increasing size of the international business event market and the significant benefits to be derived from hosting those events, both the private and public sectors in other jurisdictions have been investing heavily in the infrastructure required to attract a greater share of that market.

As discussed further below, these new "convention" centre developments share a number of key features that are intended to:

- increase the external benefits that the community derives from those centres through:
  - "iconic" architectural design, which helps to attract visitors who have not attended the city or venue before by signalling to them the high quality of the event they can expect to experience at that venue (i.e. it is intended to help overcome the problems arising from the "experience good" nature of business events and venues);

- new multifunctional facilities, that incorporate not only conference facilities, but also accommodation, restaurants, retail outlets and entertainment facilities, thereby ensuring that the developers of those centres are able to capture a greater proportion of the external benefits arising from the development (i.e. the benefits that would otherwise have gone to other businesses providing those goods and services outside the centre);

- co-location of new meeting venues with other existing facilities (e.g. hotel accommodation, retail outlets etc); and

- other approaches to "bundling" meeting venues together with other facilities, where it is not possible to either physically integrate those facilities together within the same centre, or co-locate those facilities;

- reduce the external costs arising from those convention centre developments through the use of new "green" building technologies.

3.2.1.1 Iconic architectural design

A distinguishing feature of new meeting facilities is their "iconic" architectural design.

In the past, convention centres tended to be "concrete box", windowless, structures primarily designed to house a large plenary hall.

By contrast, more recently, the new centres that house new meeting facilities are notable for their "iconic" architectural design, which is often intended to have a striking visual impact.

Some international examples of such iconic architectural design include:

- Ireland's new purpose-built convention centre – the Dublin Convention Centre, which is illustrated in Figure 14 below. This iconic new centre, which is located at Spencer Dock in the heart of Dublin city, includes a unique glass-fronted atrium running the full height of the building, which gives visitors panoramic views of the River Liffey, Dublin city centre and the Wicklow mountains;

- Hong Kong's Convention and Exhibition Centre, illustrated in Figure 15 below, which was expanded for a second time in 2009; and

- Taiwan's proposed new Taichung Convention Centre, illustrated in Figure 16 below, which has an iconic design that is inspired by the mathematical "Klein bottle".

These centres have become key features of the cities in which they are located and destinations in themselves.

Figure 14: Dublin Convention Centre

Figure 15: Hong Kong Convention and Exhibition Centre

Figure 16: Taichung Convention Centre, Taiwan

Similar iconic venues have also been constructed in Australia over the last decade, including the Sydney Convention Centre, the Melbourne Exhibition and Convention Centre and the new convention centres in Brisbane, the Gold Coast, Alice Springs, and Darwin.

It is important to note that this iconic design is much more than just "window dressing". Rather, it performs a number of important functions that are intended to improve the overall effectiveness and efficiency with which the business event market operates and increase the benefits that the community derives from these investments.

In particular, the iconic design of new meeting venues is intended to provide information on the quality of services that individuals can expect to receive when they attend events held at that venue to individuals who have not previously held events or attended events at that venue.

This is important for international meeting venues seeking to attract international delegates who are unlikely to have visited the venue before. As discussed in section 2, a key feature of both business events and the venues that host those events is that they are "experience goods" – that is, an individual has to attend an event at that venue in order to determine the benefits that they will derive from that event and venue.

The iconic design of a new meeting venue is intended to establish a readily identifiable "brand" that conveys information on the quality of events that individuals can expect to experience at that venue, in much the same way as packaging and branding are used to convey the quality of other "experience" goods and services (i.e. the iconic design is intended to help overcome the existence of the "information asymmetry" problem that arises when delegates have not been able to experience the quality of the services provided by the venue at first hand).

The iconic design of a new meeting venue also:

- increases the enjoyment that an individual actually derives when they attend an event at that venue. This, in turn, helps to increase their desire to attend future events at that venue; and

- helps to increase the range of activities that can be held at that venue (e.g. performing arts, retail outlets, and restaurants) – activities that may not be possible to host in a more conventionally designed centre.

3.2.1.2 Multifunctional centres

Another noticeable feature of new meeting venues is that they are often designed to be located within new, iconic, multifunctional centres that provide a wide range of additional facilities, including hotel accommodation, retail outlets, restaurants and entertainment facilities. In addition, the main facilities are developed

Once again, this integration of such a wide range of facilities into one multifunctional centre is not accidental. Rather, it is intended to:

- reduce the costs of constructing and operating the centre by reaping:

  - economies of scale in the construction of the multipurpose centre; and

  - economies of scope in the construction and operation of the centre;

- increase the income earned by the centre by:

  - enabling the owners and operators of the facility to capture more of the "external benefits" that would otherwise have been derived by other businesses in the CBD (i.e. such a multifunction centre helps the operators of the centre to capture some of the external network, or "agglomeration" economies that would otherwise have gone to other CBD businesses); and

  - increasing the willingness of individuals to pay for the "bundled" services offered by the various businesses located within the centre (i.e. such physical co-location of goods and services reduces the transactions costs that consumers would otherwise have to incur in order to consume that bundle of goods and services).

One of the best examples of such a multifunctional centre is the new Marina Bay Sands Resort in Singapore, which is illustrated in Figure 17 below.

Figure 17: Marina Bay Sands Resort, Singapore

This new 120,000 m^2 multifunctional centre:

- can host up to 45,000 convention delegates;
- has flexible space for up to 2,000 exhibition booths and 250 meeting rooms;
- has the largest ballroom in South East Asia, able to accommodate up to 6,000 people banquet-style or 11,000 theatre-style; and
- includes over 800,000 square feet of retail and restaurant space and is Singapore's first large-scale luxury shopping destination.

3.2.1.3 Co-location of facilities

Of course, it is not always possible, or desirable, to locate outlets for all of the goods and services required by individuals attending business events within one centre.

Rather, it is inevitable that some of those goods and services will have to be supplied by other business located outside the meeting venue complex.

This is, of course, the key reason why convention centres traditionally have been located within the CBD so that they are in close proximity to as many of the goods and services required by delegates that are not available within the centre complex. It is also the reason why new convention centres are often co-located with cluster developments that contain a wide range of facilities likely to be required by individuals attending business events.

A good international example of such co-location of convention centres with other facilities includes Malaysia's new Kulal Lumpa Convention Centre, which is illustrated in Figure 18 below. This Convention Centre is located in the Kuala Lumpur City Centre (KLCC) development, which is designed to be a 100 acre "city within a city" that offers individuals an area where they can work, live, shop, visit and enjoy life. Other components include a 50-acre park, the signature PETRONAS Twin Towers, the Asy'Syakirin Mosque, six-storey

Suria KLCC shopping centre, PETROSAINS interactive science discovery centre, Galeri PETRONAS and the Dewan Filharmonik PETRONAS, home of the Malaysian Philharmonic Orchestra.

Figure 18: Kuala Lumpur Centre, Malaysia

Another good international example of the co-location of convention centres and other facilities is Malaysia's proposed Menara Matrade Centre (illustrated in Figure 19 below) which is to be linked to the existing Menara Matrade Centre (Figure 20).

The Matrade Centre currently houses not only the existing Matrade Exhibition & Convention Center, but also Malaysia External Trade Development Corporation (MATRADE), which was established since March 1, 1993, as the external trade promotion arm of Malaysia's Ministry of International Trade and Industry.

Figure 19: Malaysia's proposed Matrade Centre

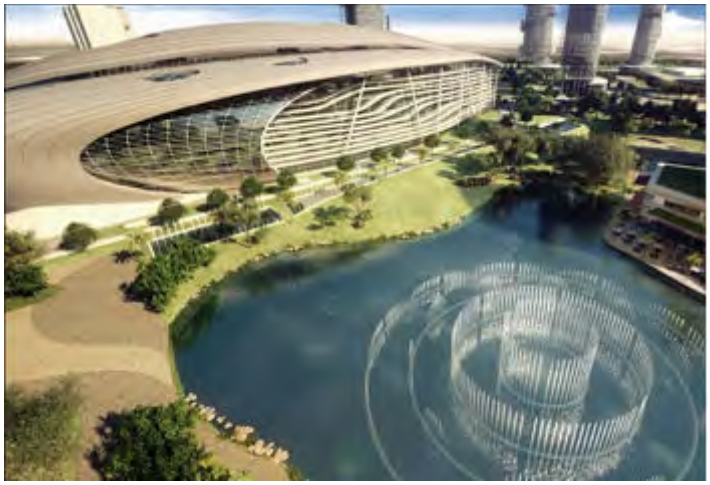


Figure 20: Malaysia's existing Menara Matrade Centre

In effect, the co-location of the Menara Matrade Centre beside the Matrade Centre will significantly expand the facilities currently available at the Matrade Exhibition & Convention Center to create Malaysia's largest exhibition and convention centre.

3.2.1.4 Other approaches to "bundling" facilities

In practice, it is not always possible, or desirable, to physically "bundle" convention facilities together with other facilities by either:

- integrating those facilities within new multifunctional centres; or
- optimally co-locating those new convention centre within the CBD or another "cluster" of facilities.

Rather, it is often necessary to consider other possible ways of "bundling" those services together to achieve at least some of the economies of scope that can be derived from physically bundling those facilities together.

Over the last few decades, a wide variety of increasingly innovative ways have emerged that help to achieve at least some of these economies of scope where it is not possible to co-locate those facilities, including:

- the formation of a Convention Bureau to help market the services of the event venues in a particular region, In effect, the establishment of a Convention Bureau helps overcome the information asymmetry that exists between associations and corporates who may not know what types of venues there are in a particular regional area and the venues themselves, that have detailed knowledge of the services they are able to provide to meet their client needs;
- the formation of strategic alliances between the owners and operators of venues in a particular regional area (e.g. to share facilities, pool clients, and cross refer services); and
- mergers between the owners of alternative venues in a particular region (with a view to reaping increased economies of scale and scope).

A good international example of a large scale merger between venues is VIPARIS in France, which is the product of a merger between:

- the conference, exhibition and corporate event sites of the Chambre de Commerce et d'Industrie de Paris (CCIP) – the Paris Chamber of Commerce and Industry; and
- the venues owned by the Unibail-Rodamco company.

This merger has brought together the top 10 venues for exhibitions, conventions and corporate events in Paris and the Île-de-France region. VIPARIS is now responsible for the operational management of Paris Porte de Versailles, Paris Nord Villepinte, Espace Champerret, Paris Le Bourget, Palais des Congrès de Paris, CNIT Paris La Défense, Espace Grande Arche, Carrousel du Louvre, Palais des Congrès de Versailles and Palais des Congrès d'Issy.

3.2.1.5 Environmentally friendly events and facilities

Another key feature of new convention centres is their environmentally friendly design.

All of the new convention centre designs include the latest "green" building technologies, including:

- Ireland's new Convention Centre in Dublin, which is the first carbon neutral convention centre. This Centre focuses on recycling, reducing overall energy consumption through the use of a sustainable energy supplier and integrating sustainable systems at the

venue (an Integrated Building Automated System), and the installation of a thermal wheel heat recovery system and an Ice Storage Thermal Unit, which chills water overnight to form large ice blocks that melt during the day to provide air conditioning for the entire building. In order to help delegates to keep their journey carbon neutral, the Centre also offers international visitors the opportunity to offset their carbon emissions from air travel using a carbon calculator and the consultancy expertise of Emission Zero;

- Taiwan's new Taichung Convention Centre, which is set to be the first LEED platinum commercial development in Taiwan and an environmentally sustainable icon for the region; and

- the Melbourne Exhibition Centre, which is the first and only "6 Green Star" environmentally rated convention centre in the world.

Once again, this environmentally conscious design is more than just "window dressing". It also serves a number of important functions. In particular, it:

- reduces the heating and cooling costs that the operator of the facility would otherwise have to bear;

- reduces the external costs that the community would otherwise bear as a result of the operation of the building; and

- signals to environmentally conscious conference delegates that the organisers of the event and operators of the venue are conscious of the potential external costs that international business events can impose on the community, which is an increasingly important consideration in the international market for business events.

3.2.2 Development of new centres to promote dialogue

Another key trend in the international market for business events of particular importance to the Australia Forum project is the development of new centres to promote increased dialogue between government, business, the academic community, and the wider community.

As discussed further below, the development of these centres is a result of:

- recognition of the benefits to be derived from improved dialogue; and

- recognition of the need for new infrastructure to facilitate that dialogue, which has resulted in:

  - increases in the number of "break out" rooms being incorporated in conference venues to enable delegates to break out into smaller groups to engage in dialogue relating to particular issues of interest and then report back the results of their discussions to the main conference;

  - increases in the size of board room facilities to enable larger numbers of individuals to engage in dialogue and collaboration that would not be possible within a normal sized boardroom; and

  - the establishment of "centres for dialogue".

3.2.2.1 Recognition of the benefits to be derived from improved dialogue

Underlying the establishment of international centres for dialogue are the results of extensive academic research that point to:

- the significant "external" benefits that the community can derive from improved dialogue, collaboration and joint research between government, the academic and business communities, and the wider community; and

- the need to establish the appropriate physical and human capital infrastructure to facilitate such increased dialogue and collaboration.

"Dialogue" is a respectful free-flowing, but structured, conversation among a diverse group of people who bring different life experiences and viewpoints to the table. It is a conversation that involves learning and working together to understand different points of view. Dialogue is not debate - you cannot "win" a dialogue. While dialogue searches for common ground, it does not mean that all differences disappear. However, dialogue encourages each to be open to the possibility of learning new ways to think about public issues.

Pioneers in the area of promoting increased dialogue include the:

- Woodrow Wilson International Centre for Scholars in Washington DC, which was established in 1968 by an act of Congress as the nation's official living memorial to President Woodrow Wilson, who felt strongly that the scholar and the policymaker were "engaged in a common enterprise";

- Aspen Institute in Colorado, which was established in 1950 by Chicago businessman Walter Paepcke, who envisioned transforming the town into a centre for dialogue, thinkers, leaders, artists, and musicians from all over the world to step away from their daily routines and reflect on the underlying values of society and culture;

- Ditchley Foundation, which is located in Ditchley in the United Kingdom. This foundation was established by Sir David Wills in 1958 to advance international learning and to bring transatlantic and other experts together to discuss international issues; and

- Morris J. Wosk Centre for Dialogue in Vancouver, which was established in 2000 on Simon Fraser University's Vancouver campus to foster improved dialogue between heads of state, religious and political leaders, delegations, and private parties on a wide range of international issues.

While these centres host international and national meetings, they quite different to normal "convention centres". Rather, they combine both:

- the physical infrastructure (i.e. the "hardware") required to facilitate increased collaboration, joint research and dialogue;

- the human capital infrastructure (i.e. the "software") required to facilitate that increased collaboration, joint research and dialogue; and

- a programming role for the facilities (i.e. a central role in planning the dialogue events that are to be held at the facility).

For example, the Woodrow Wilson International Center for Scholars seeks to:

- provide a link between the world of ideas and the world of policy; and

- foster research, study, discussion, and collaboration among a full spectrum of individuals concerned with policy and scholarship in national and world affairs.

In particular, the Center:

- encourages contacts among scholars, policymakers, and business leaders. That is, it seeks to promote networking, collaboration, research and dialogue between individuals from a wide range of backgrounds including government, the non-profit sector, the corporate world, the professions, as well as academia; and

- extends their conversations worldwide through its publishing, broadcasting, and Internet presence. That is, it seeks to generate even greater "network" economies by broadcasting events over the radio, television and the internet.

Similarly, the Aspen Institute's mission is to:

- foster values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society; and

- provide a neutral and balanced venue for discussing and acting on critical issues.

The Aspen Institute seeks to achieve these objectives through four main initiatives:

- Seminars, which help participants reflect on what they think makes a good society, thereby deepening knowledge, broadening perspectives and enhancing their capacity to solve the problems leaders face;

- Young-leader fellowships around the globe, which bring a selected class of proven leaders together for an intense multi-year program and commitment. The fellows become better leaders and apply their skills to significant challenges;

- Policy programs, which serve as nonpartisan forums for analysis, consensus building, and problem solving on a wide variety of issues; and

- Public conferences and events, which provide a commons for people to share ideas.

The Ditchley Foundation also convenes private and highly focussed conferences, gathering senior international experts together to address issues of transatlantic and indeed global interest. Each year, about twelve conferences are convened, with one conference a year taking place either in the United States or in Canada and the others being held at Ditchley Park.

The Ditchley Foundation conference program:

- brings together about 40 distinguished men and women from senior levels in the worlds of politics, business and industry, academic life, the civil service, the armed forces and the media; and

- focuses on subjects that are carefully chosen in response to new international challenges arising from issues of concern to democratic societies; and

- provides a forum for open, informal discussions that reflect personal thinking and take place under strict rules of confidentiality.

The Morris J. Wosk Centre also combines both:

- programs available from the Simon Fraser University aimed at promoting research and training individuals in best practice approaches to dialogue and its application to public policy issues; and

- innovative facilities aimed at fostering improved dialogue between each delegate, which are discussed further below.

Similar "Centres for Dialogue" have also been emerging in Australia, including the:

- Australian Academy of Science, which is arguably Australia's first independent national non-partisan centre for dialogue. The Academy, which is modelled on the Royal Society in London, was founded in 1954 by Australian Fellows of the Royal Society of London under a Royal Charter. Although the Academy receives government grants to assist with the funding of its activities, it is independent of the government and has no statutory obligation to government. The objectives of the Academy are to promote science through a range of activities. It has defined four major program areas:

  - recognition of outstanding contributions to science;

  - education and public awareness;

  - science policy; and

  - international relations;

- Australian Centre for Dialogue, which was established by the Australian National University (ANU) in 2008 and currently operated out of the College of Law at the ANU and draws on the expertise of the ANU in dialogic technique, in the design and facilitation of dialogue events, the use of dialogue in research and the development of professional, executive and tertiary education programs based around dialogue;

- ANU Centre for Deliberative Democracy & Global Governance, which is jointly sponsored by the College of Arts and Social Sciences (in particular, the School of Politics & International Relations) and College of Asia and the Pacific (in particular, the Department of International Relations), and receives funding from the Australian Research Council; and

- La Trobe University Centre for Dialogue, which was inaugurated on 15 August 2006, and seeks to:

  - specialise in the theory and practice of dialogue across all its cultural, religious, political and economic dimensions; and

  - identify avenues and mechanisms that can promote it nationally and internationally. It is hoped that by broadening and deepening our understanding of dialogue we can in turn address the many problems of coexistence that remain essentially unresolved.

3.2.2.2 Recognition of the need for appropriate facilities to promote dialogue

Over the last few decades, there also has been an increasing recognition that the facilities provided by the more "traditional" convention centres are not particularly well suited to facilitating dialogue and networking between the individuals attending events at those venues.

As a result, there has been a noticeable trend in the design of new convention centres to include:

- the increased number of breakout rooms to enable delegates to break out of large conferences into much smaller groups that are more conducive to promoting dialogue between each participant than would be possible in a traditional conference plenary hall;

- the greater flexibility in the design of new conference centres so that larger "exhibition" spaces can be subdivided into smaller rooms that can be used for a variety of purpose;

- the development of larger board rooms capable of seating a much larger number of key delegates around a table, with support facilities to accommodate a number of support staff for each key delegate. These developments have been driven by the demands of large international government meetings such as the G20 and CHOGM, as well as larger national government meetings, such as COAG;

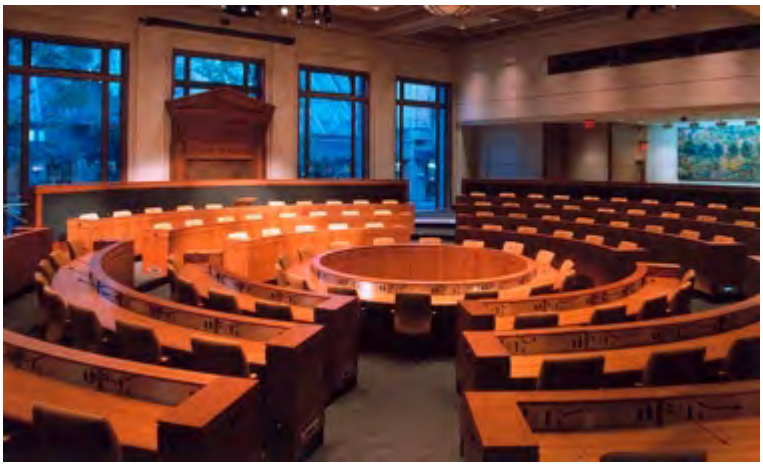
- the development of larger "centres for dialogue", such as the Asia Pacific Hall at the Morris J. Wosk Centre for Dialogue, which is a "meeting in the round" facility that comprises five concentric tiers that allow generous seating in leather ergonomic chairs for 154 delegates, with a built-in microphone at every seat and support technology, and internet connections; and

- the incorporation of multimedia facilities that enable the centre to, in effect, act as a hub that feeds information out into a much wider network, using conventional broadcast technologies, such as television and radio, as well as newer "bidirectional" communications technologies, such as the internet. Good examples of the way in which these technologies can be combined to expand the size of the conference network and generate event greater external "network benefits" include:

    - the Woodrow Wilson Centre's "***dialogue",*** which is an award-winning weekly radio program that explores the world of ideas through weekly, half-hour conversations with renowned public figures, scholars, journalists, and authors. In 2002, an annual 26-part television series was also established, providing foreign perspectives on world affairs from presidents, ambassadors, cabinet ministers and scholars; and

    - the ABC's Q&A program, which provides a good illustration of how a relative small "conference", comprising a studio audience and a panel of discussants, can be expanded into a much larger network using a combination of both traditional television broadcast media, with internet and twitter interconnectivity.

Figure 21: Asia Pacific Hall at the Morris J. Wosk Centre for Dialogue in Vancouver



Not surprisingly, the emergence of purpose-built "centres for dialogue" typically precedes the construction of appropriate physical infrastructure to host that dialogue and in the interim, participants have to "make do" with existing business event venues that are not always suited to facilitating dialogue between each event participant. For example:

- it was not until the "Shine Dome", previously known as Becker House, was constructed in 1959 that the Academy had the purpose-built facilities required to hold its international and national meetings. The Australian Academy of Science, or the "Shine Dome" is the first of Canberra's iconic buildings to be included on the National Heritage List and is one of seven projects the Royal Australian Institute of Architects has nominated to the World Register of Significant Twentieth Century Architecture; and

- the Australian Centre for Dialogue has been promoting the construction of a purpose-built venue for dialogue in the National Capital for some time, drawing on aspects of the "in the round" Wosk Centre in Vancouver, for government, business, community groups and international summit meetings to hold constructive dialogue on national and international issues. It also aims to promote dialogue research and will provide professional courses in dialogue and negotiation skills.

Figure 22: The Shine Dome and its auditorium – the Ian Wark Theatre

Figure 23: Australian Centre for Dialogue's inaugural event on 21 June 2008

4. Functional requirements for Australia Forum

Key Points:

- In order to perform its role, Australia Forum will need to satisfy the following key functional requirements:
  - An "iconic" design that is at least commensurate the quality of the National Capital's other major national institutions;
  - Specialised security arrangements, design features and services required for Australia Forum to host international dignitaries;
  - A "Centre of Dialogue" (2,500 m^2) to cater for important "meetings in the round" for 180 delegates (e.g. government meetings such as CHOGM and G20 meetings, as well as other specialised forums);
  - High quality "exhibition" areas (8,000 m^2) with the multifunctional capacity to serve large scale government events, exhibitions, conferences and other functions;
  - Outstanding multimedia services and other technologies to facilitate enhanced communication not only between delegates, conference organisers and presenters, but also to link Australia Forum with other event centres in Australia and overseas; and
  - Core facilities required to cater to the needs of the more traditional business events market, including:
    - a plenary hall (3,000 m^2), capable of holding 3,000 people that would be divisible into 4, as well as two 250 m^2 theatrettes, together capable of another 500 delegates;
    - a ballroom (1,500 m^2), divisible into 4, together with a banqueting room (1,800 m^2);
    - parking for around 600-1200 cars, depending on the site where Australia Forum is located;
    - a continuous bus transport system connecting delegates at the Australia Forum Lake Front site to their hotels and the CBD;
    - on site retail outlets (e.g. restaurants, bars); and
    - an on site 350 to 400 bed hotel providing 5 star and 4 star accommodation.

4.1 Summary of revised functional requirements

Having examined the trends in the market for the facilities and services to be provided by Australia Forum, this section refines the preliminary description of Australia Forum's facilities that was provided by the Steering Committee to develop a functional brief for the project.

In order to perform its role, Australia Forum will need to satisfy the following key functional requirements:

- An "iconic" design that is at least commensurate the quality of the National Capital's other major national institutions;
- Specialised security arrangements, design features and services required for Australia Forum to host international dignitaries;
- A "Centre of Dialogue" (2,500 m^2) to cater for important "meetings in the round" for 180 delegates (e.g. government meetings such as CHOGM and G20 meetings, as well as other specialised forums);
- High quality "exhibition" areas (8,000 m^2) with the multifunctional capacity to serve large scale government events, exhibitions, conferences and other functions; and
- Outstanding multimedia services and other technologies to facilitate enhanced communication not only between delegates, conference organisers and presenters, but also to link Australia Forum with other event centres in Australia and overseas.

In addition to the facilities outlined above, Australia Forum will also need the following core facilities in order to cater for the more traditional business events market:

- a plenary hall (3,000 m^2), capable of holding 3,000 people that would be divisible into 4, as well as two 250 m^2 theatrettes, together capable of holding another 500 delegates;
- a ballroom (1,500 m^2), divisible into 4, together with a banqueting room (1,800 m^2);
- parking for around 600-1200 cars, depending on the site where Australia Forum is located;
- a continuous bus transport system connecting delegates at the Australia Forum Lake Front site to their hotels and the CBD;
- on site retail outlets (e.g. restaurants, bars); and
- an on site 350 to 400 bed hotel providing 5 star and 4 star accommodation.

These revised functional requirements are set out in Table 3 below, which provides a summary of the dimensions and capacities for Australia Forum's facilities.

Table 3: Australia Forum Dimensions and Capacity Chart (Base Configuration)

MAIN LOBBY										
Total Foyers, Lobbys, Registration 4500 sqm										
PLENARY HALL										
Plenary Hall	Seating capacity 3000									
Plenary HALLS - Flat Floor										
Room	Gross Area mt 2	Gross Area ft 2	Theatre with Presenter Staging	Banquet no Staging	Banquet with Presenter Staging	Banquet with Stage & Dance Floor	Classroom with Presenter Staging	Cocktail	Cocktail with Presenter Staging	Booth Capacity 3m x 3m
Plenary Hall A	750	8052	893	536	500	441	500	882	789	42
Plenary Hall B	750	8052	893	536	500	441	500	882	789	42
Plenary Hall C	750	8052	893	536	500	441	500	882	789	42
Plenary Hall D	750	8052	893	536	500	441	500	882	789	42
Plenary Hall A,B	1500	16104	1786	1071	1000	882	1000	1765	1579	83
Plenary Hall A,B,C	2250	24156	2679	1607	1500	1324	1500	2647	2368	125
Plenary Hall A,B,C,D	3000	32208	3571	2143	2000	1765	2000	3529	3158	167
Theatrette A	250	2684	298	179	167	147	167	294	263	14
Theatrette B	250	2684	298	179	167	147	167	294	263	14
Exhibition Halls - Flat Floor										
Hall A	2000	21472	2381	1429	1333	1176	1333	2353	2105	111
Hall B	2000	21472	2381	1429	1333	1176	1333	2353	2105	111
Hall C	2000	21472	2381	1429	1333	1176	1333	2353	2105	111
Hall D	2000	21472	2381	1429	1333	1176	1333	2353	2105	111
Hall A,B	4000	42944	4762	2857	2667	2353	2667	4706	4211	222
Hall A,B,C	6000	64416	7143	4286	4000	3529	4000	7059	6316	333
Hall A,B,C,D	8000	85888	9524	5714	5333	4706	5333	9412	8421	444
PRE-FUNCTION AREAS										
Pre-Function Areas	Pre-function / circulation areas adjacent to exhibition hall entrances -1000 sq m									
BALLROOM										
Ballroom A	375	4026	446	268	250	221	250	441	395	21
Ballroom B	375	4026	446	268	250	221	250	441	395	21
Ballroom C	375	4026	446	268	250	221	250	441	395	21
Ballroom D	375	4026	446	268	250	221	250	441	395	21
Ballroom A,B	750	8052	893	536	500	441	500	882	789	42
Ballroom A,B,C	1025	11004	1220	732	683	603	683	1206	1079	57
Ballroom A,B,C,D	1500	16104	1786	1071	1000	882	1000	1765	1579	83
		0	0	0	0	0	0	0	0	0
BANQUET ROOM										
Banquet A	450	4831	536	321	300	265	300	529	474	25
Banquet B	450	4831	536	321	300	265	300	529	474	25
Banquet C	450	4831	536	321	300	265	300	529	474	25
Banquet D	450	4831	536	321	300	265	300	529	474	25
Banquet A,B	900	9662	1071	643	600	529	600	1059	947	50
Banquet A,B,C	1350	14494	1607	964	900	794	900	1588	1421	75
Banquet A,B,C,D	1800	19325	2143	1286	1200	1059	1200	2118	1895	100
MEETING ROOMS										
Meeting Room 1	150	1610	179	107	100	88	100	176	158	
Meeting Room 2	150	1610	179	107	100	88	100	176	158	
Meeting Room 3	150	1610	179	107	100	88	100	176	158	
Meeting Room 4	150	1610	179	107	100	88	100	176	158	
Meeting Room 5	150	1610	179	107	100	88	100	176	158	
Meeting Room 6	150	1610	179	107	100	88	100	176	158	
Meeting Room 7	150	1610	179	107	100	88	100	176	158	
Meeting Room 8	150	1610	179	107	100	88	100	176	158	
Meeting Room 9	150	1610	179	107	100	88	100	176	158	
Meeting Room 10	150	1610	179	107	100	88	100	176	158	
Meeting Room 11	150	1610	179	107	100	88	100	176	158	
Meeting Room 12	150	1610	179	107	100	88	100	176	158	
Meeting Room 13	150	1610	179	107	100	88	100	176	158	
Meeting Room 14	150	1610	179	107	100	88	100	176	158	
Meeting Room 15	150	1610	179	107	100	88	100	176	158	
CENTRE FOR DIALOGUE										
			Forum Delegates							
Forum	2500	26840	180							
			Board Room Style							
Board Room 1			20							
Board Room 2			20							
Board Room 3			20							
Board Room 4			20							

4.2 Conference and meeting facilities

4.2.1 Plenary hall

The preliminary description of Australia Forum's facilities that was set out in the RFQ called for a plenary hall that was able to cater for a minimum of around 3,000 delegates and 3,300 patrons on a flat floor standing mode for performance events.

The market analysis in section 3 suggests that this would be sufficient to cater for most international conventions. In particular, it would be sufficient to cater for:

- the highest growth category of international conventions in Australia (50 to 249 delegates), which experienced a cumulative average annual growth rate of 17 per cent over the period 1999 to 2008;
- the second highest growth category of international conventions in Australia (1,000 to 1,999 participants), which experienced a 15.3 per cent rate of growth over that period;
- the third highest growth category of international conventions in Australia (500 to 999 delegates), which experienced a 9.7 per cent rate of growth over that period; and
- the fourth highest growth category of international conventions (250 to 499 delegates), which experienced a growth rate of 4 per cent over that period.

It would, however, not be sufficient to cater for the second highest growth category of international conventions in the world market, which were those with more than 3,000 delegates, which experienced a cumulative average annual rate of growth of 7.4 per cent over the period 1996 to 2005. It is important to note, however, that this high rate of growth was mainly due to the high rate of growth in conventions catering for over 10,000 delegates, which only accounted for 0.39 per cent of the world market in 2005. In addition, this size of convention has only experienced a cumulative average annual rate of growth of 1.4 per cent in Australia over the period 1999 to 2008.

4.2.2 International affairs meeting venue and Centre for Dialogue

One of the major challenges facing existing convention centres is catering for the different types of meeting rooms that are required to support the range of events to be held at the venue.

Over time, the meeting room requirements event organisers have evolved from the more traditional board room and office style accommodation into the more sophisticated meeting room facilities required to host major international meetings such as CHOGM and the G20.

As a result, there is now a wide range of different meeting room requirements that need to be met.

At one end of the spectrum are the more traditional boardroom, office, and break out room facilities that are still required to meet the needs of users while they are attending events at the venue.

At the other end of the spectrum, however, are the types of meeting rooms required to host the larger international meetings such as CHOGM and the G20.

In addition, in between these two extremes are meeting rooms required to host major national meetings between government, business and the community.

Existing conference centres, with their more traditional plenary halls and small meeting rooms do not have the facilities to cater for these larger meetings.

By contrast, Australia Forum's facilities need to be able to cater for this wide range of meeting room needs in an effective manner that ensures the efficient use of those facilities.

The key lies in the flexibility of the functional design of Australia Forum's meeting room facilities.

As outlined in section 2, the preliminary description of the facilities to be provided by Australia Forum included both:

- **An International Affairs Meeting Venue** with adjacent function and dining facilities to host high level international forums with design elements to accommodate the highest standards of building security including VIP and dignitary vehicle drop-off and pick-up area; and

- **An International Centre for Dialogue** to host events to be held by the Australian Centre for Dialogue to promote increased dialogue between government, business, academia and the wider community.

There are two main approaches to designing Australia Forum to provide these functional requirements.

One approach is to develop separate facilities that are designed to meet each of these functional requirements.

An alternative approach is to consider the scope for designing the proposed Centre for Dialogue to serve as both:

- a national forum to host larger meetings between Government, business, academia, and the wider community that require facilities suited to promoting dialogue between the delegates attending the forum; and

- an international forum to meet the more sophisticated "meeting room" facilities required to host major international meetings such as CHOGM and the G20. The "inner circle" of the Centre for Dialogue needs to be able to function in a similar manner to a large boardroom facility that would provide:

  - seating in the "inner circle" for at least 46 delegates (in high back executive chairs);

  - seating in the second "ring" for support staff to serve the needs of each of the delegates; and

  - seating in the outer rings for additional support staff and officials.

This approach to the design of the Centre for Dialogue would:

- fill a major gap in the current market for facilities that are suited to meeting the sophisticated needs of major meetings of international and national significance. The large meeting rooms at existing convention centres are becoming increasingly less suited to hosting these large meetings. As the size and importance of these international and national meetings increases, so too does the need for a facility more like the proposed Centre for Dialogue, which would operate in a similar manner to the UN General Assembly; and

- help reduce the number of additional large meeting rooms that would otherwise be required to host such meetings. The ability to sub-divide the Centre for Dialogue would further enhance its flexibility to provide more than one large meeting room with the latest technology required to host larger meetings.

4.2.3 Other meeting facilities

In addition to using the Centre for Dialogue to cater for the needs of large international and national meetings, Australia Forum also needs a number of other meeting rooms including:

- break out rooms to host events at both the plenary hall and the Centre for Dialogue;
- a business centre;
- an interpreter room with sound proofed booths and audio/visual links to both the Centre for Dialogue and the main plenary hall;
- press facilities;
- a security room with a private office;
- a PCO organisers office and rooms for the PCO organising team; and
- flexibility to subdivide the exhibition space up into smaller areas would provide additional meeting rooms required to host a range of other activities required for large international and national meetings, including:
    - media centre (at least 5,000 m^2);
    - police briefings and breaks; and
    - large storage facilities.

4.2.4 Exhibition facilities

The preliminary description of the facilities to be provided by Australia Forum also specified a 7,500 m^2 of exhibition space with capacity for say 5,000-10,000 m^2 of future expansion.

While the market analysis indicates that the bulk of exhibition space purchased is in the range of 500 to 6,000 m^2, it is important to note that around 21 per cent of sales involve exhibition space of more than 10,000 m^2. In addition, even with a 10,000 m^2 exhibition space, Australia Forum would still have less room than other States (e.g. Adelaide), who are in the process of planning even further expansion.

As a result, the original specifications for Australia Forum's exhibition space have been revised up to a 8,000 m^2 under the Base Configuration and 12,000 m^2 under the Expanded Configuration. This additional exhibition space would provide Australia Forum with the flexibility to:

- hold larger exhibitions where required;
- hold multiple exhibitions or flat floor conference/exhibitions; and
- accommodate all of the services that are required to hold the larger government meetings (e.g. CHOGM).

4.2.5 Banquet and ballroom facilities

The preliminary description of the facilities to be provided by Australia Forum also specified:

- a Banqueting Ballroom with capacity for a minimum of 1,500 patrons in banquet mode and 1,000 persons in ballroom mode, and capable of division into 4 separate venues operating simultaneously; and

- a food & beverage outlet with casual lounge area strategically located offering the wider community of Canberra opportunities to enjoy and participate in the use of the venue providing local ownership of the facility. This outlet would also provide suitable meeting areas for conference delegates to network and conduct out of session business discussions – an essential element of conferencing culture.

By contrast, in order to cater for larger events, as well as multiple smaller events, the proposed Australia Forum includes:

- a ballroom (1,500 m^2);

- a banqueting room (1,800 m^2 under the base Configuration and 2,250 m^2 under the Expanded Configuration); and

- retail outlets (e.g. for restaurants and bars, which vary in size across the Australia Forum sites).

4.3 Technology

Technology is the main change driver that is shaping the future of the meeting industry, including the way in which meetings are held as well as meeting facilities.

For example, ICCA's "Convention 2020" study highlights the importance of technology and digitisation to modern events. In particular, it outlines the important role that technology plays in the development of social networks, audience interaction systems, hybrid events (sometimes called "satellite events"), audio visual systems (e.g. telepresence and 3D projection), delegate tagging (which enables participants to find the location of colleagues) and augmented reality applications. There is also a perception that social networks are being used more effectively both to promote events and build pre-event engagement. These developments have been enabled by the emergence of fast internet speeds.

While the high cost of keeping a facility up to date with the latest technologies is recognised, so too is the advantage that venues gain by offering a suite of technology tools that cover marketing, social networks, event bookings, site registration, delegate tracking and audio visual facilities.

Both the main plenary hall and, in particular, the Centre for Dialogue, need to make use of the latest audio visual systems including: audio systems infrastructure, video systems infrastructure, presentation systems, plenary stage management systems and technical rooms.

In particular, in order to function as a venue for large international and national meetings, the Centre for Dialogue needs to be able to:

- provide each of the meeting delegates seated in the centre, and each of the key delegates seated in the "inner circle", with an individual screen to enable them to:

    - download and upload papers without interfering with their ability to participate in face-to-face discussions with other key delegates (e.g. by positioning screens

inside the desks to avoid obscuring face to face communication between those delegates); and

  - communicate via an audio visual link with their interpreter services, where required, which would be located in a separate interpreter room that would have audio visual links to both the Centre for Dialogue and the main plenary hall;

- provide other individuals seated in the outer rings of the Centre for Dialogue with appropriate audio facilities so that they can participate in discussions, as well as internet outlets so they can download/upload papers and participate in on-line feedback;

- record the proceedings and other knowledge outputs from conferences and meetings in a digital repository, consistent with current meeting industry trends; and

- connect up the Centre for Dialogue with other centres in Australia and overseas, so that Australia Forum can serve as a national hub for major national and international events.

Similarly, the main plenary hall needs to be able to provide appropriate audio visual facilities to:

- provide conference presenters with access to the latest audio visual technologies they require for their presentations;

- provide each conference delegate with appropriate audio facilities and internet outlets so they can participate via their laptop computers and gain access to interpreter services if required;

- provide an audio visual hookup with the Centre for Dialogue and other national and international venues; and

- link the plenary hall up with other centres in Australia and overseas, so that Australia Forum can serve as a national hub for major national and international events.

A central communications centre in the Australia Forum complex will be required to provide these facilities.

4.4 Security

Venue security is essential to enable Australia Forum to serve as a venue for important international and national government meetings and events (e.g. G20).

The key principles to consider in the course of project development for the highly secure Australia Forum include:

- multiple routes for entry and exit are required, as well as modes of transport (e.g. motor vehicles, boat, helicopter, etc);

- electronic security measures are very important;

- provide an area suitable for demonstrations;

- the arrival area for international leaders needs to be (or able to be) fully enclosed for visual protection;

- traffic - motorcade convoys are not to stop until reaching the arrival area;
- pedestrian routes through retail/commercial areas are not desirable;
- minimise or restrict work areas, where staff security checks may be required, under the main meeting rooms;
- materials should be used to minimise shatter impact;
- standoff distances for external vehicles; and
- there are alternative means of achieving protection through design (e.g. landscaping treatments and mounding may be appropriate).

In order to be the most secure facility of its type in Australia a number of essential or highly desirable requirements should be incorporated or considered:

- essential requirements:
  - capacity to provide secure access from adjacent high quality hotel accommodation to the main meeting rooms;
  - secure services and utilities to ensure full control and containment of the site (e.g. air conditioning, sewerage etc); and
  - bollards able to stop heavy vehicles;
- highly desirable requirements:
  - security standby room (e.g. for around 20 personal security officers, who detach from the visiting leader as they enter the main meeting room). The room should be provided with excellent electronic security with capacity to monitor CCT screens;
  - scale proof fencing design, able to be clicked in at perimeter for the most significant events; and
  - basement car parking area able to be converted for alternate temporary security use;
- desirable requirements:
  - cells on site (as per Parliamentary precinct)

PART 2

5. Options considered

Key Points:

- Four potential options were identified for further consideration and evaluation:
  - a "Base Case Option", which involves a continuation of the current National Convention Centre facilities;
  - an "Australia Forum Option" which involves the construction of a new venue on one of three alternative sites:
    - the "City Hill" site;
    - the "Lake Front" site; and
    - the "Constitution Avenue" site.
- Each of the Australia Forum site options has its own potential advantages as disadvantages. Overall, however, the Australia Forum Lake Front option is considered to be better suited to the indicative design of Australia Forum, its vision and goals.
- On balance the final site selection for the Australia Forum should be influenced by a range of issues determined through the development of design options, the assessment of planning issues, and cost implications.
- The Lake Font site design studies demonstrate many advantages for both the Australia Forum project as well as contributing significantly to the Griffin Legacy vision. However, all three of the identified sites offer viable solutions with relative merits.
- The final selection should be made by decision makers having regard to all of the relevant strategic considerations at the time, including the capacity to deliver associated infrastructure requirements.

5.1 Alternative options identified

For the purposes of this study, four potential options were identified for further consideration and evaluation:

- the "Base Case Option", which serves as a benchmark against which to assess the relative merits of the other options. This option involves:
  - continuing to operate the National Convention Centres facilities; and
  - no further capital upgrades to those facilities over the period of analysis due to the inability to significantly expand the size of those facilities on the current site;
- an "Australia Forum Option" which involves the construction of a new venue on one of three alternative sites:
  - the "City Hill" site;
  - the "Lake Front" site; and
  - the "Constitution Avenue" site.

Two variants of each of the Australia Forum options were also considered:

- a "base configuration"; and
- an "expanded configuration" which incorporates an additional 4,000 m^2 of exhibition space, 450 m^2 of banqueting room and 500 m^2 of concourse, as well as an additional 600 car parking spaces for the Lake Front site.

5.2 Alternative sites for Australia Forum

5.2.1 Site selection issues

Although Australia Forum will be different in many respects to typical meeting and exhibition venues, it does share many of the same siting requirements.

Exhibition and trade complexes have developed in city centres and industrial areas that lend themselves to ease of public access for large numbers of visitors and delegates. Issues for consideration of appropriate sites for exhibition buildings include:

- high cost of urban land;
- low floor to site area ratio of exhibition buildings;
- large scale, sometimes "industrial" building image;
- high volume, large delivery truck congestion for bump-in and bump-out;
- significant parking requirements;
- proximity to and access from airport;
- proximity to major highways;
- access to public transport;

- ability to isolate vehicular routes leading to the facility;
- ability to secure the site from vehicular or pedestrian access; and
- potential for large expanse of non-active street frontage.

By contrast, convention facilities which do not have large associated exhibition requirements can be contained in smaller sites, perhaps over multiple levels. Issues for consideration of appropriate sites for convention facilities are:

- higher floor to site ratio possible;
- scale and massing similar to theatre and cultural centres;
- loading facilities required for kitchen and minor exhibitions;
- proximity to hotels and restaurants;
- significant parking requirements;
- proximity to and access from airport;
- proximity to major highways;
- access to public transport;
- security of access and ability to isolate the building; and
- a strong sense of an exciting, urban location – a nice place to be.

5.2.1.1 Significant and iconic location

An important issue for the Australian Forum is a site with an iconic or significant location within the context of the National Capital. As previously discussed, the facility is envisaged as a National Institution, and a location with a symbolic relationship to other National Institutions is essential.

Additionally, it is proposed that the Australia Forum be contained within a building of iconic design. Opportunities to achieve such an outcome need to be considered within the context of site selection.

5.2.1.2 Proximity to city

It is desirable to locate meeting, convention and exhibition facilities close to city centre amenities. While this is not possible in many cities, Canberra is in a fortunate position of having multiple central sites which may be suitable for the proposed facilities.

A site that is in the same proximity of the city has several advantages. There are opportunities to share infrastructure and services, such as car parking, public open space or public transport. Conference, convention and exhibition facilities that are centrally located are more likely to be perceived as facilities which benefit locals, rather than just visitors. Additionally, visitors to the conference facilities are more likely to utilise local businesses and therefore contribute to the local economy.

5.2.1.3 Security

Venue security and participant safety has become a prominent concern for many Government, Defence, Police, Intelligence and Business communities. Most older conference facilities cannot readily be adapted to ensure high levels of security, so it is imperative that the new facility be sited and planned to achieve the highest possible levels of security.

Approaches to security are being continually refined. Previous thinking involved pronounced separation and isolation of facilities. Current approaches prefer sites that are more integrated into existing infrastructure, but which can be closed off or "shut-down" as required. This is an important factor in site assessments. Set-backs, buffer zones, security points and clear sightlines to access points will need to be considered in the planning and design of the facilities.

5.2.1.4 Hotel accommodation

The availability and proximity of suitable hotel accommodation is a critical consideration in locating the Australia Forum.

Event organisers normally require block booking access to 4 or 5 star quality hotel rooms well in advance of an event. Currently, Canberra has limited hotel accommodation, particularly in the 4 to 5 star high volume quality range. Experience with convention facilities in other cities suggests the average sized conference is approximately 600 delegates requiring at least 400 hotel rooms.

Since most hotels in Canberra rely on other sources of demand as well as conventions and exhibitions to maintain their room occupancy rates, they will normally release less than 50 per cent of their rooms for bulk convention bookings. Based on current supply, it is estimated the convention market in Canberra requires approximately 300 to 400 new high quality hotel rooms.

Figure 24: Proximity of potential Australia Forum sites to hotel accommodation

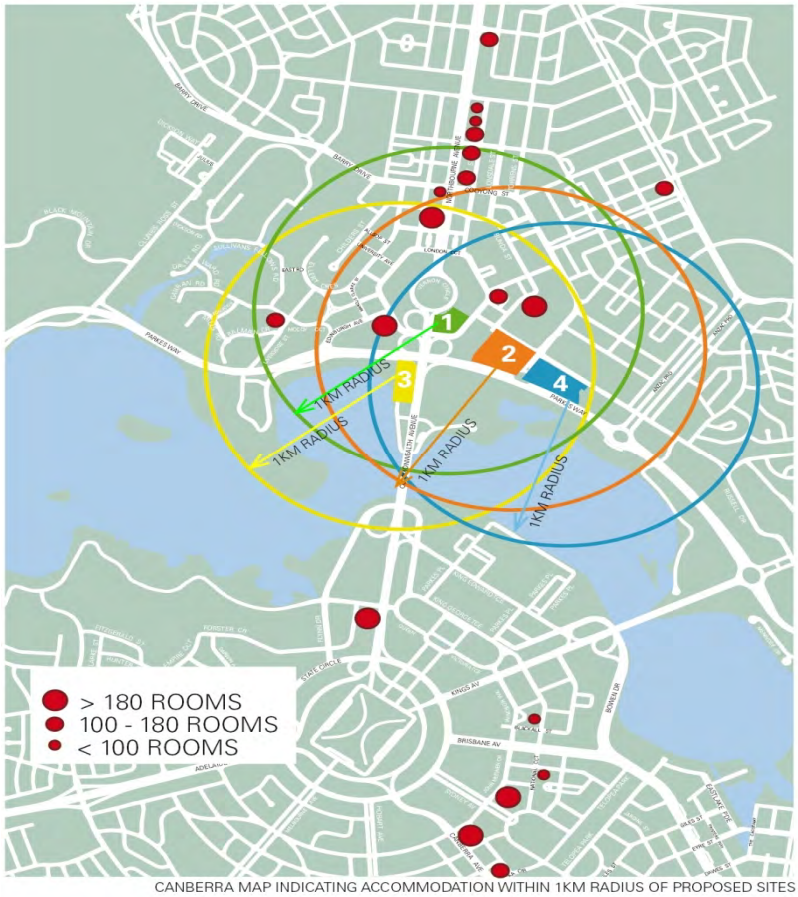


Table 4: Summary of existing 4 and 5 star quality hotel rooms within 1km of the study sites

Hotels within 1km of proposed sites	Number of rooms	Quality claimed
Crowne Plaza	295 rooms	4 Star
Rydges Lakeside	201 rooms	4 Star
Novotel	197 rooms	4 Star
James Court Medina Exec Apartments	150 rooms	4 Star
University House	105 rooms	4 Star
Waldorf Apartment Hotel	100 rooms	4 Star
Diamant Hotel	80 rooms	5 Star
Quest Serviced Apartments	36 rooms	4 Star

Additional high volume hotels (100+ rooms) within a 3km radius or 5 minute drive of the sites are set out in Table 5 below.

Table 5: Additional high volume hotels within 3km radius or 5 minute drive from the study sites

High volume hotels within 3km of proposed sites	Number of rooms	Quality claimed
Hyatt Hotel Canberra	248 rooms	5 Star
Hotel Realm	158 rooms	5 Star
Rydges Capital Hill	186 rooms	4 Star
Clifton on Northbourne Quality Suites	153 rooms	4 Star
Mantra on Northbourne	173 rooms	3-4 Star
Canberra Rex Hotel	152 rooms	3-4 Star
Pavillion on Northbourne	156 rooms	3-4 Star
Olims Hotel Canberra	130 rooms	3-4 Star
Forrest Hotel and Appartments	112 rooms	3-4 Star

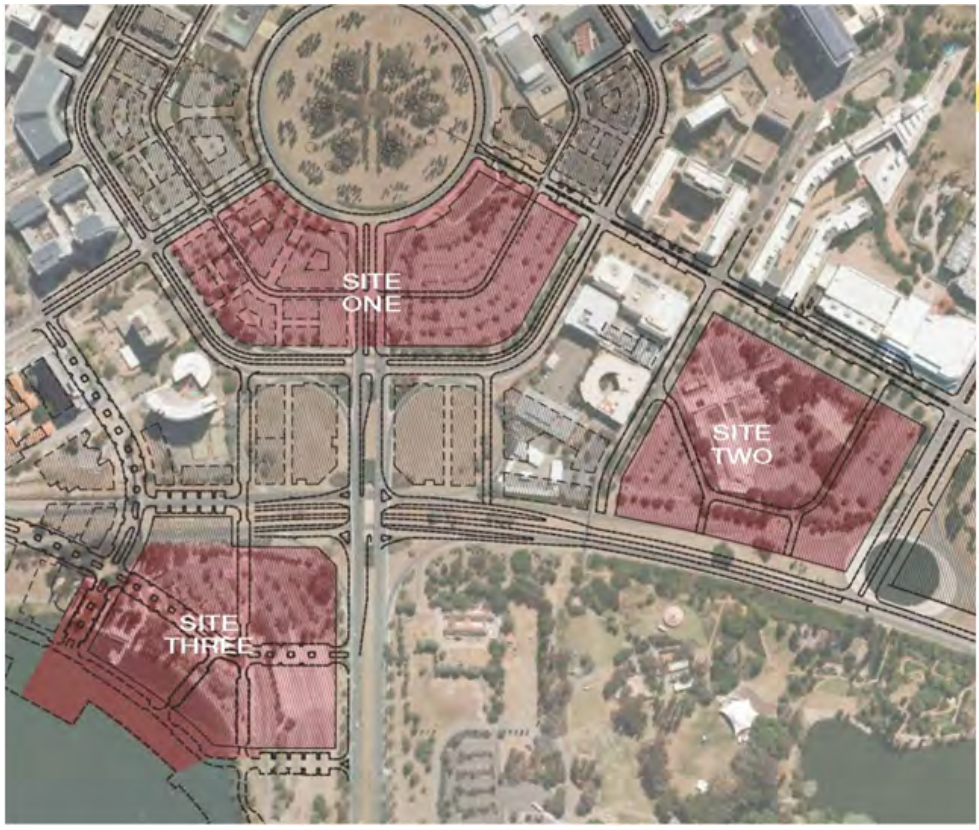
Ideally, a new hotel needs to be either adjacent to, or on the same site as, the meeting facilities in order to provide event organisers with a viable, immediately accessible "main venue" hotel. Proximity is important to ensure delegates are not "lost" to other attractions and to allow plenty of opportunity for networking amongst delegates to be incorporated into convention programming. The ability to locate these future hotel facilities within an effective distance from the Australia Forum facilities will have a significant impact on the choice of the preferred site. This report considers the opportunities to locate the required number of hotel rooms either on the same site or an adjacent site.

5.2.2 Alternative sites considered for Australia Forum

The three potential sites for Australia Forum considered in this study are:

- **Site 1**: City Hill Site, which occupies the area between Vernon Circle and London Circuit and Constitution Avenue and Edinburgh Avenue including Block 11 Section 19, City;
- **Site 2**: Constitution Avenue Site, which is currently occupied by the Civic Swimming Pool Site (Sections 37 and 62 City with Section 62 expanded in SE corner); and
- **Site 3**: Lake Front Site, which is located on the West Basin (East) Futsal Slab Site (Sections 87, 95 and part of section 33 plus incorporated land bridge).

An additional site (site 4), on Parkes Way/West Basin (West) near the Museum of Australia was considered in previous site analysis studies and dismissed as unsuitable. It remains inappropriate and has not been included as part of this study.



5.2.3 Alternative sites for Australia Forum and the Griffin Legacy

SITE 1 - VERNON CIRCLE

SITE 2 - CONSTITUTION AVE POOL SITE

SITE 3 - LAKE EDGE

The Griffin Legacy is a series of master planning principles for central Canberra. These master planning principles as outlined in *The Griffin Legacy: Canberra the Nation's Capital in the 21st Century* (NCA 2004) and incorporated into the *National Capital Plan 2008*, have been used to establish boundaries for the potential Australia Forum sites considered in this study.

Due to the nature of the Griffin Legacy, these boundaries are not necessarily fixed and may differ from current road positions. Some principles which should be noted include:

- Site 1 - City Hill: The Griffin Legacy involves significant changes to Vernon Circle. These changes would need to happen in order to achieve the re-routing of thro traffic away from Vernon Circle. This would have a significant impact on the site development, including orientation, access, levels and servicing arrangements.

- Site 2 – Constitution Avenue: Requires realignment of the south east corner and Parkes Way boundary with the removal of the retention basin and roundabout.

- Site 3 – Lake Front: This site is developed with the addition of land bridge(s) being created over Parkes Way. The Griffin legacy also envisions an extension of the Lake edge to achieve a portion of Griffin's original geometry. Since the purpose of the land bridge is to link Civic and the lake at West Basin, the north/south street pattern making this connection is considered important. Any amalgamation of the sections should not block the north/south pedestrian connections.

5.2.4 City Hill site on London Circuit

The City Hill site on London Circuit site has the following major characteristics:

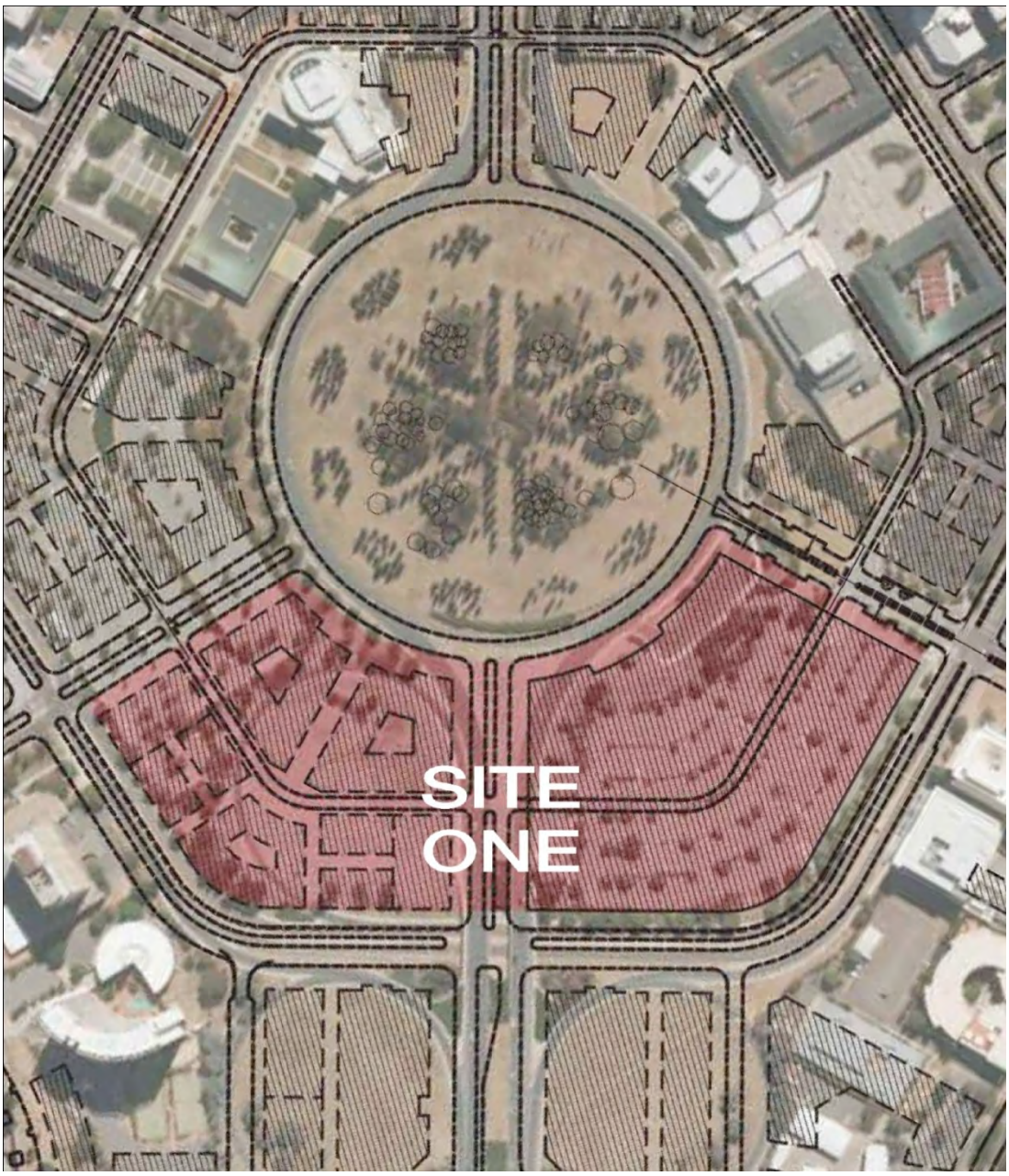
- This site would comprise the area of land bordered by Vernon Circle, London Circuit, Constitution Avenue and Edinburgh Avenue which included Block 11 Section 19 City. It is not proposed that the site will include City Hill. However, there will be strong pedestrian connectivity between the site and City Hill;
- There is the potential to extend the site as the Commonwealth Avenue turning circles are converted to development sites, consistent with the Griffin Legacy;
- Site area is approximately 52,000m²;
- The site is large enough to accommodate the proposed Australia Forum and would provide convenient level changes to conceal servicing etc. The site is clearly large enough to allow for expansion of the exhibition space in the future;
- The site is currently underdeveloped as surface car parking and unused open space including inaccessible land contained within traffic loops;
- There is a significant slope on the site from Vernon Circle down towards London Circuit. This will present both design opportunities and constraints for the site;
- To fully utilise this site, it will be necessary to implement major road works and traffic reconfiguration to transform Vernon Circle to a pedestrian friendly urban street with reduced traffic flow and extend Constitution Avenue as proposed in the Griffin Legacy;
- The site presents strong opportunities to engage with City Hill;
- The site itself offers opportunities for expansion and or complimentary development such as hotels. Implementation of roadworks associated with the Griffin Legacy will release the potential of this area of the city;
- Access to the site is already available from London Circuit and VIP access would be possible off Vernon Circuit combined with a main front-door address direct to City Hill;
- The site has an "inner city" location with potential strong access to open space on City Hill with magnificent vistas to the lake and Parliament House. The site is the most central to the City of the three subject sites. The site is within walking distance of many existing Civic hotels and restaurants;
- The facilities would be located adjacent to the proposed new ACT Government Offices. There would be numerous opportunities to co-locate facilities. Significantly, there would be opportunities to share security measures and infrastructure;
- The site is located on the corner of the Parliamentary Triangle on a significant site within the context of the Griffin Plan;
- There is potential to create an iconic building Vernon Circle and engaging with City Hill. The building would also have a strong presence from London Circuit. Active street frontages can be developed to suit this inner city location;

- There are approximately 950 hotel rooms of at least 4 star quality within walking distance of the site;

- The infrastructure required to create or prepare this site for the construction of the Australia Forum could be co-shared with construction and road works required for the proposed new ACT Government Offices; and

- Occasional street closure to London Circuit for security purposes would cause substantial interruption to City traffic. There would be limited capacity to isolate the site for security purposes.

Figure 25: City Hill site



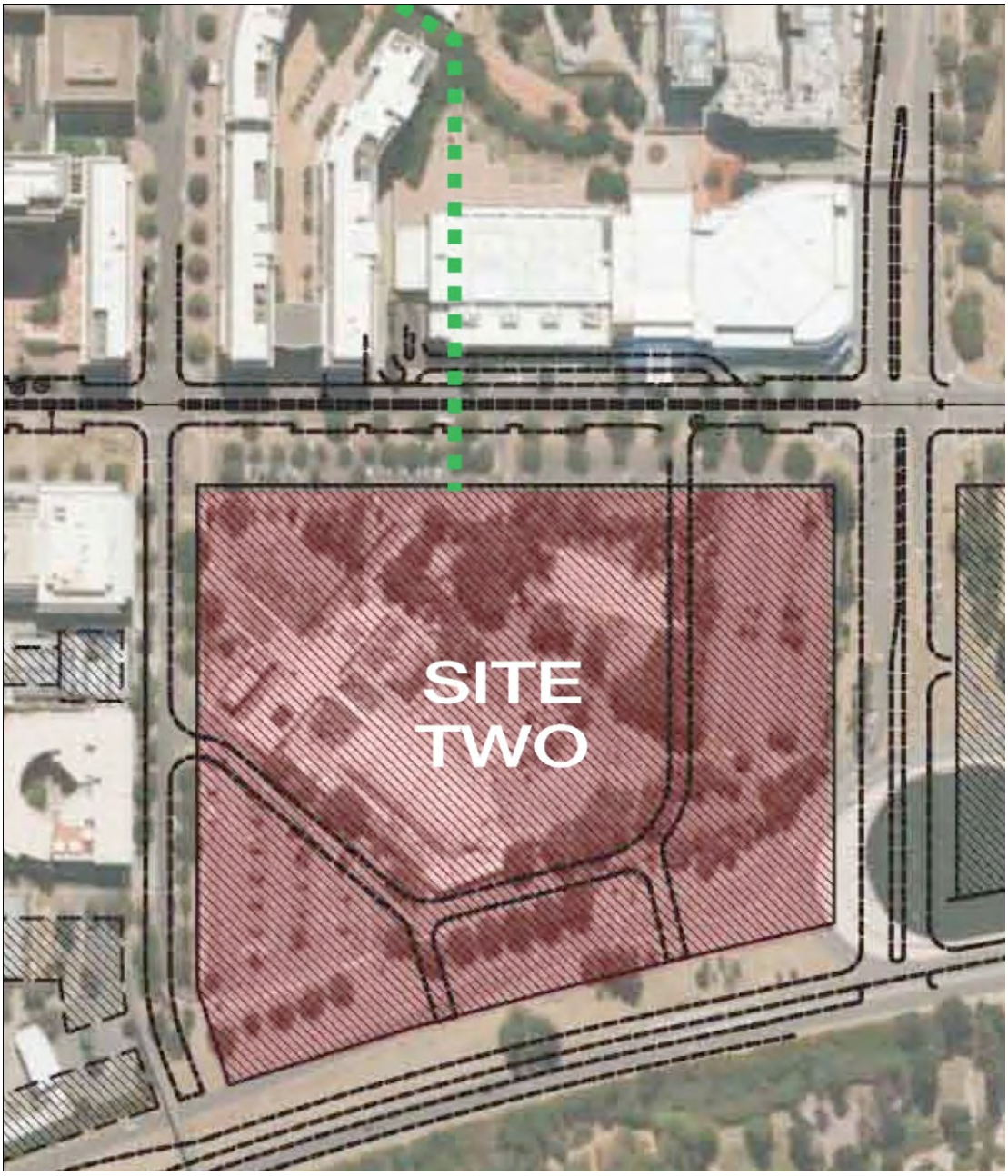
Site Area: 52,000 m^2
Note: Proposed Griffin Legacy roadworks shown in dashed lines over existing road layout.

5.2.5 Constitution Avenue Site (current Civic Pool site)

The Constitution Ave site has the following major characteristics:

- This site amalgamates Sections 37 and 62 and includes the removal of the retention basin and round-about at the intersection of Parkes Way and Coranderrk Street proposed in the Griffin Legacy;
- The site area is approximately 54,000 m²;
- The site is large enough to conformably accommodate the proposed Australia Forum facility as well as one or two new hotels or one hotel and/or a new multi-level indoor sports club and swimming centre;
- Access to the site is already available from Constitution Avenue, Allara or Coranderrk Streets;
- The main address to the facility would be from Constitution Avenue, taking advantage of proximity to the existing convention centre location;
- There is potential to create an iconic building addressing Constitution Avenue. Active street frontages can be developed to suit the inner city location. There is also the potential to create a future link to Glebe Park with direct access to City Walk;
- The existing Civic Pool buildings on the site have an interim heritage listing. However, there is allowance for removal of the pool facilities if a more appropriate Civic use for the site arises. The use of this site assumes the removal of the existing pool facilities is possible;
- There are approximately 950 hotel rooms of at least 4 star quality within walking distance (1km) of the site. The site is close to City amenities;
- The site is within the Parliamentary Triangle, but is a relatively low profile site with limited iconic value;
- The site can be linked directly to Commonwealth Park via an upper level pedestrian bridge across Parkes Way, connecting hotel and convention foyers to the Park and the Lake;
- Direct and secure access from Parkes Way allows for high security VIP vehicular access from the highway system; and
- The infrastructure required to create or prepare this site for the construction of a convention and exhibition facility is considerably less than other sites being considered.

Figure 26: Constitution Avenue site



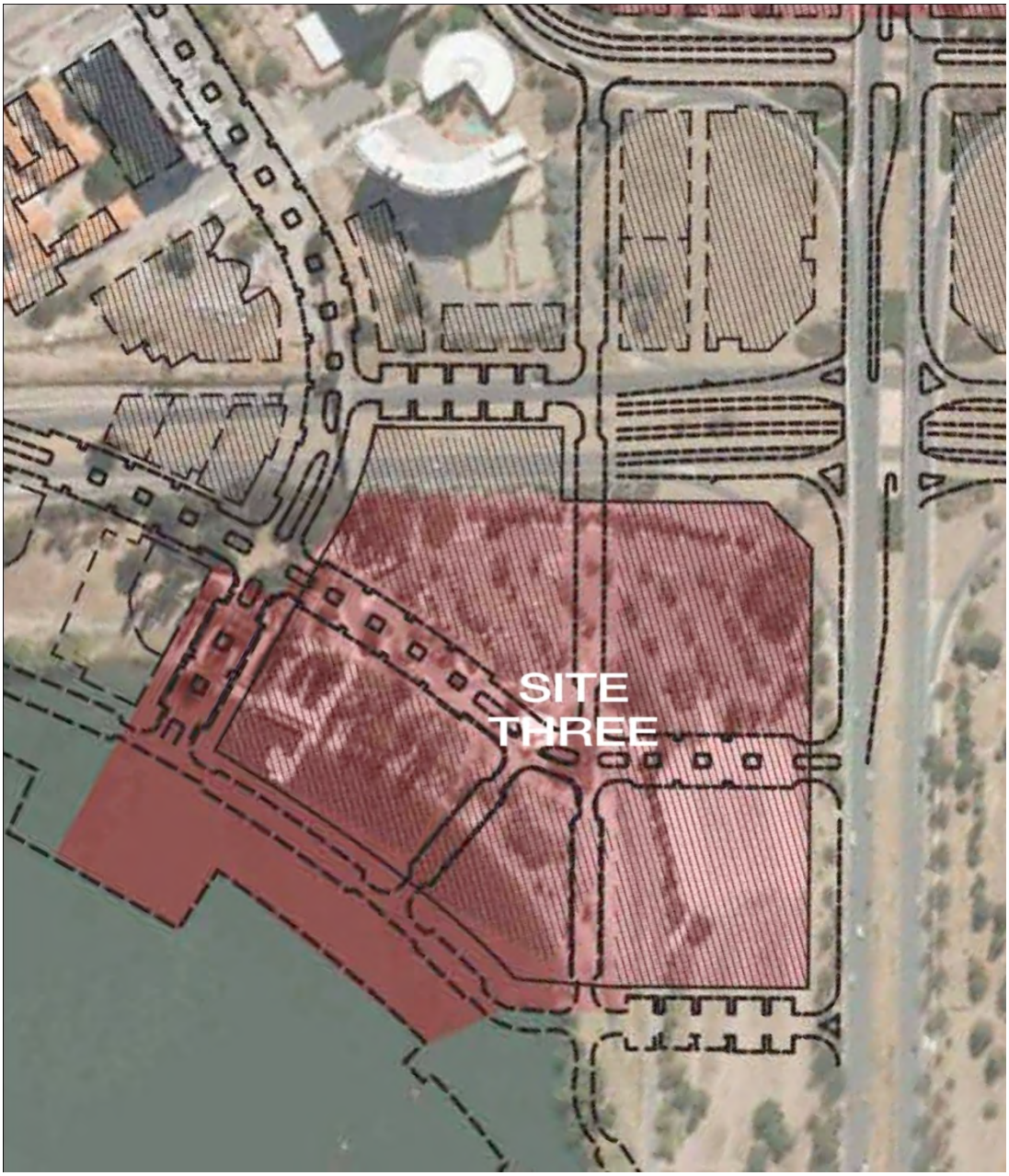
Site Area: 54,000 m^2
Note: Proposed Griffin Legacy roadworks shown in dashed lines over existing road layout.

5.2.6 Lake Front Site in West Basin

The Lake Front site has the following major characteristics:

- This is a prominent and high profile site on an important Lake-edge location. It has strong potential for an iconic building with landmark water views;
- The site is currently underdeveloped as surface carparking;
- The site area is approximately 41,000m², which is sufficient to allow for future expansion as well as the co-location of compatible facilities;
- This site requires the construction of a land bridge over Parkes Way and a new surface road network before it could be developed. These infrastructure changes are described in the Griffin Legacy. The infrastructure costs required to create this site would be significant, but should be considered in the context of the Griffin Legacy objectives to connect the City centre to the Lake;
- The land bridge proposed in The Griffin Legacy creates a significant height change as the bridge crosses Parkes Way and descends to the lake. This site can take advantage of this height change;
- The site has a pronounced fall towards the Lake, however this topography is insignificant compared to artificial earthworks associated with the construction of a land bridge over Parkes Way;
- The site would form an important link between City based amenities and parliamentary triangle based cultural and tourist facilities;
- In developing this site, it will be important to maintain the pedestrian/public north/south permeability between the City and the Lake whilst linking facilities/sites in the east-west direction;
- The site has excellent connectivity to high quality open space;
- Approximately 900 hotel rooms of varying standards are located within approximately 1km of the site; and
- VIP security access would be achievable from a Parkes Way direct underground connection.

Figure 27: Lake Front site



Site Area: 41,000 m^2
Note: Proposed Griffin Legacy roadworks shown in dashed lines over existing road layout.

5.3 Indicative designs and site suitability

This scoping study is based on assumptions as to the required size of the proposed Australia Forum facility developed from the functional requirements provided by the Canberra Convention Bureau. Although these assumptions are not definitive, they provide a reasonable basis for this study.

The analysis has identified some requirements for the site and a series of criteria that are useful in assessing the advantages of each site.

The following sections summarize the main issues concerning each site. Recommendations are given in the final section.

5.3.1 Criteria for assessing site adequacy

5.3.1.1 Site area and scope for expansion

It is necessary that the selected site has sufficient area to accommodate the required functions. There may be capacity for locating certain facilities, such as a hotel, on an adjacent site. Scope for expansion is a highly preferable site attribute.

5.3.1.2 Site and infrastructure costs

Costs are an obvious consideration in any site analysis, but should not be over-emphasised or considered in isolation. It is preferable to select a site which meets the needs of the Australia Forum project, rather than one which is merely cheaper to develop.

Certain sites require increased capital works and infrastructure costs due to integration with Griffin Legacy plan infrastructure works. These sites, particularly the London Circuit and Lake Front sites, will not function effectively without those works. However, associated infrastructure costs should not be seen as a charge on the Australia Forum alone, but rather considered in the context of long-term planning for the National Capital and subject to appropriate cost-sharing.

5.3.1.3 A national site

Implicit in the objectives of Australia Forum is a strong emphasis on selecting an 'iconic' site - a high profile site of National significance which contributes to the quality of Canberra and its Central Area. Accordingly, this criterion needs to be given significant weight in the site selection process and should not be outweighed by cost or traffic arrangements.

5.3.1.4 Planning controls, heritage and environmental Issues

This category is of relatively low importance, given minimal differences between the sites.

5.3.1.5 Proximity to the city and city amenities

The development of the city based sites has benefits for Civic. However, these benefits should not be given more importance than achieving the most effective and functionally appropriate facility.

Proximity to the existing convention centre is useful, but should not be given overriding emphasis. The Australia Forum is markedly different from the local and regional character of the existing convention centre.

5.3.1.6 Security

The significance of security as a site selection criterion is explicitly recognised in the project goal.

If the Australia Forum is to fulfil its role as a "national" venue for events, conferences and dialogue it will involve extensive use by government, diplomatic, intelligence and defence organisations. These users have particular security requirements, which will need further analysis prior to site selection.

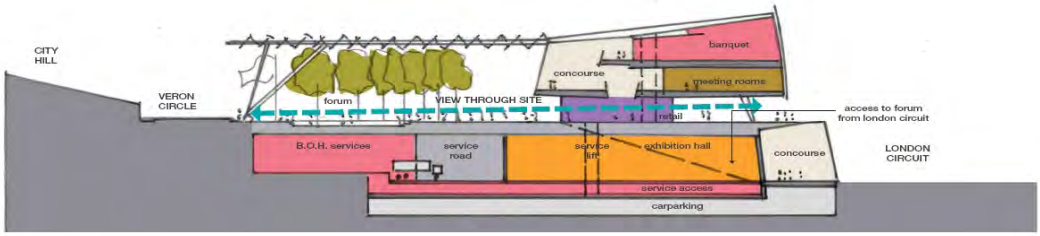
5.3.1.7 Traffic management

Strategic consideration of traffic management arrangements for each site has been given during the development of design concepts. This has ensured multiple avenues for entry and egress from the site to respond to security and operational management. Planning objectives for connectivity to the city would be facilitated particularly in the case of the Lake Front site.

It is considered that traffic generated from the Australia Forum will be able to be accommodated within the framework of the city's transport system. More detailed analysis would be conducted during the design development process. It is noted that the City Hill site is dependent on significant changes to the traffic and road configuration at City Hill, most of which have been foreshadowed in the Griffin Legacy. This also includes the removal of two existing traffic clover leaves.

5.3.2 City Hill site on London Circuit

Figure 28: Indicative design of Australia Forum on City Hill site



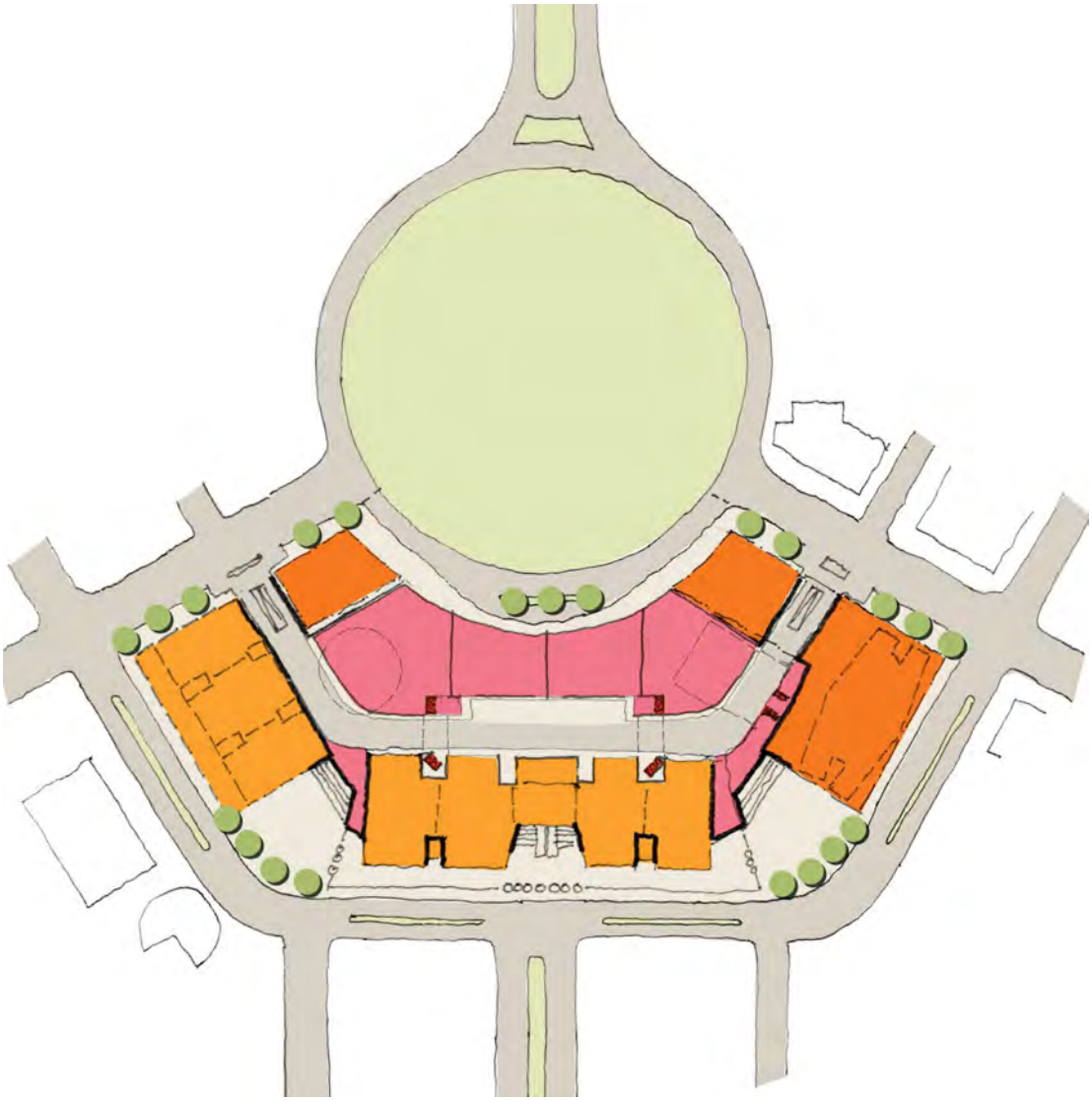
Section

Artist Impression

Artist Impression

AUSTRALIA FORUM
COX ARCHITECTS

Figure 29: Lower ground floor plan of Australia Forum on City Hill site

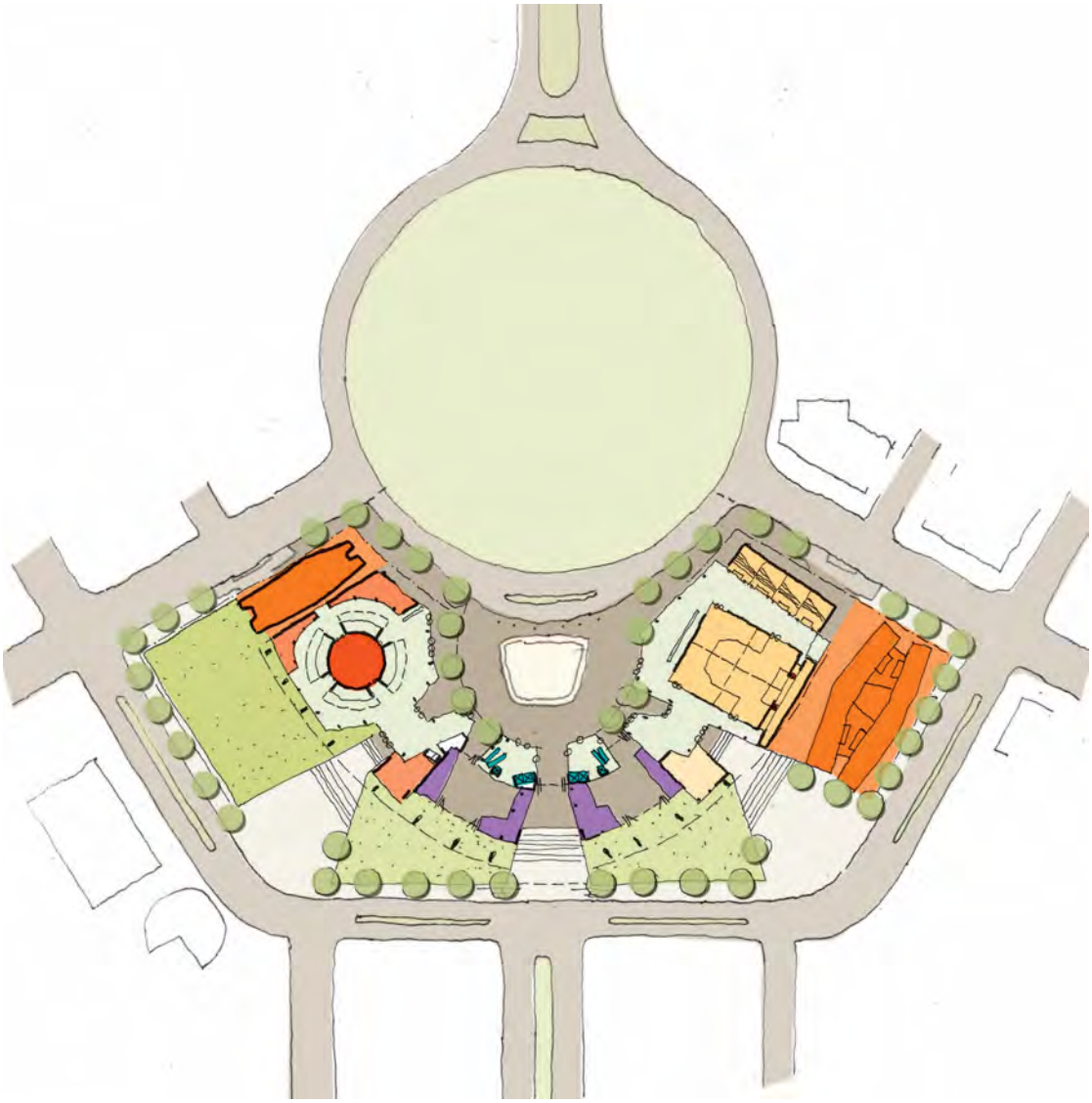


LEGEND

- public circulation
- public lifts
- service circulation
- service lifts
- meeting rooms
- banquet
- plenary hall
- exhibition hall
- future expansion
- hotel
- centre for dialogue
- retail

Lower Ground Plan

Figure 30: Upper ground floor plan of Australia Forum on City Hill site



LEGEND

- public circulation
- public lifts
- service circulation
- service lifts
- meeting rooms
- banquet
- plenary hall
- exhibition hall
- future expansion
- hotel
- centre for dialogue
- retail

Upper Ground Plan

Figure 31: Level 1 and level 2 plan of Australia Forum on City Hill Site

Level 2 Plan

Level 1 Plan

5.3.2.1 Site area

The site area is adequate but not ideal. Expansion is somewhat limited unless adjacent sites are utilised. Truck servicing and turning requirements will consume a significant area, and will therefore need to be located underneath the main building structure with access off London Circuit.

5.3.2.2 A national site

The site has high iconic value: Vernon Circle is an element of the Griffin Legacy and the site would also reinforce the significance of (and access to) City Hill. Use of the site for meeting, dialogue and performance facilities would be consistent with city master planning. There is a definite opportunity for a building of high iconic value to be developed on this site.

Changes to Vernon Circles could create an effective direct link to City Hill and create a main address to the significant open space of City Hill.

5.3.2.3 Time and cost to create the site

The site will present significant costs associated with road works, particularly to Vernon Circle. These costs need to be considered in the context of implementing the Griffin Plan. There is an opportunity to share some site infrastructure costs with the proposed new ACT Government Offices.

The steep topography of the site will present some design opportunities but also potentially increase construction costs.

5.3.2.4 Heritage issues

There are no significant heritage issues on the site.

5.3.2.5 Proximity to city

Of all the subject sites, the London Circuit site offers the greatest potential for integration with existing city amenities. In particular, this site will create a significant opportunity for City Hill to become the focus of the city and will encourage pedestrian connection to this open space. Additionally, its location near the proposed new ACT Government Offices presents positive functional adjacencies.

5.3.2.6 Hotels

There is insufficient site area for the location of a hotel, however a hotel may be located on an adjacent site if the Commonwealth Avenue turning junctions are reconfigured as part of the Griffin Legacy. The site is proximate to 950 hotel rooms of the appropriate standard.

The adjacent site may be able to support a 300 to 400 room hotel.

5.3.2.7 Vehicular access

The main address for the facilities needs to be City Hill. Parking and service access would be best occurring off London Circuit at the lower ground level. The pronounced site slope suggests vehicle and servicing access is possible under the main building, thus separating service and pedestrian access.

5.3.2.8 Security

The London Circuit site presents strong opportunities for shared security infrastructure with the proposed adjacent ACT Government Offices. The London Circuit site offers limited opportunities for isolation, but strong opportunities for integrated approach to security. Road closures to London Circuit would have a substantial impact on city traffic.

5.3.2.9 Summary of advantages and disadvantages

The key advantages of locating Australia Forum on the City Hill site are as follows:

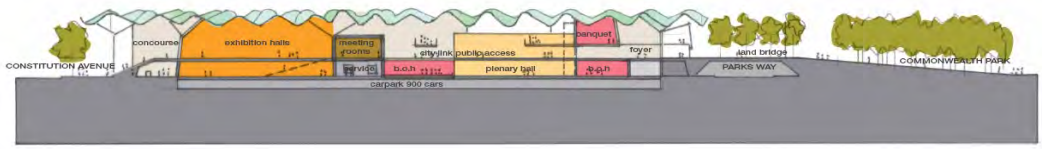
- The site accommodates all Australia Forum components and 'non-core' elements such as hotel;
- The site provides reasonable future expansion of exhibition halls;
- Service roads to halls and back of house areas can be buried out of site, provided that Constitution Avenue and Edinburgh Avenue are extended through to Vernon Circle as per the Griffin legacy;
- Site and built form have axial visual relationship with the Parliamentary Triangle;
- Potential to integrate adjoining City Hill segment as an outdoor amphitheatre (Peoples Space), although segregated from site by a 'calmed' Vernon Circle;
- Outstanding panoramic views over the city and beyond;
- Built form can be highly visible;
- Roofs of exhibition halls can be 'green roofs' accessed at grade with entry plaza – environmental positive and like Parliament House, connotes the people's 'ownership' of the place;
- Green roofs could contain retail/lifestyle elements;
- It is possible to create controllable daylight shafts from green roofs into exhibition halls (if permissible), which can differentiate typology, enhance visual interplay and assist environmentally; and
- Potential for a lightweight parasol to act as main architectural form conveying integrated meeting venue.

The key disadvantages of locating Australia Forum on the City Hill site are as follows:

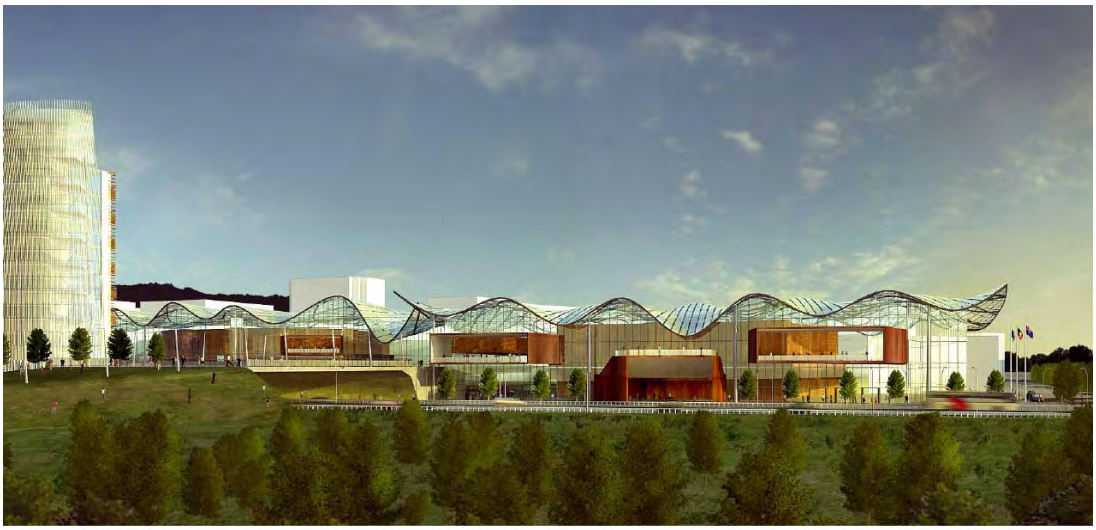
- The site requires major road and traffic changes, principally in line with the Griffin Legacy. Constitution Avenue and Edinburgh Avenue need to extend through to Vernon Circle and Commonwealth Avenue would need to be diverted into London Circuit; and
- The green roof over long spans is expensive.

5.3.3 Constitution Avenue site

Figure 32: Indicative design of Australia Forum on Constitution Avenue site



Site 2 – Section



Site 2 – Artist Impression

Site 2 – Artist Impression

AUSTRALIA FORUM

COX ARCHITECTS | (

Figure 33: Ground plan of Australia Forum on Constitution Avenue site

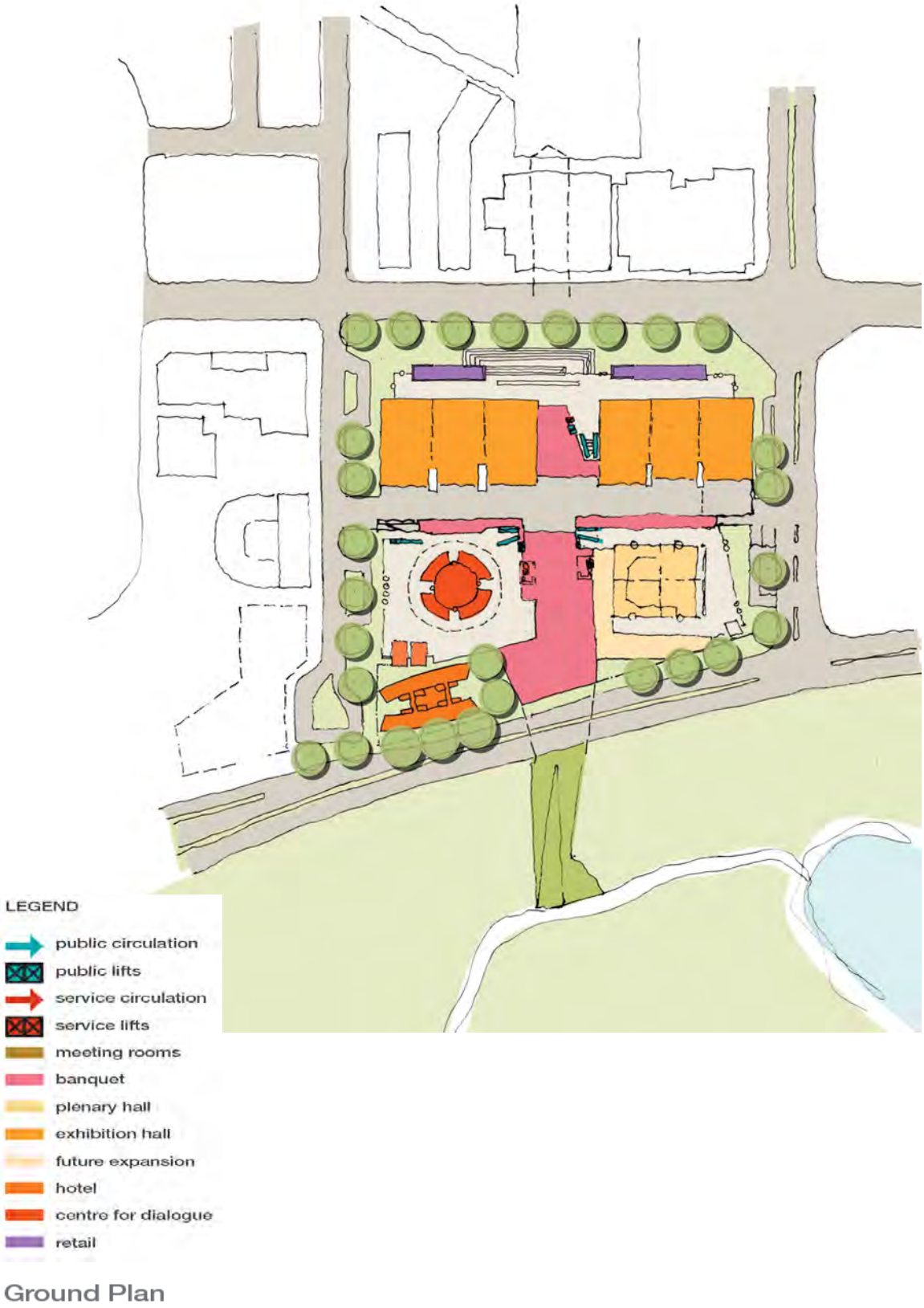
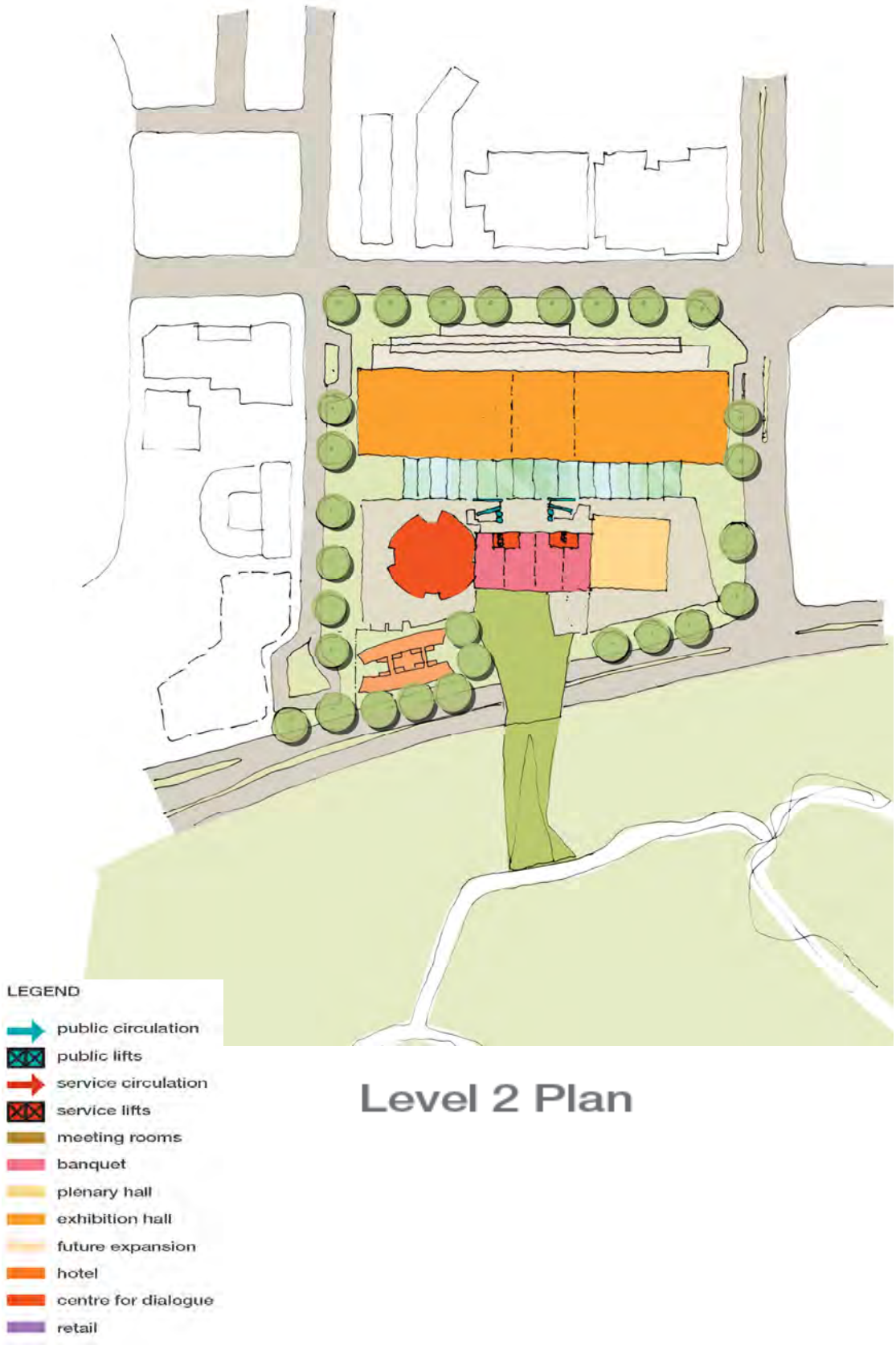


Figure 34: Level 1 plan of Australia Forum on Constitution Avenue site

Figure 35: Level 2 plan of Australia Forum on Constitution Avenue site



5.3.3.1 Site area

The potential site area available, particularly if the proposed changes to the Parkes Way/ Coranderrk Street intersection are implemented, is sufficient for the proposed convention and exhibition centre including future expansion, as well as one or even two hotels. The area is also sufficient to allow an economical and functional design of the new building, including the ability to provide a single basement level car parking area for 800 cars.

5.3.3.2 A national site

The objective in the Griffin Legacy Strategic Initiatives for Constitution Avenue to become "...the elegant high street of the city, lined with shops, cafes, and a mix of commercial, entertainment and residential uses...." can be achieved with the Australia Forum, hotel, restaurant and public swimming/sports facilities described above.

5.3.3.3 Time and cost to create the site

As the site does not require significant infrastructure changes, the time and cost involved in establishing the site are both comparatively modest. There would be some additional costs associated with proving new swimming facilities to replace the existing.

5.3.3.4 Heritage issues

The existing swimming pool facilities have been nominated for inclusion on the ACT heritage list (currently level 1 status – nomination only). The supporting citation does allow for the demolition of the pool facilities under certain circumstances, particularly related to the "public good". The decision to elevate this nomination above level 1, or to remove it from nomination is at the discretion of the ACT Government.

5.3.3.5 Retaining and improving pool facilities in Civic

An opportunity exists to relocate a new modern pool facility along with additional supporting health and sporting facilities for Civic within the site. These facilities would complement a new hotel, provide an additional attraction for conference delegates, and provide Civic with vastly improved swimming and exercise facilities.

5.3.3.6 Hotels

The site is able to accommodate two significant hotels as well as being within walking distance to some 950 existing hotel rooms.

One or two 8-storey 300 to 400 room hotels can be accommodated on this site along with the convention and exhibition facilities and new public pool facilities. Along with the main entry foyer to the convention facility, the hotel(s) and exercise facilities will provide an active street front to this important section of Constitution Avenue.

5.3.3.7 Vehicular access

The existing street network surrounding the site is capable of providing suitable truck and car access to the site including separate entry points for trucks, secure VIP access, and commercial parking facilities.

5.3.3.8 Security

The site has the potential for secure VIP entry. Due to a degree of separation from the city, it could effectively be 'shut-down' for security purposes. Additionally, its proximity to Australian Federal Police, Intelligence and Defence facilities may be advantageous. Road closures to Parkes Way, Constitution Avenue or Coranderrk Street would have limited impact on traffic circulation as there are alternative routes. However, if more than one of these routes was closed, traffic would be substantially impacted.

5.3.3.9 Summary of advantages and disadvantages

The key advantages of locating Australia Forum on the Constitution Avenue site are as follows:

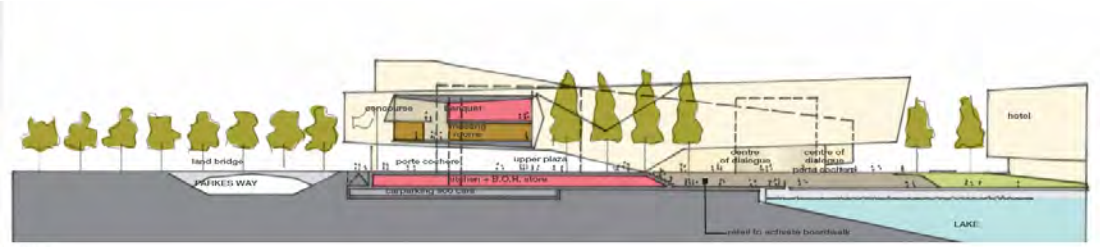
- Size and shape of the site are suitable for the Australia Forum elements and 'non-core' elements such as hotels, office and research buildings;
- Scheme can terrace up and over Parkes Way via a land bridge to link across into Commonwealth Park;
- This concept allows for service roads to be concealed under an elevated ground plane;
- Ability to create clear functional diagram with distinct setdowns for each major destination – Centre for Dialogue, Plenary hall, Exhibition Halls (useful if multiple independent activities taking place simultaneously;
- Hotel(s) can have excellent park and lake views as well as enjoying north/south orientation;
- Site can be seen as an extension to City Walk;
- Central open space (Forum) can have lightweight iconic canopies; and
- Proximity to existing convention centre site.

The key disadvantages of locating Australia Forum on the Constitution Avenue site are as follows:

- Site has the least presence and identity of the three options in relation to the city and the Parliamentary Triangle;
- On-grade car parking fronting Parkes Way could be a visual problem;
- Elevated central open space forms the roof to the back of house and carparking – this is expensive as is the land bridge structure;
- Maintaining public link access through the site will potentially conflict with operations; and
- Limited expansion opportunities.

5.3.4 Lake Front site

Figure 36: Indicative design of Australia Forum on Lake Front site



Section

Artist Impression

AUSTRALIA FORUM

COX ARCHITECTS

Figure 37: Lower ground plan for Australia Forum on Lake Front site

LEGEND

- public circulation
- public lifts
- service circulation
- service lifts
- meeting rooms
- banquet
- plenary hall
- exhibition hall
- future expansion
- hotel
- centre for dialogue
- retail

Lower Ground Plan

Figure 38: Ground plan of Australia Forum on Lake Front site

Figure 39: Level 1 plan for Australia Forum on Lake Front site

5.3.4.1 Site area

The site area is adequate for the proposed facilities including expansion. However, the available site area is dependent on large scale infrastructure works to Parkes Way and the Lake edge. The proposed future street grid will need to ensure public permeability north/south between the city and the Lake.

5.3.4.2 A national site

The Lake Front site has the potential for becoming a site of National significance. It is a high profile site with the opportunity to reinforce the urban design goals of the Griffin Legacy. The site can exploit views over the Lake and towards either Parliament House or the National Museum.

5.3.4.3 Time and cost to create the site

Time and cost to create the site will be significant due to the required construction of the land bridge and road access. It is likely to be one of the most involved and expensive of the sites considered.

5.3.4.4 Utilising height changes in the land bridge

Due to the restricted size of the site available, the cost consequences of building convention facilities (or a hotel) on top of the exhibition hall would be significant. Similarly, all truck manoeuvring areas at ground level would consume a significant portion of the available site area. Equally, these height changes could provide sub-grade or overhead linkages between sites.

5.3.4.5 Land reclamation

The Lake Front site fulfils the Griffin Legacy National Capital Plan amendments, which provide for stronger connections between the city and the lake through the use of a pedestrian promenade that extends around the lake front.

5.3.4.6 Heritage issues

There are no major heritage issues for the site.

5.3.4.7 Hotels

The site is proximate to 900 hotel rooms of the appropriate standard and has the potential to be well connected to the hotel district in New Acton.

5.3.4.8 Proximity to city

The site requires the development of the land bridge over Parkes Way in order to have any realistic pedestrian connection to Civic.

With the proposed land bridge, the site has the potential to connect well to City West and become an important link between the city and cultural/tourist facilities in the Parliamentary Triangle and other lakeside locations. There is no capacity to connect the Lake Front site to the existing convention facilities.

5.3.4.9 Joining the city to the lake with the land bridge

The proposed new shore line at the foot of the land bridge varies in distance from Parkes Way between approximately 100 to 200 meters which may result in gradients on the land bridge in excess of 1:20 in some locations.

5.3.4.10 ***Vehicular access***

The extensive infrastructure works associated with this site means there is the opportunity to fully integrate the required parking and vehicular access without the restrictions imposed by existing street structures. Alternative public car parking would need to be addressed.

5.3.4.11 ***Security***

The site is relatively isolated from the city and could accordingly be 'shut-off' as required. Further analysis is required to determine whether a site should be isolated or integrated for security purposes. There is the opportunity for a secure, underground VIP entrance off Parkes Way. Of the sites considered, the Lake Front site is likely to provide the greatest opportunities for high level security.

5.3.4.12 ***Summary of advantages and disadvantages***

The key advantages of locating Australia Forum on the Lake Front site are as follows:

- Planning configuration can take great advantage of lakefront to create 'lifestyle destination' in Canberra. This will overcome the problem of the increasing number of convention and exhibition type facilities which interact poorly with cities due to their scale and predominately internalized functionality;
- Site configuration lends itself best to an informal geometry and atmosphere;
- The 'lifestyle' precinct on the waterfront acting as an open 'meeting place' is almost guaranteed to attract visitation unlike other options.
- There is a strong visual relationship with the Parliamentary Triangle and Parliament House;
- The site creates a highly visible and accessible "place";
- Exhibition halls can expand;
- All core elements have excellent views over the Lake;
- Non-core elements such as hotel and retail can have excellent aspect over the lake along with space for landscaping;
- This site allows the design of an organic landform type design solution which fully expresses the idea of a new meeting place compared with the other options; and
- The proposed land bridge(s) over Parkes Way directly connect the facility with Civic and realize the principles of the Griffin Legacy.

The key disadvantages of locating Australia Forum on the Lake Front site are as follows:

- Reclamation of lake front required in order to achieve the Griffin Legacy vision;
- Vehicular access into the site required from north bound Commonwealth Avenue traffic;
- Vehicular access also required from Parkes Way west bound traffic; and
- Size of land bridge(s) is flexible and can be increased in size as required.

5.4 Overall assessment of site suitability

Table 6 provides an assessment of each of the Australia Forum site options against a range of factors that are likely to influence both the demand for facilities on each of those sites, as well as a range of supply side considerations, which includes site suitability for the indicative designs and construction costs.

All of the sites considered are appropriately sized and located with the potential to be developed as a large scale meeting and event venue. However, the site analysis strongly distinguishes between sites with iconic advantage and those with pragmatic advantages.

The Constitution Avenue site has obvious practical benefits of large area, flatter topography and significantly lower infrastructure costs.

Conversely, the London Circle and Lake Front sites present opportunities for visionary buildings on iconic, high profile sites which will substantially contribute to the implementation of the Griffin Legacy plans.

Site selection, therefore, involves strategic decisions about the role and function of the proposed facilities. The objectives outlined in the Scoping Study strongly emphasize the national status of the facilities and the requirements for an iconic site which relates to Lake Burley Griffin and the Griffin Legacy plan. For these reasons, a site with high iconic value is preferred.

Of the two iconic sites, both the London Circuit site and Lake Front site and present strong opportunities with distinct advantages for creating a "national" facility.

The London Circuit site has excellent proximity and connectivity to the city. An inner city location will provide opportunities for active street frontage and greater public interaction with the facilities, flow-on benefits for Civic retail and service businesses and improved amenities for users of the Australia Forum facilities. Significantly, the London Circuit site has an iconic location at the corner of the Parliamentary Triangle and with potential to connect to City Hill and possibly to Commonwealth Park.

The Lake Front site will place the facilities in the lakeside context of other national institutions, such as the National Library or the National Museum of Australia. Its more discrete location will present definite security benefits and may be more appropriate for facilities without active street frontage. Additionally, the extensive development required on the site will mean that a fully integrated parking and vehicular access scheme can be developed without the restrictions imposed by existing street patterns. However, the effectiveness of this site is dependent on the construction of a land bridge over Parkes Way- without this significant connection the site remains remote and disconnected from city amenities.

Whilst the Lake Front site offers superior potential to achieve the strategic objectives of Australia Forum there are infrastructure requirements associated with the site which are perhaps less demanding than the changes associated with the London Circuit site.

The Lake Front site offers some advantages in relation to security due to the ease of being able to physically isolate the site in comparison to the other two sites. The lake itself offers security benefits in that it is both visually clear and easy to 'secure'.

There is a shared ambition by both the ACT Government as well as the National Capital Authority to create and develop stronger links between the city centre and the lake. The Griffin Legacy has laid out a vision and some principles as to how this might be achieved.

The Lake Front site certainly implements this vision and could drive the development and infrastructure necessary to achieve that vision.

Overall, this assessment reveals that each of the potential sites for Australia Forum have their own relative merits.

On balance, the final site selection for the Australia Forum should be influenced by a range of issues determined through the development of design options, the assessment of planning issues, and cost implications.

The Lake Font site design studies demonstrate many advantages for both the Australia Forum project as well as contributing significantly to the Griffin Legacy vision. However, all three of the identified sites offer viable solutions with relative merits.

The final selection should be made by decision makers having regard to all of the relevant strategic considerations at the time, including the capacity to deliver associated infrastructure requirements.

Table 6: Assessment of sites against demand and supply side considerations

CRITERIA	WEIGHT	SITE 1 CITY HILL		SITE 2 CONSTITUTION AVENUE		SITE 3 LAKE FRONT	
		Score	Comment	Score	Comment	Score	Comment
SUPPLY SIDE CONSIDERATIONS							
Suitability of site for proposed venue	**10%**	**35**		**40**		**38**	
Site adequacy							
Sufficient land for proposed development		5	Large site	5	Large site	4	Large site after land reclamation
Room for expansion							
On-site expansion		3	Reasonable, but forces long, linear configuration	1	Minimal expansion possible	2	Expansion possible on adjacent site
Off-site expansion		3	Possible additional sites	2	Limited	3	Possible additional sites
Capacity for integrated lifestyle elements		3	Green roof and commercial opportunities	3	Elements around Forum space	5	Waterfront lifestyle as a destination
Scope for landscape integration/expression		3	Green roof and relation to City Hill	3	Connection to Commonwealth Park	5	Organic landscape form to water
Access to site by constructors and service suppliers							
Ease of access during construction		3	Access during construction difficult due to central location	5	Easiest site to access during constuction	4	Some problems with access during constuction
Service access and concealment		4	Internal service road conceals servicing	4	Can conceal	2	Concealed after expansion
Distinct component address (affects security)		3	Tends to favour one central address	5	Three access frontages	3	Dependent on main road access
Ease of planning and construction							
Planning efficiency		3	Stretched linear layout not perfect	4	Flexible	3	Reasonably good
Disruption to city during construction		3	Significant disruption to city during construction	5	Little disruption to city during construction	4	Some disruption to city during construction
Dependency on off-site infrastucture changes		2	Major road works required	3	Land bridge over Parkes Way required	3	Bridge over Parkes Way required
Intergration with other infrastructure	**10%**	**23**		**18**		**20**	
Proximity to off-site accommodation		5	Close to proposed 5 Star hotel	4	Less close to proposed 5 Star hotel, but close to hotels in City	3	Less close to proposed 5 Star hotel, but close to hotels and high rise residential accommodation near lake
Proximity to City		5	In city	4	City fringe	**3**	City fringe - but would provide access to lake from city
Proximity to ANU		4	Vehicle access	3	Vehicle access	5	Closest to ANU. Easy pedestrian and vehicle access
Proximity to Parliament/Government agencies		5	Vehicle access	4	Vehicle access	4	Vehicle access
Proximity to other Canberra Tourist Destinations		4	Vehicle access to other destinations	3	Vehicle access to other destinations	5	Permits ferry and pedestrian/cycle access to other iconic tourist destinations around the lake
Commercial opportunities	**15%**	**12**		**10**		**14**	
Services to delegates		4	Good potential to provide services to delegates	5	Large site - provides greatest scope and flexibility to provide services to delegates	4	Good potential to provide services to delegates
Services to tourists		4	Good potential to provide services to tourists	3	Good potential to provide services to tourists - but less than more central city or lake side site	5	Greatest potential to provide services to tourists - would enable Australia Forum to act as hub for tours to lakeside attractions
Services to ACT residents		4	Good potential to provide services to Canberra residents	2	Less attractive to ACT residents - less potential to provide services to Canberra residents	5	Greatest potential to provide services to Canberra residents - only lake side precinct
Environmental impacts	**5%**	**3**	Larger impact on City Hill	**5**	Potentially lowest environmental impact	**3**	Impact of land reclaimation and commercial development on lakeside
Community acceptance/expectations	**5%**	**4**	Potential commuter opposition to any major diversion of traffic flow along Northbourne Avenue to Woden (likely to require tunnel under City Hill to alleviate those concerns)	**3**	Avoids need for any major traffic flow diversion, but unlikely to be received as positively as Lakeside precinct development	**5**	Lakeside development likely to be welcomed by many ACT residents but could be opposed by some sections of the community
Costs:	**15%**	**8**		**14**		**11**	
Capital costs:							
Direct capital costs		1	Highest capital costs	5	Lowest capital costs	4	Second highest capital cost
Related capital costs		2	Significant road changes required	4	Bridge over Parkes Way required	2	Bridges and land reclamation required
Operating costs:		5	No significant differences between sites	5	No significant differences between sites	5	No significant differences between sites

Table 7: Assessment of sites against demand and supply side considerations (cont)

CRITERIA	WEIGHT	SITE 1 CITY HILL		SITE 2 CONSTITUTION AVENUE		SITE 3 LAKE FRONT	
		Score	Comment	Score	Comment	Score	Comment
DEMAND SIDE CONSIDERATIONS							
Functionality of site from user's perspective:	**15%**	**13**		**18**		**18**	
Delegate flow within venue		4	Larger City Hill site provides better delegate flow	5	Largest site - best potential delegate flow within venue	4	Delegate flow constrained to some extent, but this could be
Ability to hold multiple functions		4	Larger City Hill site - greater ability to hold multiple functions	5	Largest site - greatest ability to hold multiple functions	4	Ability to hold multiple functions constrained, but could be improved through expansion of site
Security of site		2	Some issues regarging ability to lock down	3	Relatively good, but not isolated site	5	Isolated site that is easy to lock down
Disruption to city during major events		3	More difficult to close off site without disrupting city	5	Able to close off site without disrupting city	5	Able to close off site without disrupting city
Access to site by users:	**10%**	**19**		**17**		**14**	
Access to accommodation		5	Provides best access to widest range of accommodation options	4	Provides good access to wide range of accommodation options	3	Access to off-site accommation options more constrained
Access to car parking facilities		4	Larger City Hill site - better access to on-site car parking	5	Largest site - best access to on-site car parking - but most parking outside not undercover	4	Good access to on-site parking
Access to public transport		5	Best access to public transport	4	Good access to public transport	4	Potentially good access to public transport
Pedestrian access to site		5	Best pedestrian access to and from city	4	Good pedestrian access to and from city	3	Pedestrian access to and from city good once footbridge constructed
Attractiveness of site:	**15%**	**15**		**9**		**20**	
Views		4	Elevated views to Parliament House, but not for all facilities	2	Limited views to Commonwealth Park	5	All elements enjoy water views
New meeting place typology		3	Symmetry constraining - formal configuration	3	Not particularly conducive	5	Waterfront opportunites
Difference from conventional meeting centres		3	Iconic image with green roof	2	Connection to Commonwealth Park	5	Significant lifestyle experience
Presence in the City		5	Axial, elevated and iconic image	2	Not visually prominent	5	Link from City to lake - iconic image
TOTAL SCORE (UNWEIGHTED)	**100%**	**132**	**Third highest ranked option**	**134**	**Second highest ranked option**	**143**	**Highest ranked option**
TOTAL SCORE (WEIGHTED)	**100%**	**15.25**	**Third highest ranked option**	**15.55**	**Second highest ranked option**	**17.05**	**Highest ranked option**

6. Projected demand for Australia Forum

Key Points:

- In order to evaluate the financial and economic costs and benefits of Australia Forum, it is necessary to determine the number of additional events, and therefore "attendee days", that are likely to be generated by Australia Forum.
- This is determined by estimating the difference between the:
  - projected demand for the current NCC facilities (i.e. the Base Case Option) over the period of analysis; and
  - projected demand for the facilities to be provided by Australia Forum (i.e. the Australia Forum Option) over the period of analysis.
- These demand projections are based on a number of sources of information including ICCA data on international meetings, National Business Event Study data and Tourism Research data on national events, Canberra Convention Bureau data on the market for events in the ACT, as well as the results of surveys of government agencies, associations and corporates.
- The results of the demand analysis suggest that following the construction of Australia Forum, there is likely to be a significant increase in the demand for events in the National Capital as a result of a number of key factors including the:
  - quality and appeal of Australia Forum, which will improve Canberra's "image" as a destination for major meetings and events;
  - ability of Australia Forum to hold much larger events as well as several events at one time;
  - increased price competitiveness of Australia Forum, as a result of its ability to reap economies of scale and scope;
  - increasing demand from government for a venue in the National Capital to hold meetings and conferences on issues of national and international importance; and
  - increasing demand from associations, companies and the regional community, given that Australia Forum will have higher quality facilities that are more suited to holding private social events, as well as restaurants, retail outlets and a hotel.
- In view of the uncertainty surrounding future demand, we have projected demand for Australia Forum's facilities under three scenarios: high, most likely and low cases. These scenarios have then been benchmarked against the Base Case Option, which involves the continued use of the NCC's current facilities, to determine the incremental change in projected demand arising from the construction of Australia Forum.
- Further information on the approach used to derive the demand projections outlined in this section is provided in Appendix B.
- Both this section and Appendix B must be read in conjunction with the important disclaimer in Section 9 of this report.

Having identified the functional requirements for Australia Forum, this section of the report provides an overview of:

- the approach used to project potential demand (section 6.1) for:
  - the current facilities provided by the NCC (i.e. projected demand under the "Base Case" Option); and
  - Australia Forum's facilities (i.e. projected demand under the "Australia Forum" Option);
- the projected demand for events under both the Base Case Option and the Australia Forum Option (section 6.2).

Further information on the approach used to derive the demand projections outlined in this section is provided in Appendix B.

Both this section and Appendix B must be read in conjunction with the important disclaimer in Section 9 of this report.

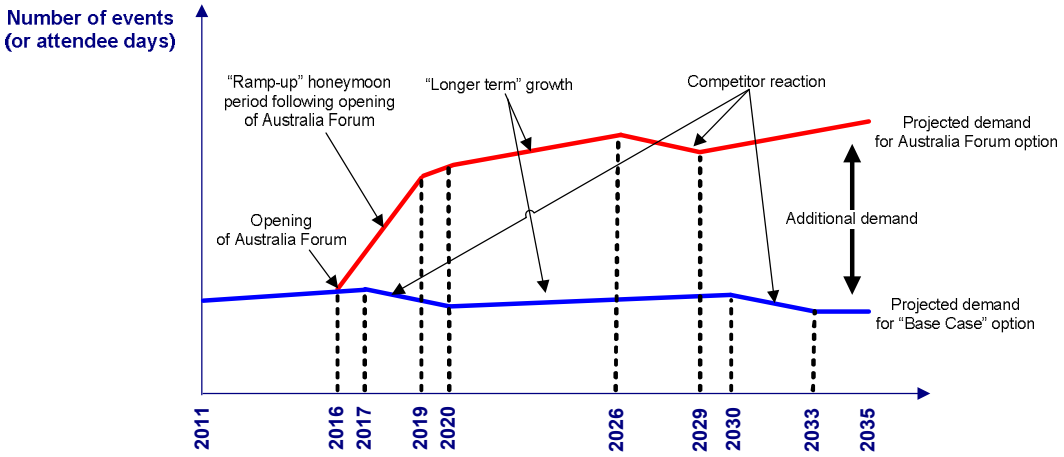
6.1 Approach used to project demand

In order to evaluate the financial and economic costs and benefits of Australia Forum, it is necessary to determine the number of additional events, and therefore "attendee days", that are likely to be generated by Australia Forum.

As illustrated in Figure 40 below, the number of additional events (and "attendee days") likely to be generated by Australia Forum is determined by taking the difference between the:

- projected demand for the current NCC facilities (i.e. the "Base Case" Option) over the period 2012 to 2035 under the assumption that there is no further upgrade of those facilities prior to the end of the period of analysis. This involves projecting demand for the current NCC facilities over both:
  - the last two years (i.e. 2011 and 2012) of the five year "ramp up" period following the re-opening of the NCC after its upgrade (i.e. the "honeymoon" period that normally follows upgrades to business event venues); and
  - the "longer term" (i.e. from 2012 to 2035), over which the NCC can expect to be subject to competitor reaction at least once every ten years following its refurbishment (e.g. as a result of increased marketing by competing venues as well as the construction of new and expanded business event venues);
- projected demand for the facilities to be provided by Australia Forum (i.e. the Australia Forum Option) over the period of analysis following its construction (i.e. 2016 to 2035). This involves projecting demand for Australia Forum's facilities over both:
  - the five year "ramp up" period (i.e. 2016 to 2020) following its opening (i.e. over the "honeymoon" period following its opening); and
  - the "longer term" (i.e. 2021 to 2035), over which Australia Forum can be expected to be subject to "competitor reaction" at least once every 10 years following its opening.

Figure 40: Illustration of the approach used to determine the additional demand generated by Australia Forum



The overall approach used to derive these demand projections is outlined briefly below and discussed in greater detail in Appendix B.

6.1.1 Key sources of potential demand

As noted in section 3.2, there are several potential sources of demand for the facilities provided by both the current NCC and the proposed Australia Forum including international, national and local:

- government meetings, which represents a significant portion of the business event market, particularly in the National Capital, given that Canberra is the seat of Federal Government and the Australian Government is playing an increasingly important role in issues of global, regional Asia Pacific, and national importance;
- association conferences and exhibitions, which also comprise a significant proportion of the total market for business events in Australia;
- corporate meetings (e.g. Annual General Meetings), conferences, trade and public exhibitions, and "incentive travel"; and
- local events, including:
  - concerts and performing arts events; and
  - private and social functions (e.g. banquets, weddings, cocktail parties, end of year functions, Christmas parties, gala dinners, community group fund raising dinners etc).

6.1.2 Key sources of information used to project demand

In order to project demand under both the Base Case Option and the Australia Forum Option, a wide range of different sources of information were used, including:

- an analysis of the international, national and local markets for business events and business events venues, which is outlined in section 3 and discussed further in

Appendix A of this report. That market analysis draws from a range of published and unpublished sources including:

- International Congress & Convention Association (ICCA) data on the international association meetings market (which covers meetings of at least 50 participants that are organised on a regular basis and are rotated between at least three different countries);
- Tourism Research Australia data which draws from Australian Bureau of Statistics data on short term arrivals in Australia (3401.0), as well as their International Visitor Survey;
- Sustainable Tourism Cooperative Research Centre's *National Business Events Study: An Evaluation of the Australian Business Events Sector*, which presents the results of a survey of business event venues in Australia regarding the number of events and participants they hosted over the 2002/03 financial year;
- Tourism Research Australia's *Business Events in Australia: Results from the International Visitor Survey and the National Visitor Survey 2008*, which presents the results of a survey of both international and national visitors who attended business events in Australia in 2008; and
- Canberra Convention Bureau (CCB) data on the number of business events held at event venues in the ACT over the period 2000 to 2009;

- advice from experienced business event industry advisors including the Canberra Business Council, the Canberra Convention Bureau, and PG International consultants;
- the experience of other convention centres facing similar challenges to Canberra (e.g. the Adelaide Convention Centre and the Darwin Convention Centre); and
- the results of research into the market for business events, including:
  - the results of Phase 1 of the "Convention 2020" study, which is being conducted by ICCA, IMEX and Fast Future Research to help all members of the meetings industry prepare for the decade ahead and ensure they stay competitive; and
  - the recently released report entitled *A Scoping Study of Business Events: Beyond Tourism Benefits*, which was commissioned by Business Events Sydney, and conducted by the School of Leisure, Sport and Tourism at the University of Technology. The purpose of that report is "… to provide an empirically-based assessment of the range and impact of contributions made by business events to host communities beyond the tourism dimension".

This information was supplemented by surveys and discussions with:

- Australian and ACT Government agencies;
- large and small associations and companies; and
- the professional conference organisers who help those organisations to hold those business events.

As outlined in Appendix F, survey participants were asked a range of questions including:

- the types of facilities they require;

- the extent to which the current facilities in Canberra meet their needs; and
- the extent to which the proposed facilities at Australia Forum would better meet their needs and encourage them to hold additional events at Australia Forum in the future.

The manner in which this information has been used to inform the demand projections is outlined briefly below and discussed in more detail in Appendix B.

6.1.2.1 International and national demand

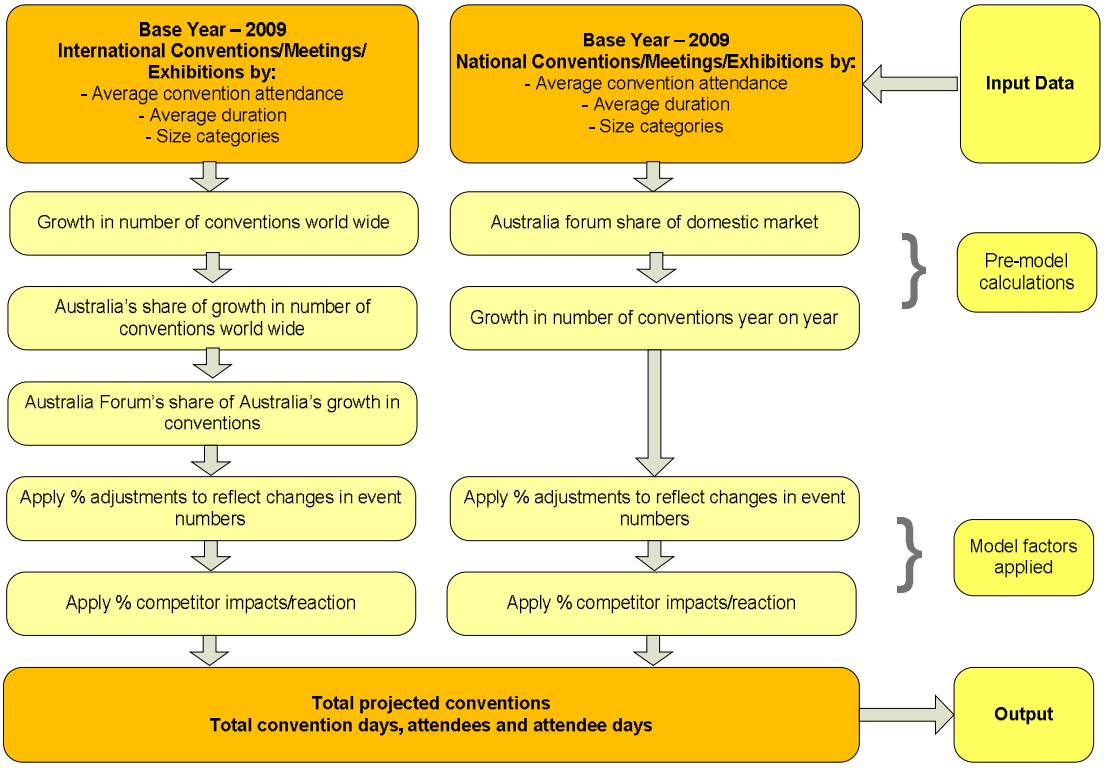
A noted in section 3:

- international demand for business events comes from three main sources:
  - international association meetings, which comprise the bulk of the international market for business events;
  - international government meetings, which comprises a smaller, but increasingly important part of the market, particularly from the National Capital's perspective; and
  - international corporate meetings and "incentive travel", which only comprises a small portion of the total international market;
- national demand for business events comes from three main sources:
  - association conferences and conference/exhibitions, which comprises a large part of the national market;
  - government meetings, which is a significant, and increasingly important, part of the national market; and
  - corporate meetings and incentive travel, which comprises a smaller part of the market.

As illustrated in Figure 41 below, a "top down" approach was adopted to forecasting demand for convention/meeting/ exhibition facilities under both the Base Case Option and the Australia Forum Option. This involves:

- identifying the total global demand for international events;
- estimating Australia's share of the international market;
- estimating Australia Forum's share of the international, national and ACT markets for business events;
- estimating the number of events by event size (by number of attendees) to determine the total number of attendee days in each category of event (excluding exhibitions); and
- adjusting those estimates to take into account the effects of competitor reaction.

Figure 41: Approach to forecasting demand for conventions



6.1.2.2 Local demand

By contrast, as illustrated in Figure 42 below, a "bottom up" approach has been used to project demand for local events such as:

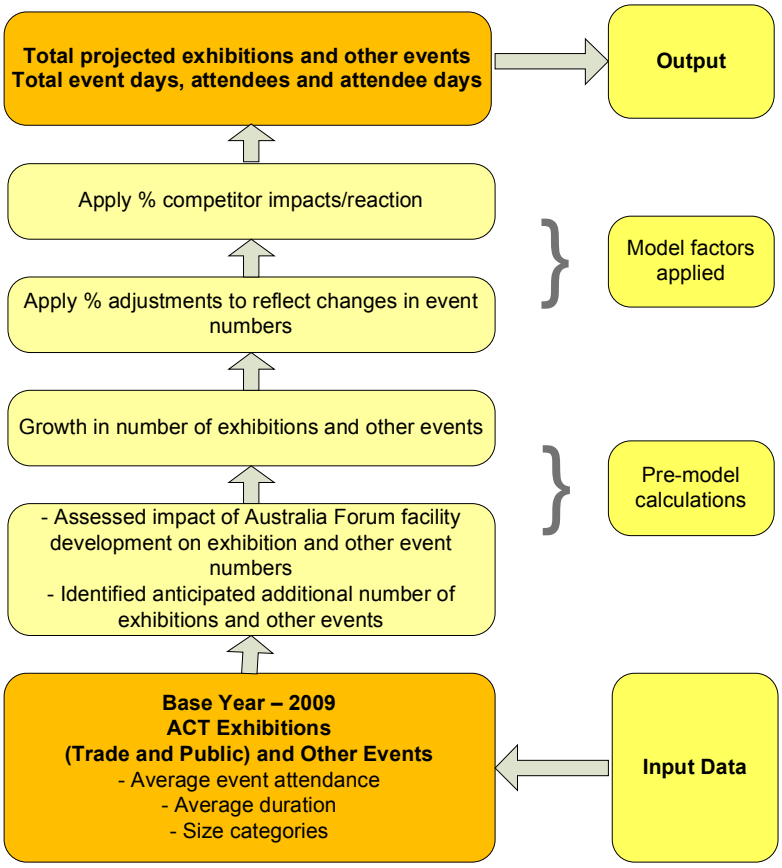
- exhibitions in view of the inherently "domestic" nature of those events (i.e. since they are predominantly attended by individuals who live in the same regional area where the event venue is located); and
- private and social function events.

This involves:

- determining the number of exhibitions (both trade and public) and other private and social events that were held in the ACT in 2009 (including those at both the NCC and other exhibition venues);
- estimating the impact that the construction of Australia Forum is likely to have on the number of exhibitions and other events held in the ACT (i.e. the number of additional exhibitions that are likely to be held in the ACT as a result of the construction of Australia Forum);
- projecting the growth in the number of exhibitions and other events at Australia Forum over the period of analysis;
- estimating the number of exhibitions and other events by size to determine the total number of attendee days; and

- adjusting those estimates to take into account the effects of competitor reaction.

Figure 42: Approach to projecting demand for exhibitions and other local events



6.1.3 Key factors expected to increase future demand for Australia Forum's facilities

As discussed below, the results of our research and consultation suggest there are several key factors that are expected to increase the demand for Australia Forum's facilities to a level well in excess of the current levels of demand for the NCC's facilities and the facilities of other business event venues in the ACT.

6.1.3.1 Quality and appeal of Australia Forum

Australia Forum, with its "iconic" design and its attractive location either in the CBD or on the foreshores of Lake Burley Griffin, would help overcome Canberra's current "image" problem and attract new events and visitors to the National Capital.

In particular, Australia Forum would help Canberra's transition from its current NCC facilities, which are of a small scale and age that would be more appropriate for a regional population centre of Australia, to facilities more suited to Canberra's status and role as the National Capital of Australia and the nation's centre for the discussion of issues of international and national importance to Australia.

As discussed in section 3.2, the "iconic" design of new business event venues is much more than just "window dressing". It serves the important function of overcoming the initial reluctance that individuals have to attend an event that is held at a location they have not previously visited. That is, it helps signal to them the quality of the services they can expect to experience when they attend an event at that location. This overcomes an important

source of potential market failure – the initial "information asymmetry" that exists between delegates who have not attended an event at that location and the operator of that venue, who has a good idea of the quality of services they are capable of providing.

This is a particularly important observation for the National Capital, which continues to suffer from an "image" problem with individuals who have yet to visit an event in Canberra.

Canberra's ongoing "image" problems were confirmed in our discussions with PCOs, associations, and corporates, which almost unanimously agreed that Canberra was still viewed as a "high risk" destination by associations and corporate clients, despite the fact that some PCOs admitted that they had held some of their most successful events in Canberra.

At the same time, however, our discussions also confirmed that once individuals attend a successful event held in Canberra, their perceptions regarding Canberra as a destination for business events changes dramatically.

Further evidence of both Canberra's initial "image" problem, and the dramatic turnaround in people's perceptions after they have attended successful events in Canberra is provided by the results of surveys conducted by the Canberra Business Council (CBC) during their regular "familiarisation programs" which test the views of participating event organisers both:

- before they embark on the "familiarisation program". For example, in the most recent study conducted in 2010, prior to the commencement of the "familiarisation program", 8 per cent of participants considered Canberra's event venues were poor, 58 per cent thought they were average, and only 25 per cent thought they were good; and

- after they had completed the "familiarisation program". For example, by the completion of the most recent program in 2010, 25 per cent thought the facilities were good and 67 per cent thought they were excellent.

There is also ample evidence, both in Australia and overseas, that the construction of new "iconic" business event infrastructure can transform the image of a city, or an otherwise unused part of a city, attracting increased numbers of international, national and local visitors to that venue. Notable examples in Australia include the:

- the new Darwin Convention Centre, which is now proving to be one of the most attractive new locations for both international and national conferences, despite the fact that, prior to its construction, Darwin did not feature as a potential destination for those events; and

- the Southbank development and Melbourne's Convention and Exhibition Centre, which have transformed the banks of the Yarra river into an attractive destination not only for international and national conference delegates, but also for local residents.

6.1.3.2 Ability of Australia Forum to hold several events at one time

Once the size of a conference/exhibition exceeds around 300 people, which is the bulk of the conference/exhibition market and the segment that has experienced the highest rates of growth in the past, there is really only one venue in the ACT that is capable of holding that event – the NCC.

Due to the small size of the NCC, however, it is really only possible to hold one event of that size at a time.

This significantly reduces the number of events that the NCC is capable of holding in any one year in relation to larger, more flexible, business event venues that are able to hold multiple events.

From a business event venue operator's perspective, the business event venue market is similar in many respects to a lottery. Venue operators compete with each other vigorously to attract the "prized" large international and national events that generate the greatest profits. These business events are all clustered around two "seasonal" windows of opportunity each year when the demand for business events reaches its peak – February to April and July to October.

Once a venue operator is successful in winning some of these events, those events are then locked into the prospective event calendar and the challenge then becomes to attract additional events that can be slotted into the vacancies in the event calendar.

The operators of larger event venues have a distinct advantage in this regard in that they have sufficient additional capacity to hold several events at the same time. This means that they are in a better position to cater for the inherent unpredictable and "lumpy" nature of demand for business event venues that are the operators of smaller event venues, which only have the capacity to cater for the needs of one main event at a time. In effect, those smaller operators have to rely on a combination of luck and good management to attract additional events to slot into the remaining vacancies in the event calendar.

By contrast, the proposed Australia Forum has more than twice the capacity of the current NCC and will be able to hold several events at the same time, which will address one of the major reasons why the ACT currently loses business events – the lack of availability of suitable event venues.

In effect, Australia Forum comprises three main functional areas, each of which is capable of holding several events at the same time:

- a 3,000 seat plenary, which is divisible into four separate smaller plenary halls, plus 4 250 person theatrettes and supporting break out rooms. This gives Australia Forum the capacity to hold several tiered seating plenary style conferences at one time;

- 8,000 m^2 of exhibition space under the Base Configuration and 12,000 m^2 under the Expanded Configuration, which gives Australia Forum the capacity to hold several flat floor conference/exhibitions at one time; and

- a 180 seat Centre for Dialogue and its surrounding board rooms, which is capable of holding either one large meeting, with supporting board rooms, or several smaller meetings at the same time, which utilise the central Centre for Dialogue and each of its surrounding board rooms.

6.1.3.3 Ability of Australia Forum to hold larger events

The small size of the NCC not only means that it misses out on hosting many events due to its inability to hold several medium sized events at once, it also means that the National Capital is not even considered as a potential destination to host large national and international events, such as those attended by more than 1,500 people and those requiring more than 2,000 m^2 of exhibition space.

By contrast, the proposed Australia Forum has sufficient plenary hall and exhibition space to accommodate large conference/exhibitions that could not be held in the NCC or other business event venues in the ACT. This will address another major reason why the ACT

currently fails to attract and loses large business events – the lack of sufficiently large conference and exhibition space.

With 8,000 m^2 of exhibition space under the Base Configuration and 12,000 m^2 under the Expanded Configuration, Australia Forum not only has the capacity to hold large flat floor conferences with exhibitions, it also has the capacity to hold large high quality exhibitions.

Although Exhibition Park In Canberra (EPIC) is capable of catering to larger public exhibitions, large exhibitions requiring higher quality space than that available at EPIC, or than the 2,000 m^2 available at the NCC, currently have to hold their exhibitions at larger interstate event venues.

6.1.3.4 Increased price competitiveness of Australia Forum

Not only does the small size of the current NCC facilities (and other business event venues in the ACT) constrain the number and size of events that can be held at that venue, it also increases the costs of holding those events, both to:

- the operators of the venue. As discussed previously, the supply of business events is characterised by significant:
  - "economies of scale" that can be derived from constructing larger business event venues that are capable of spreading the high fixed costs associated with building those facilities over a much larger number of attendees; and
  - "economies of scope" that can be derived by incorporating a range of facilities into business event complexes, including accommodation and retail space;
- those hiring the venue for their business events. In effect, those hiring a relatively small venue such as the NCC have to pay for the costs of hiring the entire venue, even if they only want to use part of the venue.

This inability to reap these significant economies of scale and scope reduces the ability of the National Capital's business event venues to compete with larger interstate venues on the prices they charge for events.

By contrast, the larger scale of the proposed Australia Forum, when coupled with its wider range of integrated accommodation and retail facilities, has the potential to generate much greater economies of scale and scope, thereby potentially reducing the costs of holding additional events. This will address another major reason why the ACT is currently failing to attract and is losing business events – its inability to compete with larger interstate business event venues on price.

6.1.3.5 Increasing demand from government

As discussed in section 3, the Australian Government is already a major source of demand for business events in the ACT and the venues required to hold those business events. This demand is expected to increase in the future in response to a range of factors including:

- the increasing role that the Australian Government is playing in international, Asia Pacific regional and national affairs;
- the implementation of the Australian Government's innovation strategy, which recognises the important role that conferences play in "informal" collaboration and the need for greater collaboration between government, the academic and business communities;

- the implementation of the Australian Government's Review of Government Administration, which recommends the development of increased collaboration and partnerships between government, the academic community, the private sector and the wider community to enhance the development, implementation and administration of government policy; and

- the increasing investment that the Australian Government is making in the construction of facilities on the ANU campus to public policy research and education facilities in the National Capital. This includes the establishment of the Australian National Institute for Public Policy, which is modelled on the Kennedy School of Government at Harvard University and includes the H.C. Coombs Policy Forum, the National Security College, and the Australian Centre on China in the World. In order to maximise the benefits arising from this investment, the Government will need appropriate facilities in the National Capital to hold meetings of international and national importance where the results of that public policy research and training can be applied to improve public policy development, implementation, administration and service delivery in Australia.

At the moment, government agencies tend to use their own in-house facilities to hold smaller meetings and a range of external venues to hold their larger events, including the NCC, Parliament House, and Old Parliament House. Large government meetings, such as CHOGM, have to be held interstate due to the lack of a sufficiently large venue in the National Capital and the lack of sufficient accommodation.

However, this approach is not a sustainable solution in the longer term. Our discussions with government agencies revealed that:

- the in-house meeting room facilities of most government agencies do not have the necessary capacity required to hold larger meetings and are not always appropriate for holding meetings that include external delegates, for security reasons; and

- the facilities of Parliament House are not always available during Parliamentary sitting times.

In particular, the National Capital lacks a venue of suitable size and quality to hold larger public meetings on issues of international and national importance.

By contrast, Australia Forum would provide Australian Government agencies in Canberra with secure facilities of a suitable size and quality to meet their current, and increasing future, demand for a venue in which to hold meetings of international and national importance.

6.1.3.6 Increasing demand from associations and companies

Association demand for business events at Australia Forum, and to a lesser extent corporate demand, is also expected to increase significantly as a result of several key factors including:

- the "iconic" design and attractive location of Australia Forum, which is expected to help overcome the initial reluctance of delegates to consider holding and attending events in Canberra;

- the increased size and improved quality of Australia Forum's facilities;

- the increased availability of accommodation on site; and

- the Government's commitment to engage in much greater collaboration and consultation with the academic community, associations, businesses and the wider public on issues of international and national importance.

As discussed further in Appendix B, a wide range of professional conference organisers and associations were surveyed in writing and then interviewed in order to obtain more detailed information on:

- the adequacy of current facilities in the ACT for holding business events; and

- the extent to which the proposed Australia Forum would increase the number of events they hold in Canberra.

The key results of the survey suggest that Australia Forum has the potential to significantly increase the number of additional events held in Canberra:

- 32 per cent of PCOs surveyed indicated that they had not recently held an event in Canberra and were unlikely to do so, primarily due to the lack of appropriate facilities;

- 90 per cent of PCOs surveyed indicated that they would consider Canberra as a destination for their business events if there were more appropriate facilities, such as the proposed Australia Forum;

- While PCOs indicated that the magnitude of additional events was difficult to estimate, it is likely to be well in excess of 100 per cent of the current numbers of business events that Canberra is attracting. In other words, the PCOs were not talking about marginal changes in the number of events they would be brining to Canberra. Rather, they were talking about doubling, or even more than doubling, the number of events they currently bring to Canberra. One large PCO who was not currently bringing any events to Canberra noted that they could possibly bring an additional 8 events a year; and

- The size breakdown of the additional events that PCOs believed Australia Forum would attract are as follows:

  - 18 per cent (50-249 attendees);

  - 32 per cent (250 to 499 attendees);

  - 37 per cent (500 to 999 attendees);

  - 11 per cent (1,000 to 1,999 attendees); and

  - 3 per cent (2,000 to 2,999 attendees).

The survey of associations confirmed much of the advice provided by the PCOs. In particular, it revealed that:

- most associations hold at least one national annual general meeting/conference that is rotated around the States and Territories at least once every 6 years; and

- 32 per cent of the associations surveyed indicated that Canberra was not included on the list of destinations that their events were rotated around. The main reasons cited for this decision were concerns about:

- their members perceptions regarding Canberra as a potential destination. They noted that Canberra was still considered to be a "high risk" destination that might not attract sufficient delegates to make the event financially viable; and

- the adequacy of event venues in the ACT. Associations hosting larger events (e.g. those attracting more than 1,000 delegates) did not consider that the NCC was sufficiently large enough to meet their needs. Similarly, associations hosting smaller events noted that there were only around two event venues of a sufficiently high quality to meet their needs – the Hyatt and Realm hotels;

- over 70 per cent of associations indicated that they would be interested in holding additional events at the proposed Australia Forum in view of its improved facilities. Further details on the numbers and sizes of those events are provided below.

The results of the survey of associations were applied to an identified subset of national and local ACT associations considered likely to hold events in Canberra in order to derive an estimate of the total number of additional events that might be held at Australia Forum each year that are not currently held at the NCC.

Overall, the results suggest that Australia Forum has the potential to attract each year an additional:

- 94 events with an attendance range of up to 249 delegates;

- 19 events with an attendance range between 250 and 499 delegates;

- 15 events with an attendance range between 500 and 999 delegates; and

- 11 events with an attendance range of more than 1,000 delegates.

This is equivalent to a 65 per cent increase in the overall number of conferences/meetings and conferences/exhibitions that are currently held at the NCC each year.

In addition to considering the results of these surveys, we also:

- consulted with the Canberra Convention Bureau and other business event industry leaders, including PG International in order to elicit their views on the potential magnitude of additional events that Australia Forum was capable of attracting; and

- considered the number of business events that other centres of a similar size and location were attracting (e.g. the Adelaide Convention Centre).

6.1.3.7 Increasing demand from the local community

The demand for local events at Australia Forum is also likely to be significantly higher than it is for such events at the NCC for the following reasons:

- the "iconic" design of Australia Forum, coupled with its more attractive location (particularly if it is sited on Lake Burley Griffin); and

- the larger, wider range, and higher quality of facilities offered by Australia Forum.

In addition to the concerts currently hosted by the NCC, Australia Forum has the potential to become a new "hub" for social entertainment in the ACT, attracting a much larger and wider range of private and social events, including:

- wedding receptions. There are over 1,300 marriages in the ACT alone, of which Australia Forum could be expected to be able to capture at least around 30 per year as a premier location in Canberra, particularly if it was built on the Lake Front site;
- gala dinners;
- embassy parties;
- end-of-year and Christmas parties;
- club and association social events;
- community group fund raising dinners; and
- special event functions (e.g. Melbourne Cup functions, food and wine festivals, Floriade functions, etc).

As a general guide, drawing from the experience of other centres around Australia, it is reasonable to expect that Australia Forum would be able to derive around 30 per cent of its total revenue from private and social events (see Table 7 below).

Table 7: Proportion of total revenue generated by private and social events by event venue

Event Venue	Proportion of total revenue from:	
	Private & Social Events %	Other Events %
Adelaide Convention Centre	21%	79%
Cairns Convention Centre	30%	70%
Darwin Convention Centre	40%	60%
Brisbane Convention & Exhibition Centre	50%	50%
Perth Convention Centre	65%	35%

Source: *PG International*

6.1.3.8 Increased attractiveness of Canberra as a destination for business events

Despite some lingering "image" problems, the National Capital now has much of the infrastructure that is necessary to support a successful and expanding business event industry in Canberra, including:

- its unique position between the two biggest business event markets in Australia – Sydney and Melbourne;
- modern airport facilities, with group handling capacity;
- close proximity of the airport to the CBD and proposed Australia Forum site (20 minutes travelling time);
- quality ground transportation services and little traffic congestion in relation to other capital cities in Australia. While there are recognised problems with Canberra's taxi services, at the time of writing there are proposals to significantly increase the number of taxi licences in order to address those concerns;

- major national event venues, including the Australian War Memorial, the National Gallery, the National Museum, the National Aboretum, and Questacon;
- major events, including Floriade;
- proximity to the snowy mountains and its ski resorts; and
- an extensive range of restaurants and retail outlets.

6.1.3.9 Innovative governance arrangements designed to maximise demand

Australia Forum's proposed governance arrangements, which are discussed further in section 8 below, have also been designed with a view to increasing the demand for business events in the ACT, and the willingness of individuals to pay for those events, by "bundling" together the services provided by Australia Forum, together with complementary services provided by the academic community in the ACT, as well as Canberra's other event venues.

That is, those governance arrangements have been developed with a view to increasing overall demand for Australia Forum by realising the additional "network" benefits arising from the establishment and operation of Australia Forum as:

- a hub for the National Capital's network of "iconic" event venues;
- a hub for the National Capital's network of government and academic research institutions; and
- a social hub for the National Capital.

6.2 Projected demand under each option

As noted above and discussed further below, the demand projections are based on a number of sources of information including:

- past trends in the international market for events, drawn from ICCA data as well as Tourism Research Australia's International Visitor Survey and ABS data on past trends in the number of international visitors attending conferences and meetings in each Australian State and Territory and forecasts of future rates of growth in the numbers of those visitors;
- data on the size and composition of the national market for events, which is drawn from the National Business Events Study, as well as Tourism Research Australia National Visitor survey data on the number of domestic visitors attending conferences and meetings in each Australian State and Territory and forecasts of future rates of growth in the numbers of those visitors;
- data from the Canberra Convention Bureau on the number, type, size and venue where those events were held in the ACT over the period 2000 to 2010; and
- the results of the surveys of key government, association, and corporate stakeholders regarding their future needs for facilities and the number of additional events that might be held in the ACT following the construction of Australia Forum.

Although the demand projections are based on the best data available, it is important to recognise that considerable uncertainty surrounds both past and potential future demand for events in Australia and Australia Forum's likely share of those future events.

In view of that uncertainty, we have projected demand for Australia Forum's facilities under three scenarios: high, most likely and low cases. These scenarios have then been benchmarked against the Base Case Option, which involves the continued use of the NCC's current facilities, to determine the incremental change in projected demand arising from the construction of Australia Forum. As discussed further in section 6.3, the "most likely" case, judgements erred on the side of conservatism, thus the "low" case should be viewed as a true low case.

It is also important to note that the core variable for generating forecast events is the number of events held. On this basis, it was assumed that the size and length of events does not change over the forecast period to avoid duplication of attendee days.

It is assumed that over the forecast period, various trends such as increases in size of events or the length of events will be captured by a higher number of forecast events. So, while the number of events may appear high, the overall attendee days is considered a reasonable reflection of activity.

6.2.1 Projected demand under the Base Case Option

When projecting demand under the Base Case Option, it is expected that:

- the number of conventions/meetings and conventions/conferences held at the NCC will increase from their current levels at a compound annual growth rate of 0.7 per cent per annum over the period 2010 to 2015, which is consistent with the Tourism Research Australia (TRA) forecast compound annual growth rate in the number of domestic overnight visitors attending business events; and

- the number of exhibitions and other local events held at the NCC is unlikely to grow significantly over time, in view of capacity constraints.

The following competitor impacts are expected:

- Conventions/meetings/exhibitions: The ongoing upgrade and development of convention centre and exhibition infrastructure across Australia and abroad is expected to have a significant impact on the NCC if only minimum works are undertaken in the future (i.e. only minor repairs and maintenance). In particular, the redevelopments that are occurring over the period 2009-2012 in Darwin, Melbourne, Gold Coast and Brisbane will significantly impact the competitive environment, particularly the 400-2,000 delegate convention market (NCC's core business area). Based on past movements in market share of other redevelopments it has been estimated Canberra's market share in conventions / meetings and conventions / exhibitions could decrease from around 6 per cent to 4 per cent over the period 2011 to 2015. This estimated fall in market share has been based on the experience of other convention centres, including Adelaide's market share which decreased from 10 per cent in 2000 to 7 per cent in 2004, and Sydney's market share which decreased from 25 per cent to 17 per cent;

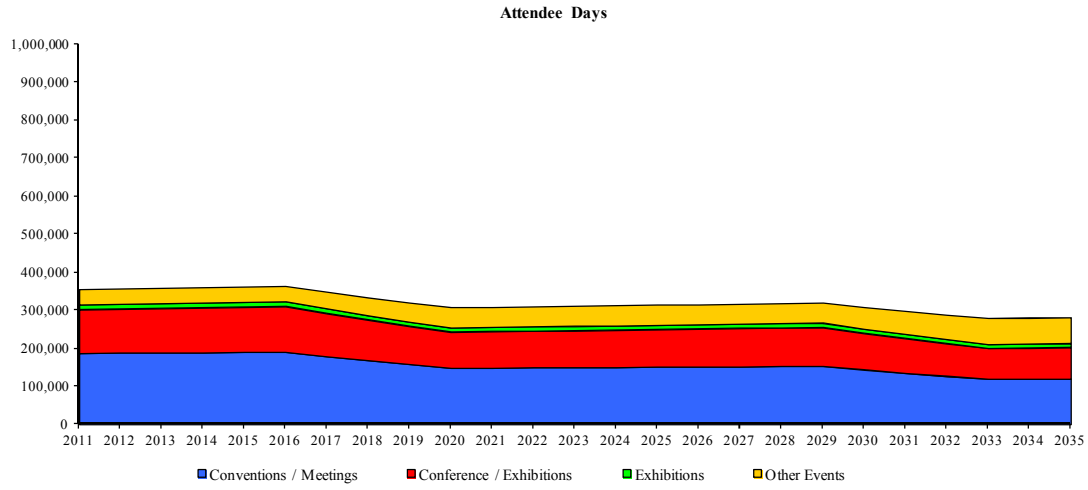
- Exhibitions: Competition is expected to decrease exhibition demand by 2.5 per cent per annum over the period 2016 to 2019; and

- Longer term impacts: Due to the trend within the market for facilities to upgrade on a 10 year cycle, the same competitor impacts identified for conventions / meetings, conventions / exhibitions and exhibitions between 2016 and 2019 are assumed to be incurred from 2029 to 2032.

As events fall, it is assumed that "other event" numbers increase to reflect management "filling" space to utilise the facility.

As illustrated in Figure 43 below, the projected demand under the Base Case Option is expected to decline steadily over the period of analysis as a result of the significant growth in competition in the international and national markets that are expected. This reflects the significant loss of market share assumed in the Base Case.

Figure 43: Projected attendee days under the Base Case Option



6.2.2 Projected demand for Australia Forum Option

The demand projections under the Australia Forum option (for both the Base Configuration and Expanded Configuration) are outlined below.

6.2.2.1 International conventions/meetings/exhibitions

Estimates of the total number of international conventions/meetings/ exhibitions that would be held in Australia over the period immediately following completion of Australia Forum are set out in Table 8 below.

Table 8: Estimated total number of international conventions/meetings/exhibitions in Australia

Year	2016	2017	2018	2019	2020
Number of international events in Australia	246	259	274	289	305

These estimates are based on the assumptions that:

- the international market for association meetings will continue to grow at a compound annual growth rate of 5.5 per cent over the period 2016 to 2020. This assumed growth rate is conservative given that the number of international association meetings held globally has been increasing at a compound annual growth rate of 7.7 per cent over the period 2001 to 2008 and 6.5 per cent over the period 1999 to 2009; and

- Australia will maintain a share of around 2 per cent of that market.

Table 9 summarises Australia Forum's estimated market share of international conventions / meetings and conventions / exhibitions in the period immediately following completion of the facility.

Table 9: Estimated total number of international events at Australia Forum

	2016	2017	2018	2019	2020
Number of international events at Australia Forum:					
Australia Forum – Base Configuration	2	4	10	10	9
Australia Forum - Expanded Configuration	2	4	11	10	9

These estimates are based on the following assumptions:

- the total Australian market for international conventions / meetings and conventions / exhibitions described in Table 8;
- Australia Forum's market share of international conventions held in Australia is assumed to be:
  - 0 per cent in 2015;
  - 5 per cent in 2016 and 2017, which is consistent with the rise in market share in international events that other convention centres have experienced open opening with expanded exhibition space;
  - 4.5 per cent in 2018 and 4 per cent in 2019 and 2020. This is consistent with the assumptions there will be:
    - a 3 year 'honeymoon' period before any competitor reaction; and
    - a reduction in demand in years 4 and 5 of the ramp-up period. Although the extent of this decrease in demand is uncertain, a minimum of a 0.5 percentage points adverse impact on market share in events in years 4 and 5 (a drop from 5 % to 4.5 % and then to 4 %) to reflect the impact of competitor reactions to the development is considered reasonable;
- the number of international conventions/exhibitions that can be held at Australia Forum under the Base Configuration (i.e. with 8,000 m^2 of exhibition space) is 10% less than under the Expanded Configuration (where there is 12,000 m^2 of exhibition space).

Table 10 summarises the estimated allocation of the total number of international events at Australia Forum between international conventions / meetings and conventions / exhibitions, to estimate the actual number of international conventions / meetings and the actual number of international conventions / exhibitions at Australia Forum in the period immediately following its completion.

Table 10 - Estimated allocation of the total number of international events at Australia Forum

	2016	2017	2018	2019	2020
Number of international conventions/meetings	1	2	5	5	5
Number of international conventions/exhibitions:					
Australia Forum – Base Configuration	1	2	5	5	4
Australia Forum – Expanded Configuration	1	2	6	5	4
Total:					
Australia Forum – Base Configuration	**2**	**4**	**10**	**10**	**9**
Australia Forum – Expanded Configuration	**2**	**4**	**11**	**10**	**9**

This is based on the following assumptions:

- the total Australia Forum market for international conventions / meetings and conventions / exhibitions described in Table 9; and
- allocation between international conventions / meetings and international convention / exhibitions, based on typical allocations at other convention centres.

Table 11 summarises the estimated allocation of event size for international conventions / meetings and international conventions / exhibitions at Australia Forum in the period following its completion.

Table 11: Estimated allocation of event size for international events at Australia Forum

Type of Event	Size of Event	Allocation
International Conventions/Meetings and International Conventions/Exhibitions	0-249	35.9%
	250-499	27.2%
	500-999	18.4%
	1000+	18.4%

These allocations are based on the proportional size of international meetings as reflected in the ICCA average event size range for 2009.

Table 12 summarises the estimated number of international conventions / meetings (by event size) and the actual number of international conventions / exhibitions (by event size) held at Australia Forum in the period immediately following its completion.

Table 12: Estimated number of international events held at Australia Forum by event size

	Size	2016	2017	2018	2019	2020
International convention/meeting	0-250	1	1	2	2	2
	251-500	0	1	1	1	1
	501-1,000	0	0	1	1	1
	1,000+	0	0	1	1	1
Total		**1**	**2**	**5**	**5**	**5**
International convention/exhibitions	0-250	1	1	2	1	1
(Australia Forum – Base Configuration)	251-500	0	1	2	2	1
	501-1,000	0	0	1	1	1
	1,000+	0	0	0	1	1
Total		**1**	**2**	**5**	**5**	**4**
International convention/exhibitions	0-250	1	1	2	1	1
(Australia Forum – Expanded Configuration)	251-500	0	1	2	2	1
	501-1,000	0	0	1	1	1
	1,000+	0	0	1	1	1
Total		**1**	**2**	**6**	**5**	**4**

These estimates are based on the following assumptions:

- the actual number of international conventions / meetings / exhibitions at Australia Forum over the ramp up period following its construction are as set out in Table 9 above; and
- the estimated allocation of event size for international conventions / meetings / exhibitions at Australia Forum over the ramp up period following its construction is assumed to be the same as the allocation of worldwide events, as set out in Table 11.

6.2.2.2 *National conventions/meetings and conventions/exhibitions*

Table 13 summarises the estimated total level of national conventions / meetings and conventions / exhibitions held at Australia Forum in the period immediately following its completion.

Table 13 – Total number of national events held at Australia Forum following its completion

	2016	2017	2018	2019	2020
Number of national events at Australia Forum:					
Australia Forum – Base Configuration	173	179	185	192	195
Australia Forum – Expanded Configuration	181	187	194	200	204

This is based on the following assumptions:

- 115 national conventions / meetings and conventions / exhibitions held at the NCC in 2009 forms the base event data on which forecast will be based;
- base growth in events from 2009 is assumed to grow at 2.5 per cent;
- market share: the National Business Events Study indicated that Canberra hosted 6 per cent of all national events in 2002-03. Assuming the 104 events held at the NCC in 2009 reflect that level of market share, it is assumed that the market share in conventions / meetings and conventions / exhibitions following the completion of Australia Forum increases from 6 per cent to 7 per cent in 2015; and
- competitor reaction: as with international meetings, there is a three year "honeymoon" period before there is any competitor reaction. Following this period an adverse impact on market share of -0.5 per cent occurs in years 4 and 5 of the ramp-up period (2018 and 2019).

Table 14 summarises the estimated allocation of the total number of national events at Australia Forum between national conventions / meetings and conventions / exhibitions, to estimate the actual number of national conventions / meetings and the national conventions / exhibitions at Australia Forum in the period immediately following its completion.

Table 14 - Estimated Canberra market share in national events following the completion of Australia Forum

	2016	2017	2018	2019	2020
Number of National Convention/Meetings	104	108	111	115	117
Number of National Convention/Exhibitions:					
Australia Forum – Base Configuration	69	72	74	77	78
Australia Forum – Expanded Configuration	77	80	82	85	87

This is based on the following assumptions:

- the total Australia Forum market for national conventions / meetings and conventions / exhibitions described in Table 13;
- allocation between national conventions / meetings and national convention / exhibitions, based on the NCC's historic allocation of 65 per cent and 35 per cent respectively; and
- the number of national conventions/exhibitions that can be held at Australia Forum under the Base Configuration (i.e. with 8,000 m^2 of exhibition space) is 10 per cent less than under the Expanded Configuration (where there is 12,000 m^2 of exhibition space).

Table 15 summarises the estimated allocation of event size for national conventions / meetings and national conventions / exhibitions at Australia Forum in the period following its completion.

Table 15 – Estimated allocation of event size for national events at Australia Forum following its completion

Type of Event	Size of Event	Allocation
National Conventions / Meetings	0-250	23.1%
	251-500	46.2%
	501-1,000	30.8%
	1000+	0%
National Conventions / Exhibitions	0-250	9.8%
	251-500	43%
	501-1,000	39.2%
	1000+	8%

This is based on the assumption that the proportions of events size remain consistent with the current activity of national events at the NCC.

Table 16 summarises the estimated number of national conventions / meetings (by event size) and the actual number of national conventions / exhibitions (by event size) at Australia Forum in the period immediately following its completion.

Table 16 - Estimated number of national events (by event size) held at Australia Forum following its completion

	Size	2016	2017	2018	2019	2020
National Convention/Meetings	0-249	24	25	26	27	27
	250-499	48	50	52	53	54
	50-999	32	33	34	35	36
	1,000+	0	0	0	0	0
		104	**108**	**111**	**115**	**117**
National Convention/Exhibitions	0-249	7	7	7	8	8
(Australia Forum – Base Configuration)	250-499	30	31	32	33	34
	50-999	27	28	29	30	30
	1,000+	5	6	6	6	6
		69	**72**	**74**	**77**	**78**
National Convention/Exhibitions	0-249	8	8	8	8	8
(Australia Forum – Expanded Configuration)	250-499	33	34	35	37	37
	50-999	30	31	32	33	34
	1,000+	6	6	6	7	7
		77	**80**	**82**	**85**	**87**

This is based on the following assumptions:

- the actual number of national conventions / meetings and national conventions / exhibitions at Australia Forum in the period immediately following its completion, as set out in Table 14; and
- the estimated allocation of event size for national conventions / meetings and national conventions / exhibitions at Australia Forum in the period immediately following its completion, as set out in Table 15.

6.2.2.3 *Local conventions / meetings & Conventions / exhibitions*

Table 17 summarises the estimated number of local conventions / meetings and conventions / exhibitions held at Australia Forum in the period immediately following its completion.

Table 17 - Estimated number of local events held at Australia Forum following its completion

	2016	2017	2018	2019	2020
Number of local events at Australia Forum:					
Australia Forum – Base Configuration	138	142	147	152	155
Australia Forum – Expanded Configuration	139	143	148	153	155

This is based on the following assumptions:

- 100 local conventions / meetings and conventions / exhibitions held at the NCC in 2009 forms the base event data on which forecast is based;
- market share and event growth: it is assumed the base number of local events remains unchanged until the ramp-up period. No increase in market share is assumed. Rather the number of local events held at the new facility is assumed to grow at 2.5 % each year from 2015 to 2019. Given these events are based in Canberra, its assumed that any additional events will reflect the growth in the available number of events in Canberra. Growth beyond this level would reflect the transfer of events from another location in Canberra to Australia Forum;
- the number of local conventions/exhibitions that can be held at Australia Forum under the Base Configuration (i.e. with 8,000 m^2 of exhibition space) is 10 per cent less than under the Expanded Configuration (where there is 12,000 m^2 of exhibition space); and
- competitor reaction: as with international meetings, it is assumed that there is a three year "honeymoon" period before there is any competitor reaction. Following that period, an adverse impact on market share of -0.5 per cent occurs in years 4 and 5 of the ramp-up period (2018 and 2019).

Table 18 summarises the estimated allocation of the total number of local events at Australia Forum between local conventions / meetings and conventions / exhibitions, to estimate the actual number of each type of event at Australia Forum in the period immediately following its completion.

Table 18 - Estimated Australia Forum market share of local events following its construction

	2016	2017	2018	2019	2020
Number of local conventions/meetings	131	136	140	145	148
Number of local conventions/exhibitions:					
Australia Forum – Base Configuration	7	7	7	7	7
Australia Forum – Expanded Configuration	8	8	8	8	8

This is based on the following assumptions:

- the total Australia Forum market for local conventions / meetings and conventions / exhibitions described in Table 17; and
- allocation between local conventions / meetings and local convention / exhibitions, based on the NCC's historic allocation of 82 per cent conventions / meetings and 18 per cent conventions / exhibitions.

Table 19 summarises the estimated allocation of event size for local conventions / meetings and local conventions / exhibitions at Australia Forum following its completion.

Table 19 - Estimated allocation of local events (by event size) of local events at Australia Forum following its completion

Type of Event	Size of Event	Allocation
Local Conventions	0-249	52.6%
	250-499	5.3%
	500-999	21.1%
	1000+	21%
Local Conventions / Exhibitions	0-249	0%
	250-499	60%
	500-999	40%
	1000+	0%

This is based on the assumption that the proportions of events size remain consistent with the current level of local events at the NCC.

Table 20 summarises the estimated number of local conventions / meetings (by event size) and the actual number of local conventions / exhibitions (by event size) at Australia Forum in the period immediately following its completion.

Table 20 - Estimated number of local events (by event size) at Australia Forum following its completion

	Size	2016	2017	2018	2019	2020
Local Convention/Meetings	0-249	65	67	69	72	73
	250-499	33	34	35	37	37
	50-999	26	27	27	28	29
	1,000+	8	8	8	8	8
		131	**136**	**140**	**145**	**148**
Local Convention/Exhibitions	0-249	0	0	0	0	0
(Australia Forum – Base Configuration)	250-499	4	4	4	4	4
	50-999	3	3	3	3	3
	1,000+	0	0	0	0	0
		7	**7**	**7**	**7**	**7**
Local Convention/Exhibitions	0-249	0	0	0	0	0
(Australia Forum – Expanded Configuration)	250-499	5	5	5	5	5
	50-999	3	3	3	3	3
	1,000+	0	0	0	0	0
		8	**8**	**8**	**8**	**8**

This is based on the following assumptions:

- the actual number of local conventions / meetings and local conventions / exhibitions at Australia Forum in the period immediately following its completion, as outlined in Table 18; and
- the estimated allocation of event size for local conventions / meetings and local conventions / exhibitions at Australia Forum in the period immediately following its completion.

6.2.2.4 Exhibitions

Unlike conventions, exhibitions are more traditionally held within the region of the association due to logistical limitations of holding the events. On this basis, the projected number of exhibitions has been based on applying growth factors to the existing number of exhibitions, rather than considering Australia Forum's share of the national market. The

demand assessment recognises Australia Forum has a significant local competitor - Exhibition Park In Canberra (EPIC).

The assessment recognises that public exhibitions and trade exhibitions have different characteristics in respect of event size, and hence considers these sectors separately.

Table 21 summarises the estimated total number of exhibitions held at Australia Forum in the period immediately following its completion based on conversations with exhibitors in the ACT.

Table 21 – Total number of exhibitions held at Australia Forum following its completion

	2016	2017	2018	2019	2020
Forecast exhibitions:					
Australia Forum – Base Configuration	11	12	13	13	14
Australia Forum – Expanded Configuration	12	13	14	15	16

The number of local exhibitions that can be held at Australia Forum under the Base Configuration (i.e. with 8,000 m^2 of exhibition space) is estimated to be around 10 per cent less than under the Expanded Configuration (where there is 12,000 m^2 of exhibition space).

Table 22 provides the estimated allocation of the total number of exhibitions at Australia Forum between public exhibitions and trade exhibition.

Table 22 – Estimated total number of exhibitions at Australia Forum following its completion

	2016	2017	2018	2019	2020
Number of public exhibitions:					
Australia Forum – Base Configuration	5	6	6	7	7
Australia Forum – Expanded Configuration	5	6	6	7	7
Number of trade exhibitions:					
Australia Forum – Base Configuration	6	6	7	7	8
Australia Forum – Expanded Configuration	7	7	8	8	9

This is based on the following assumptions:

- the total Australia Forum market for exhibitions described in Table 21; and
- proportion of trade exhibitions is assumed to grow to reflect recent trends in trade exhibition activity and the focus of Australia Forum.

Further information on the estimated size of those public and trade exhibitions is provided in Appendix B.

6.2.2.5 *Other events*

Table 23 provides the estimated number of other events held at Australia Forum, which is based on the current number of other events (which currently comprise predominantly public concerts) as well as information obtained from the experience of other similar event venues (e.g. Adelaide).

The number of these other events that can be held at Australia Forum under the Base Configuration (i.e. with 1,800 m^2 of banqueting space and 1,000 m^2 of concourse) is estimated to be around 10 per cent less than under the Expanded Configuration (where there is 2,250 m^2 of banqueting space and 1,500 m^2 of concourse).

Further information on the estimated size of these events is provided in Appendix B.

Table 23: Estimated number of other events at Australia Forum

	2016	2017	2018	2019	2020
Number of other events:					
Australia Forum – Base Configuration	46	47	49	51	53
Australia Forum – Expanded Configuration	51	53	55	56	58

6.2.2.6 *Longer term projections*

Conventions / Meetings & Conventions / Exhibitions (collectively 'conventions')

The following assumptions have been made for long term projections beyond the ramp-up period:

- for conservatism, it is assumed that the number of conferences and exhibitions held at Australia Forum increases over the longer term at a compound annual growth rate of 2.5 per cent, which is consistent with the compound annual growth rate in international meetings in Australia over the period 2001 to 2008 (2.6 %) and is significantly less than the compound annual growth rate for the worldwide meetings market over the period 1999 to 2009 (6.5 %) and over the period from 2001 to 2008 (7.7 %);

- internationally, competitor reaction following the ramp-up period has been assumed to have an adverse impact on growth of -3 per cent on Australia Forum's growth in international conventions in 2021. Nationally, given Australia Forum will be the last major exhibition and convention upgrade in Australia for a relatively longer period, competitor reaction of -3 per cent on growth is also assumed in year 2021 following the commencement of operations. This is to reflect on 1 per cent growth in events experienced in 2021, a conservative drop in growth given world-wide trends of 5.5 per cent in recent years; and

- a further adverse impact on growth of 2 per cent is forecast in the final 2 years of operation in 2030 and 2031 to reflect the impact of an aging facility.

Exhibitions

Similar to conventions, the following assumptions have been made for long term exhibitions:

- 1 per cent growth in events following the ramp-up period;
- -1 per cent adverse impact on demand due to competitor reaction; and
- -2 per cent adverse impact on demand in the final two years of operation in 2030 and 2031 to reflect the impact of an aging facility.

Other events

Other events are assumed to increase over time in line with the rate of growth in the ACT economy.

6.2.2.7 Projected demand under the Australia Forum Option

The projected number of attendee days under the Australia Forum Base Configuration and Expanded Configuration are set out in Figure 44 and Figure 45 respectively below.

Figure 44: Projected number of attendee days under the Australia Forum Option (Base Configuration)

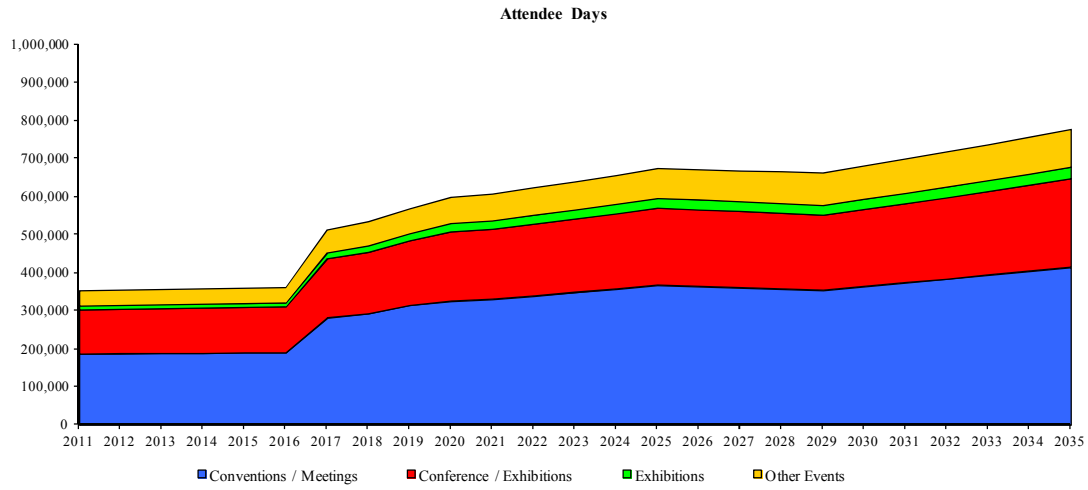
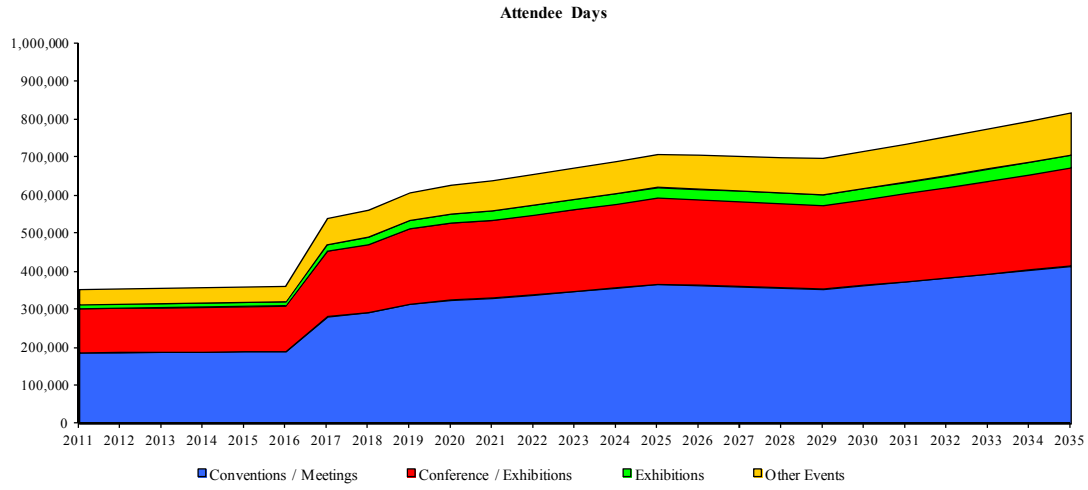


Figure 45: Projected number of attendee days under the Australia Forum Option (Expanded Configuration)



The projected number of attendee days, under both the Base Case Option and the Australia Forum Options are presented under the "most likely", "high case" and "low case" scenarios in Figure 46 for the Australia Forum Base Configuration and in Figure 47 for the Australia Forum Expanded Configuration.

Figure 46: Projected number of attendee days under the Base Case and Australia Forum option (Base Configuration)

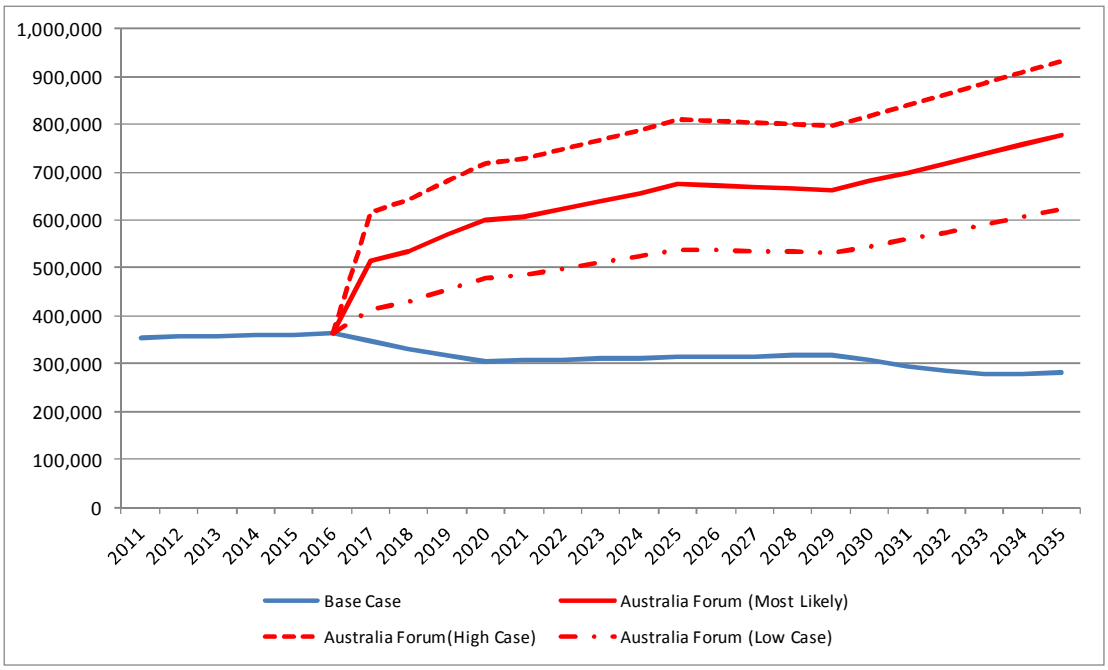
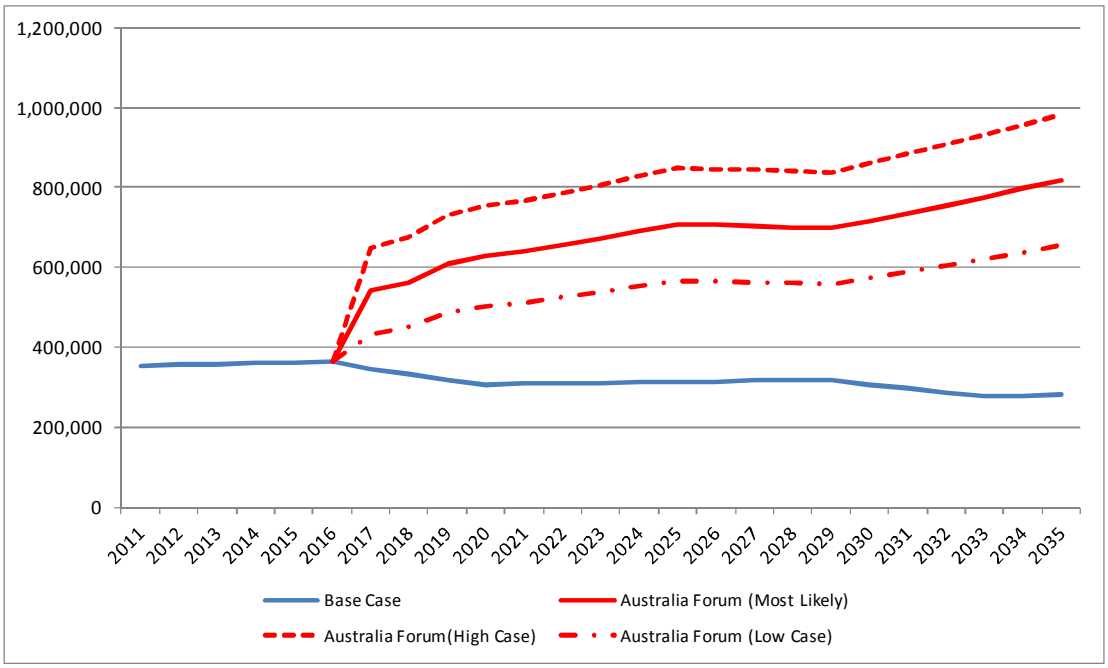


Figure 47: Projected number of attendee days under the Base Case and Australia Forum option (Expanded Configuration)



7. Detailed analysis of the options

Key Points:

- The Base Case Option and the Australia Forum site options have been subjected to a detailed financial and economic analysis. A discounted cash flow (DCF) financial model was developed to assess the financial feasibility of each option.
- The results of that financial analysis indicate that a significant investment would be required by government in the construction of Australia Forum (around $301m to construct Australia Forum on the Constitution Avenue site, $312m on the Lake Front site, and $326m on the City Hill site in current dollars, excluding fees and margins).
- Government would also need to invest in additional infrastructure projects that are consistent with the implementation of the Griffin Legacy (around $26m for the Constitution Avenue site, $43m for the Lake Front site, and $188m on the City Hill site in current dollars, excluding fees and margins).
- These capital costs would be reduced, but not completely offset, by the revenue generated by Australia Forum and the sale of the current NCC site.
- A risk assessment based on the principles of optimism bias considered an appropriate level of risk adjustment to be applied to the project costs. The risk adjustment to the facility costs are made at 33 per cent for facility costs. No risk adjustment has been made to revenue and non-building operating expenses.
- The financial sensitivity analysis shows that a 20 per cent movement in demand for events results in a marginal movement in the NPV (overall) of 10.1 per cent prior to risk adjustment, or 7.8 per cent after risk adjustment.
- The results of that economic analysis indicate that Australia Forum has the potential to generate significant net economic benefits for the community as a whole, and that the Australia Forum Lake Front option has the potential to generate the greatest net benefits of the options considered.
- The extent to which those potential net benefits are realised in practice will depend on a range of factors including:
  - the development of an event program for Australia Forum that:
    - gives priority to those events that might not be otherwise held in the absence of government investment in such a facility (i.e. those "public good" events that are likely to generate the greatest net benefits for the community); and
    - minimises the risk that Australia Forum will simply attract existing events away from other venues (e.g. events of a private nature).
- The extent to which government agencies, the academic and business communities choose to use Australia Forum in order to implement the Government's Innovation Strategy and Blueprint for Reform of Australian Government Administration.
- The extent to which international, national and local associations, corporates and community groups choose to hold their events at Australia Forum, which will depend to some extent on the effectiveness of the proposed marketing program for Australia Forum.

Having projected the demand for both the current National Convention Centre (NCC) facilities and the facilities proposed under both the Base Case Option and the Australia Forum Option, those demand projections are then used to conduct a detailed:

- financial analysis of those options (section 7.1). That financial analysis considers the additional financial revenues and costs that the operator of Australia Forum would incur and derive over and above the financial costs and revenues associated with the base case option (i.e. the continued operation of the current NCC in its current form); and

- economic analysis of those options (section 7.2). That economic analysis considers not only the direct financial benefits and costs derived and incurred by the operators of Australia Forum and those who attend events at Australia Forum, but also the additional "indirect" or "external" benefits and costs that the community as a whole would derive and incur as a result of the construction and operation of Australia Forum.

7.1 Financial analysis of the options

This section provides an overview of:

- the model used to assess the financial viability of each option (section 7.1.1);

- the approach used to estimate the revenue generated by each option (7.1.2);

- the approach used to estimate the financial cost of each option (section 7.1.3);

- the risk adjustments that have been made to deal with Optimism bias (section 7.1.4); and

- the key results of the financial analysis (section 7.1.5).

7.1.1 Model used to assess the financial viability of each option

7.1.1.1 Financial model

A financial model (the "model") has been developed to assess the financial implications of the "Base Case" Option and the Australia Forum "Benchmark" Option.

The financial model is a discounted cash flow (DCF) model that considers:

- the revenues generated by each option (section 7.1.2), which include:

  - the revenues generate by each type of event held at the venue. The financial model uses as an input the output of the demand model, which provides projections over the period of analysis of the number of attendees at each type of event held at the venue under analysis. This information is then used by the financial model to estimate the total revenue generated by those events in each year of the period of analysis;

  - car park revenue;

  - revenue from other commercial activities on the Australia Forum site, which includes revenue from the lease of retail space included in Australia Forum's facilities, as well as revenue from the lease of land for the development of an on-site hotel; and

    - revenue from the sale of the existing NCC site.

- the financial costs of each option (section 7.1.3), which include:

    - capital costs associated with the construction of Australia Forum, life cycle, and operations property management costs, as well as the cost of buying out the option to renew the NCC lease for another 5 years; and

    - operating costs associated with running the venues, which include the costs associated with holding each particular type of event, as well as general expenses and support functions.

The financial model provides for both:

- potential efficiency gains as a result of environmental improvements; and

- contingencies with respect to:

    - non-business expenses;

    - life cycle costs;

    - operational property management costs; and

    - construction costs.

The key results of the financial model are outlined in section 7.1.5 below. The outputs of the financial model provide:

- a comparative analysis of the two modelled options by assessing incremental changes in financial impacts; and

- a net present value analysis of the periodic cash flows for the duration of the model.

7.1.1.2 Adjustment for inflation

Inflation factors are applied to real values (excluding building and construction costs which have separate escalation factors) to produce nominal values.

7.1.1.3 Adjustment for risk

A risk assessment based on the principles of optimism bias was conducted to determine an appropriate level of risk adjustment to be applied to the project costs.

Risk adjustment percentages, as set out section 7.1.4, are applied to pre-risk cost outputs.

The following categories of costs have risk adjustment percentages specified:

- non-building costs;

- Operational property management (OPM) costs;

- Life cycle costs; and

- construction costs.

No risk adjustment has been made to revenue and non-building operating expenses.

7.1.1.4 *Net present value (NPV)*

The nominal discount rate is applied to the nominal cash flow data to produce a net present value for the Base Case Option and Australia Forum Option.

7.1.1.5 *Key assumptions underlying the financial model*

The key assumptions underlying the financial model are summarised in Table 24 below.

Table 24 - Financial model - assumptions

Category	Base Case Option Data Inputs
Timing	Model start date of 1 July 2010.
Timing	Model end date of 30 June 2035.
Timing	Discount start date of 1 July 2010.
Timing	Date for start of escalation period is 1 July 2010.
Basis	The model is based upon cash flows and therefore does not include non-cash flows such as depreciation. The costs arising from the economic depreciation of capital are taken into account through the discount rate, which reflects the user cost of capital.
Inputs	Input base financial data has been derived from a combination of NCC financial data as well as data provided by the ABS survey of the Business Events Venue Industry in 2000-01 (ABS 8566.0).
CPI	Inflation is assumed to remain constant at a rate of 2.5% p.a. over the period of analysis.
Escalation	Construction cost escalation factors of : – 10.0% up to 2014 – 3.5% per annum thereafter
Escalation	Annual Property Management Cost factor of 2.5% p.a.
Net Present Value	Nominal discount rate of 9.675% p.a. which is determined based on a real discount rate of 7.0% p.a. and inflation rate of 2.5% p.a.
Construction of Australia Forum	Construction of Australia Forum is assumed to commence on 30 June 2014 and be completed on 30 June 2016.
Car Park Completion	The car park is assumed to be completed on 30 June 2016 and available for use thereafter.
Residual Value	Base Building expected life is 40 years.

In addition to these assumptions, refer to Appendix D for an extract of the Financial Inputs sheet of the model which details values used.

7.1.2 Approach used to estimate the revenue generated by each option

The revenue generated by both the Base Case Option and the Australia Forum Option include the gross revenue generated by:

- events held at those venues; and

- the car parking facilities located at those venues.

In addition to these common sources of revenue, the Australia Forum option also generates a number of additional sources of gross revenue including revenue from:

- the sale of the NCC in 2016; and
- other commercial activities, including leasing of the retail space within Australia Forum and leasing of the land on the Australia Forum site for the construction and operation of a 350 to 400 bed hotel.

The approaches used to estimate these gross revenues for each year over the period of analysis are outlined below.

7.1.2.1 Estimation of the revenue generated under the Base Case Option

The revenue generated under the Base Case Option has been estimated using a combination of information from:

- the NCC, which indicates that they earned $8.4 million of gross revenue on their operations in 2009; and
- the ABS survey of the Business Events Venue Industry in 2000-01 (ABS 8566.0), which provides a percentage breakdown of the gross income earned by business event venues involved in the convention/exhibition industry. Those percentages have then been applied to the NCC 2009 gross revenue figure of $8.4 million to estimate the gross revenue under the Base Case Option in 2009, which is set out in Table 25 below.

Table 25: Gross revenue generated under the Base Case Option in 2009

REVENUE	Australian Convention/Exhibition Industry		Estimated revenue under the Base Case Option
	Income $m	Percentage of total income %	$
Income from venue hire			
Meetings/conferences	20.3	12.0%	$1,008,397
Exhibitions	31	18.3%	$1,539,917
Other	4.1	2.4%	$203,666
Total	***55.4***	***32.8%***	***$2,751,981***
Other income			
Takings from food and meals	52.8	31.2%	$2,622,827
Sales of liquor and other beverages	16.6	9.8%	$824,601
Audio visual equipment income	12.4	7.3%	$615,967
On-hire income	4.3	2.5%	$213,601
Takings from car park operations	18.1	10.7%	$899,113
Telecommunication services income	1.4	0.8%	$69,545
Other event income	2.9	1.7%	$144,057
Other	5.2	3.1%	$258,309
Total	***113.7***	***67.2%***	***$5,648,019***
TOTAL INCOME	**169.1**	**100.0%**	**$8,400,000**

Source: NCC data on gross revenue and ABS 8566.0

Event-based revenue under the Base Case Option is then estimated for each year over the period of analysis by multiplying the projected number of attendee days (from the Demand Model) by the revenue generated per delegate day, which is assumed to stay constant in real terms over the period of analysis.

Other non-event revenue, which includes revenue from car parks and trading interest revenue, is kept constant in real terms over the period of analysis.

7.1.2.2 *Estimation of the revenue generated under the Australia Forum Option*

A similar approach is used to estimate revenue under the Australia Forum Option in each year over the period of analysis.

It is assumed that Australia Forum would, in effect, inherit the revenue stream from the NCC when it closes in 2016. That is, the initial revenue derived by Australia Forum would be equal to the revenue derived by the NCC in its final year of operation.

The event revenue that Australia Forum would derive in each subsequent year of its operation is then estimated by multiplying the projected number of attendee days (from the Demand Model) by the revenue generated per delegate day, which is assumed to stay constant in real terms over the period of analysis.

The amount of revenue that Australia Forum would derive from car parking would also increase in relation to that under the Base Case Option as a result of the increase in the number of car parks from 540 (under the Base Case Option) to:

- 1,200 car parks on the City Hill or Constitution Avenue sites, and 600 car parks on the Lakefront site under the Australia Forum Base Configuration option; or
- 1,200 car parks on all sites under the Australia Forum Expanded Configuration option.

An estimate of the amount of car park revenue that Australia Forum would generate each year is provided in Table 26 below. The assumed occupancy rate assumptions are conservative and it is likely that car parking revenue under both the Base Case Option and Australia Forum Option would exceed those estimates.

Table 26: Estimated annual revenue from car parks

Annual Carpark Revenue	Base Case	Australia Forum		
		Lakefront site		Other sites
		Base configuration	Expanded configuration	
Number of car parks	540	600	1,200	1,200
Revenue per carpark:				
Week day rate	$12	$12	$12	$17
Week night rate	$3	$3	$3	$3
Weekend day rate	$3	$3	$3	$3
Weekend night rate	$3	$3	$3	$3
Number of days occupied:				
Week days (44% occupancy Lakefront, 65% other sites)	115	115	115	169
Week nights (20% occupancy)	52	52	52	52
Weekend days (20% occupancy)	21	21	21	21
Weekend nights (20% occupancy)	21	21	21	21
Annual Revenue:				
Week day revenue	$747,481	$830,534	$1,661,069	$3,447,600
Week night revenue	$84,240	$93,600	$187,200	$187,200
Weekend day rate	$33,696	$37,440	$74,880	$74,880
Weekend night rate	$33,696	$37,440	$74,880	$74,880
Total Annual Carpark Revenue	**$899,113**	**$999,014**	**$1,998,029**	**$3,784,560**

In addition to this revenue from events and car parking, the Australia Forum Option also generates two additional sources of revenue:

- revenue from other commercial activities at the Australia Forum site, which includes revenue from:
  - the lease of the retail space that has been provided for in the Australia Forum designs. The annual rental income stream from these leases has been estimated by multiplying the size of the retail space on the site by the prevailing market

rental, which varies across alternative sites, due to differences in the assessed scope for retail opportunities on each of those sites (which is discussed in Appendix C) and differences in the amount of retail space that can be physically accommodated on each of those sites; and

  - revenue from the sale of land on the Australia Forum site in 2013 to accommodate a 350 to 400 bed hotel, which is estimated to be around $16 million (i.e. a 400 bed hotel at an average of $40,000 per room);

- revenue from the sale of the existing NCC site. As discussed further in Appendix C, estimation of the revenue that is likely to be realised by the sale of that site is difficult to determine at this stage since it depends on a range of issues including the current NCC lease arrangements, the timing of the sale of the site, the ability to continue utilise the existing car park facilities on the site, and the costs associated with clearing the site, all of which will need to be resolved around the time of sale of that site. For the purposes of this study, it has been assumed that the sale of this site in 2016 would yield revenue of around $43.5 million which is based on the assumption that the site is sold to develop around 450 apartments on that site at a current average "land" price of around $90,000 per unit and that it would cost around $3 million to clear the site. It is important to note, however, that the costs of clearing the site could be higher due to the difficulties associated with preserving the existing car parks and any potential asbestos problems that might arise.

7.1.3 Financial costs of each option

The financial costs (i.e. cash outflows) under each option include both:

- capital costs; and

- operating costs.

7.1.3.1 Capital costs under each option

The financial analysis of the Base Case Option does not include the capital costs that the Australian Government incurred to construct the NCC, or the $30 million capital cost that the ACT Government incurred to refurbish the NCC. This is because those capital costs were all incurred in prior years and are therefore treated as "sunk costs" for the purposes of the financial analysis.

However, the financial analysis of the Australia Forum Option does include the following capital costs:

- the cost of the land on which Australia Forum would be constructed. For the purposes of the financial analysis, it is assumed that this land would be gifted by the Australian and/or ACT governments, as has been the case with similar developments in the National Capital; and

- the cost of constructing Australia Forum, which have been derived from indicative costings provided by Rider Levett Bucknall, which have been adjusted for the effects of increases in construction costs and inflation in future years in order to estimate construction costs in 2014 and 2015. These construction costs include:

  - core construction costs that would be incurred in order to construct Australia Forum on any of the three alternative sites identified; and

- additional site specific costs that would be incurred on top of those core construction costs in order to construct Australia Forum on a particular site.

Those additional site specific costs include the costs of both:

- internal site works, which include the cost of clearing the land prior to construction, as well as the cost of constructing internal site roads, footpaths and landscaping; and

- external site works, which include the cost of providing external pedestrian and vehicle access to the site (e.g. via walkways and land bridges) and external traffic control and diversion (e.g. via the tunnel under City Hill, which is likely to be required if Australia Forum was constructed on City Hill).

It is important to note, however, that some of the additional external infrastructure costs identified are not costs that are solely attributable to Australia Forum.

For example, the costs associated with the construction of the tunnel under City Hill, which would be required if Australia Forum was constructed on City Hill, are costs that the National Capital would have to incur if it is to implement the Griffin Legacy plan for the National Capital.

Similarly, the costs associated with constructing the land bridge that links the city to the lake, which is necessary if Australia Forum was constructed on the Lakefront site, are costs that the National Capital will have to incur in the future in order to facilitate further proposed development of the lake foreshores.

In addition, as discussed in section 5.3.4, the Lake Front site option provides for, and responds to, the planning intentions of National Capital Plan. To assist with integrated planning in the precinct, a number of desirable off site public works (e.g. an extended pedestrian promenade and Parkes Way land bridge) have been included in the plans outlines in section 5.3.4. However, given that these works are beyond the immediate scope of this project, they have not been separately costed.

A further capital cost associated with the Australia Forum Option is the cost of buying out the option to extend the NCC lease for another 5 years. For the purposes of this report, it has been assumed that:

- the current NCC lease expires in 2015, but has an option to renew that lease for a further 5 years; and

- the value of that 5 year option is equal to the net present value of the estimated profit that the operators would make from the facility over the period 2016 to 2020, which is estimated to be around $3.8 million assuming a gross revenue each year of around $8.4 million and a gross operating surplus of around 20 per cent. This amount would need to be re-estimated in 2016 when the lease is bought out using more up to date information on NCC profitability.

The nominal values of the capital costs outlined above are set out in Table 27, Table 28, Table 29, and Table 30 below.

The financial analysis recognises each of these capital costs outlined above in the year in which they are incurred. Estimates of the net present value of those costs are outlined in section 7.1.6 below.

Table 27: Capital costs of constructing Australia Forum

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
CAPITAL COSTS									
Cost of land	0			0		0	0		0
Core costs of contructing Australia Forum									
Plenary Hall	3,000	7,400	22,200,000	3,000	7,400	22,200,000	3,000	7,400	22,200,000
Concourse - lower	5,500	3,200	17,600,000	5,500	3,200	17,600,000	5,500	3,200	17,600,000
Concourse - upper	4,800	3,200	15,360,000	4,800	3,200	15,360,000	4,800	3,200	15,360,000
Theatrettes									
Base configuration	500	8,000	4,000,000	500	8,000	4,000,000	500	8,000	4,000,000
Expanded configuration	1,000	8,000	8,000,000	1,000	8,000	8,000,000	1,000	8,000	8,000,000
Centre for Dialogue	2,500	4,700	11,750,000	2,500	4,700	11,750,000	2,500	4,700	11,750,000
Concourse - lower	3,300	3,200	10,560,000	3,300	3,200	10,560,000	3,300	3,200	10,560,000
Concourse - upper	2,700	3,200	8,640,000	2,700	3,200	8,640,000	2,700	3,200	8,640,000
Exhibition halls									
Base configuration	8,000	3,600	28,800,000	8,000	3,600	28,800,000	8,000	3,600	28,800,000
Expanded configuration	12,000	3,600	43,200,000	12,000	3,600	43,200,000	12,000	3,600	43,200,000
Exhibition concourse	4,500	3,200	14,400,000	4,500	3,200	14,400,000	4,500	3,200	14,400,000
Meeting rooms and concourse	3,250	4,700	15,275,000	3,250	4,700	15,275,000	3,250	4,700	15,275,000
Ballroom	1,500	3,400	5,100,000	1,500	3,400	5,100,000	1,500	3,400	5,100,000
Banquet rooms and concourse									
Base configuration (1,800 sqm banquet room plus 1,000 sqm concourse)	2,800	3,250	9,100,000	2,800	3,250	9,100,000	2,800	3,250	9,100,000
Expanded configuration (2,250 sqm banquet room plus 1,500 sqm concourse)	3,750	4,700	17,625,000	3,750	4,700	17,625,000	3,750	4,700	17,625,000
Back of House (kitchen and stores)	6,000	3,200	19,200,000	6,000	3,200	19,200,000	6,000	3,200	19,200,000
Total (excluding car parks)									
Base configuration	***48,350***	***3,764***	***181,985,000***	***48,350***	***3,764***	***181,985,000***	***48,350***	***3,764***	***181,985,000***
Expanded configuration	***53,800***	***3,883***	***208,910,000***	***53,800***	***3,883***	***208,910,000***	***53,800***	***3,883***	***208,910,000***
Basement car park									
Base configuration (only 600 cars of Lake Front site)	36,000	1,000	36,000,000	18,000	1,000	18,000,000	36,000	1,000	36,000,000
Expanded configuration (1200 cars per site)	36,000	1,000	36,000,000	36,000	1,000	36,000,000	36,000	1,000	36,000,000
Total (including car parks)									
Base configuration	***84,350***	***2,584***	***217,985,000***	***66,350***	***3,014***	***199,985,000***	***84,350***	***2,584***	***217,985,000***
Expanded configuration	***89,800***	***2,727***	***244,910,000***	***89,800***	***2,727***	***244,910,000***	***89,800***	***2,727***	***244,910,000***
Site specific construction costs:									
Plaza (roof only)	9,000	2,069	18,617,040			0			0
Green roof (12,000 sqm)			2,190,240			0	0		0
Hotel development sites			Excl.			Excl.			Excl.
External works to future sites			Excl.			Excl.			Excl.
Retail space	840	2,000	1,680,000	3,150	2,000	6,300,000	1500	2000	3,000,000
Extra bridging to meeting rooms									1,642,680
Skylight over meeting rooms									3,942,432
Terrace to banquet halls									261,612
Additional Porte Cocheres			Excl.	2,260	3,059	6,913,858			0
Total	***9,840***	***2,285***	***22,487,280***	***5,410***	***2,442***	***13,213,858***	***1,500***	***5,898***	***8,846,724***
Services									
All services			Incl.			0			Incl.
Vertical transportation			6,084,000			6,084,000			6,084,000
Total			***6,084,000***			***6,084,000***			***6,084,000***
Internal site works									
Demolition/site clearance			225,108			567,637			851,760
Site remediation			Excl.			Excl.			Excl.
Bulk excavations/site fill			4,727,268			1,220,302			851,760
Retaining walls/site stabilisation			Excl.			0			Excl.
Hard and soft landscaping			23,727,600			13,968,864			16,907,436
Waterfeatures			2,000,000			2,000,000			2,000,000
External signage			608,400			608,400			608,400
Road and footpaths			954,030			696,938			696,318
Site services			1,825,200			1,825,200			1,825,200
Services diversions			Excl.			Excl.			0
Total			***34,067,606***			***20,887,341***			***23,740,874***
External site works									
Upper plaza				8,200		9,977,760			
Roadworks/upgrades			2,911,650			659,148			718,620
Retaining walls			0			0			0
Traffic lights/signalisation			4,956,000			1,239,000			1,858,500
Streetscaping			421,260			34,692			211,869
Total			***8,288,910***			***11,910,600***			***2,788,989***
Fittings and fixtures									
F.F & E									
Base configuration			9,245,209			12,604,040			12,972,279
Expanded configuration			10,106,809			14,850,290			14,318,529
Artwork			Incl.			Incl.			Incl.
Total									
Base configuration			***9,245,209***			***12,604,040***			***12,972,279***
Expanded configuration			***10,106,809***			***14,850,290***			***14,318,529***
TOTAL AUSTRALIA FORUM CONSTRUCTION COSTS (2010, excl. fees and margins)									
Base configuration			**298,158,006**			**264,684,839**			**272,417,866**
Expanded configuration			**325,944,606**			**311,856,089**			**300,689,116**

Source: Rider Levett Bucknall estimates of indicative capital costs

Table 28: Capital costs of constructing Australia Forum (including fees and margins)

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
FEES AND MARGINS									
Preliminaries			Incl.			Incl.			Incl.
Builders margin			Incl.			Incl.			Incl.
Professional fees (12.5%)									
Base configuration			37,269,751			33,085,605			34,052,233
Expanded configuration			40,743,076			38,982,011			37,586,140
Authority fees			Excl.			Excl.			Excl.
Planning/sundries/BWIC			28,627			54,307			23,946
Total									
Base configuration			***37,298,378***			***33,139,912***			***34,076,180***
Expanded configuration			***40,771,703***			***39,036,318***			***37,610,086***
TOTAL CAPITAL COSTS (2010, incl. fees and margins)									
Base configuration			**335,456,383**			**297,824,751**			**306,494,046**
Expanded configuration			**366,716,308**			**350,892,407**			**338,299,202**

Table 29: Capital costs of constructing Australia Forum (including contingency)

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
CONTINGENCY									
Contingency (10%)									
Base configuration			33,545,638			29,782,475			30,649,405
Expanded configuration			36,671,631			35,089,241			33,829,920
TOTAL CAPITAL COSTS (2010, incl. contingency)									
Base configuration			**369,002,022**			**327,607,226**			**337,143,451**
Expanded configuration			**403,387,939**			**385,981,648**			**372,129,122**

Table 30: Capital costs of constructing Australia Forum (including cost escalation)

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
COST ESCALATION									
Cost escalation to end of 2013 (10%)									
Base configuration			36,900,202			32,760,723			33,714,345
Expanded configuration			40,338,794			38,598,165			37,212,912
TOTAL CAPITAL COSTS (2014)									
Base configuration			**405,902,224**			**360,367,949**			**370,857,796**
Expanded configuration			**443,726,733**			**424,579,813**			**409,342,035**
GST			**Excl.**			**Excl.**			**Excl.**

Australia Forum would also require consideration of a number of additional infrastructure projects that are consistent with the implementation of the Griffin Legacy plans for the National Capital (e.g. Lake Burley Griffin foreshore development). The capital cost of these additional related infrastructure investments are set out in Table 31,Table 32, Table 33 and Table 34 below.

Table 31: Capital costs of additional infrastructure

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
ADDITIONAL COSTS									
Additional construction costs to implement Griffin Legacy									
City Hill site									
Tunnel under City Hill			182,520,000			0			0
Lakefront site									
Lower boardwalk and plaza				7,500		10,510,110			
Land bridge				900		4,380,480			
Car bridge						14,943,304			
Service bridge						8,760,960			
Dredging works			Excl.			458,790			Excl.
Reclaim lake edge			0	6,200		474,552			
Revetment walls						442,915			
Pier				800		1,168,128			
Constitution Avenue site									
Land bridge							3500	4867.2	17,035,200
Upper public walkway							5,100		6,515,964
Civic stairs									1,216,800
Fittings and fixtures									
F.F & E			5,840,640			2,056,962			1,238,398
TOTAL ADDITIONAL CAPITAL COSTS (2010, excl. fees and margins)			**188,360,640**			**43,196,201**			**26,006,362**

Table 32: Capital costs of additional infrastructure (including fees and margins)

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
FEES AND MARGINS									
Preliminaries			Incl.			Incl.			Incl.
Builders margin			Incl.			Incl.			Incl.
Professional fees (12.5%)			23,545,080			5,399,525			3,250,795
Authority fees			Excl.			Excl.			Excl.
TOTAL CAPITAL COSTS (2010, incl. fees and margins)			**211,905,720**			**48,595,726**			**29,257,157**

Table 33: Capital costs of additional infrastructure (including contingency)

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
CONTINGENCY									
Contingency (10%)			21,190,572			4,859,573			2,925,716
TOTAL CAPITAL COSTS (2010, incl. contingency)			**233,096,292**			**53,455,299**			**32,182,873**

Table 34: Capital costs of additional infrastructure (including cost escalation)

Capital Item	Capital Expenditure Under Each Australia Forum Option								
	City Hill			Lake Front			Constitution Avenue		
	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $	Area sqm	Cost per sqm $	Total cost $
COST ESCALATION									
Cost escalation to end of 2013 (10%)			23,309,629			5,345,530			3,218,287
COST OF BUYING OUT NCC LEASE			3,800,000			3,800,000			3,800,000
TOTAL CAPITAL COSTS (2014)			**260,205,921**			**62,600,829**			**39,201,161**
GST			**Excl.**			**Excl.**			**Excl.**

7.1.3.2 Operating costs under each option

The operating costs under the Base Case Option have been estimated using a combination of:

- NCC financial data for 2009. As discussed further below, in 2009, the NCC generated $8.4 million of gross revenues. Assuming a gross operating surplus of 20 %, this means that total operating costs were around $5.8 million in 2009; and

- the ABS survey of the Business Events Venue Industry in 2000-01 (ABS 8566.0), which provides a percentage breakdown of the expenditure incurred by business event venues involved in the convention/exhibition industry. Those percentages have then been applied to NCC gross expenditure in 2009 (which is estimated to be around $5.4 million, assuming a gross income in that year of $8.4 million and a gross operating surplus of 20 %) in order to estimate the gross expenditure under the Base Case Option in 2009, which is set out in Table 35 below.

Table 35: Estimated indicative operating costs under the Base Case Option

EXPENDITURE	Australian Convention/Exhibition Industry		Implied expenditure under Base Case Option
	Expenditure $m	Percentage of total expenditure %	$
Labour costs			
Wages and salaries			
Permanent employees	41	26.6%	$1,547,865
Casual employees	33.3	21.6%	$1,257,169
Total	***74.3***	***48.3%***	***$2,805,034***
Payments to other businesses for casual staff	4.2	2.7%	$158,562
Employer contributions to superannuation funds	5.2	3.4%	$196,315
Workers' compensation costs	1.1	0.7%	$41,528
Fringe benefit and payroll taxes	4	2.6%	$151,011
Total	***14.5***	***9.4%***	***$547,416***
Selected expenses			
Purchases for events			
Foodstuffs for use in preparing meals	13.5	8.8%	$509,663
Liquor and other beverages	4.2	2.7%	$158,562
China, flatwear and glassware	0.7	0.5%	$26,427
Other purchases for events	0.2	0.1%	$7,551
Total	***18.6***	***12.1%***	***$702,202***
On-hire expenses			
Audio-visual equipment	3.3	2.1%	$124,584
Other on-hire expenses	1.1	0.7%	$41,528
Total	***4.4***	***2.9%***	***$166,112***
Other costs			
Insurance premiums	1.1	0.7%	$41,528
Interest expenses			
Advertising, marketing and promotional expenses	6.3	4.1%	$237,843
Electricity, gas and wate	6.9	4.5%	$260,494
Laundry and cleaning services	2.5	1.6%	$94,382
Repair and maintenance expenses	6.7	4.4%	$252,944
Telecommunication	1.6	1.0%	$60,404
Other	17	11.0%	$641,798
Total	***42.1***	***27.4%***	***$1,589,393***
Total (excluding depreciation and amortisation)	**153.9**	**100.0%**	**$5,810,157**
Gross Operating Surplus	30.78	17.3%	$1,452,539
Depreciation and amortisation	24.1	13.5%	$1,137,303
TOTAL (including depreciation and amortisation)	**178**		**$8,400,000**

Source: *ABS survey of the Business Events Venue Industry in 2000-01 (ABS 8566.0)*

Annual expenditure under each option is then estimated in each subsequent year of the period of analysis in the following manner:

- Cost of Goods Sold (COGS):
  - COGS calculated for each type of event, based upon a specified percentage of event revenue;
- Staff costs:
  - Event-specific (casual) labour costs are calculated to be a percentage of event revenue;
  - Permanent labour costs vary by a specified factor of growth in attendee days (i.e. if this factor is 50% and attendee days grow by 10%, permanent labour will grow by 5%).
- General expenses:
  - For catering, room hire and technical services costs, the variable component is driven by attendee days, with the non-variable component remaining constant in real terms;
  - Sales and marketing and administration costs are assumed to be entirely non-variable and remain constant in real terms;
  - Car park expenses are calculated to be a specified percentage of car park and Regattas revenue, respectively;
  - An allowance has been made for the cost of operating 3 buses each year under the Australia Forum Lakefront option to ferry delegates to their hotels and the airport; and
  - An allowance has been made for $1 million of marketing expense for Australia Forum in each of the 3 years leading up to its opening.
- Building costs:
  - Operational property management (OPM) costs are based upon an annual OPM cost per square metre, which is applied according to total square metres for the duration of the model (total square metres are higher following upgrade completion in the Australia Forum Option, compared with the Base Case Option);
  - There is an allowance for efficiency gains due to environmental efficiency improvements, which is calculated as a specified percentage saving in OPM costs per period;
  - The appropriate periodic life cycle costs for each of the NCC facilities are based upon specified percentages of base capital values of the following facilities:
    - the original NCC facilities; and
    - the $30 million upgrade that was made to those facilities in 2006;
  - Escalation factors are applied to building costs to produce a nominal costing for each of the Base Case Option and the Australia Forum Option.

7.1.4 Adjustment for risks

Risks are inherent in all projects no matter what the size of the project. From a project management perspective, the most serious consequences of risk can be broadly summarised as follows:

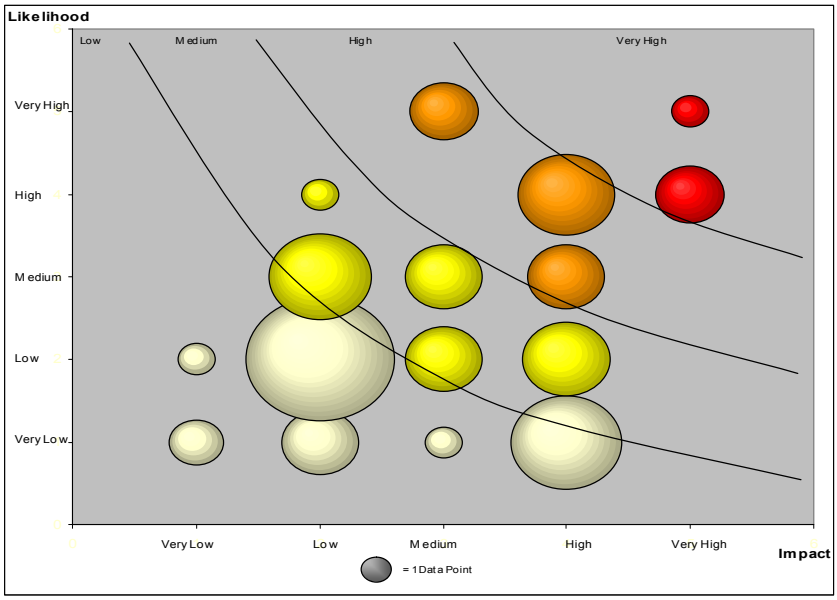
- Failure to keep within the cost estimate;
- Failure to achieve completion date; and
- Failure to achieve the required quality and operational requirements.

A qualitative assessment has considerable benefits in terms of understanding the Project, its risks and provoking thought on the most appropriate management response to those risks.

The risk information for the Australia Forum project has been identified and analysed through a Risk Identification and Assessment Workshop that was held in October 2010.[6]

The Risk Identification and Assessment Workshop produced a draft risk register which captured the outcomes of the risk workshop and provided the foundation for on-going effective risk management (See Appendix E). The risks were then assessed on a scale of very low to very high. The process of risk assessment is illustrated in Figure 48 below. Risks are identified and classified into categories according to their probability of occurring and their severity (very high, high, medium, low and very low).

Figure 48: Illustration of risk assessment



[6] A quantification of risk was not captured in the scope of this analysis. When quantifying risks, the value of risk, both retained and transferable, is included in a Public Sector Comparator, and measures the expected cost to the government if each risk remained the financial responsibility of the government. Transferable risk, if accepted by the private sector, will carry a price premium, so there is a need to ensure that it is in the government's best interest to transfer that risk.

Overall, the results of the risk analysis indicate the majority of the project risks fall within the low to medium category. However, there are a number of risks which fall into the high to very high category, which are summarised in Table 36 below.

Table 36: Summary of high and very high rated risks

Risk category	Risk event	Description of event	Risk rating
1. Planning	Procurement knowledge	Risk there is insufficient experience and resources for delivery of the project under alternative procurement options.	High
2. Site	Ground conditions	Risk that unexpected adverse ground conditions (e.g. soil, geotechnical, hydrogeological,) emerge and/or proposed remediation/re-engineering is insufficient.	High
3. Facilities	Resourcing	Risk that facilities provided by Australia Forum might not be appropriate to meet future needs.	High
4. Demand		Risk that projected demand for Australia Forum's facilities does not eventuate.	Very High
5. Stakeholder	Community expectations	Risk that the community might oppose the development of Australia Forum on a particular site (e.g. due to changes required to traffic flow or environmental impact considerations) .	Very High
	Timeframe	Risk of project being delivered in a different timeframe to that expected by community.	High
6. Construction	Escalation	Risk escalation factor allowed in construction cost estimates is inaccurate.	High
	Inputs costs	Risk cost estimates materially change from budget due to location related impacts.	High
	Operational interface	Risk that disruption to operations causes significant time delay and cost to the project.	High
7. Decanting	Private Partnerships	Risk that presence of private interests complicates transition into new model.	High
8. Technical	Design Brief	Inadequate design brief resulting from inadequate reliance on local resources also inadequate timeframe, budget, commitment.	High
9. Operational	IR issues	Risk of staff dissatisfaction/industrial issues associated with project.	High
10. Financial	Lack of private sector involvement	Risk that there is insufficient participation from private sector and/or unable/unwillingness for private sector to raise capital.	Very High
	Net debt/project budget impact	Risk that implicit/actual capital cost on balance sheet is higher than expected.	High
11. Legislative & Gov Policy	Change in government	Risk that change in government leads to different project outcomes.	High
	Political agendas	Risk that political considerations (time, cost and other imperatives) drive non-optimal design/procurement solution obstructing identification of best solution.	High
	Contractual constraints	Excessive contractual constraints/risk transfer for contractors and service providers does not achieve value for money.	High

The risk adjustment is based on an assessment of optimism bias which is the demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters and is based on the reviews of a large number of infrastructure projects through the UK 'Mott MacDonald, July 2002' study. The Mott MacDonald study is used as basis of this risk assessment as:

- projects included in this study are more reflective of Australia Forum (other studies focus on a particular sector e.g. transport infrastructure); and
- guidance as to use of optimism bias at early stage of feasibility assessment (e.g. Outline Business Case) in estimating risk adjusted outturn costs of projects.

The methodology for the risk assessment carried out is summarised below (the assessment is provided in Appendix E):

- assess the Australia Forum project against the appropriate category of relevant project type(s) to obtain appropriate risk ranges;
- identify any mitigating factors that can reduce the level of risk and making the required adjustment to the risk range;
- consider the extent to which existing contingency proposed by Rider Levett Bucknall overlaps this figure;
- apply the optimism bias risk percentage to the pre-risk cost of the project cases to produce a risk adjustment; and
- add the pre-risk cost to the risk adjustment to produce the post-risk adjusted cost of the facility.

The risk adjustment to the facility costs are made at 33.1 per cent for operational property management costs and general expenses, while construction costs are set at 10.0 per cent due to inclusion of a project contingency for construction in the preliminary cost estimates provided by Rider Levett Bucknall.

7.1.5 Key results of the financial analysis

The key results of the financial analysis are outlined below.

7.1.5.1 Operating cash flows under each option

Figure 49 and Figure 50 below compare the operating cash flows under the Base Case Option and Australia Forum Option (both Base Configuration and Expanded options), excluding the revenue generated from the additional car parks and commercial activities under the Australia Forum Option (i.e. the revenue from additional car parks, leasing retail space, the proposed hotel development on the site, and the sale of the current NCC site).

It indicates that the revenue and expense operating cash flows under the Australia Forum Option are higher than those under the Base Case Option as a result of the increased demand under the Australia Forum Option (i.e. higher attendee days) and the increased costs associated with supplying that greater level of services.

Figure 49: Comparison of operating cash flows under Base Case Option and Australia Forum Option (Base Configuration)

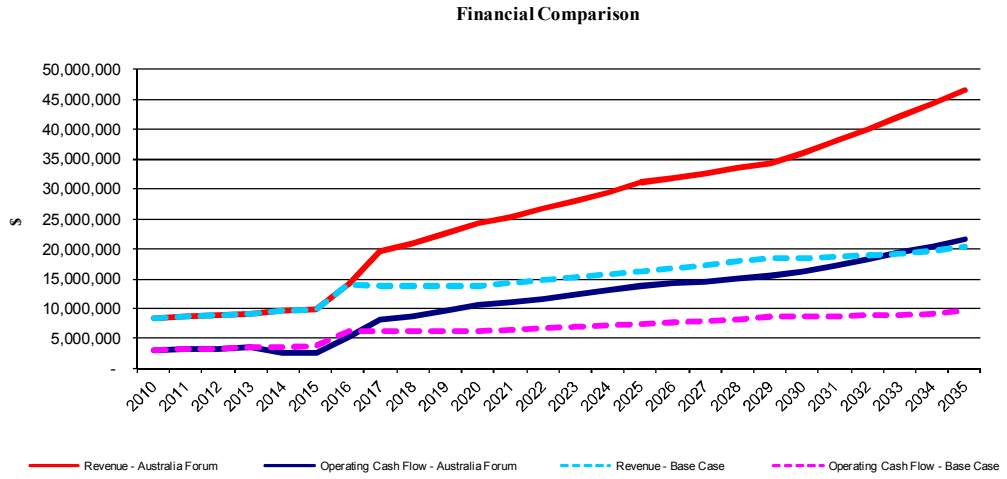
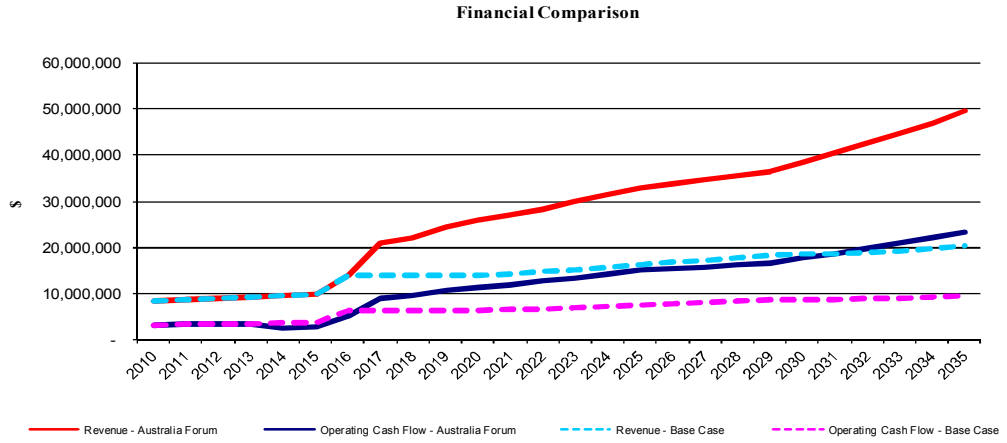


Figure 50: Comparison of operating cash flows under Base Case Option and Australia Forum Option (Expanded Configuration)



7.1.5.2 Net Present Value (NPV)

As indicated in Table 37, which sets out the estimated net present value (NPV) of each of the major categories of cash flows over the period of analysis for each of the options:

- the Base Case Option generates a modest operating cash flow ($9 m in NPV terms), consistent with NCC's current financial performance;
- the Australia Forum Option generates a significant increase in operating cash flow (from $9m to $100m in NPV terms under the Australia Forum Lake Front Base Configuration option) as a result of the increase in the number of events held and the additional event revenue raised, as well as the revenue raised from the leasing of retail space in Australia Forum and the hotel site;

- the operating cash flow for the Australia Forum Option is not sufficient to fund the required construction costs (and risk allowance as set out in Table 38 below); and

- the Australia Forum Base Configuration Option on the Constitution Avenue site generates the highest NPV of the Australia Forum options considered after accounting for construction costs. However, this needs to be considered in the context of the additional economic benefits generated by each of the Australia Forum Options, which are considered further below.

Table 37: Net Present Value of cash flows under each option

Revenue of Expenditure Item	Revenue and Expenditure						
	Base Case Option	Australia Forum Option					
		City Hill		Lake Front		Constitution Avenue	
	NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m
REVENUE							
Operating revenue							
Revenue from Events	102.8	163.2	172.1	163.2	172.1	163.2	172.1
Non-Event Revenue	17.2	19.1	19.4	19.1	19.4	19.1	19.4
Revenue from additional car parks	0.0	48.9	48.9	1.7	20.0	48.9	48.9
Revenue from sale of NCC site	0.0	39.7	39.7	39.7	39.7	39.7	39.7
Revenue from lease of retail space	0.0	4.0	4.0	15.1	15.1	7.2	7.2
Revenue from hotel development on site	0.0	14.6	14.6	14.6	14.6	14.6	14.6
Total Revenue	***120.0***	***289.4***	***298.7***	***253.3***	***280.8***	***292.6***	***301.8***
EXPENDITURE							
Operating costs							
COGS	(22.1)	(35.2)	(37.2)	(35.2)	(37.2)	(35.2)	(37.2)
Staff Costs	(16.7)	(26.3)	(27.6)	(26.3)	(27.6)	(26.3)	(27.6)
General Expenses	(26.2)	(35.4)	(36.2)	(35.4)	(36.2)	(35.4)	(36.2)
Cost of Additional Car Spaces	0.0	(4.9)	(4.9)	(0.2)	(2.0)	(4.9)	(4.9)
Cost of bus transport to and from Lake Front site	0.0	0.0	0.0	(5.6)	(5.6)	0.0	0.0
Building Costs	(45.8)	(50.9)	(53.2)	(48.2)	(52.0)	(48.9)	(51.1)
Total operating costs	***(110.8)***	***(152.7)***	***(159.0)***	***(150.9)***	***(160.6)***	***(150.6)***	***(157.0)***
Preliminary estimate of cost of not renewing existing lease arrangements	**0.0**	***(3.5)***	***(3.5)***	***(3.5)***	***(3.5)***	***(3.5)***	***(3.5)***
NET PRESENT VALUE (excluding construction costs)	**9.2**	**133.3**	**136.1**	**99.0**	**116.7**	**138.5**	**141.3**
Construction costs							
Total construction costs	0.0	(271.1)	(296.3)	(240.7)	(283.5)	(247.7)	(273.4)
NET PRESENT VALUE (including construction costs, excl. risk allowances)	**9.2**	**(137.8)**	**(160.2)**	**(141.7)**	**(166.8)**	**(109.1)**	**(132.0)**

Table 38: Risk adjusted Net Present Value of cash flows under each option

Risk Allowances	Revenue and Expenditure						
	Base Case Option	Australia Forum Option					
		City Hill		Lake Front		Constitution Avenue	
	NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m	Base Configuration NPV $m	Expanded Configuration NPV $m
NET PRESENT VALUE (including construction costs)	**9.2**	**(137.8)**	**(160.2)**	**(141.7)**	**(166.8)**	**(109.1)**	**(132.0)**
Construction risk allowance	-	(27.1)	(29.6)	(24.1)	(28.4)	(24.8)	(27.3)
Lifecycle and maintenance risk allowance	(15.2)	(16.9)	(17.6)	(16.)	(17.2)	(16.2)	(16.9)
Total risk allowance	***(15.2)***	***(44.)***	***(47.2)***	***(40.)***	***(45.6)***	***(40.9)***	***(44.3)***
RISK ADJUSTED NET PRESENT VALUE (including construction costs)	**(6.0)**	**(181.7)**	**(207.4)**	**(181.7)**	**(212.4)**	**(150.1)**	**(176.3)**

7.1.5.3 Sensitivity Analysis

Table 39 and Table 40 present the financial sensitivity analysis, and risk adjusted sensitivity analysis, under two demand scenarios:

- high case: A 20 per cent increase in the number of attendee days during the ramp-up phase and over the long term forecast period; and

- low case: A 20 per cent decrease in the number of attendee days over the long term forecast period.

The financial sensitivity analysis shows that a 20 per cent movement in total attendee days during ramp-up period and over the long term forecast period results in a marginal movement in the NPV (overall) of:

- 10.1 per cent prior to risk adjustment; or
- 7.8 per cent after risk adjustment.

Table 39: Sensitivity analysis

Revenue of Expendture Item	Revenue and Expenditure Australia Forum Option (Lakefront Base Configuration)		
	Low NPV $m	Most Likely NPV $m	High NPV $m
REVENUE			
Operating revenue			
Revenue from Events	138.0	163.2	188.4
Non-Event Revenue	18.3	19.1	19.9
Revenue from additional car parks	1.7	1.7	1.7
Revenue from sale of NCC site	39.7	39.7	39.7
Revenue from lease of retail space	15.1	15.1	15.1
Revenue from hotel development on site	14.6	14.6	14.6
Total Revenue	***227.3***	***253.3***	***279.3***
EXPENDITURE			
Operating costs			
COGS	(29.8)	(35.2)	(40.6)
Staff Costs	(22.2)	(26.3)	(30.3)
General Expenses	(32.6)	(35.4)	(38.2)
Cost of Additional Car Spaces	(0.2)	(0.2)	(0.2)
Building Costs	(48.2)	(48.2)	(48.2)
Total operating costs	***(133.0)***	***(145.3)***	***(157.6)***
Cost of buying out option to renew NCC lease	***(3.5)***	***(3.5)***	***(3.5)***
NET PRESENT VALUE (excluding construction costs)	**90.9**	**104.6**	**118.3**
Construction costs			
Total construction costs	(240.7)	(240.7)	(240.7)
NET PRESENT VALUE (including construction costs)	**(149.8)**	**(136.1)**	**(122.4)**

Table 40: Risk adjusted sensitivity analysis

Risk allowance	Revenue and Expenditure Australia Forum Option (Lakefront Base Configuration)		
	Low NPV $m	Most Likely NPV $m	High NPV $m
NET PRESENT VALUE (including construction costs)	**(149.8)**	**(136.1)**	**(122.4)**
Construction risk allowance	(24.1)	(24.1)	(24.1)
Lifecycle and maintenance risk allowance	(16.0)	(16.0)	(16.0)
Total risk allowance	***(40.0)***	***(40.0)***	***(40.0)***
RISK ADJUSTED NET PRESENT VALUE (including construction costs)	**(189.8)**	**(176.1)**	**(162.4)**

7.1.5.4 Funding required to finance the construction of Australia Forum

As noted above, the Base Case Option does not involve any major capital upgrades over the period of analysis.

By contrast, under the Australia Forum Option, the government would have to finance the costs of constructing the new venue, which will vary across the sites.

Table 41 and Table 42 set out the capital costs of constructing Australia Forum on each of these alternative sites, as well as the additional cost of related infrastructure, in real, nominal, NPV, and risk-adjusted NPV terms.

Table 41: Costs of constructing Australia Forum

Australia Forum Site	Cost of Constructing Australia Forum			
	Real cost $m	Nominal cost (2014 & 2015) $m	NPV $m	Risk Adjusted NPV $m
Australia Forum - City Hill Site				
Base Configuration	369.0	414.4	271.1	298.2
Expanded Configuration	403.4	453.0	296.3	326.0
Australia Forum - Lake Front Site				
Base Configuration	327.6	367.9	240.7	264.7
Expanded Configuration	386.0	433.5	283.5	311.9
Australia Forum - Constitution Avenue Site				
Base Configuration	337.1	378.6	247.7	272.4
Expanded Configuration	372.1	417.9	273.4	300.7

Table 42: Costs of additional infrastructure

Australia Forum Site	Cost of Additional Related Infrastructure			
	Real cost $m	Nominal cost (2014 & 2015) $m	NPV $m	Risk Adjusted NPV $m
Australia Forum - City Hill Site	233.1	261.8	171.2	188.3
Australia Forum - Lake Front Site	53.5	60.0	39.3	43.2
Australia Forum - Constitution Avenue Site	32.2	36.1	23.6	26.0

Table 43 and Table 44 below set out the nominal cash flows associated with the construction of Australia Forum and additional related infrastructure respectively.

Table 43: Australia Forum nominal construction cost cash flows

Australia Forum Site	Nominal Cost of Constructing Australia Forum		
	2014 $m	2015 $m	Total (2014 & 2015) $m
Australia Forum - City Hill Site			
Base Configuration	162	252	414
Expanded Configuration	177	276	453
Australia Forum - Lake Front Site			
Base Configuration	144	224	368
Expanded Configuration	170	264	433
Australia Forum - Constitution Avenue Site			
Base Configuration	148	230	379
Expanded Configuration	164	254	418

Table 44: Additional infrastructure nominal cost cash flows

Australia Forum Site	Nominal Cost of Additional Infrastructure		
	2014 $m	2015 $m	Total (2014 & 2015) $m
Australia Forum - City Hill Site	103	159	262
Australia Forum - Lake Front Site	24	37	60
Australia Forum - Constitution Avenue Site	14	22	36

Table 45 and Table 46 below set out the risk adjusted nominal cash flows associated with the construction of Australia Forum and additional related infrastructure respectively.

Table 45: Australia Forum risk-adjusted nominal construction cost cash flows

Australia Forum Site	Risk Adjusted Nominal Cost of Constructing Australia Forum		
	2014 $m	2015 $m	Total (2014 + 2015) $m
Australia Forum - City Hill Site			
Base Configuration	179	277	456
Expanded Configuration	195	303	498
Australia Forum - Lake Front Site			
Base Configuration	159	246	405
Expanded Configuration	187	290	477
Australia Forum - Constitution Avenue Site			
Base Configuration	163	253	417
Expanded Configuration	180	280	460

Table 46: Additional infrastructure risk adjusted nominal cost cash flows

Australia Forum Site	Risk Adjusted Nominal Cost of Additional Infrastructure		
	2014 $m	2015 $m	Total (2014 + 2015) $m
Australia Forum - City Hill Site	113	175	288
Australia Forum - Lake Front Site	26	40	66
Australia Forum - Constitution Avenue Site	16	24	40

7.2 Economic analysis of the options

This section provides an overview of the approach used to estimate the:

- net economic benefits generated by each option (section 7.2.1);
- direct benefits generated by each option (section 7.2.2);
- indirect benefits generated by each option (section 7.2.3);
- direct costs of each option (section 7.2.4); and
- indirect costs of each option (section 7.2.5).

The key results of the economic analysis of each of the options is provided in section 7.2.6.

7.2.1 Approach used to estimate the net economic benefits generated by each option

The financial analysis presented in section 7.1 evaluates the financial viability of each of the options from the point of view of a private sector operator of the venue. This involves determining the net revenue generated by each option, which is equal to the difference between the:

- gross revenues (i.e. cash inflows) generated by each option; and
- gross costs (i.e. cash outflows) incurred under each option.

By contrast, the economic analysis presented in this section evaluates the benefits and costs under each of the options from the community's perspective.

As disused further below, this involves determining the difference between:

- the gross benefits that the community as a whole derives from each option, which include both:
  - the direct benefits that the community derives from each option (section 7.2.2); and
  - the indirect, or "external" benefits that each option generates for other sections of the community (section 7.2.3).
- the gross costs that the community as a whole incurs under each option, which include both:
  - the direct costs associated with those venues (section 7.2.4), which include both capital and operating costs; and
  - the indirect or "external costs" that each option imposes on other sections of the community (section 7.2.5).

7.2.2 Estimation of direct benefits

As discussed further below, the direct economic benefits arising from the Base Case Option and Australia Forum Option include the:

- gross value of the outputs produced by the event venues;

- additional value of those outputs to the users of event venues; and
- gross value of the new assets created under the Australia Forum Option.

The approach used to estimate each of these direct benefits is outlined below.

7.2.2.1 Gross value of the outputs produced by the event venues

The main direct benefit generated by both the Base Case Option and the Australia Forum Option is the value of the outputs of goods and services that these alternative venues would produce over the period of analysis.

This raises the issue as to how these outputs of goods and services produced under the Base Case Option and Australia Forum Option should be valued.

If those outputs were pure private goods and services that are traded at "arms length" in perfectly competitive markets, then they should be valued at the prevailing market prices of those outputs, since those market prices would reflect the marginal benefit that each user and the community as a whole derives from an additional unit of output and the marginal cost of producing that additional unit of output. This is the approach that has been used for the purposes of the financial analysis to estimate the amount of revenue that the operators of these venues can expect to derive over the period of analysis.

In practice, however, it is apparent that the international, national and local markets in which the outputs of business event venues are traded are far from perfectly competitive.

As noted in section 2.3, there are significant economies of scale associated with the supply of business events as a result of the large up-front investment that must be made in the construction of an appropriate venue to hold those events. Inevitably, this means that the Australian market for business events, particularly larger business events, is dominated by a small number of large convention centres that are likely to have a significant impact on the prevailing market prices charged for business venue facilities.

In addition, it is apparent that international, national and State governments have chosen to invest heavily in the construction of these for a variety of reasons. In the past, the decision of governments to invest in the construction of business event venues was driven primarily by a desire to stimulate tourism expenditure in their regions by attracting more international and national visitors to the State. As discussed further below, however, more recently there has been a growing recognition by governments that the indirect or "external" benefits generated by business events extend beyond those "tourism" benefits. In particular, governments are recognising that business events play an important role in the process of innovation by fostering both information and formal collaboration between government, the academic and business communities, as well as the wider community.

Overall, this means that the prevailing market prices charged for business event venue facilities in Australia are likely to understate the actual social marginal benefits that the community derives from increasing the outputs provided by business event venues. For example, if the value of the subsidies that government currently provides to business event venues was equal to the external social benefits arising from those venues, then the outputs of those venues should be valued at the prevailing market price plus the value of the subsidy.

In practice, however, the lack of information on the magnitude of those social marginal benefits makes it difficult to determine the appropriate "shadow prices" to use to value the outputs of business event venues.

As a result, for the purposes of this economic analysis of the options, the outputs under both the Base Case Option and the Australia Forum Option have been valued at prevailing market prices charged for those facilities in the ACT (i.e. the same approach that has been used for the purposes of the financial analysis).

In so doing, however, we note that this is likely to underestimate the benefits that the community as a whole derives under both the Base Case Option and the Australia Forum Option.

7.2.2.2 Additional "consumer surplus" derived by the users of event venues

When evaluating the economic benefits generated by both the Base Case Option, it is important not to overlook the gross benefits that individuals derive from attending those events.

A large part of the value of that gross benefit is the market value of the goods and services that are provided by the event venues to the users of those venues (i.e. to "consumers"). As noted above, this is equal in value to the amount of money that individuals actually pay to attend events held at the venue.

However, it does not include the additional gross value that consumers derive from events that is over and above what they paid to attend those events. That is, it does not include the value of the "consumer surplus" they derive from attending those events, which is equal to the difference between:

- the gross value of what they were willing to pay to attend those events; and
- the amount they actually paid to attend those events.

The magnitude of that consumer surplus will depend on how sensitive the demand for the facilities provided by those venues is to changes in the prices charged for the use of those venues. In general, the consumer surplus that individuals derive from the use of a venue will be greater the less responsive their demand for that venue is to changes in the prices charged for its use.

For example, if there was no shortage of other perfectly substitutable venues in Canberra, then the demand for the venues under both the Base Case Option and the Australia Forum Option would be highly sensitive to price and there would be little, if any, additional consumer surplus derived by individuals attending events at those venues.

By contrast, if there only a few substitutable venues, then the demand for the venues under the Base Case Option and the Australia Forum Option would be highly insensitive to changes in price, and users of those venues would derive a significant consumer surplus.

In practice, the demand for the facilities provided under either the Base Case Option or the Australia Forum Option is likely to fall somewhere between these two extremes. Clearly, the NCC and the proposed Australia Forum are not the only venues suited to holding business events. There are many other venues in Canberra (e.g. hotels and EPIC) and interstate (e.g. the convention centres located in other States) that are capable of holding business events. At the same time, however, it is apparent that these other alternative venues are not perfectly substitutable for the facilities provided by the NCC or the proposed Australia Forum. Canberra's hotels, for example, do not have sufficient capacity to hold large conferences and there are additional travel costs associated with using interstate venues.

Some idea of the potential value of this additional consumer surplus can be gained by assuming that the overall demand for the facilities provided under the Base Case Option and

Australia Forum Option is neither highly sensitive (i.e. "highly elastic") or insensitive (i.e. "highly inelastic") to changes in price, but is linear with a slope of minus one. Under these simplifying assumptions, the value of the consumer surplus is around one half of the amount that individuals are willing to pay to use the venue (i.e. 50% of the revenue received from renting out the venue).

It is important to note, however, that the "consumer surplus" derived by international visitors to Australian business event venues does not represent a net benefit to Australia. As a result, it is important to consider only the additional consumer surplus derived by Australian residents.

Similarly, the consumer surplus derived by national visitors to the venues does not represent a net benefit to the ACT. As a result, when considering the potential benefits to the ACT, it is important to exclude the consumer surplus derived by non-residents of the ACT.

It is also important to note that the addition consumer surplus derived by Australian and ACT residents may simply be replacing consumer surplus that they would otherwise have derived had they consumed other goods and services instead of attending business events.

In view of these uncertainties and complications surrounding the magnitude of this additional consumer surplus, we have not sought to quantify it and include it in the economic analysis. Rather, we have noted its potential existence and the problems associated with its estimation.

7.2.2.3 Gross value of the new assets created under the Australia Forum Option

The financial analysis of the options has already taken into account the benefits generated by income producing assets that are constructed under the Australia Forum Option.

In addition, the financial analysis also takes into the account the costs of constructing a wide range of new non-income generating assets, which includes a range of assets such as land bridges, pedestrian bridges, the tunnel, internal and external road works, walkways, and landscaping.

However, the financial analysis does not take into account the potential benefits that those new assets are expected to generate. This biases the results of the analysis in favour of those options that require the minimum expenditure on those non-income generating assets.

As a result, the economic analysis includes the economic value of those assets as an additional economic benefit that is ignored by the financial analysis.

The additional new, non-income earning assets in question are outlined in Table 47 below, along with their estimated values, which are based on market values, where available, or construction costs otherwise.

Table 47: Value of new non-income earning assets created under the Australia Forum Option

New assets	Australia Forum Option		
	City Hill	Lake Front	Constitution Avenue
	$m	$m	$m
Internal site works			
Green roof	2.0		
Lower board walk		9.6	
Upper plaza		9.1	
Land bridge		1.2	
Upper public walkway		0.0	
Civic stairs			1.1
Hard and soft landscaping	21.6	12.7	15.4
Water features	1.8	1.8	1.8
Roads and footpaths	0.9	0.6	0.6
External site works			
Service bridge		8.0	
Car bridge		13.6	
Reclaimed land		8.5	
Land adjoining land bridge		17.1	
Pier		1.1	
Roadworks	2.7	0.6	0.7
Traffic lights	4.5	1.1	1.7
Streetscaping	0.4	0.0	0.2
Tunnel	166.4		
Total value of new assets:	**200.3**	**85.1**	**21.5**

7.2.3 Estimation of indirect benefits

Not only does the financial analysis underestimate the actual direct economic benefits of each option, it also potentially underestimates the actual indirect benefits of each option.

As discussed further below, the construction of new or improved venues to host business events generates a wide range of additional indirect or "external" benefits that are not considered in the financial analysis and have often been overlooked in past economic analyses.

While these external benefits and costs are difficult to quantify, this does not mean that they do not exist and should be ignored when evaluating the relative merits of alternative options.

Rather, as discussed further below, it is important to identify and where possible quantify, those external benefits and costs. In addition, where it is not possible to quantify these external benefits and costs, it is important to:

- identify the various factors that are likely to influence the magnitude of those benefits and costs; and
- use a qualitative analysis to assess the extent to which each of the alternative options under consideration are likely to generate those external benefits and costs.

This is the approach that is used below to evaluate the external benefits and costs generated by both the "Base Case" Option and the alternative Australia Forum options.

In addition to the direct benefits outlined above, the Base Case Option and the Australia Forum Options also have the potential to generate a number of indirect benefits, including:

- regional "tourism" benefits for the ACT arising from the expenditure of international, national and local delegates attending business events in the ACT; and
- external "network" benefits that "spill over" to other sections of the community that do not attend events held at those venues.

The approach used to estimate these indirect benefits is outlined below.

7.2.3.1 Potential regional "tourism benefits" for the ACT

When delegates attend a business event, those delegates and their partners typically spend money on a range of additional goods and services, thereby potentially generating indirect benefits for the regional area where the business event is held.

This section outlines the approach used in this economic analysis of the options to estimate the potential magnitude of the indirect benefits arising to the ACT from this business event induced increase in "tourism" expenditure.

The total expenditure by international, national and local delegates attending events under the Base Case Option and the Australia Forum Option is assumed to reflect the pattern set out in Table 48 below.

Table 48: Expenditure by international, national and local delegates

Expenditure Item	International		National		Local	
	Expenditure $	Percentage of total expenditure %	Expenditure $	Percentage of total expenditure %	Expenditure $	Percentage of total expenditure %
Package tours	198.00	5.4%	12.99	2.6%	0.27	0.2%
Airline fares						
- Prepaid international airfares	1,432.00	38.9%		0.0%		0.0%
- International airfares bought in Australia	29.00	0.8%		0.0%		0.0%
- Domestic airfares	34.00	0.9%	103.70	21.0%	25.95	15.3%
Organised tours, side trips	20.00	0.5%	3.27	0.7%	0.07	0.0%
Taxis and Car hire costs	63.00	1.7%	30.50	6.2%	7.34	4.3%
Fuel (petrol, diesel)	27.00	0.7%	51.01	10.3%	56.06	33.0%
Vehcile maintenance or repairs	40.00	1.1%	2.45	0.5%	2.22	1.3%
Other long distance transport costs		0.0%	1.59	0.3%	1.10	0.6%
Other local transport costs	107.00	2.9%	1.63	0.3%	1.59	0.9%
Accommodation	1,243.00	33.7%	126.13	25.5%	0.00	0.0%
Takeaway & restaurant meals		0.0%	72.52	14.7%	33.02	19.4%
Groceries etc for self-catering		0.0%	12.72	2.6%	5.55	3.3%
Alcohol and drinks (not elsewhere included)		0.0%	21.39	4.3%	4.83	2.8%
Shopping, gifts, souvenirs		0.0%	24.57	5.0%	20.69	12.2%
- Items for use in Australia	53.00	1.4%		0.0%		0.0%
- Items to take home	194.00	5.3%		0.0%		0.0%
Entertainment, museums, movies, zoos etc	26.00	0.7%	4.00	0.8%	1.56	0.9%
Horse racing, gambling, casinos	15.00	0.4%	1.79	0.4%	0.10	0.1%
Conference fees	119.00	3.2%	11.84	2.4%	1.39	0.8%
Education, course fees	43.00	1.2%	2.12	0.4%	1.39	0.8%
Other expenditure on trip	42.00	1.1%	8.61	1.7%	6.91	4.1%
TOTAL	**3,685.00**	**100.0%**	**494.00**	**100.0%**	**170.00**	**100.0%**
TOTAL (excluding expenditure outside Australia, conference expenditure and non-event expenditure by locals)	**$2,134.00**		**$482.16**		**$106.11**	

Source: ABS, Australian National Accounts, Tourism Satellite Account data (5249.0) adjusted as outlined below

That expenditure data has been adjusted to exclude:

- expenditure by delegates outside Australia, which does not benefit Australia;

- expenditure on conferences, which is already accounted for in the direct benefits; and

- expenditure by locals on non-event specific activities, which they are likely to have incurred even if they had not attended those events (e.g. meals, entertainment, shopping etc).

The resulting expenditure for international, national and local delegates is then multiplied by the number of those delegates attending events under the Base Case Option and Australia Forum Option to determine total regional expenditure under each of those options.

Having determined the amount of expenditure by delegates under each option, the next step is to determine the extent to which that expenditure is expected to generate:

- "value added" in the ACT (i.e. returns to primary factors of production including land, labour, capital and enterprise); and

- employment in the ACT.

This is achieved through the use of input-output multipliers that have been derived by Monash University's Centre of Policy Studies for the ACT economy. These general equilibrium input-output multipliers take into account both the direct and indirect, or "flow on" effects of this expenditure by delegates on the ACT economy, as well as the extent to which that expenditure leaks out of the ACT as a result of the use of inputs that have to be "imported" into the ACT from other jurisdictions.

These input output multipliers indicate that $100 of expenditure on:

- accommodation, cafes and restaurants will generate $78 of additional value added (through direct and indirect effects);

- food production will generate $100 of additional value added (through direct and indirect effects);

- retail goods and services will generate $94 of additional value added (through direct and indirect effects);

- other service will generate $1.16 of additional value added (through direct and indirect effects);

- transport will generate $56 of additional value added (through direct and indirect effects);

- construction will generate $66 of additional value added (through direct and indirect effects); and

- machinery and equipment will generate will generate $100 of additional value added (through direct and indirect effects).

Similarly, the input-output multipliers indicate that every $1,000 of expenditure on:

- accommodation, cafes and restaurants will generate 19 additional jobs (through direct and indirect effects);

- food production will generate 13 additional jobs (through direct and indirect effects);

- retail goods and services will generate 16 additional jobs (through direct and indirect effects);
- other service will generate 14 additional jobs (through direct and indirect effects);
- transport will generate 6 additional jobs (through direct and indirect effects);
- construction will generate 8 additional jobs (through direct and indirect effects); and
- machinery and equipment will generate will generate 13 additional jobs (through direct and indirect effects).

Overall, the results of this input-output analysis suggest that the expenditure by the additional delegates projected to visit Australia Forum (Base Configuration) would generate an additional:

- $762 million of Gross State Product (GSP) for the ACT; and
- 1,066 additional jobs.

It is essential to note, however, that considerable caution needs to be exercised when interpreting the results of such input output models.[7]

This is because such input output analysis does not take into account the opportunity cost of the resources that are required to produce that additional GSP. In addition, some of that GSP will be in the form of increased returns earned by factors of production that are owned by individuals located outside of Canberra (i.e. some of the increase in GSP will leak out of Canberra to equity and debt investors elsewhere in Australia and overseas).

This is the reason why we have indicated such a wide range of potential indirect benefits ($0m to $762m) in the table that summarises the results of the economic analysis.

The $762 million potential increase in GSP should be viewed as an upper limit which would only apply if the resources used had no opportunity cost, which is highly unlikely.

At the other end of the spectrum, if the resources are diverted away from other equally beneficial, or even more beneficial, uses, then there may be no net benefit arising, or even a net cost.

In practice, the net benefit is likely to lie somewhere in between these two extremes.

Further refinement of these estimates would require the use of a general equilibrium model.

7.2.3.2 External "network" benefits

To date, most studies of the benefits arising from new and expanded business event venues have focussed on the "tourism" benefits that the city that hosts those events generates by attracting international and national delegates to their regional areas.

This heavy focus on the "tourism" benefits of business events has, however, diverted attention from other, potentially even more important, indirect benefits generated by business events, which are referred to collectively below as external "network" benefits.

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[7] For a detailed discussion of the limitations of input-output models and economic impact analysis see the ACT Auditor-General's report on *V8 Car Races in Canberra – Costs and Benefits*, July 2002 http://www.audit.act.gov.au/auditreports/reports2002/Report_5_02.pdf

As noted in section 2.3.2, one of the key features of business events is the existence of "network economies" or "economies of scope", which arise due to the "complementarity" that exists between the wide range of inputs required to produce successful business events, which include both:

- physical infrastructure services (e.g. the business event venues, hotels, transport services, retail outlets, entertainment and social function facilities); and

- human capital services (e.g. the services supplied by those individuals who present papers at conferences, convene meetings, exhibit their goods and services, the conference organisers who assist with those tasks, and the activities of the individuals who attend those business events).

In effect, business events and the venues at which those events are held:

- create a "temporary network" that facilitates the exchange of information, goods and services among those attending that event. The nature of that "temporary network" varies across different business events. For example, larger business events tend to favour the use of large plenary halls which allow those presenting papers to provide information to the large number of individuals attending the conference (i.e. a "one to many", or "several to many", networks), supplemented by break out rooms which allow more two way conversations to occur between the individuals in those groups (i.e. multiple "face to face" networks). By contrast, smaller conferences often favour "cabaret" or "classroom" style events that allow much greater collaboration between the team members on each table (i.e. multiple "face to face" networks); and

- provide the opportunity for individuals attending the business event to create their own new, longer term, interpersonal networks that can be used in the future to exchange information, goods and services, and collaborate in further research.

By attending a business event at a particular venue, an individual not only derives benefits for themselves, but they also generate external "network" benefits for both:

- other individuals who attend that events. In general, the greater the number of individuals who attend a business event, the greater is the size of the temporary network that is created by that event, and the greater is the magnitude of the external "network" benefits that are generated by that event. This explains the reason why individuals often prefer to attend international and national conferences that attract a large number of high quality presenters and delegates; and

- other individuals who did not attend the event. As noted above, business events create the opportunity for individuals attending that event to establish new interpersonal relationships. In effect, these new interpersonal links join together their combined interpersonal relationships creating a new, much larger, interpersonal network that brings potential benefits for all of the members of that network, not just those individuals who attended the event (in much the same way as the additional of a new road to an existing network increases the value of the road network to all users, not just those that choose to use that new road). This explains the reason why delegates prefer conference and exhibition venues and programs that provide delegates with the facilities and opportunities they need to establish new "networks".

In addition, business events also present the opportunity to generate additional external benefits for the community by increasing demand for other complementary inputs, including:

- accommodation;

- transport;
- retail sales; and
- social and entertainment activities and facilities.

As discussed in section 3.2, the magnitude of these external benefits can be increased through the:

- development of multifunctional facilities that incorporate not only conference and exhibition facilities, but also accommodation facilities, retail outlets, entertainment and social event facilities;
- co-location of business event venues near other key facilities including hotels and retail outlets, which explains the reason why most convention centres have been located in the central business districts of capital cities; and
- "bundling" convention and exhibition centre facilities together with other facilities, where it is not possible to either physically integrate those facilities together within the same centre, or co-locate those facilities. In effect, this involves creating a "virtual" network of facilities (e.g. through joint venue arrangements between the operators of alternative venues and the activities of convention bureaus that can provide delegates with attractive and innovative packages of venues and activities tailored to meet the needs of particular business events). As illustrated in the box below, by "bundling" the services provided by a range of Canberra's event and entertainment venues, it is possible to generate additional indirect benefits for Canberra by increasing the willingness of individuals to pay for that "bundle" of services.

Example of how 'bundling' of services can increase demand for those services

Consider the case of a business event organiser who offers delegates attending a particular conference two types of services:

- service A (e.g. attendance at the conference); and
- service B (e.g. accommodation while they are attending the conference, or attendance at a particular social or entertainment event, such as a cocktail function or a tour of Canberra's tourist attractions).

Now assume that there are two potential consumers who are willing to pay different amounts to purchase each of those services:

- individual 1, who is willing to pay $150 for service A and $110 for service B; and
- individual 2, who is willing to pay $100 for service A and $140 for service B.

Assume also that the event organiser:

- cannot charge individuals 1 and 2 different prices for a particular service; but
- can charge both consumers different prices for service A and service B.

Under these assumptions, if the event organiser was to pursue a strategy of selling services A and B separately at different prices, then it would raise the most revenue by charging $100 for service A and $110 for service B, since at those prices, both consumers would purchase both services, and a total of $420 of revenue would be raised.

However, even more revenue could be raised if the event organiser chose to bundle service A and B together and sell that bundle at a 'package' price of $240. At that price, both consumers would purchase the bundled service, and a total revenue of $480 would be raised. That is, in this particular example, bundling services A and B together increases the amount of revenue that can be raised by the conference organiser by reducing the dispersion in the willingness of the two consumers to pay for the two services.

As noted in the recent report entitled *A Scoping Study of Business Events: Beyond Tourism Benefits*, although the measurement of the tourism benefits arising from business events is relatively straightforward, the complications associated with measuring the broader benefits mean that there is little accurate, meaningful and useful data available regarding those benefits:

> "*The research upon which business events have traditionally been valued (financial contribution to tourism) has typically involved the collection, analysis and presentation of quantitative data. It is a useful way of measuring the impacts of business events in a relatively straightforward way. However, the techniques to evaluate the broader contributions of business events are somewhat more complicated (Wood, 2009) given the complexity and nuances involved in evaluating these factors. Consequently, the broader benefits of business events have been largely overlooked (Dwyer et al, 2000). What is known about these impacts is*

limited and often speculative resulting in a lack of accurate, meaningful, and useful data".[8]

The purpose of that study, which was commissioned by Business Events Sydney, and conducted by the School of Leisure, Sport and Tourism at the University of Technology, Sydney, was "… to provide an empirically-based assessment of the range and impact of contributions made by business events to host communities beyond the tourism dimension".

As noted in that report, although it is well established that business events make a substantial contribution to the Australian economy from a tourism perspective, the Business Events Council of Australia has argued that the impacts of business events in areas such as innovation, education, networking, trade, research and practice are likely to far outweigh the financial return of the tourism spend. The study is in response to the Council's calls for evidence-based research to be undertaken in this area.

The approach adopted by the study to examine these broader impacts of business events involved case studies of five business events that were held in Sydney over the period 2007 to 2010:

- 4th International AIDS Society Conference on HIV Pathogenesis, Treatment and Prevention (IAS 2007), which is a major medical conference that was held from 22-25 July 2007;
- 3rd Asia Pacific Regional International Solar Energy Society Conference (IES 2008), which is a major environmental conference that was held from 25-28 November 2008;
- 19th World Congress of the International Society for Labour and Social Security Law (ISLSSL 2009), which is a major legal conference that was held from 1-4 September 2009;
- 7th International Orthodontics Congress (IOC 2010), which is a major medical conference that was held from 6-9 February 2010; and
- 5th IWG World Conference on Women and Sport (IWG 2010), which is a major sport conference that was held from 20-23 May 2010.

The key conclusions of the study, which are set out in the Executive Summary of the report, were that:

- the benefits of business events extend well beyond the contribution of those events to tourism;
- the events have brought the world's best practice and international knowledge to local sector practitioners in the fields of medicine, law, sport and the environment. This increase in Australian knowledge has contributed to capacity building in each sector and has exposed delegates to new knowledge and ideas that have been incorporated into educational offerings. This has improved the quality of education in the various sectors, which has flow on benefits for the quality of graduates who enter the field after their studies;

[8] Foley, C. et al (2010) A Scoping Study of Business Events: Beyond Tourism Benefits, School of Leisure, Sport and Tourism, University of Technology, Sydney.

- the events have allowed the dissemination of new knowledge, techniques, materials, and technologies in each of the sectors, providing Sydney/NSW based educators, practitioners and researchers with access to a network of international colleagues. This networking has provided local delegates with new business and research collaborations, and will generate innovation, ideas and research agendas for many years to come;

- significantly, for the continued health and growth of each of the sectors, attendance at these business events has delivered all of these benefits to emerging leaders working in each of the sectors, including Australian postgraduate research students;

- international delegates have been exposed to local knowledge, research capacity, sites and facilities and this has increased the attractiveness of Sydney's education sector. This growth in the education sector has wider benefits for increasing the future capacity of New South Wales in various sectors;

- the events have provided Sydney organisations, associations, and research centres with new funding from both the Federal Government and the private sector, which has allowed growth in the research capacity of each sector;

- awareness of sector specific issues has increased as a direct result of the events through media coverage and the involvement in the event of key and influential stakeholders, including Federal Ministers and high profile business people. As a result, Sydney has been branded as a city of action and social change and the profiles of Australian organisations, associations, and centres involved with the event has been raised and enhanced; and

- the events have showcased Sydney's capacities, putting the destination 'on the map', fostering a reputation as a place for highly skilled, capable, world leading researchers. Successful hosting of the events has enhanced Sydney's reputation as a business events destination, as has the development of the event management skills of those working within this field.

In summary, the report identifies the following key outcomes delivered by business events:

- **Knowledge expansion:**
  - Growing local knowledge;
  - Knowledge improving education; and
  - Knowledge improving professional practice;
- **Networking, relationships and collaboration:**
  - Access to networking opportunities for local practitioners and researchers;
  - Networking fosters creation of long term relationships;
  - Networking as a catalyst for knowledge expansion and research development;
  - Networking as a catalyst for research collaborations; and
  - Research collaborations lead to the development of new products and technologies;

- **Educational outcomes:**
  - Opportunities for local postgraduate research students; and
  - increased attractiveness of education sector;
- **Fundraising and future research capacity:**
  - Fundraising opportunities; and
  - Greater access to government and/or private sector funding sources;
- **Raising awareness and profiling:**
  - Generating awareness of sector specific issues;
  - Raising awareness of broader societal issues;
  - Profiling local organisations, associations, and/or centres; and
  - A catalyst for government support;
- **Showcasing and destination reputation:**
  - Showcasing local talent;
  - Enhancing Sydney's reputation as a global leader; and
  - Enhancing Sydney's reputation as a business events destination.

Although it is not possible to quantify the indirect "network" benefits arising from the Base Case Option and the Australia Forum Option, it is possible to rank the likely potential magnitude of those benefits.

In general, the results of the qualitative analysis of the external "network" benefits arising from each of the options is as follows:

- The Base Case Option will generate lower levels of external "network" benefits than the Australia Forum Option given that the Australia Forum option is likely to attract a greater number of business events, as well as large business events, over the period of analysis. In addition, the Base Case Option is not sited in as central a location as the Australia Forum City Hill Option, or in as attractive a location as the Australia Forum Lakefront Option;
- The Australia Forum City Hill Option has an advantage over the other sites to the extent that it would locate Australia Forum much closer to Canberra's CBD than the other options; and
- However, the Australia Forum Lakefront Option has the potential to generate the greatest "network" benefits by also creating:
  - a "tourism hub" that would provide improved ferry, bus and bicycle access to, and utilisation of, the National Capital's major tourist attractions (e.g. the National Gallery, Australian Portrait Gallery, National Museum of Australia, Questacon, Floriade, the High Court and the Carillion). In particular, it would provide increased opportunities for business event organisers and tour operators to offer

business event delegates a "bundle" of services including attendance at the business event, accommodation on site, social functions at some of the National Capital's iconic sites (e.g. the National Gallery or Parliament House), as well as the War Memorial and Canberra's surrounding, internationally acclaimed, vineyards. As noted above, this "bundling" of services could be expected to generate additional external benefits for the ACT by increasing the willingness of individuals to pay for a wider range of services than they would have purchased individually; and

- a new "social hub" for Canberra. Locating Australia Forum on the lakefront would, in effect, create a new social centre for the city that would help attract the city to the lake, increasing the utilisation of one of the National Capital's major assets. The existence of these lakefront facilities could be expected to increase the value of existing residential and commercial properties located near the lakefront Australia Forum development site as well as the potential value of nearby lakefront land earmarked for residential use.

7.2.4 Direct costs

The direct economic costs of each option include the cost of all real resources used up under each option, which includes both:

- operating costs – that is, the value of real resource inputs of labour and materials that are used up when operating the venues under each of the options; and

- capital costs – that is, the value of the capital that is used up under each option, which are equal to the capital outlay required under each option, less the residual value of that capital at the end of the period of analysis.

Although the financial analysis outlined in section 7.1 takes into account the operating costs associated with each of the options, it does not take into account all of the economic costs of capital under each of the options. Rather, it only takes into account the financial costs of that capital.

In particular, as discussed further below, the financial analysis does not include the opportunity cost of the land that is used under each option (i.e. the amount of revenue that would be generated by that land in its next best use).

These additional capital costs need to be added to the operating costs and capital costs identified in the financial analysis in order to estimate the economic costs of each option.

7.2.4.1 Capital costs under the base case option

As noted above, the financial analysis only takes into account cash flows over the period of analysis.

This means that it excludes:

- any cash outflows that occurred in prior years, such as the capital costs associated with the construction of the current NCC, as well as the additional $30 million of capital costs incurred by the ACT Government in 2006 to refurbish the venue; and
- the cost of any capital that was gifted by government, such as the land on which the NCC is sited and the land on which Australia Forum would be constructed.

When viewed from an economic perspective, however, the Base Case Option in effect involves a decision by the ACT Government to re-invest an amount of capital equal to the market value of the NCC in 2016 in return for the stream of revenue that is expected to be generated under the Base Case Option over the remainder of the period of analysis.

That is, from an economic perspective, the Base Case Option in effect involves recognising a capital cost in 2016 equal to the estimated market value of the NCC facility, in return for the stream of revenue that is expected to be generated under the Base Case Option over the remainder of the period of analysis.

The market value of the NCC site in 2016 will be influenced by a number of factors including:

- the market value of a cleared site in that location in 2016;
- the market value of the car parking facilities on that site; and
- the costs of demolishing the current building on the site, but leaving the car park facilities intact.

As outlined above, we have estimated the value of the NCC site at around $23 million. While we have not sought to value the land that would be used by Australia Forum on each of the three sites, we have ranked the likely relative values of that land.

In this regard, the value of the land currently occupied by the NCC is likely to be the lowest in relation to the value of the land that would be used if Australia Forum was built on City Hill (which is likely to have the highest land value). The land on the Lakefront site is likely to have the second highest value, followed by the value of the land at the Constitution Avenue site.

7.2.4.2 Capital costs under the Australia Forum option

The financial analysis already includes most of the capital costs under the Australia Forum Option, including:

- the cost of buying out the option to renew the lease on the NCC site for another 5 years; and
- the opportunity cost of the labour and capital that would be incurred in order to construct Australia Forum.

However, the financial analysis does not include the opportunity cost of the land on which Australia Forum would be built, since it is assumed that this land would be gifted by the government.

Once again, while we have not sought to value that land, we have sought to rank those land values. In general, it is expected that the opportunity cost of land will be highest for the City Hill site, followed by the Lake Front site, and the Constitution Avenue site.

7.2.5 Indirect costs

Although business event venues and the events they hold have the potential to generate indirect benefits for the wider community, they also have the potential to impose a number of indirect costs on the community including:

- congestion costs;
- environmental costs;
- the efficiency or "deadweight" costs associated with raising the revenue required to fund the construction of new event venues; and
- the efficiency or "deadweight" costs arising from competition for events between jurisdictions.

7.2.5.1 Congestion costs

As noted above, business events can generate indirect benefits for the city in which they are held by attracting international and national delegates whose expenditure generates additional value added and employment in the region.

At the same time, however, large meetings, conferences and exhibitions can also impose indirect "congestion" costs on the cities that host those events. Although some of those congestion costs are borne by those individuals who attend such business events, other costs spill over onto the wider community. These "external" congestion costs include:

- traffic congestion arising from large conferences, exhibitions and government meetings;
- disruptions to local businesses arising from road closures which make it difficult for consumers to gain access to their business outlets; and
- disruptions to local consumers as a result of them being "crowded out" by the large number of visitors to the city (e.g. difficulties getting a taxi, book a seat at a restaurant, gaining access to a particular entertainment event).

These congestion costs are magnified by the fact that most business event venues are located in the central business district in order to maximise the "network" benefits arising from events held at those venues.

The nature and extent of these congestion costs was illustrated by the APEC meeting held in Sydney in 2006, which required a significant part of the central business district to be closed down, numerous street closures, and the declaration of a holiday for the employees of those businesses located in the central business district.

This highlights the importance of considering the extent to which it is possible to lock down a site when selecting an appropriate location for a new business event venue such as the

proposed Australia Forum. Although proximity to the CBD is important in order to maximise "network" benefits, so too is the ability to lock down the site for large events without significantly disrupting the city.

For the purposes of this economic analysis of the Base Case Option and Australia Forum Option, we have not sought to quantify the potential magnitude of the congestion costs that could arise from large conventions, exhibitions, and government meetings.

However, we have sought to rank each of the alternative options and sites in terms of the ease with which they could be locked down in order to hold major business events in the future without disrupting the Civic business district.

In general:

- the current NCC site, which is the location for the Base Case Option is not capable of hosting a large conference or exhibition;
- both the Lakefront site and the Constitution Avenue Australia Forum sites lend themselves to holding large events that can be closed off without significantly disrupting the city; and
- due to its proximity to the city, it is likely to be more difficult to host large events at the City Hill Australia Forum site, and lock down that site, without causing disruption to the CBD.

7.2.5.2 Environmental costs

The main environmental costs arising from business event venues come from three main sources:

- the construction of business event venues;
- the operation of those venues; and
- travel by delegates to and from those venues.

The construction of Australia Forum would not involve any greater environmental costs than would normally arise under any other construction projects of this size elsewhere in the National Capital. The Lakefront site does involve the reclamation of land from the lake, as well as the construction of a pier to enable Australia Forum to serve as a "hub" for ferry services to the National Capital's other iconic sites around the lake (which also have wharves). However, given that Lake Burley Griffin, in effect, serves as a settlement pond for Canberra's storm water, it is not expected that this reclamation of land from the lake will present any significant environmental costs. Indeed, since the lake is man-made, the bed of the lake is not like a river bed. Rather, it is normal ground that is suited to construction once the bottom layer of silt has been removed.

Another source of environmental costs comes from the operation of those venues (e.g. greenhouse gas emissions as a result of energy needed to light, heat and cool the facility). In this regard, it is assumed for the purposes of the economic analysis of the options that the new Australia Forum venue would include the latest "green" building technologies, as has been the case with new venues constructed in other jurisdiction. As a result, it is expected that Australia Forum would be more energy efficient than the existing venue.

Travel by delegates is another potential source of environmental costs, particularly airline travel by international and national delegates.

The business event industry, both internationally and nationally, is very conscious of those environmental costs and has been pursuing a range of initiatives aimed at mitigating and managing those costs, including providing delegates with the opportunity to purchase credits to offset the emissions associated with their travel.

Once again, for the purposes of this economic analysis of the alternative options, we have not sought to quantify the environmental costs that are likely to arise under each of the options.

Rather, we note that the environmental costs under the Australia Forum Option are likely to be greater than those under the Base Case Option as a result of the increase in the numbers of international and interstate visitors attending events at Australia Forum and that conference organisers will continue to seek to mitigate and manage those costs.

7.2.5.3 Efficiency costs of raising the revenue required to finance event venues

Another indirect cost associated with Australia Forum is the cost that the community as a whole would incur in order to raise the revenue required to finance the construction of Australia Forum.

The tax system does not just redistribute income from the private sector to the government, leaving the overall welfare of the community unaffected. Rather, in the course of redistributing that revenue, it has the unintended effect of distorting consumption, production, investment and resource use decisions which impose a "deadweight cost" on the community. In other words, the economic cost of raising an additional $1 through the tax system exceeds $1 by an amount referred to as the "excess burden" of taxation.

For the purposes of this study, it has been assumed that the majority of the additional revenue required to finance the construction of Australia Forum would be obtained through Commonwealth Government taxation and that the excess burden of raising an additional $1 is around $1.30 (i.e. the additional cost is around 30 cents for every dollar that has to be raised through the tax system).

It is also important to note that further "deadweight costs" can arise if that government subsidy is used to attract events away from private sector suppliers of private events, or other interstate venues. Such "rent seeking" activity can result in an even greater loss in economic efficiency.

As noted by the Chairman of the Productivity Commission, Mr Gary Banks, in his speech to the Committee for Economic Development in Australia in 2002, there are sound reasons for the government to intervene in the operation of markets where there is 'market failure':

> *"There are of course sound economic rationales for some forms of industry assistance. For example, it is well established that market forces alone will often not ensure that firms engage in enough socially beneficial R&D, because other firms can often 'free ride' on the results. Government assistance to encourage more R&D can improve the performance of the economy. Other possible 'market failures' potentially warranting government support include information failures, labour training and mobility (although the most effective interventions don't necessarily involve financial assistance to firms)".*[9]

[9] Banks, G. (2002), *Inter-State bidding wars: calling a truce*, Speech to the Committee for Economic Development of Australia, Brisbane, 6 November 2002, p 12.

At the same time, however, Mr Banks noted that from a national perspective, inter-competition for investment and events is a negative-sum game:

> "*From a national perspective, inter-State competition for investment conducted via selective assistance is a negative-sum game. The analysis shows that States have an inventive to 'overbid' for projects and events, relative to the national benefits to be obtained. Even if the investment is genuinely 'new' to Australia, interstate bidding can cause any national benefits to be dissipated, with foreign shareholders the only such winners. For such reasons, if Australia is to be in the bidding game internationally, it is preferable for the Commonwealth to be the main player*".[10]

For the purposes of this report, we have not sought to estimate the potential magnitude of those costs.

Rather, we have:

- noted the potential for those additional "deadweight costs" to arise if Australia Forum was to use its subsidised facilities to attract essentially private events away from private sector venues (e.g. hotels) or engage in interstate competition with event venues in other capital cities; and

- recommended that Australia Forum's governance arrangements need to be designed in such a manner as to minimise the extent of those potential additional "deadweight costs". Specifically, as outlined in section 8, it is proposed that the Australia Forum Board would include representatives of other venue operators in the ACT as well as from the Commonwealth Treasury and the Department of Finance and Deregulation, who would be able to provide advice on the appropriate pricing policy that would be applied by Australia Forum's operators. This would involve:

  - charging prevailing market prices for those events that are considered to be essentially "private" events (e.g. private social functions) in order to avoid using Australia Forum's subsidised cost of capital to attract such private events away from commercial operators (e.g. hotels); and

  - only taking advantage of Australia Forum's subsidised capital costs when determining the prices that should be charged for those events where the Australia Forum Board considered that there are significant external benefits to the public arising from those events (i.e. limiting the use of the Government's subsidy to those events that are expected to generate external benefits for the wider community).

[10] Banks, G. (2002), *Inter-State bidding wars: calling a truce*, Speech to the Committee for Economic Development of Australia, Brisbane, 6 November 2002, p 12.

7.2.6 Summary of results of the economic analysis

The key results of the economic analysis of each option are summarised in Table 49 below, which sets out both:

- the additional economic benefits that are likely to be generated by Australia Forum that are not included in the financial analysis; and
- the additional economic costs arising from Australia Forum that are also not taken into account in the financial analysis.

Of the benefits that are excluded from the financial analysis, the potential "network benefits" generated by Australia Forum that are considered to be most significant and have the potential to generate significant net benefits for the community as a whole, although as discussed above, the magnitude of those net benefits is difficult to quantify.

These "network" benefits include the external benefits that the community would derive from the:

- ability of Australia Forum to host government meetings of international and national significance to Australia;
- increased innovation as a result of increased collaboration between government, the academic, business, and wider communities; and
- increased dialogue and consultation between government and the wider community on issues of international and national significance.

The extent to which those potential net benefits are realised in practice will depend on a range of factors including:

- the development of an event program for Australia Forum that:
  - gives priority to those events that might not be otherwise held in the absence of government investment in such a facility (i.e. those "public good" events that are likely to generate the greatest net benefits for the community); and
  - minimises the risk that Australia Forum will simply attract existing events away from other venues (e.g. by ensuring that the government's subsidisation of the capital costs of Australia Forum is not used to undercut private events);
- the extent to which government agencies, the academic and business communities choose to use Australia Forum in order to implement the Government's:
  - Powering Ideas Innovation Agenda, which seeks to increase innovation through increased collaboration, including informal means of collaboration such as conferences; and
  - Blueprint for Reform of Australian Government Administration, which seeks to improve government policy formulation, implementation, operation and service delivery through increased consultation with the wider community on issues of national importance; and
- the extent to which international, national and local associations, corporates and community groups choose to hold their events at Australia Forum, which will depend to

some extent on the effectiveness of the proposed marketing program for Australia Forum.

As noted above, the potential "tourism benefits" to the ACT need to be interpreted with considerable caution given the limitations of the approach traditionally used to calculate those benefits.

Overall, the Australia Forum Lake Front option is expected to generate the greatest net additional economic benefits of the options considered.

Table 49: Results of the economic analysis of the Base Case Option and Australia Forum Option

Benefit or Cost Item	Economic Benefits and Costs Under Each Option			
	Base Case Option	Australia Forum Option (Base Configuration)		
		City Hill	Lake Front	Constitution Avenue
	$m	$m	$m	$m
ADDITIONAL ECONOMIC BENEFITS				
Additional direct benefits				
Additional "consumer surplus" derived by event venue users				
Value of new assets	0	200.3	85.1	21.5
Additional indirect benefits				
Potential regional "tourism benefits" to the ACT		0 to $762m	0 to $762m	0 to $762m
External "network" benefits	Lowest	2nd Highest	Highest	3rd Highest
ADDITIONAL ECONOMIC COSTS				
Aditional direct costs				
Opportunity cost of land	Lowest	Highest	2nd Highest	3rd Highest
Additional indirect costs				
Congestion costs	2nd Highest	Highest	3rd Highest	Lowest
Environmental costs	Lowest	Highest	2nd Highest	3rd Highest
Deadweight costs associated with funding Base Configuration		(175.0)	(110.8)	(107.4)

8. Implementation of Australia Forum

Key Points:

- This scoping study and business case is the first stage of the procurement process for Australia Forum, which involves establishing the case for the Australian and ACT governments to support the development of Australia Forum under a traditional public sector procurement model.

- Once a decision has been made by government to fund the development of Australia Forum, the next steps in the procurement process, which are discussed further in this section, involve determining the most effective and efficient way of:

  - delivering Australia Forum (section 8.1); and

  - governing Australia Forum (section 8.2).

- A range of possible models could be used to fund and deliver Australia Forum, ranging from pure public funding models, where the government bears all of the risks and rewards, through to models where the private sector plays a much greater role in both project funding and delivery. The predominant approach that has been used to deliver such projects in the past is traditional procurement, with the ownership of the facility retained by the public sector. Private sector financing has only been used where a new facility has been procured (Melbourne and Darwin) as opposed to an upgrade or expansion of an existing facility.

- There are also several possible structures that could be implemented to govern the establishment and ongoing operation of Australia Forum. For example, as discussed further in section 8.2:

  - Australia Forum could be established as a body corporate through the introduction of Commonwealth legislation (e.g. the Australia Forum Act);

  - Responsibility for the overall governance of Australia Forum would rest with the Australia Forum Board. The members of the Board would be drawn from representatives of government, the academic community, Australia Forum, the business community, and the wider community, who have demonstrated national leadership capacity and expertise and interests aligned to the particular Forum goals (e.g. international relations; promoting innovation through increased collaboration between government and the academic and business communities, and public dialogue); and

  - the Board would be assisted in the performance of its role by the establishment of an Australia Forum Advisory Committee. The Advisory Committee would be able to form sub-committees that focus on issues of particular importance to the operation of Australia Forum including program development, marketing of Australia Forum together with other national event venues in the ACT, fund raising, and finance and audit.

8.1 Delivery of Australia Forum

As discussed further below, once government has decided to fund the development of Australia Forum, it will be necessary to:

- identify and evaluate the relative merits of other alternative approaches to delivering Australia Forum; and
- determine the preferred procurement approach that is expected to deliver the government with the greatest value for money for its investment.

Following determination of the preferred procurement approach, the final stages of the procurement process will then involve:

- a call for Expressions of Interest (EOI) from private sector entities that are interested in becoming involved in the Australia Forum project;
- a call for tenders from those interested parties; and
- the management of the contract following its award to the successful tenderer.

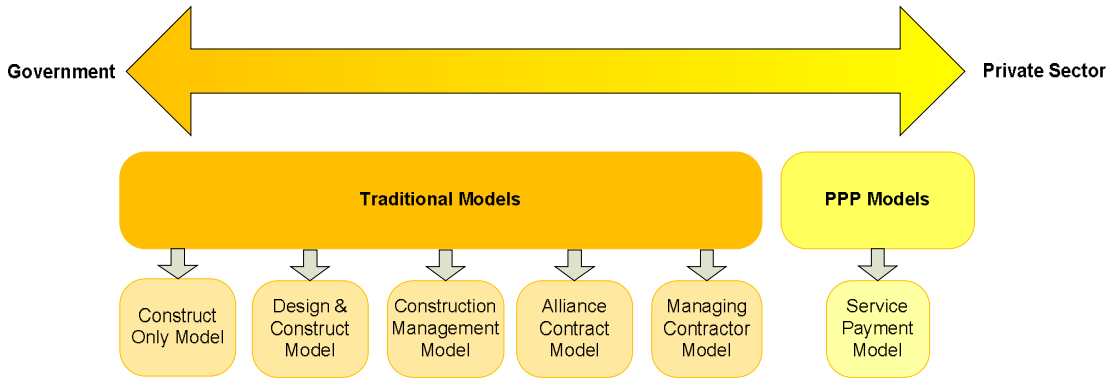
These remaining stages of the procurement process are discussed further below.

8.1.1 Alternative delivery models

As illustrated in Figure 51, there is a broad spectrum of alternative delivery models that might be appropriate for Australia Forum, ranging from:

- the more traditional delivery models, where the government bears most of the risks and the private sector is only involved in the delivery of some individual, "unbundled", services. These "unbundled" models include the:
  - Construct Only model;
  - Design and Construct model;
  - Construction Management model; and
  - Alliance contract model.
- through to Public Private Partnership models, where a greater proportion of the risks are borne by the private sector and the private sector is involved in the provision of "bundles" of services (e.g. the construction, maintenance, financing and operation of the facility), rather than just some individual "unbundled" services. These "bundled" models include the:
  - Design Construct Maintain Finance (DCMF) model;
  - Build – Own – Operate (BOO) model; and
  - Build-Own-Operate-Transfer (BOOT) model.

Figure 51: Potential delivery model options



These alternative delivery model options are discussed briefly below.

8.1.1.1 Construct Only Model (lump sum or fixed price)

Under a Construct Only delivery model:

- the government retains full responsibility for the design and documentation and engages a design team to develop that design documentation, which forms part of the tender for works;
- only the construction component of the project is tendered out; and
- the contractor tenders a price for the works subject to adjustments provided for in the contract (e.g. if there are variations to the scope of works). Irrespective of the actual cost of the works, the contractor is entitled to be paid the contract sum, as agreed between the parties prior to commencing the works. In practice, however, the construct-only contract can exceed the original contract sum if not properly planned and managed.

Such Construct Only contracts may be appropriate where:

- the scope of the project is well-defined and there is little likelihood of scope creep or wholesale changes to requirements;
- there is little incentive or need for innovation from the contractor; and/or
- it is desirable, and there is sufficient time, to complete design documentation prior to tendering.

8.1.1.2 Design and Construct Model

Under a Design and Construct ("D&C") delivery model:

- the government prepares a performance and quality requirement specification;
- a single contract is then established for the preparation of detailed design followed by construction of the project;
- bidders usually submit a fixed time, fixed sum price for the works. This can include a defects liability period to ensure the performance of the asset; and

- following design and construction, the procuring agency would be responsible for the operation and maintenance of the facility.

There are numerous potential variants of the Design and Construct delivery model, including:

- **Design, Novate and Construct model.** Under this model, the procuring agency engages a designer to prepare a schematic design or a more developed design. The construction contractor then enters into a subcontract with the same designer, thereby ensuring continuity of the designer's input from project inception to completion. By novating the client-designer contract to the D&C contractor, the client's designer is taken on by the D&C contractor at the time of construction contract award. At this stage, either the schematic design or design development is completed. The contractor takes on full responsibility for the design including payment of the designer's fees.

- **Design, Develop and Construct model.** Under this model, the procuring agency prepares a schematic design in addition to performance specifications, thereby giving a degree of control over the design output, while still transferring some of the design risk to the construction contractor.

- **Design, Construct and Maintain model.** Under this model, the contractor has ongoing maintenance obligations in addition to the design and construction of the project. Lifecycle costs can be reduced if the contractor takes into account ongoing maintenance obligations when designing and constructing the facility.

- **Design, Construct, Maintain, Operate model.** Under this model, the contractor commits to design and construct the asset and typically provide operations and maintenance over a 10 to 15 year time frame. Operations may potentially be sub-contracted.

8.1.1.3 Construction Management Model

Under the Construction Management model:

- the procuring agency appoints a head contractor as the Managing Contractor to engage subcontractors to deliver the works; and

- the managing contractor is responsible for administering these subcontracts and accepts an element of delivery risk. The Managing Contractor will generally be paid a fixed lump sum contract price for overall project delivery; this may include incentive payments for achieving cost and schedule targets. The Managing Contractor is typically engaged early in the project to manage the scope definition, design documentation and construction of the works.

Under the Construction Management model, the Managing Contractor may:

- be paid a management fee and incentive payments for achieving target price, schedule and other key parameters;

- undertake some or all of the design activities;

- perform some of the construction works;

- be responsible for preliminaries (e.g. crane hire, site sheds, supervision services etc), general project requirements (e.g. security, insurances etc) and project management (e.g. scheduling, coordinating, liaising, monitoring, reporting etc.);

- prepare the trade packages and conducts the tenders, selects suppliers in close collaboration with the client;
- warrant the quality of all works; and
- warrant the completion of the works by the date for Practical Completion.

8.1.1.4 Alliance Contract Model

Under an Alliance Contract model:

- a contractor would be appointed by the procuring agency as an alliance partner to the project; and
- the partners would then jointly develop the design and target cost and work together to deliver the project to that budget. The contract would be structured to facilitate the alliance contractor receiving payment activities and agreed overheads and profit.

An alliance contract may work well under a number of circumstances where:

- there is significant uncertainty around outcomes due to unforeseeable risks (e.g. geotechnical instability);
- the procuring agency has significant value to add during the D&C phase; or
- the field of potential bidders is quite small.

Key features of the alliance contracting approach include:

- an assumption of collective responsibility for project delivery;
- sharing in upside and downside project outcomes; and
- payments to the alliance partner under an audited 'open book' compensation model.

8.1.1.5 Public Private Partnership Model

Public Private Partnership ("PPP") models based around service payments are commonly used to deliver social infrastructure projects such as Southbank TAFE, NSW Schools, Melbourne Convention Centre among many others.

Under this model, the private sector receives a recurring service payment from the procuring agency based on asset availability and performance measures.

Under the PPP model the majority of design, construction, commissioning, operations, maintenance, and financing risks are transferred to the private sector proponent. As a result the proponents' bids reflect a whole-of-life pricing for delivery of the asset. The asset reverts to the procuring agency at the end of the contractually specified concession period. Typically, projects of a significant scale are more appropriate to a PPP model.

This is achieved through a variety of "bundled" models, including the:

- Design Construct Maintain Finance (DCMF) model, where the private sector contractor is involved in the design, construction and maintenance of the facility, as well as its financing;

- Build – Own – Operate (BOO) model, where the private sector operator is involved in the construction, ownership and operation of the facility; and

- Build-own-operate-transfer (BOOT) model, where the private sector is, once again, involved in the construction, ownership and operation of the facility. However, under this model, the ownership of the facility is transferred back to the government at a specified date.

8.1.2 Process for evaluating the alternative delivery models

It is important to note that this business case has developed a whole-of-life project cost that is based on:

- the preliminary functional brief prepared for Australia Forum by the Canberra Business Council, as modified in the light of the results of our survey of key stakeholders;

- the indicative designs of Australia Forum developed by Cox Architects;

- the indicative costings developed by Rider Levett Bucknall; and

- the assumption that the project would be delivered under the best practice public sector delivery model, which assumes that like the NCC, Australia Forum would continue to be operated by a private sector entity.

Although it is normal practice for business cases to assess costs under the assumption that the facility would be delivered under the relevant best practice public sector delivery model, this does not mean that such a delivery model is necessarily the preferred procurement model.

Rather, following a decision by government to fund the development of Australia Forum, it will be necessary to evaluate the relative merits of other alternative delivery models against that "Public Sector Comparator", to determine whether there is scope for the government to derive greater value for money through the use of another delivery model.

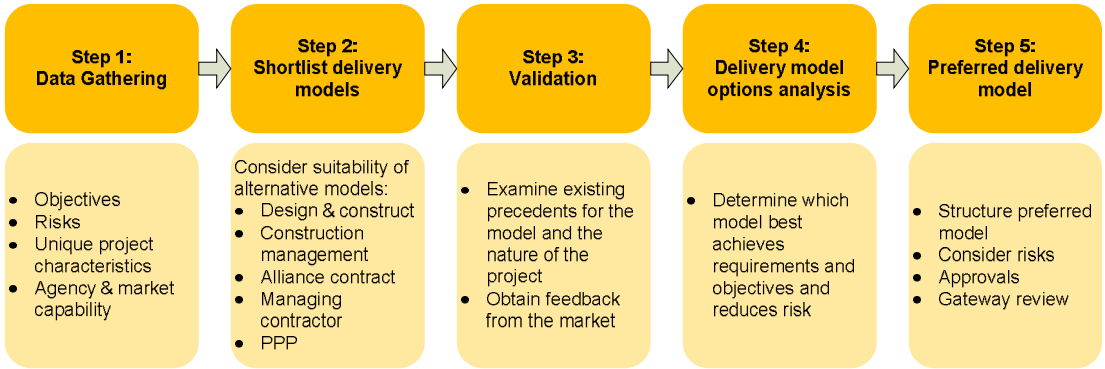
Although no formal decision needs to be made at this business case stage of the project regarding the most appropriate delivery model, it is worthwhile outlining the framework that will need to be used when assessing those alternative models and identifying the key considerations that will have to be made when applying that framework to determine the most appropriate delivery model.

8.1.2.1 Framework for evaluating the alternative delivery models

The alternative delivery models outlined above will need to be evaluated using the five step process outlined by Infrastructure Australia[11], which is illustrated in Figure 52 below.

[11] http://www.infrastructure.gov.au/public private partnership guidelines.aspx

Figure 52: Process for evaluating alternative delivery model options



Each of the alternative delivery model options has its own particular advantages and disadvantages, which are summarised in Table 53 below.

In accordance with Infrastructure Australia's guidelines, the process of evaluating these alternative delivery models involves consideration of a range of key factors including:

- the most appropriate risk allocation between the various project parties;
- the model that will deliver the best value for money outcomes;
- the model that will best realise the project objectives and intended outcomes;
- how the risk management objectives for the project are best achieved; and
- how cost and quality outcomes will be best achieved.

In particular, the following factors will need to be evaluated in the selection of the most appropriate delivery model for Australia Forum:

- **Design**, including:
  - Complexity of the design solution;
  - Need for and ability to achieve complete design prior to tendering or construction commencing;
  - Desire for design flexibility during construction;
  - Obsolescence of the design and the ability to upgrade; and
  - Scope for innovation and benefits of having competing design solutions;
- **Capacity and capability**, including:
  - Availability of suitable contractors; and
  - The in-house resources and skills of the principal;
- **Whole of life**, including:
  - Merits of bundling capital and ongoing maintenance responsibilities;
  - How whole-of-life costs will be assessed under each model; and
  - Maintenance and disposal responsibilities;
- **Political**, including government policy and other political considerations;
- **Scale**, including:
  - Likely cost of the project; and
  - Thresholds (e.g. for consideration of PPP policy or project alliancing);

- **Cost**, including the need for strict cost control and/or certainty;
- **Certainty**, including:
  - What degree of certainty is there about design and achievement of KPIs?
  - What is the need for cost certainty?
- **Project characteristics**, including:
  - Risk factors particular to a project; and
  - Unique or unusual circumstances or factors;
- **Timing constraints**, including:
  - What model is likely to best accommodate time constraints?
  - Are there critical deadlines?

8.1.2.2 Assessment of the scope for a PPP delivery model

The first step in assessing the alternative delivery models is to determine the potential scope for the government to achieve further cost savings and efficiencies through the use of a PPP model to deliver Australia Forum.

This involves assessing the extent to which such a PPP delivery model would improve efficiency through:

- a more efficient allocation of risks;
- whole-of-life costing efficiencies;
- increased innovation;
- improved asset utilisation; and
- economies of scale.

A description of these five key PPP "value drivers" is outlined in Table 50.

Table 50: Description of PPP value drivers

Value Driver	Description of source of increased efficiency
Risk allocation	Increases in efficiency arising from the allocation of risks to those parties that are in a better position to mitigate and manage those risks more efficiently (i.e. those parties that have a "comparative advantage" in the management of those risks).
Whole of life costing	Increases in efficiency arising from the full integration of up-front design and construction costs with ongoing service delivery, operational, maintenance and refurbishment costs.
Innovation	Increases in efficiency arising from the provision of greater opportunities for innovation and improved incentives for the private sector to develop innovative solutions to meet these expectations.
Asset utilisation	Increases in efficiency arising from increased levels of utilisation of assets.
Economies of scale	Increases in efficiency arising from cost reductions associated with increases in the scale of operations.

In order to assess the extent to which each of these key PPP "value drivers" would be achieved by the project, a range of issues need to be taken into account including project experience, government policy, agency role and capacity, market for procurement, project size, risks and scope. These are outlined in Table 51 below.

Table 51: Key PPP characteristics to support value driver analysis

Key areas	Key issues / considerations
Scope	► To what extent can the government define the scope of the project? ► To what extent is flexibility required in the physical infrastructure and/or timing of delivery? ► Are there any timeline pressures? ► Does work need to commence before scope is fully defined? ► To what extent does / can the project be delivered in stages? ► To what extent do existing contractual and institutional arrangements impact the procurement model?
Risk / uncertainty	► To what extent can the government articulate, value and manage the risks? ► To what extent is risk transfer / certainty in relation to costs (capital, operating, maintenance) required by the government? ► To what extent can the procurement model manage and take account of the various demand issues and implications for pricing and cost recovery?
Market / size	► Is the project the right size for the procurement model? ► Is there a market for the delivery of such a project (or its elements) via the proposed procurement model(s)? How competitive is this market? ► Are there any supply side constraints (labour, material) that impact the selection of procurement model?
Asset Life	► Does the asset lend itself to a whole of life approach to its procurement? ► Is there a requirement to retain flexibility in the operator / maintenance provider?
Project Experience	► What is the precedent experience of other major projects in the convention centre infrastructure sector?
Agency role and capacity	► Is the preferred governance & delivery model compatible with the procurement model? ► Does the procurement model align with the agency / agency's role and objectives? ► Does the agency or agencies have the capacity (resource and experience) to deliver the procurement? ► To what extent is knowledge transfer important to the agency? ► What experience does the agency have in delivering the type of procurement model?
Government Policy	Does the procurement model align with: ► Public interest concerns? ► Relevant government policies?

Although the business case presented in this report assumes that the Australia Forum project would be funded jointly by the Australian and ACT governments, there are several options for reducing the magnitude of the contribution required by government, including:

- value capture from associated commercial opportunities, including retail and hotel developments and the sale of the current NCC facilities; and

- private sector participation in the construction, financing and operation of Australia Forum. The proposed Australia Forum project has the potential to generate similar opportunities for increases in innovation, asset utilisation and economies of scale to other major convention centre developments such as the Melbourne Convention, Exhibition Centre, and the Darwin Waterfront projects. This suggests that there may be similar scope to achieve value for money via a privately financed project as there was in the case of the Melbourne Convention, Exhibition Centre and the Darwin Waterfront projects.

8.1.2.3 Validation of the delivery model

Validation of the procurement analysis involves:

- a review of the delivery models used by previous convention centre projects. Consideration of the models used to deliver similar convention centre projects provides a source of validation to further understand the outcomes of the procurement options analysis; and
- market testing of the delivery model with key stakeholders.

8.1.2.4 Models used to deliver previous convention centre projects

The procurement models used to deliver, operate, and manage major infrastructure and development projects, including convention centre construction and upgrades, continue to evolve in response to changing conditions and reflecting the developing nature of the market.

As outlined in Table 52, recent business event venue developments and upgrades in Australia have used a variety of delivery models, including:

- traditional procurement, with ownership retailed by the public sector;
- design build finance maintain / serviced infrastructure model (Melbourne Convention and Exhibition Centre);
- private sector delivery as part of associated commercial development (Darwin Waterfront project); and
- outsourced operations (Brisbane and Perth Convention centres).

The predominant option is traditional procurement with ownership retained by the public sector. Private sector financing has only been used where a new facility has been procured (Melbourne and Darwin) as opposed to an upgrade or expansion of an existing facility.

Table 52: Delivery models used for recent business event venue upgrades in Australia

Venue	Project	Timing	Delivery model
National Convention Centre (NCC), Canberra	Upgrade of Centre facilities in 2007	2006-2007	D&C with ownership, operation and maintenance retained by NCC
Adelaide Convention Centre (ACC)	2001 extension	1999-2001	D&C with ownership, operation and maintenance retained by ACC
Brisbane Convention and Exhibition Centre	$100 million expansion of the Centre	2008-2009	Operations outsourced, ownership retained by the public sector
Gold Coast Convention & Exhibition Centre (GCCEC)	Construction of the new Centre	2003-2004	D&C with ownership, operation and maintenance retained by GCCEC
	Expansion of exhibition facilities	2008-2009	D&C with ownership, operation and maintenance retained by GCCEC
Perth Convention Exhibition Centre	New Centre - completed 2004	2003-2004	Partial operational outsourcing to Spotless, but ownership retained by the public sector.
Melbourne Convention and Exhibition Centre	Complete project involving the completion of a convention and exhibition complex as part of an overall development of a convention precinct on the banks of the Yarra River	2007-2009	DCMF Serviced Infrastructure Model for the new convention facility – operations retained by Melbourne Convention and Exhibition Centre (MECC); design construction and maintenance delivered by private sector. Private sector incentivised to maximise value of associated commercial developments and throughput of site.
Darwin	New centre completed in 2008	2007-2008	Developed by private sector as part of waterfront redevelopment. Operations and maintenance retained by Government.
Sydney	Exhibition Centre upgraded in 2005	2004-2005	D&C with ownership, operation and maintenance retained by SECC.

Marketing testing

The appetite of the private sector to participate in the delivery of Australia Forum using a PPP model also needs to be market tested with those involved in the construction, financing, management and operation of convention centre venues.

The purpose of market sounding is to:

- validate the outcomes of the procurement options assessment;
- obtain input into the potential commercial viability of the project;
- obtain input into the market appetite for investment in the project; and
- obtain input into the market appetite participation in the project under various procurement options.

It is expected there will be potential interest in the market to deliver the project using private sector expertise and funds. There is interest across Australia to participate in Public Private Partnerships which are being delivered by various State Governments. There is also further interest in developing tourism infrastructure which is characterised by long-term cashflows from a relatively reliable source.

The Australian convention centre market is well developed given the mature market for the management and ownership of similar centres across Australia. There has been strong interest shown during the Gold Coast, Perth, Darwin and Melbourne regional convention centre tender processes.

Issues to consider in taking the project to market include:

- the performance and management regime;
- certainty around the Australian and ACT governments' commitment to the project;
- the financial returns available to equity and debt providers;
- the allocation of risks and responsibilities between the public and the private sector; and
- the relationship between Australia Forum and the proposed commercial developments (e.g. the retail outlets at Australia Forum and the proposed hotel development on the Australia Forum site).

It is important to note that even if it is determined that a PPP model is not appropriate for the delivery of Australia Forum, this does not preclude the procurement of services through alternative outsourcing arrangements to achieve commercial related benefits through private sector involvement (e.g. outsourcing the operation of Australia Forum to a private sector provider).

As a result, during the course of market testing, it is important to test the appetite of the market for both:

- the bundling potential for services under a PPP model by asking the following questions:

- Is the market (no of players and appetite) deep enough to support a competitive procurement approach?
- What's the link to infrastructure/design that makes it valuable to include in the PPP?
- Are there synergies / efficiencies in delivering the service as part of a bundle?

- alternative procurement options for services if a PPP model is not suitable by asking the following questions:
  - What is the scope for outsourcing the bundling the operation of all of the services provided by Australia Forum?;
  - What is the scope for separately outsourcing some of those services (e.g. subcontracting out the provision of the conference and exhibition facilities separately from the retail outlet services)?

In particular, during the process of market testing, it is important to determine the extent to which private sector participation in the Australia Forum project is conditional upon their ownership, or security of tenure to use, Australia Forum's facilities.

Any such longer term security of tenure provisions that are necessary to attract capital contributions from the private sector would need to be accompanied with appropriate governance, regulatory and operational arrangements to ensure that the facilities are used in accordance with the objectives of Australia Forum.

8.1.2.5 Delivery model refinement

Having decided whether it is preferable to adopt a PPP or traditional procurement approach and validated that decision, the next step is to refine the development model.

As outlined above, there are numerous different PPP and traditional delivery models that could be used to deliver Australia Forum, and even once a particular model is chosen, it is inevitable that it will need to be tailored to suit the Procurement Objectives of the project.

In brief, these Procurement Objectives centre around a range of considerations including:

- **Time to market:** How critical is it that the capital works are constructed? Is it time critical to complete the project and gain benefit from the operations? For example, a project might be time critical because demand has increased faster than anticipated and / or due to political announcements.
- **Price certainty:** Is fixed price certainty critical? Of course value for money is an overriding objective in any capital procurement. However, value for money describes something that goes beyond just price to incorporate factors around asset performance (quality) including environmental and social factors (e.g. Environmentally Sustainable Design). Time is also a factor in price certainty and as a general rule if a project is under time pressure then price certainty may be less important.
- **Flexibility to change:** Does the procuring entity need scope to change its mind often or at critical points along the procurement? As a general rule modifications during construction are generally considered to be costly and to be avoided. However, in some situations, and for very good reasons, the procuring entity may need to make

changes during procurement. Some procurement models are designed to more cost effectively allow for changes.

- **Risk transfer:** Risk is of course best allocated to the party best able to manage it. As a general rule it does not make value for money sense to transfer a risk to a private party that can neither manage nor price the risk efficiently. In some projects, the risks are readily identifiable and quantifiable, for example a straightforward industrial building on a Greenfield site that has the appropriate planned zoning. In other projects, the risks often cannot be identified and quantified with any great certainty. From the procuring entity's perspective it is only value for money to transfer those risks that the private sector can manage and these risks tend to be the ones that cannot be identified or quantified with any great certainty. The consequence of transferring these types of risk might be that the contractor goes into financial distress or even bankruptcy, which is of no great use to the procuring entity that wants its project completed. For this reason, the scope to transfer risk in a project needs to be defined in the Procurement Objectives. There are procurement models that are more likely to deliver value for money under competitive tension where the risks can be readily identified and quantified, e.g. guaranteed lump sum fixed price, and others where the risks are very difficult to identify and quantify, e.g. alliance based contracting.

- **Contractor's incentive (including innovation):** To what extent does the project lend itself to a competitive tender where there is likely to be significant value gained from the process because the private sector can bring forward innovative solutions to gain competitive advantage. Most projects can be delivered in different ways, but some projects are of sufficient complexity that there is likely to be significant value to be harnessed from innovation.

In order to develop the preferred delivery model for Australia Forum, it will be necessary to:

- define the Procurement Objectives for Australia Forum;

- rank each of the delivery model options against those project objectives in order to approximate what type of procurement model is most likely to deliver the best outcome against the project's Procurement Objectives. This process of narrowing down the field of suitable procurement options can be facilitated through the use of the PPP model and traditional model assessment frameworks illustrated in Figure 53 and Figure 54 below; and

- refine the selected delivery model so that it maximises the extent to which those Procurement Objectives are achieved. While the process outlined above helps narrow down the selection of an appropriate delivery model, it does not necessarily produce the final preferred model. Procurement options analysis is not entirely mechanistic and there is a follow on step that requires a further consideration of the procurement model and refinement of its contract design to tailor the approach to the specific characteristics of the project.

Figure 53: PPP model assessment framework

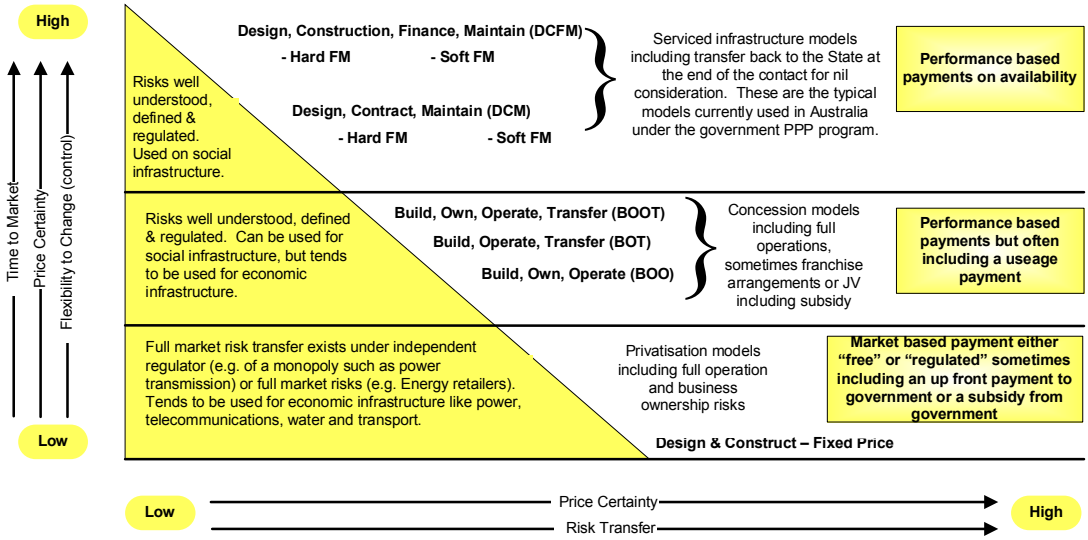


Figure 54: Traditional model assessment framework

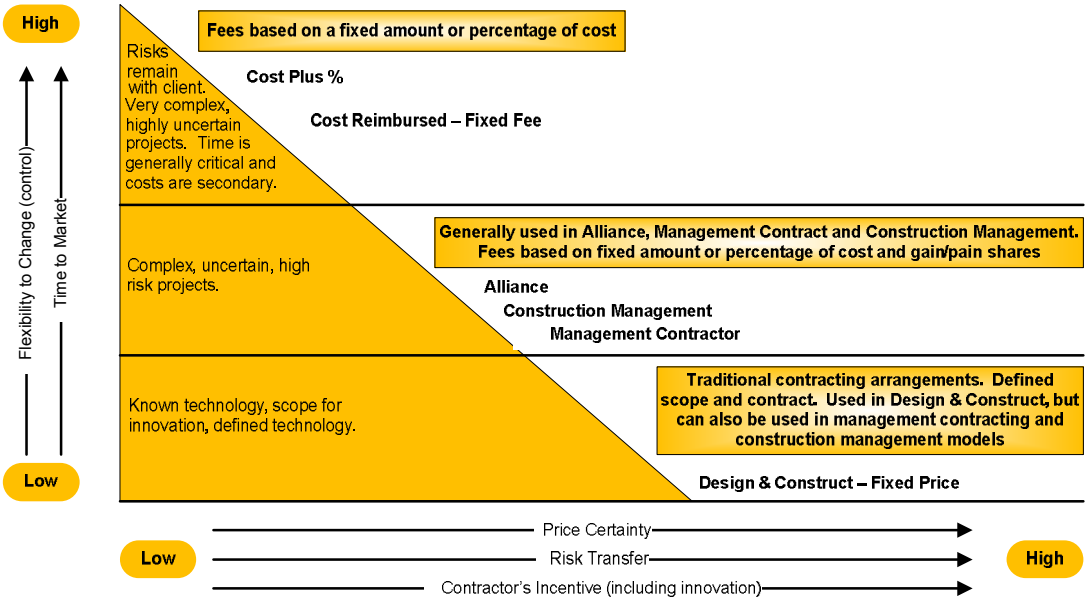


Table 53: Alternative delivery model options – advantages and disadvantages

Model	Advantages	Disadvantages
Constuct Only (Lump sum or Fixed Price)	• Highest level of departmental control and certainty re. scope because principal engages design consultants and scope is well defined prior to works commencing • Contract value is known before construction commences because: - the full design is prepared and endorsed prior to tendering - design complexities are resolved before contract award • Potential for lower cost of tendering for tenderers and departments (although design costs borne by departments) • Larger pool of potential tenderers, increasing competition • Greater scope for competitive prices because of design certainty • Government can manage stakeholder management process	• Separate design and construction contracts mean no single point of responsibility for the project • Potential claims and delays due to design deficiencies and separation of design from construction • Minimal opportunity for cost value management or "buildability" input from contractor into design • The Government retains the risk of constructability of design, design construction coordination, fitness for purpose and design generally • Inability to fast-track - long lead times to prepare design documentation – longer overall project duration • Little incentive for innovation • Government acts as project manager requiring skills and resources • Adversarial contract environment - potentially higher costs from claims • Potential lack of focus on lifecycle costs and considerations
Design and Construct	• Single point of accountability for design and construction • Administrative efficiency • Fast track - time saving because construction can commence ahead of full design documentation (provided there is adequate control over design quality) • Contractor has the opportunity to contribute construction experience into the design, resulting in innovation and efficiencies • Contractor normally warrants design including 'fitness for purpose' • Lump sum for design and construction	• Limited input by contractor into early design • Longer tender period needed to allow tenderers to assess design risk • Principal may pay a premium to transfer design risks • Lack of focus on lifecycle costs and considerations • Government retains whole-of-life asset risk • Government may be liable for time and cost overruns
Construction Management	• Construction manager administers contractors on principal's behalf • The principal selects its own architect/design consultants • The principal can shift management risk to the construction manager • The principal can retain a high degree of control over works while engaging an expert professional to administer and coordinate the project • Parts of a project can proceed while other aspects are still being documented	• No single line of responsibility • The principal must claim directly against the contractors & consultants if things go wrong • Can be administratively complicated • Extra cost of construction manager • Limited ability of principal to control costs • No cost certainty • Lack of focus on lifecycle costs and considerations

Model	Advantages	Disadvantages
Project Alliancing	• All parties have shared responsibility for ensuring design is appropriate • Provides flexibility to modify design and allows on-going changes to be incorporated during construction • Provides incentives to all parties to complete the project on time and within budget under the "gain-share, painshare" philosophy • Cost of adversarial conduct, claims and disputes is eliminated, in the "no-blame" culture • Can deliver highly complex projects with uncertain risks which would otherwise be extremely difficult or impossible to deliver • Culture promotes innovation e.g. technical, safety, environmental • Project management efficiencies through integrated management and elimination of all claims • Stakeholder issues can be well managed through an alliance • There is an integrated planning, design contractor & consultant involvement • All parties commit to finding "best for project" solutions • Potential for greater job satisfaction and skill enhancement for personnel involved • Ability to attract greater number of tenderers for complex projects	• Less tender price competition and related certainty demonstrating value for money (unless multiple Target Out-turn Cost approach is used) • Requires all parties to be genuinely committed to openness and collaboration – relies on success of relationships, teamwork and individuals' performance • Requires on-going involvement of appropriately senior staff with authority to resolve issues – may require extra departmental input • Cost to establish and maintain relationships can be high • Limited alliance experience to date for building projects in the public sector (though commonly used for civil engineering, road, rail and water projects) • The government bears the cost risk and other unspecified risks • Overall design and fit-for-purpose risk lies with the government • Government's recourse in the event of catastrophic failure is limited • Lack of focus on lifecycle costs and considerations
Managing Contractor	• Potential for shorter design and construction program as construction can commence during design development • Allows government to retain control of the design development stage which means the government's requirements can be accommodated within specific designs rather than a functional specification • The managing contractor can advise the design team on building issues during the design development process which facilitates integrated planning of construction and operations • Allows early involvement of all project participants and stakeholders • Reduces demand on departmental project management resources • Risk of documentation lies with contractor • Often has mechanisms for resolving issues and sharing benefits	• The fixed lump sum is typically negotiated not competitively tendered • The government and the contractor share the risk of time and cost until the end of design development • More risk to department for cost, time, design and not achieving best value-for money outcome • Difficulty setting cost targets with limited design details • Time and cost overruns can be expensive where the design is not fully agreed and documented prior to construction commencement (construction holding costs can be expensive). • Overall design and fit-for-purpose risk lies with the government • Limited number of potential suitable tenderers may lead to higher cost in management margins
Public Private Partnership	• Full integration of design, construction, financing, operational, maintenance and refurbishment responsibilities • Greater transfer of risk (including price risk) to the private sector at each phase • Opportunity to develop innovative solutions • Transfer of lifecycle cost risk encourages efficient design and quality construction and finishes – therefore certainty of maintenance standards as agreed and cost certainty as approved for a long term e.g. 25 years • Overall design and fit-for-purpose risk lies with the private sector party • Potential for lower cost of asset development and service provision • Less demand on departmental resources long term • Payments commence following successful commissioning • Performance standards are in place	• Success relies on well-defined functional and service specifications • Where there are multiple concept designs being developed simultaneously during the bid phase, this can require significant stakeholder resources • Changes to design may require contract negotiations • The ability to make a variation needs to be addressed in the contract • Potential for higher departmental tendering costs (this higher cost should be considered against savings in asset development and service provision through PPP delivery) • Requires departmental skills (or consultants) for financial and technical assessment, tendering and management • Need to educate stakeholders who are likely to be unfamiliar with this procurement method to ensure that other project success factors are not compromised

Source: Infrastructure Australia (2008), National *Public Private Partnership Guidelines, Volume 1: Procurement Options Analysis*,

8.1.3 Process for implementing the preferred delivery model option

Once the preferred delivery model option has been determined, the next steps in the procurement process involve:

- a call for Expressions of Interest (EOI) from private sector entities that are interested in becoming involved in the Australia Forum project;
- a call for tenders from interested parties; and
- the management of the contract following its award to the successful tenderer.

This will require:

- the appointment of a Project Director to:
  - oversee the entire project implementation process and lead the team of government and external advisors;
  - appoint and manage the specialist external advisors;
  - develop a work program, budget, and timetable for the project;
  - monitor progress against that budget and timetable; and
  - implement quality assurance arrangements to govern the procurement and delivery of the project, as well as appropriate security arrangements to preserve the commercial sensitivity of information provided;
- the appointment of specialist external commercial, financial, and legal advisors to assist the Project Director with the efficient implementation of the project in a manner consistent with the objectives of the project.

The effective and efficient delivery of Australia Forum will also require careful management of the transition from the current NCC facilities to the new Australia Forum facilities.

In particular, in parallel with the construction of Australia Forum, resources will need to be devoted to:

- promoting the new facilities offered by Australia Forum; and
- informing existing and potential new clients of the arrangements that have been designed to smooth the transition from the old facilities to the new facilities.

In particular, when developing these transitional arrangements, it will be important to avoid attracting business away from the existing NCC in the period leading up to its closure, while maximising the utilisation of Australia Forum over its initial year of operation.

8.2 Governance of Australia Forum

The successful implementation of Australia Forum requires more than just the determination and implementation of an appropriate delivery model to govern the procurement of Australia Forum. It also requires the development and implementation of an appropriate model to govern the establishment and ongoing operation of Australia Forum.

When developing the possible governance arrangements for Australia Forum that are outlined below, we have not simply sought to copy the governance arrangements that currently apply to the business event venues operating in other jurisdictions. Rather, we have developed those governance arrangements from "first principles", drawing from the practical experience of other jurisdictions where appropriate.

The possible Australia Forum governance arrangements, which are illustrated in Figure 55 below, recognise that:

- Australia Forum will, like the ACT's other national institutions, require a significant investment by both the Australian and ACT governments and that these governments will want to be able to monitor and control that investment to ensure it generates the greatest net benefits for the community as a whole; and

- Australia Forum will require governance arrangements that enable representatives of the Australian and ACT governments to work together with representatives from academic and business communities, as well as the wider community, on:

  - the development of an ongoing program of dialogue on issues of international and national significance to Australia (e.g. environmental policy, health reform, taxation reform, and border security);

  - marketing of Australia Forum as the centre for events of international and national significance to Australia; and

  - raising additional funding from those individuals and organisations in the community who are interested in promoting and participating in discussions on issues of international and national significance to Australia.

8.2.1 Commonwealth legislation to establish Australia Forum

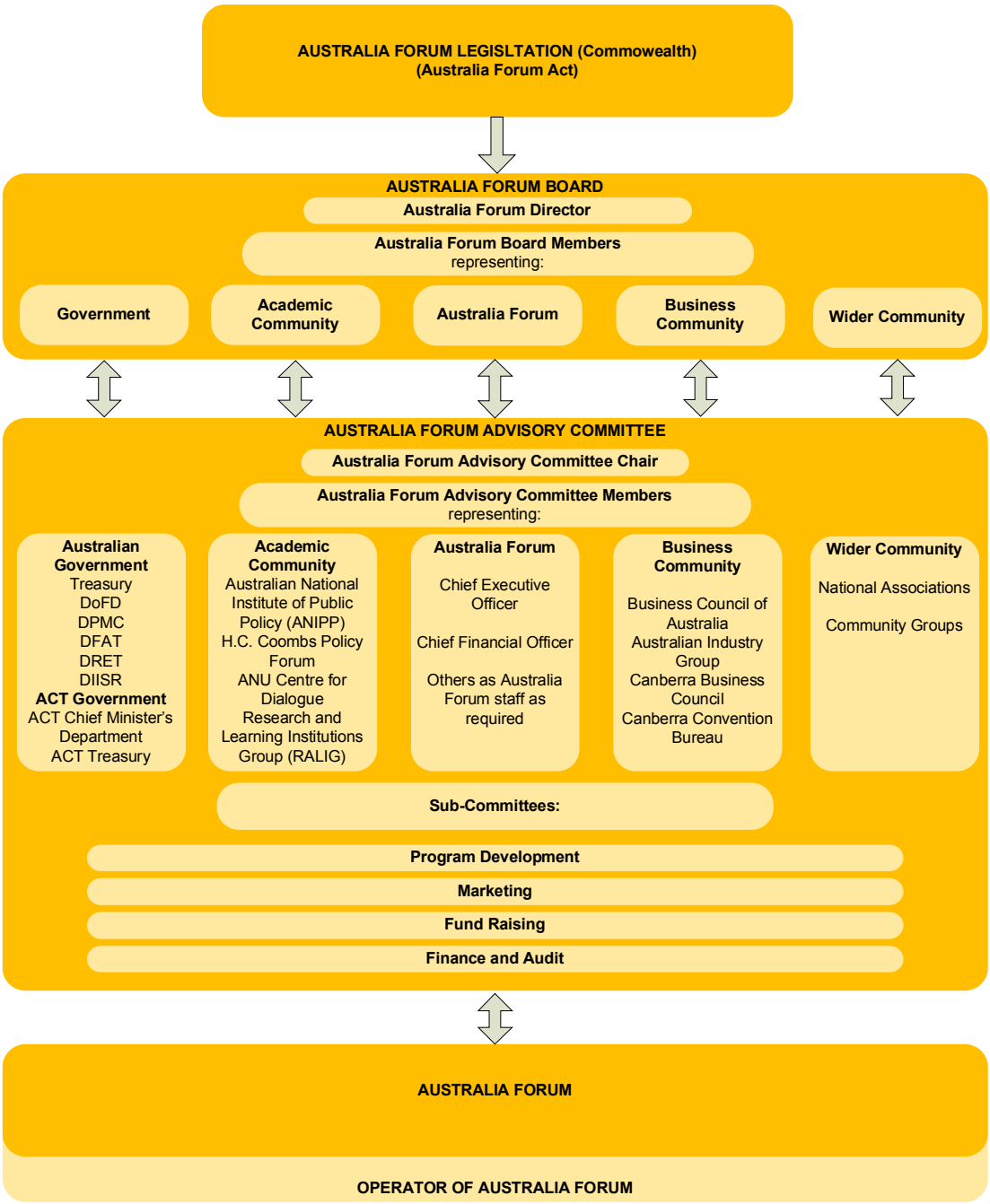
As illustrated in the figure below, the establishment of Australia Forum could be achieved through the introduction of the Australia Forum Act (Commonwealth legislation), that would:

- establish Australia Forum as a body corporate;

- outline the functions of Australia Forum; and

- create the Australia Forum Board, which would be responsible for the overall governance of Australia Forum.

Figure 55: Possible governance arrangements for Australia Forum



8.2.2 Australia Forum Board

The Australia Forum Board would comprise members drawn from government, the academic community, Australia Forum, the business community, and the wider community, who have demonstrated national leadership capacity and expertise and interests aligned to the particular Forum goals (e.g. international relations; promoting innovation through increased collaboration between government and the academic and business communities, and public dialogue).

Specifically, it is proposed that the Australia Forum Board would comprise:

- a Director, appointed by the Governor General;
- up to 12 representatives of the key stakeholders involved in the management and operation of Australia Forum, including representatives of:
  - government agencies responsible for:
    - managing the Australian and ACT Government's investment in Australia Forum, such as the Australian Treasury, the Department of Finance and Deregulation (DoFD), the ACT Chief Minister's Department, and the ACT Treasury;
    - organising major events of international and national significance, including the Department of Prime Minister and Cabinet (DPMC) and the Department of Foreign Affairs and Trade (DFAT);
    - promoting tourism, such as the Department of Resources, Energy and Tourism (DRET); and
    - promoting increased collaboration between government, the academic and business communities, such as the Department of Industry, Innovation, Science and Research (DIISR);
  - academic community, including the:
    - Dean of the Australian National Institute for Public Policy (ANIPP), which combines the public policy expertise available through Australian National University (ANU) and its various specialist centres, including the recently announced Australian Centre on China in the World, the National Security College, and the Australia and New Zealand School of Government (ANZSOG);
    - Executive Director of the H.C. Coombs Policy Forum, which is a strategic collaboration between the Australian Government and the ANU that is focussed on transforming public policy research into practice;
    - Chair of the Australian Centre for Dialogue (ACD), which is part of ANU's outreach program to Australia and the Asia Pacific region. The ACD seeks to provide a suitable forum for national regional summit meetings where governments, business, professional and community groups and experts can come together for facilitated dialogue on topics such as taxation, climate change, health care, and regional security issues, to resolve issues, build strategies and develop policy proposals, The ACD also promotes professional courses in negotiation, facilitation and the art of the meeting;

- Chair of the Research and Learning Institutes Group (RALIG), which was established in 2007 by the Canberra Convention Bureau with the support of Professor Ian Chubb AC, Vice-Chancellor and President of the ANU, to:

  - mobilise the potential of the National Capital's network of knowledge and collective weight of the participating institutions to attract academic and association events to Canberra. The participating institutions include the University of Canberra, Australian National University, CSIRO, Australian Institute for Sport, Australian War Memorial, National Museum of Australia, Museum of Australian Democracy, University of NSW at the Australian Defence Forces Academy, National Information Communication Technology Australia, Australian Catholic University, and the Canberra Institute of Technology;

  - build the National Capital's worldwide reputation for leading innovation and research; and

  - assist in bid proposals, add value to business events, and enable event organisers direct access to the latest research projects being conducted in Canberra's tertiary institutions;

- Australia Forum, such as the Chief Executive Officer and Chief Financial Officer of Australia Forum;

- business community, such as the Chief Executive Officers of the Business Council of Australia, the Australian Industry Group, the Canberra Business Council and the Canberra Convention Bureau; and

- wider community, such as representatives of major national associations and community groups.

8.2.3 Australia Forum Advisory Committee

The Australia Forum Board would be assisted in the performance of its role by the Australia Forum Advisory Committee, which would comprise additional representatives drawn from each of the key stakeholder groups represented on the Australia Forum Board.

As discussed further below, the Advisory Committee would be able to form sub-committees that focus on issues of particular importance to the operation of Australia Forum, including:

- program development;

- marketing of Australia Forum together with other national event venues in the ACT;

- fund raising; and

- finance and audit.

8.2.3.1 Program development

In order to maximise the net benefits that the Australian and ACT governments derive from their investment in the construction of Australia Forum, the Advisory Committee would assist the Australia Forum Board with the development of a program of events for Australia Forum.

When developing that program of events, priority would be assigned to hosting events of international and national significance to Australia that are appropriately held in the National Capital. In particular, priority would be given to hosting major events that are unlikely to be held in the absence of government involvement. This includes:

- major international and national events (e.g. CHOGM, G20, COAG meetings);
- events aimed at increasing innovation through the promotion of increased collaboration between government and the academic community; and
- events aimed at promoting increased dialogue between government and the wider community, on issues of international and national importance (e.g. environmental policy, health reform and tax reform).

Although priority would be given to hosting those major events, the program of events would also have to include a range of other national and local events in order to maximise the utilisation of Australia Forum's facilities and generate sufficient revenue to fund its operations.

The proposed composition of the Advisory Committee is intended to ensure that the Australia Forum Board has access to the range of advice it will need to develop such a program of events. In particular, Advisory Committee members representing:

- the Department of Prime Minister and Cabinet and Department of Foreign Affairs and Trade would help identify major international and national events that would be appropriate to hold in the National Capital;
- the Department of Innovation, Industry, Science and Research and representatives from the academic community, including the ANIPP, the H.C. Coombs Policy Forum, Australian Centre for Dialogue, and RALIG, would help to identify and develop a program of events aimed at promoting increased collaboration between government agencies and the academic community in order to increase innovation; and
- the Australian Centre for Dialogue, together with representatives from the academic and wider community (e.g. associations and community agencies), would help identify and develop programs of events aimed at promoting increased dialogue between government and the wider community on issues of international and national importance.

8.2.3.2 Marketing of Australia Forum together with other national event venues

While primary responsibility for marketing Australia Forum's facilities would rest with the operators of Australia Forum, a key role of the Advisory Committee would be to assist the Australia Forum Board with the marketing of Australia Forum's facilities, together with the facilities provided by other venues in the National Capital.

The proposed composition of both the Australia Forum Board and its Advisory Committee has been developed with a view to:

- maximising the net benefits that the Australian and ACT governments derive from their significant infrastructure investments in event venues in the National Capital. This requires the development of a combined marketing strategy for the National Capital's main event venues, including Australia Forum, that promotes the National Capital's unique network of major event venues, research and education institutions. That is, it involves maximising the benefits that the National Capital derives from its "network" of national event venues in the ACT and the use of Australia Forum as the key "hub" of

that network. This is the reason why it is proposed that both the Australia Forum Board and the Advisory Committee should include representatives from the Canberra Convention Bureau and its Research and Learning Institutions Group (RALIG), which have been developing and implementing such a joint marketing strategy; and

- minimising the risk that the promotion of Australia Forum would just attract existing events away from other event venues in the National Capital and other States by:
  - including representatives of these other national event venues, research and educational institutions on the Advisory Committee (e.g. representatives from the Canberra Convention Bureau and RALIG); and
  - ensuring that the subsidised capital costs of Australia Forum are not used to compete largely private events away from other event venue operators (e.g. hotels). This would be achieved by ensuring that Australia Forum charges prevailing market prices for those events.

8.2.3.3 Fund raising

Consistent with the practice of other centres for dialogue overseas, such as the Woodrow Wilson International Centre for Scholars, it is proposed that Australia Forum would supplement its event revenue with additional philanthropic funding raised from those sections of community that are interested in promoting increased public dialogue on issues of international and national importance.

For example, the Woodrow Wilson Centre offers different classes of membership of its "Wilson Council" (e.g. membership of its "Ambassador's Circle", "Chairman's Circle", and "Patron's Circle") in return for different levels of financial contribution (e.g. $15,000, $10,000 and $6,000 respectively). Those members then receive a range of benefits including invitations to their annual conference – The Dialogue of Democracy, three one-day Wilson Council events a year, monthly policy series events, opportunities for private briefings on key issues, use of the Woodrow Wilson Centres facilities, complimentary subscriptions to publications and reserved front row seating at Wilson Centre events.

8.2.3.4 Finance and audit

Another important role of the proposed Australia Forum Advisory Committee would be to assist the Board with the financial control and audit of the operations of Australia Forum. This is the reason why both the proposed Board and its Advisory Committee would include not only key executives from Australia Forum (e.g. the CEO and CFO), but also key representatives of the Australian and ACT government's investment in Australia Forum, such as senior officials from the Australian and ACT Treasury, the Department of Finance and Deregulation, and the ACT Chief Minister's Department.

9. Important disclaimer

The nature of this Report is such that it can be given only by an entity, which holds an Australian Financial Services Licence under the Corporations Act. Ernst & Young Transaction Advisory Services Limited holds the appropriate Australian Financial Services Licence.

This Report may be relied upon by the Canberra Business Council (CBC) and the Australian and ACT governments for the purpose of reviewing the Scoping Study only pursuant to the terms of the Engagement Letter. Ernst & Young Transaction Advisory Services Limited disclaims all liability to any party other than CBC or the Government for all costs, loss, damage and liability that the third party may suffer or incur arising from or relating to or in any way connected with the provision of the deliverables (including, inter alia, this Report) to the third party without our prior written consent. If others choose to rely in any way on the Report they do so entirely at their own risk.

Neither CBC nor the government will amend the Report without Ernst & Young Transaction Advisory Services Limited's prior written approval.

The information contained in this Report is, in part, based on information and explanations provided to us by CBC, Canberra Convention Bureau (CCB) and other key stakeholders consulted during the course of this project, Cox Architects, Rider Levett Bucknall Quantity Surveyors, as well as information prepared by the CBC's other consultants. In particular this Report is predicated on the following:

- the Project Objectives as developed by the CBC and outlined in section 2 of this report;
- publicly available financial data concerning the current operations of the NCC and the ABS survey of the Business Events Venue Industry in 2000-01 (ABS 8566.0), discussed in section 7;
- capital cost and lifecycle cost data provided by Rider Levett Bucknall as discussed in Section 7; and
- the Report's status as a Scoping Study that is based on indicative architectural designs and indicative costings only.

The underlying assumptions and projections contained within this Report are subject to significant uncertainties and contingencies often outside the control of Ernst & Young Transaction Advisory Services Limited and the CBC.

Preparation of this Scoping Study has required us to assess the level of potential demand for the proposed convention and exhibition facilities (under various project options), and further consider the potential economic impacts of these options. Our analysis of the potential demand and potential economic impacts is based upon a set of expectations and hypothetical assumptions of the impacts of the events as gathered through consultations with key stakeholders.

It is important to note that the identification of demand and the identification of economic impacts is not a precise science. As with studies of this nature, the assessment is necessarily based on the assumptions underlying the events, which may be subject to variations and uncertainties across both the short and long term. Actual impacts may vary from forecast as other anticipated events frequently do not occur as expected and the variations may be significant. Accordingly, Ernst and Young or any partners or staff, do not

accept any responsibility for errors or omissions, or any loss or damage as a result of any persons relying on this report for any purpose other than that for it has been prepared.

Accordingly, Ernst & Young Transaction Advisory Services Limited does not confirm or guarantee the achievement of the level of potential demand or economic impacts projected in this Report, as future events, by their very nature, are not capable of independent substantiation.

The costing information provided in this Report is a preliminary high level costing only, which, inter alia, does not fully consider design and planning or site specific issues. These issues will need to be analysed further and may lead to material differences in the final costing information to what is provided in the tables above.

Ernst & Young Transaction Advisory Services Limited does not have any interest in the outcome of the analysis, other than in connection with the preparation of this Report. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report from the CBC.

In addition, Ernst & Young may have previous, current or future client relationships with entities associated or potentially associated with the development of new Australia Forum facilities. These relationships, in our opinion, do not give rise to any independence issues.

Appendix A: Detailed Market Data

A1 International Market

Although Australia's share of the international convention market is relatively small, the international business event market is very large and the potential economic and social benefits to Australia from securing an increased share of that market are significant.

The following analysis of the international market draws from several different data sources including:

- the International Congress & Convention Association (ICCA), which collates data on the international association meetings market and publishes this on an annual basis. In order to be included in the ICCA database, a convention must have at least 50 participants, be organised on a regular basis (which excludes one-off meetings) and be rotated between at least 3 different countries (which excludes events that are always held in the same country, or change countries infrequently); and

- Tourism Research Australia (TRA) data which draws from Australian Bureau of Statistics (ABS) data on short term arrivals in Australia (3401.0), as well as their International Visitor Survey.

A1.1 Number of international conventions

A1.1.1 Increasing number of international association meetings

As illustrated in Figure 56, the number of international conventions held worldwide increased steadily from 4,423 in 1999 to 8,715 in 2009 and then declined slightly to 8,294 in 2009.

The cumulative average annual growth rate in international conventions worldwide:

- was relatively high in 2000 (over 16%);

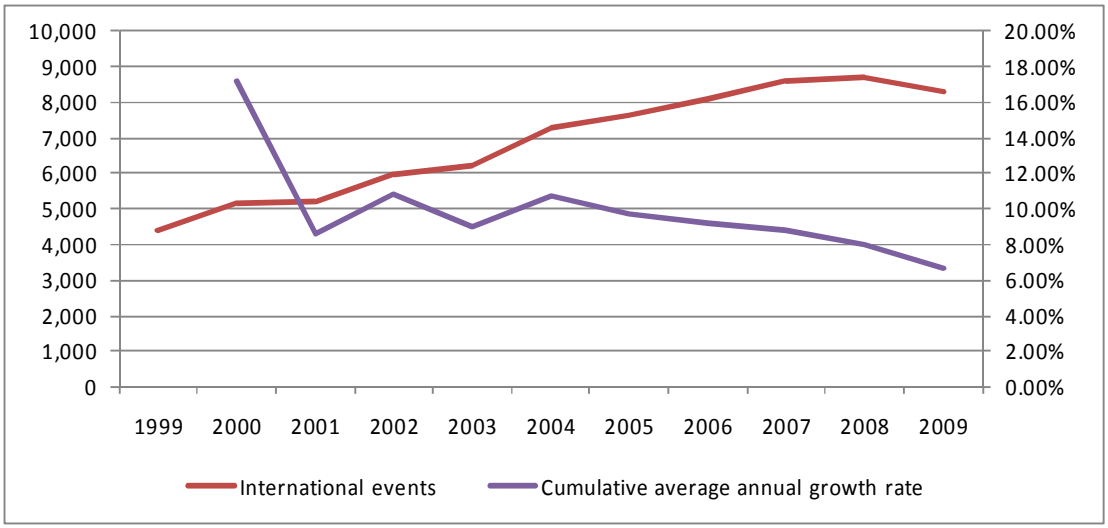
- dropped significantly in 2001 (to just over 8%) as a result of September 11 and the economic downturn in Asia;

- recovered to average around 9 per cent over the period 2002 to 2005; and

- averaged just over 6 per cent (6.7%) over the period 1999 to 2008.

Overall, the number of international association meetings held worldwide increased over the period 1999 to 2009 at a compound annual growth rate of 6.5 per cent.

Figure 56: Number of international conventions worldwide (LHS) and cumulative average annual growth rate (RHS) 1999-2008



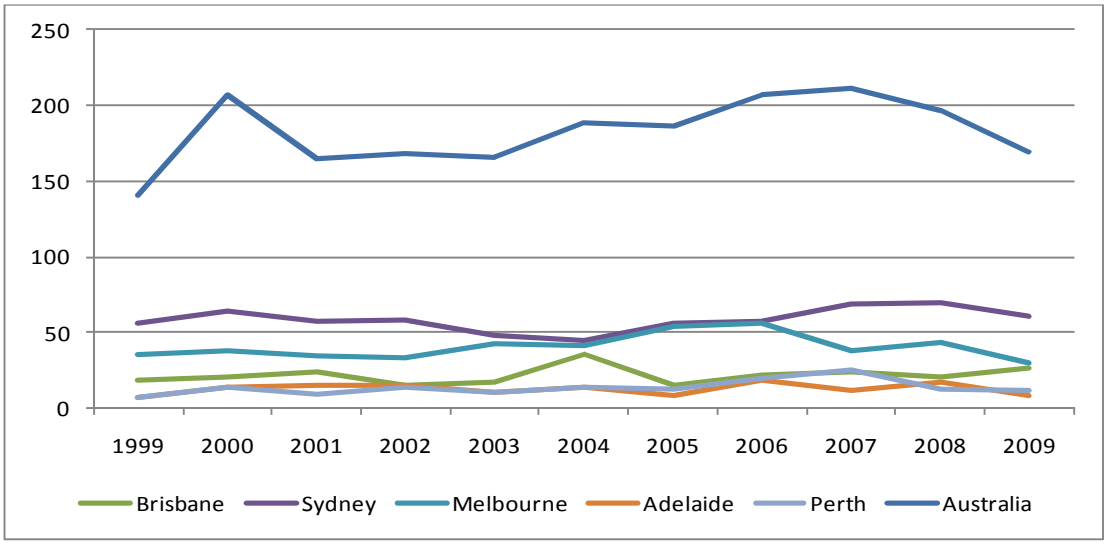
Source: *ICCA data*

A1.1.2 Increase in the number of international conventions in Australia

As illustrated in Figure 57 below, consistent with trends in the world market for international conventions, the number of international conventions in Australia:

- slumped significantly following September 11 and the Asian economic downturn in 2001;
- has gradually increased over the period 2001 to 2007, so that by 2007, the number of international conventions in Australia had exceeded its level in 2000; and
- has declined slightly since 2007 to a level of around 169 events in 2009.

Figure 57: Number of international conventions in Australia and selected capital cities 1999-2008



Source: ICCA data

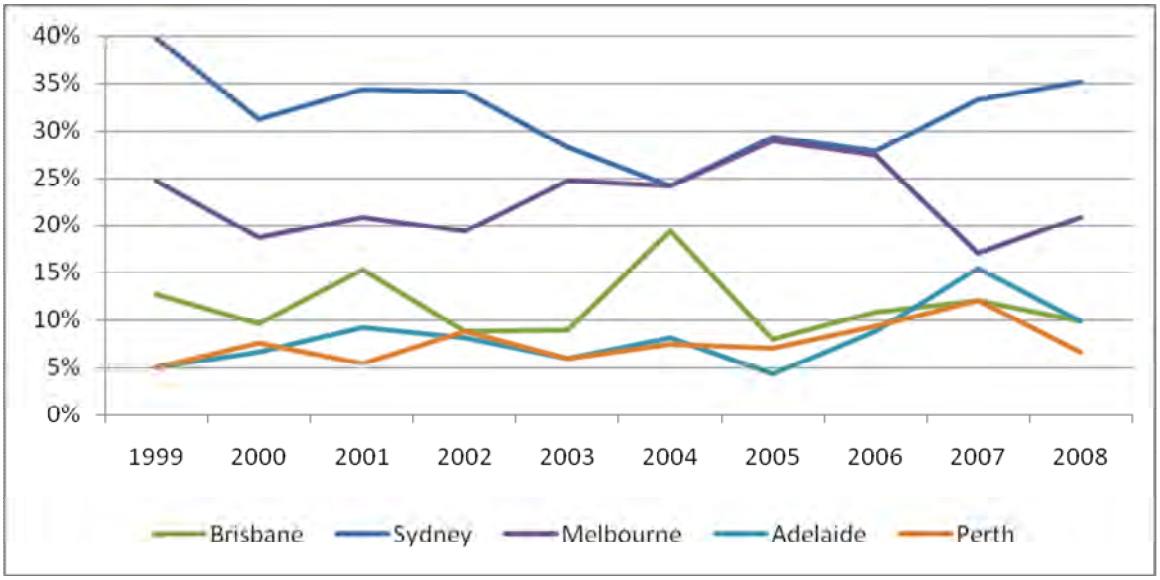
As illustrated in Figure 58 below:

- Sydney has consistently attracted the highest share of the international convention market over the period 1999 to 2008 and in 2008 had just over 35 per cent of Australia's share of the market;

- Melbourne's share of the market increased steadily over the period 2002 to 2006 to the extent that it almost had the same share as Sydney in 2005 and 2006. However, its share fell in 2007 and has been recovering since. As a result, in 2008, Melbourne had just over 20 per cent of Australia's share of the international convention market; and

- Brisbane and Adelaide had just under 10 per cent of Australia's share of the international convention market in 2008, whereas Perth had just over 6 per cent.

Figure 58: Selected capital city shares of Australia's share of the international convention market 1999-2008



Source: ICCA data

Although information on the number of international conventions held in Canberra does not appear in the ICCA data set, this does not mean that there are no international conventions held in Canberra. Rather, it means that those conventions do not satisfy the criteria required for inclusion in the ICCA data set, which are specified above.

For example, as indicated in Business Events Australia calendar of confirmed international association events (of more than 50 people) for 2010, the ACT is to host 10 international association events:

- Youth Ambassador for Harmony;

- Supernova Pop Culture Expo;

- In the Image of Asia: Moving Across and Between Locations;

- Network Centric Warfare 2010;

- QL2 Centre for Youth Dance;

- City States;
- Early Childhood Intervention in Australia Conference 2010;
- International Cotton Genome Research Conference;
- 2010 Mint Directors Conference; and
- International Scientific Congress.

The Business Events Australia calendar of confirmed international association events for 2010 indicates the following numbers of events for each Convention Centre Bureau (and shares of the international association event market):

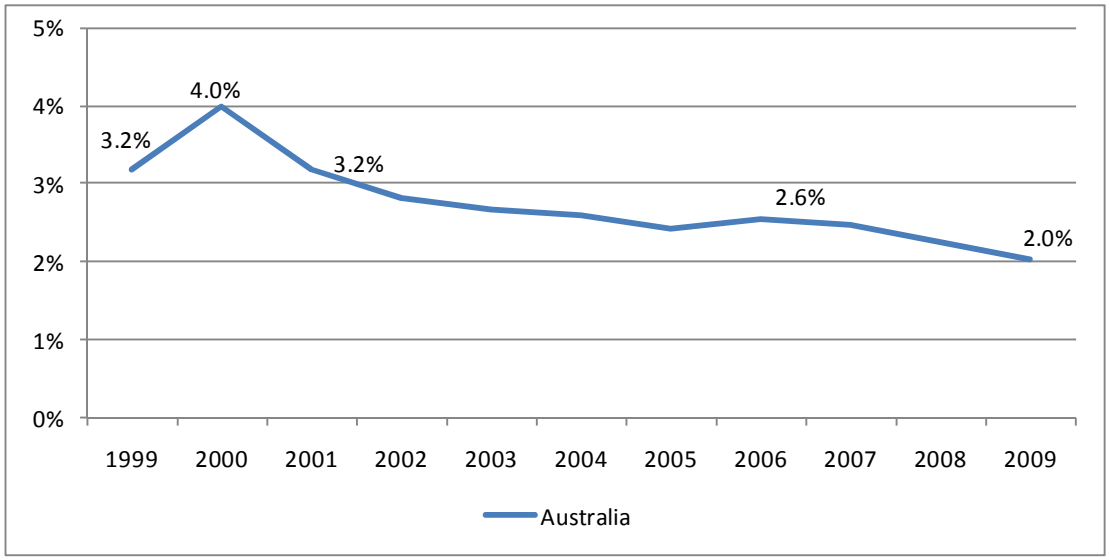
- Business Events Sydney – 83 (25.3%);
- Melbourne Visitor & Convention Bureau – 75 (22.9%);
- Perth Convention Bureau – 42 (12.8%);
- Brisbane Marketing – 40 (12.2%);
- Gold Coast Convention Bureau – 22 (6.7%);
- Adelaide Convention Bureau – 22 (6.7%);
- Northern Territory Convention Bureau – 13 (4.0%);
- Business Events Cairns & Great Barrier Reef – 12 (3.7%);
- Canberra Convention Bureau – 10 (3.0%);
- Tasmanian Convention Bureau – 7 (2.1%); and
- Sunhine Coast Convention Bureau – 2 (0.6%).

Overall, this suggests that the ACT has about 3 per cent of the total number of confirmed international association events for 2010 (i.e. 10 events out of a total of 328 confirmed events).

A1.1.3 Australia's declining share of the world market for international conventions

While the number of international conventions held on the worldwide market has been increasing over most of the period 1999 to 2009, Australia's share of that worldwide market peaked in 2000 at a level of 4 per cent and has been declining since to a level of 2 per cent in 2009.

Figure 59: Decline in Australia's share of the international convention market 1999-2009



Source: ICCA data

A1.2 Increasing international competition for conventions

Australia's declining share of the world market for international conventions is likely to be attributable to the combination of a number of factors including:

- Australia's falling share of international arrivals. Australia's share of global international arrivals grew strongly from 0.3 per cent in 1981 to a high of 0.7 per cent in the mid 1990s. However, since 2000, this share has been falling and in 2009 it was 0.2 per cent;
- the decline in the number of international convention events over the period 2006 to 2008, which is likely to have been adversely affected by the reluctance of individuals to travel post September 11 and the Bali bombing; and
- increasing competition for that static market.

Over the last two decades, both private sector investors and governments recognised the potential financial and economic benefits to be gained from capturing a greater share of the international and national convention market and have undertaken major investments in new convention facilities aimed at attracting more conference delegates and tourists to their particular jurisdictions.

A good example of such a major investment by the private sector is the recently opened Marina Bay Sands Resort in Singapore, which provides:

- 120,000 m^2 of conference space to host up to 45,000 delegates, 2,000 exhibition booths, 250 meeting rooms and the largest ballroom in South East Asia, which is capable of accommodating up to 6,000 seated people;
- over 800,000 square feet of retail and restaurant space, including a casino; and
- the largest hotel in Singapore.

As discussed in section 2, however, more recently there has been increasing recognition by both the academic community and government, that improved dialogue through informal forms of collaboration such as conferences and exhibitions, can generate other significant wider economic benefits for the community in the form of improved innovation in both the private and public sectors of the economy.

In particular, a number of universities both overseas and in Australia have been:

- undertaking further research into techniques for achieving more effective and efficient dialogue and negotiation;
- running courses to improve the dialogue and collaboration skills of both private and public sector employees; and
- constructing new "in the round" styles of meeting rooms that are more suited to housing larger meetings than traditional board rooms and are more conducive to facilitating dialogue and collaboration between participants.

An example of this type of development is the Morris J Wosk Centre for Dialogue in Vancouver which is part of the Simon Fraser University (SFU). That Centre not only provides an "in the round" forum to facilitate greater consultation and collaboration between participants, but the SFU also runs courses in dialogue and negotiation to promote dynamic conversation among all sectors of the community.

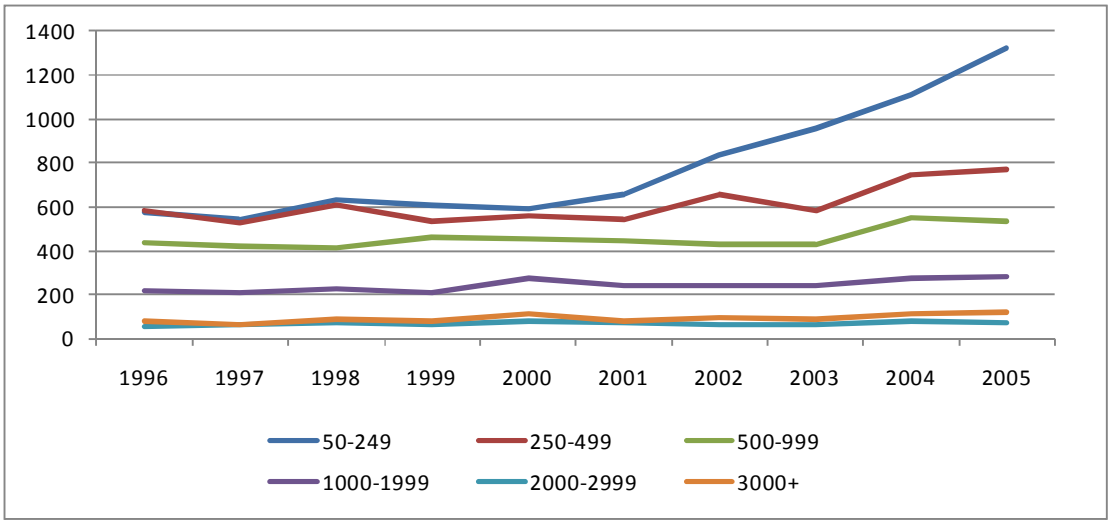
A1.3 Size of international conventions

A1.3.1 Size of international conventions in the world market

As illustrated in Figure 60 below:

- the number of international conventions with between 50 to 249 participants has been increasing significantly over the period 1996 to 2005;
- the number of international conventions with between 250 and 499 participants and 500 to 999 participants has also been increasing over the period 2003 to 2005; and
- the number of international conventions in the other size categories have been relatively constant over the period 1996 to 2005.

Figure 60: Number of international conventions in the world market by convention size (number of participants) 1996-2005



Source: ICCA data

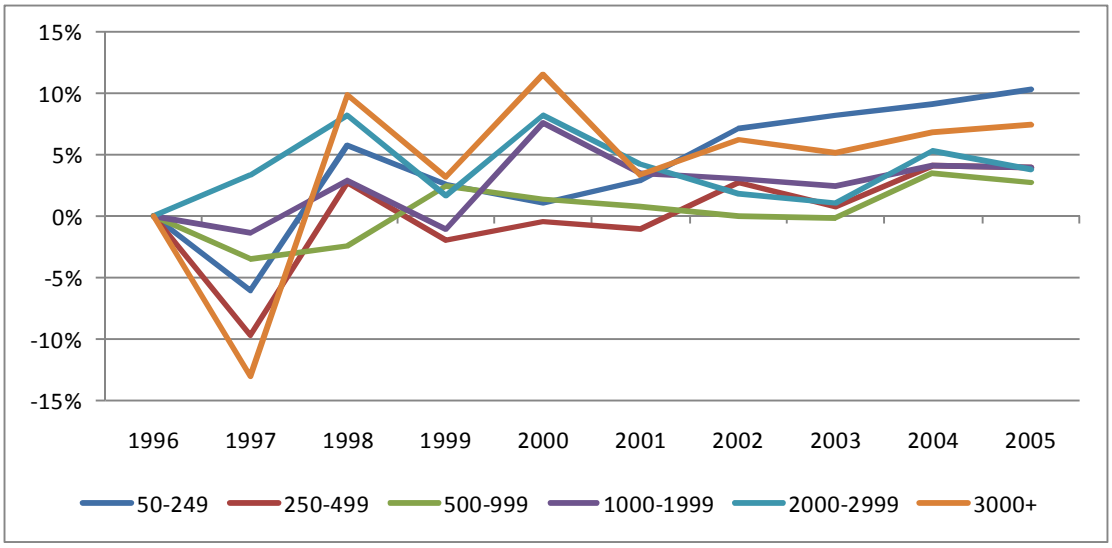
A1.3.2 Highest growth segments in the world market for international conventions

In order to gain a better indication of which segments of the market have been experiencing the highest rates of growth, it is necessary to look beyond the above trends in the number of conventions by size and consider the cumulative average annual rates of growth experienced by each market segment.

These cumulative average annual rates of growth for each segment of the world market for international conventions, which are illustrated in Figure 61 below, indicate that over the period 1996 to 2005:

- international conventions catering for between 50 and 249 participants have exhibited the highest cumulative average annual rate of growth (10.3%);
- the second highest average annual rate of growth was experienced by international conventions catering for over 3,000 participants (7.4%). It is important to note, however, that this was primarily due to the high rate of growth in conventions catering to more than 10,000 participants, which increased by just under 14 per cent over the period 1996 to 2005. International conventions of this size only accounted for only 0.39 per cent of the world market in 2005;
- the third highest average annual rate of growth was experienced by international conventions that catered for between 250 and 499 participants (4.0%);
- the fourth highest average annual rate of growth was experienced by international conventions that catered for between 1,000 and 1,999 participants (3.9%);
- the fifth highest cumulative average annual rate of growth was experienced by international conventions catering for 2,000 to 2,999 participants (3.8%); and
- the sixth highest average annual rate of growth was experienced by international conventions that catered for between 500 and 999 participants (2.8%).

Figure 61: Cumulative average annual growth rate in the number of international conventions in the world market by convention size (number of participants) 1996-2005



Source: ICCA data

A1.3.3 Size of international conventions held in Australia

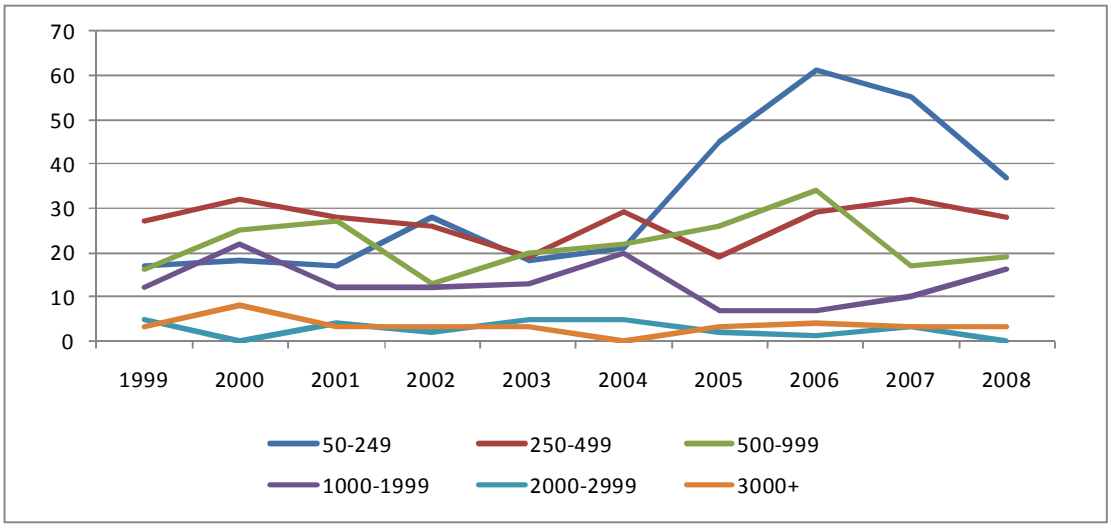
The number of international conventions held in Australia by convention size is illustrated in Figure 62 below.

Consistent with trends in the world market for international conventions:

- the number of international conventions with between 50 to 249 participants increased significantly over the period 2003 to 2005, but has also decreased significantly from 2006; and
- the number of international conventions with between 250 and 499 participants and 500 to 999 participants have also experienced significant increases over the period 1999 to 2005.

As discussed further below, however, there has been much greater volatility in the number of international conventions in each category size than that experienced in the world market.

Figure 62: Number of international conventions worldwide by event size 1999-2008



Source: ICCA data

A1.3.4 Highest growth segments in the Australian market for international conventions

As noted above, and illustrated in Figure 63 below, the number of international conventions in Australia in each size category has experienced much greater volatility over time than in the world market.

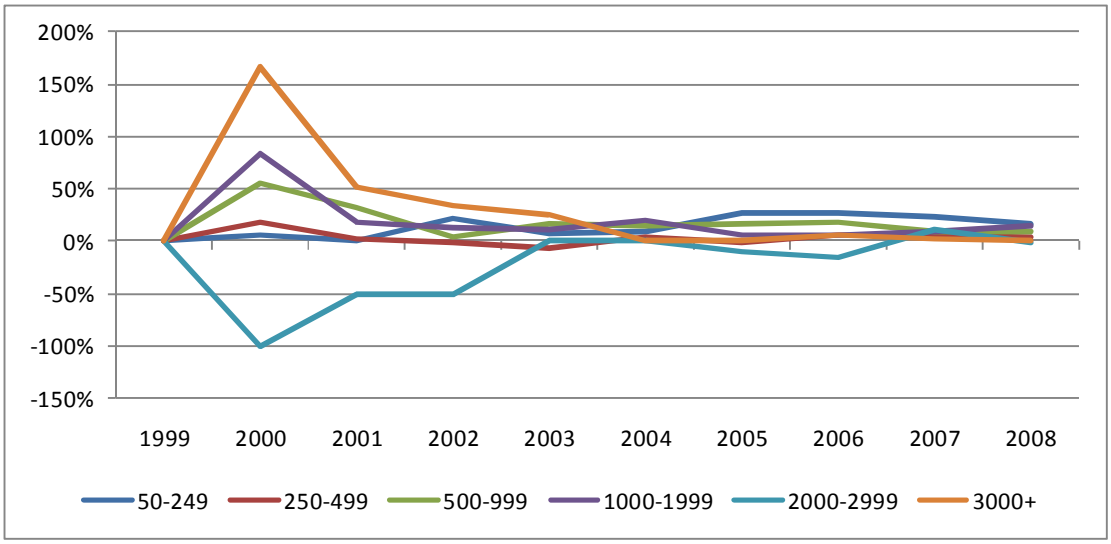
In particular:

- the number of international conventions held in Australia catering to over 3000 participants increased significantly in 2000 and has declined thereafter; and
- the number of international conventions held in Australia catering to between 2,000 and 2,999 participants experienced significant decline in 2000.

Overall, over the period 1999 to 2008:

- international conventions catering for between 50 and 249 participants have exhibited the highest cumulative average annual rate of growth (17%);
- the second highest cumulative average annual rate of growth was experienced by international conventions that catered for between 1,000 and 1,999 participants (15.3%);
- the third highest cumulative average annual rate of growth was experienced by international conventions that catered for between 500 and 999 participants (9.7%).
- the fourth highest cumulative average annual rate of growth was experienced by international conventions that catered for between 250 and 499 participants (4.0%);
- the fifth highest cumulative average annual rate of growth was experienced by international conventions catering for over 3,000 participants (1.4%); and
- the sixth highest cumulative average annual rate of growth was experienced by international conventions catering for 2,000 to 2,999 participants (-1.1%).

Figure 63: Cumulative average annual growth rate in the number of international conventions in Australia by convention size (number of participants) 1999-2008



Source: ICCA data

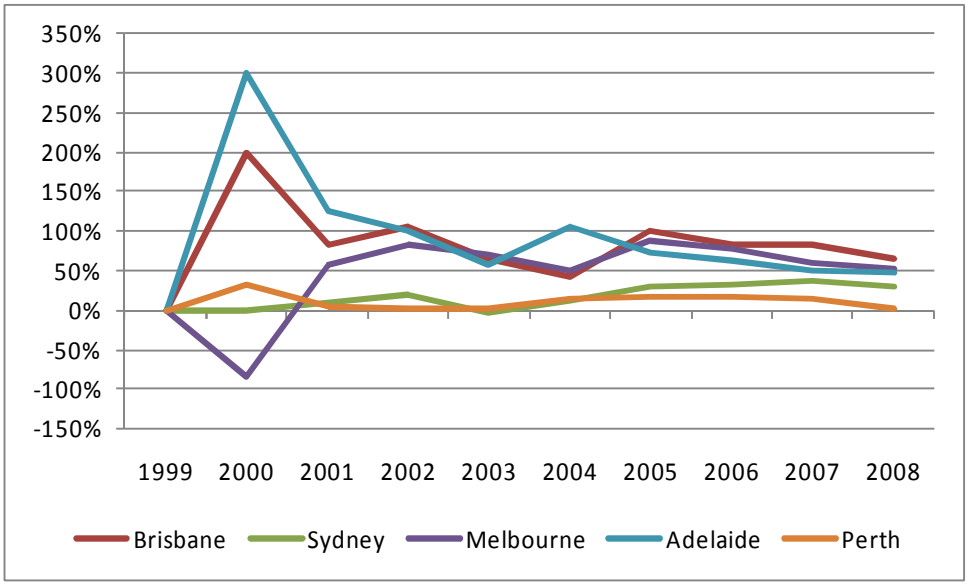
A1.3.5 Australian capital city shares of the international convention market

An indication of the major competitors in the highest growth markets for international conventions in Australia can be obtained by comparing the cumulative average annual rates of growth that each of the capital cities have experienced over the period 1999 to 2008.

As illustrated in Figure 64 below, the major competitors in the highest growth segment of Australia's international convention market (i.e. 50 to 249 delegates) are:

- Brisbane, which has achieved a cumulative average rate of growth in international conventions of this size of 65.6 per cent over the period 1999 to 2008;
- Melbourne, which achieved a growth rate of 53.3 per cent over that period;
- Adelaide, which achieved growth rate of 47.2 per cent over that period; and
- Sydney, which achieved a growth rate of 29.7 per cent over that period.

Figure 64: Cumulative average annual growth rates of international conventions in Australian capital cities with between 50 and 249 participants 1999-2008

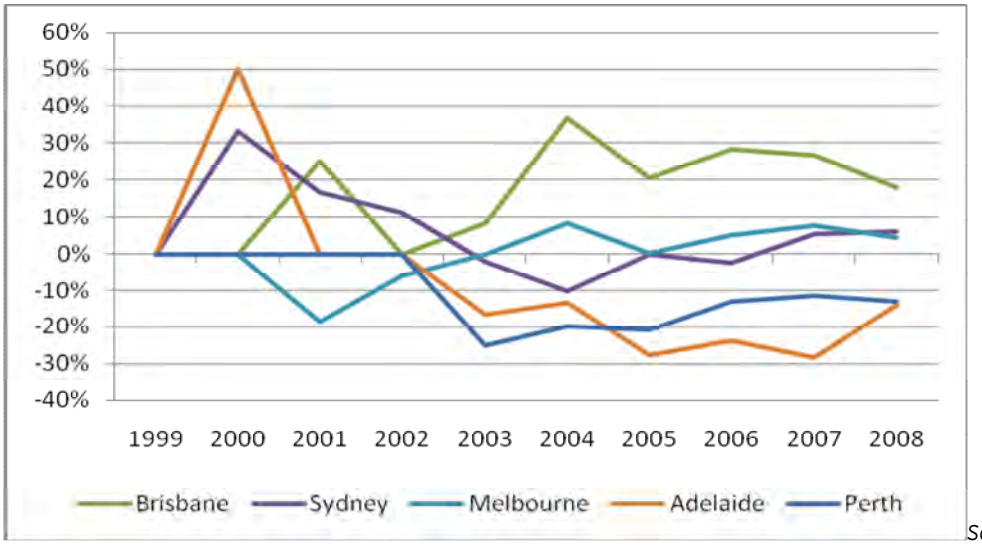


Source: ICCA data

By contrast, as illustrated in Figure 65 below, the major competitors in the third highest growth segment of Australia's market for international conventions (i.e. 500 to 999) are:

- Brisbane, which has achieved a cumulative average rate of growth in international conventions of this size of 18 per cent over the period 1999 to 2008;
- Sydney, which achieved a growth rate of 6 per cent over that period;
- Melbourne, which achieved a growth rate of 4.5 per cent over that period.

Figure 65: Cumulative average annual growth rates of international conventions in Australian capital cities with between 250 and 499 participants 1999-2008



Source: ICCA data

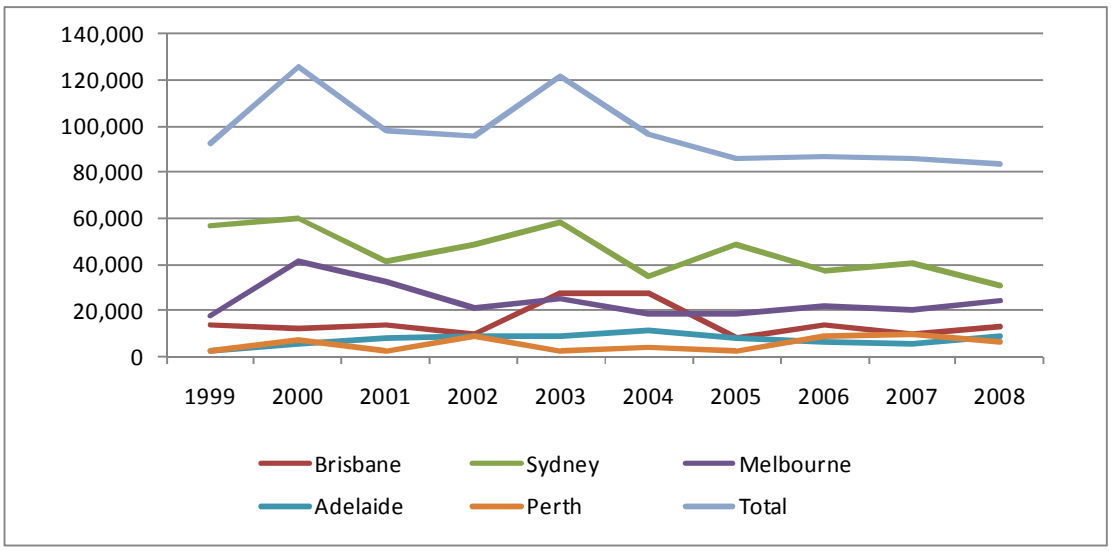
A1.4 Number of international participants at conventions in Australia

A1.4.1 ICCA data on the number of participants in international conventions in Australia

As indicated in Figure 66:

- Sydney has attracted the largest number of participants each year in international conventions over the period 1999 to 2008; and
- Melbourne has attracted the second largest number of participants in international conventions over most of the period, except in 2003 and 2004, which Brisbane attracted more.

Figure 66: Number of participants each year in international conventions in Australia 1999-2008



Source: *ICCA data*

A1.4.2 ABS and Tourism Research Australia data on number of international participants in Australian conventions

Since ICCA data only includes those international conventions that satisfy certain criteria, it is likely to underestimate both the number of international conventions held in Australia each year and the number of non-residents that enter Australia to attend conventions and conferences.

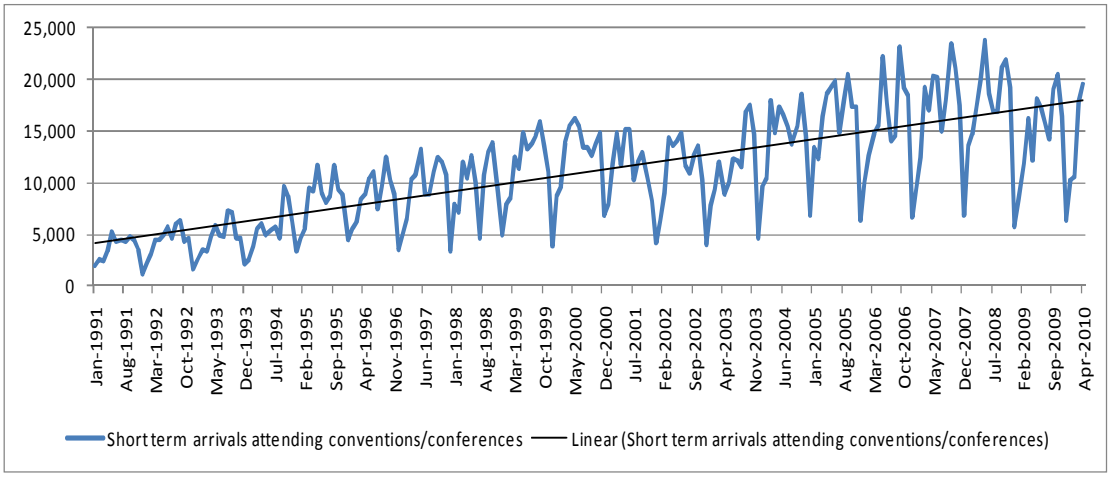
As a result, it is useful to consider alternative sources of data on the number non-residents entering Australia, which include both:

- Australia Bureau of Statistics (ABS) data on the number of short term arrivals in Australia, particularly the number of individuals who indicated that their purpose for visiting Australia was to attend a convention or conference; and
- Tourism Research Australia (TRA) data obtained from their International Visitor Survey.

Figure 67 provides ABS data on the number of short term arrivals each month who indicated on their arrivals card that they were visiting Australia to attend a convention or conference. This shows that the number of people visiting Australia to attend a convention

or conference has been increasing over the long term, subject to both economic and seasonal fluctuations in the shorter term.

Figure 67: Number of short term arrivals in Australia each month who indicated their intention was to attend a convention/conference 1991 to 2010

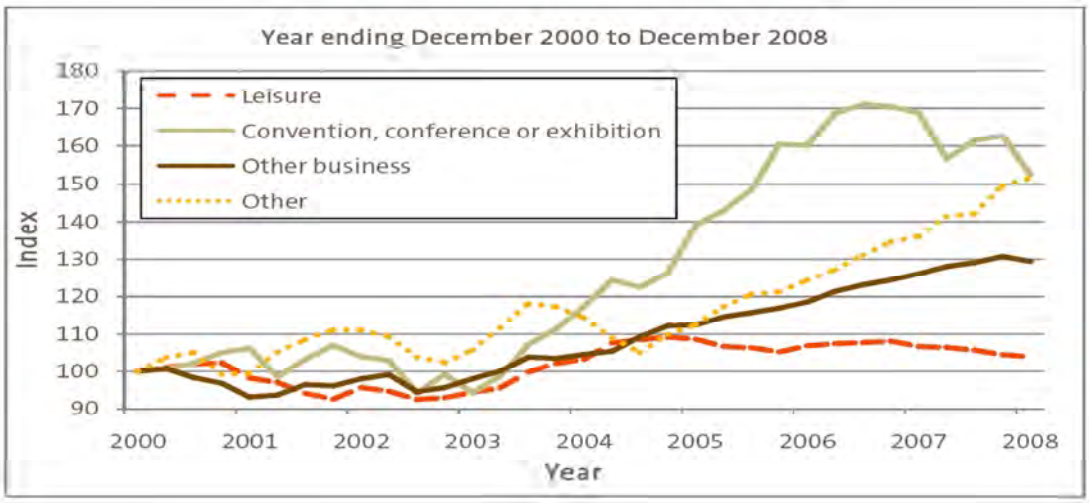


Source: ABS 3401.0

It is important to note, however, that TRA's International Visitor Survey data indicates that this ABS data count could be significantly underestimating the number of people visiting Australia to attend conventions and conferences. In particular, it indicates that only 43 % of people who had visited Australia to attend a convention or conference had indicated this intention on their arrivals card.

TRA data, which is illustrated in Figure 68 below, indicates that while there was a significant increase in the number of people visiting Australia to attend conventions, conferences or exhibitions over the period 2003 to mid 2006, it has been declining since 2006.

Figure 68: Trends in short term arrivals by main purpose of journey 2000 to 2008



Source: TRA, Figure 38.

In 2008, the TRA estimates that there were a total of 377,000 international visitors to business events in Australia.

Of these international visitors:

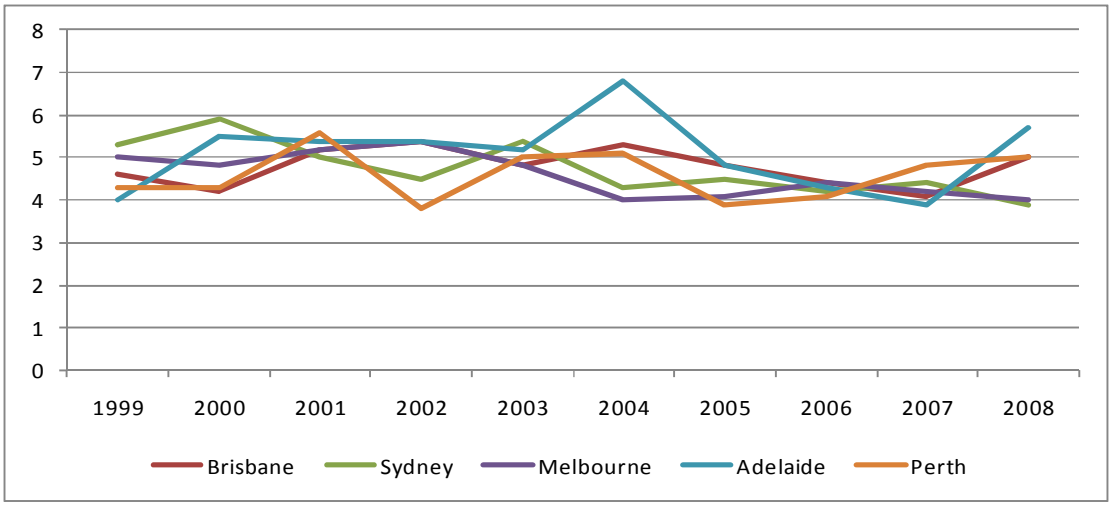
- 326,000 (86%) attended conferences, conventions and seminars; and
- 53,000 (14%) attended public exhibitions and trade fairs.

A1.4.3 Survey data on number of international conventions held in Australia

A1.4.3.1 Average duration of international conventions

The average duration of international conventions in capital cities of Australia, as illustrated in Figure 69 is around 5 days, and has usually been between 4 and 6 days.

Figure 69: Average duration of international conventions in Australian capital cities (days) 2000 to 2008

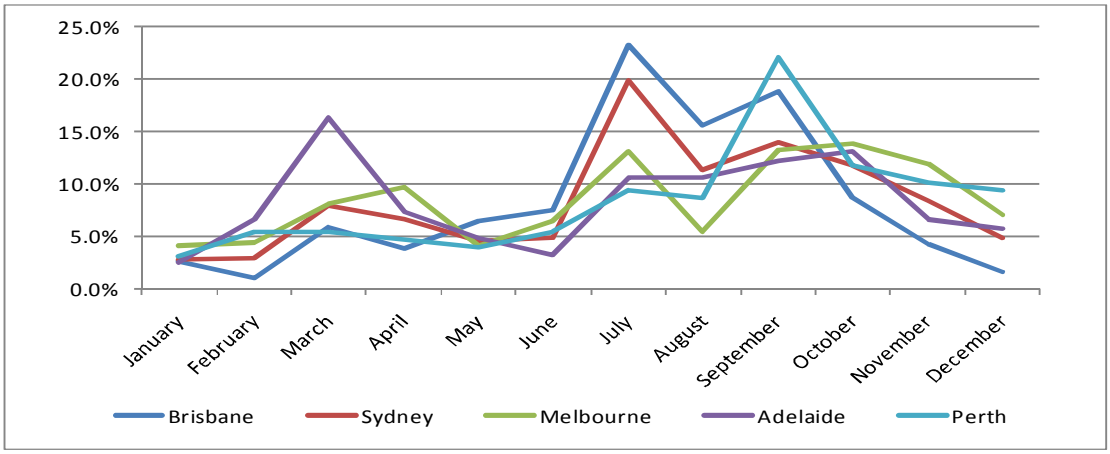


Source: *ICCA data*

A1.4.3.2 Timing of international conventions

Most people who visit Australia to attend international conventions do so over the period June to October, as illustrated in Figure 70 below.

Figure 70: Trends in short term arrivals by main purpose of journey 2000 to 2008



Source: *ICCA data*

A2 National market

This section presents data on the national market for business events obtained from both the:

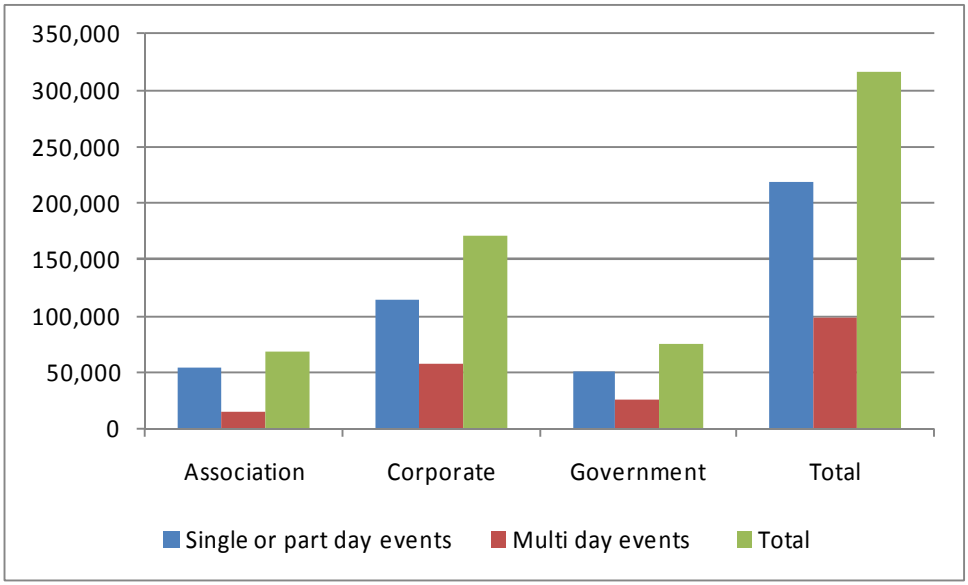
- Sustainable Tourism Cooperative Research Centre's *National Business Events Study: An Evaluation of the Australian Business Events Sector*, which presents the results of a survey of business event venues in Australia regarding the number of events and participants they hosted over the 2002/03 financial year; and

- Tourism Research Australia's (TRA) *Business Events in Australia: Results from the International Visitor Survey and the National Visitor Survey 2008*, which presents the results of a survey of both international and national visitors who attended business events in Australia in 2008.

A2.1 Number and duration of business events in Australia

The National Business Event Study (NBES) estimated that in 2002-03, there were around 316,371 business events in Australia, of which, the majority (113,894) were single day events held by corporates (Figure 71)

Figure 71: Estimates of number of business events in Australia by market segment and duration of event 2002-03

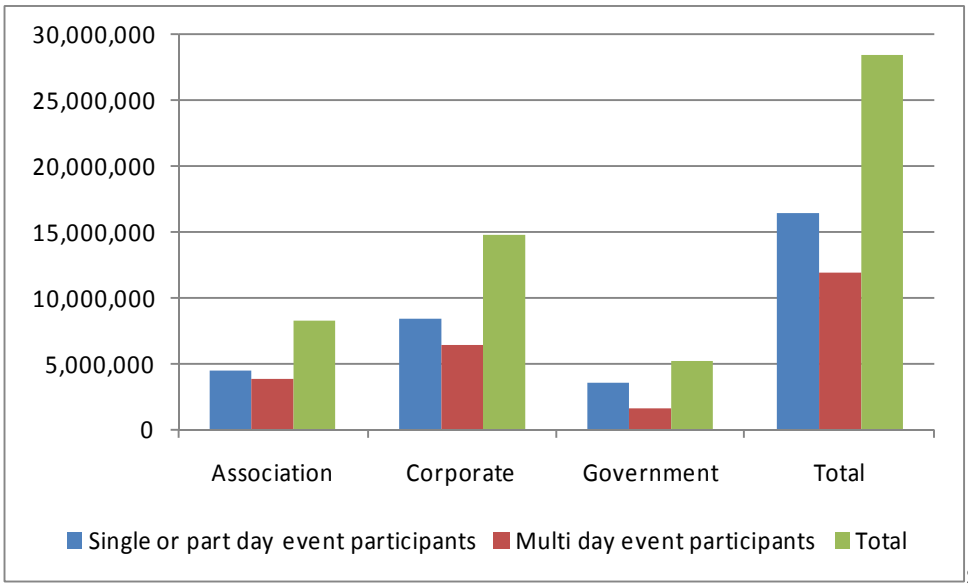


Source: NBES, p13

A2.2 Number of participants in business events in Australia

Overall, the NBES estimated that in 2002-03, around 2.4 million people participated in business events in Australia, most of whom attended single or part day corporate events (Figure 72).

Figure 72: Estimates of number of participants in business events in Australia by market segment and duration of event 2002-03



Source: *NBES, p13*

More recently, the TRA has estimated that in 2008, a total of 6.1 million people attended business events in Australia, of whom:

- 377,000 were international visitors;
- 2.8 million were domestic overnight visitors; and
- 2.8 million were domestic day visitors.

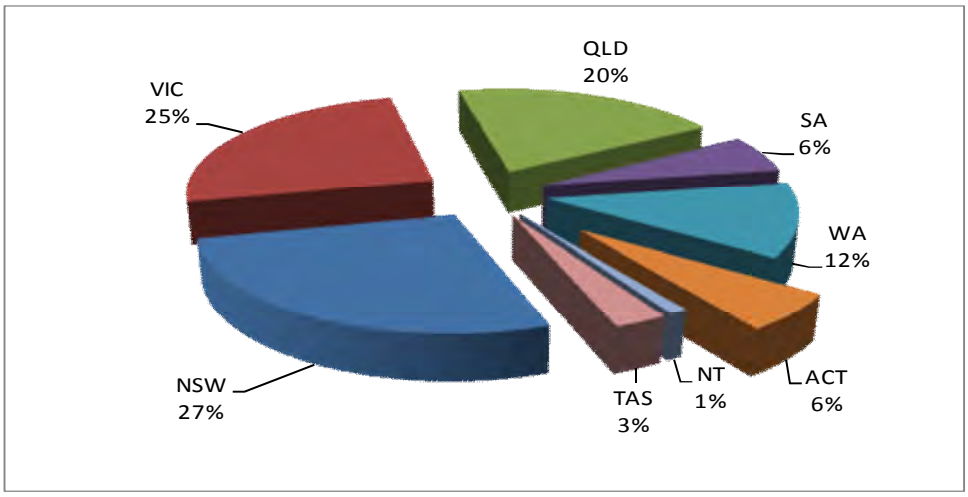
A2.3 Location of business events

A2.3.1 Breakdown of business events by State and Territory

As illustrated in Figure 73 below, in 2002-03, NSW had the greatest share of the business event market (27%), followed by Victoria (25%) and Queensland (20%).

ACT had around 6 % of the business event market.

Figure 73: Breakdown of number of business events by State and Territory 2002-03



Source: *NBES, p19*

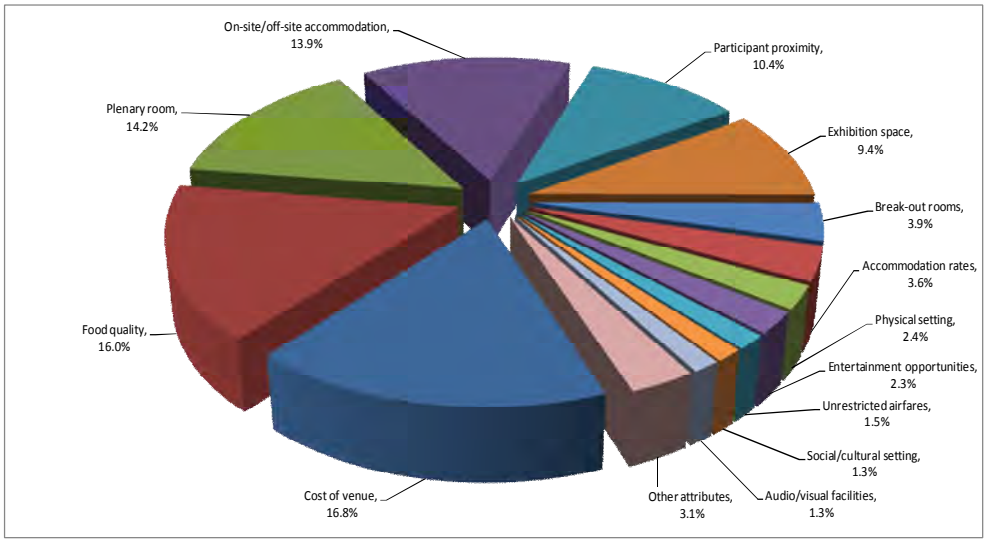
A2.3.2 Determinants of the domestic demand for venues

The most detailed research conducted to date into the determinants of demand for convention venues in Australia is the study conducted by Crouch and Louviere (2004) *Determinants of destination choice in the Australian domestic conventions sector*, which was funded by the Sustainable Tourism Cooperative Research Centre.

That study used choice modelling techniques to analyse data from Australian convention planners who have experience in evaluating, selecting or recommending a convention site from a range of alternative options.

The results of that study are presented in Figure 74 below.

Figure 74: Factors determining the choice of business event venue



Source: Crouch and Louviere (2004) Determinants of destination choice in the Australian domestic conventions sector

As expected, the study found that the price (i.e. cost) of the venue is the single most important factor influencing domestic demand for the facilities provided by that venue.

At the same time, however, the study also highlighted the importance of a range of other factors including (in order of importance):

- food quality (16.0%);
- the suitability of the plenary room (14.2%);
- availability of on and off-site accommodation (13.9%);
- the proximity of the venue to convention participants (10.4%);
- exhibition space (9.4%);
- break out rooms (3.9%);
- accommodation rates (3.6%);
- the physical setting of the venue (2.4%); and
- entertainment opportunities (2.3%).

Other less significant factors, included:

- unrestricted airfares (1.5%);
- the social/cultural setting of the venue (1.3%);
- the audio/visual facilities (1.3%); and
- a range of other attributes, which accounted for the remaining 3.1%.

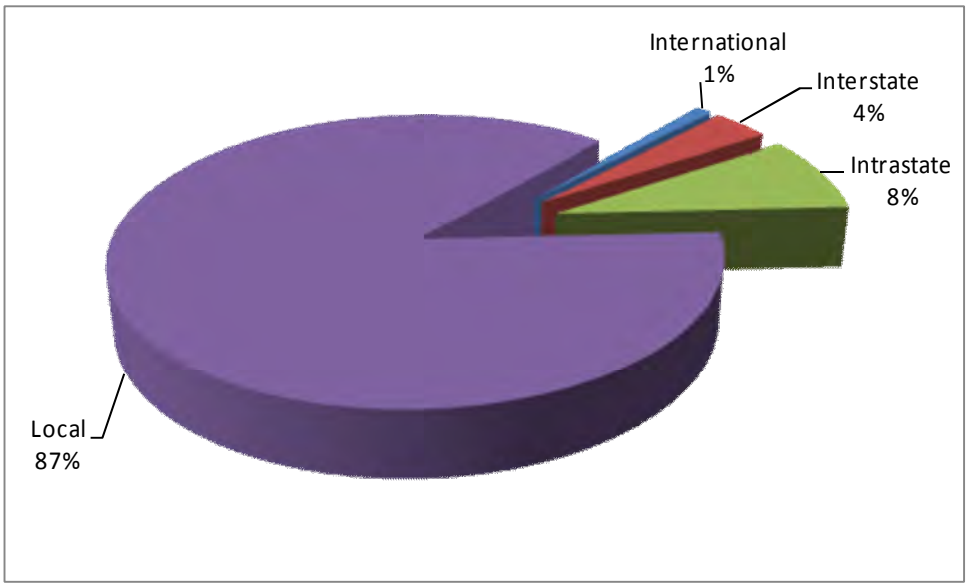
A2.4 Conference and meeting market

A2.4.1 Number and origin of participants in Australian conferences and meetings

Of the 19.9 million people who attended conferences and meetings in Australia in 2002-03, the NBES estimated that:

- 86.9 per cent (17.2 million) were local residents;
- 8.5 per cent (1.7 million) were from within the same State or Territory where the event was held;
- 3.6 per cent (0.7 million) were from interstate; and
- only 1 per cent (0.2 million) were international delegates.

Figure 75: Origin of participants attending conferences and meetings 2002-03



Source: *NBES, p25*

More recently, the TRA has estimated that in 2008, Australian conferences, conventions and seminars were attended by:

- 326,000 international visitors;
- 2.5 million domestic overnight visitors; and
- 2.8 million domestic day visitors.

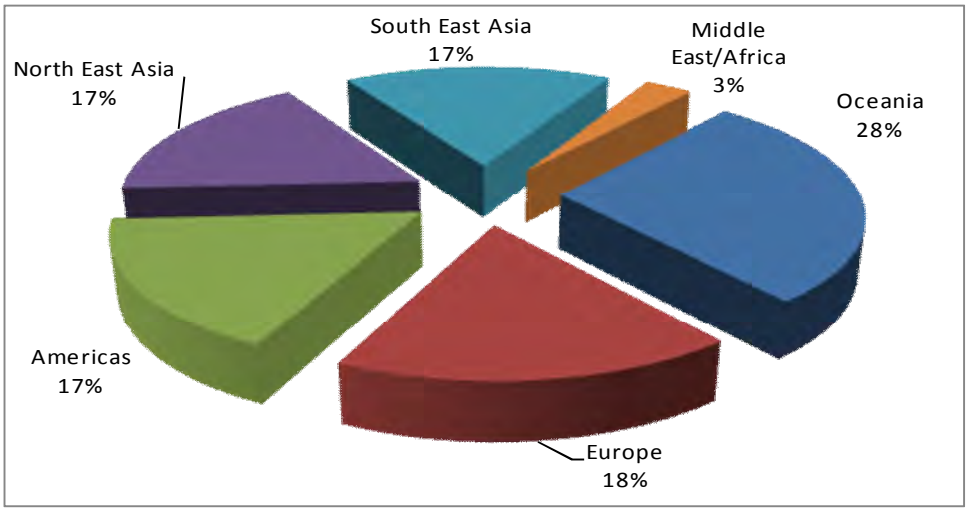
In addition, the TRA estimated that there were 12.3 million visitors who attended a business meeting, or accompanied someone who did. Of these:

- 0.6 million were international visitors;
- 6.9 million were domestic overnight visitors; and
- 4.8 million were domestic day visitors.

A2.4.2 Origin of international participants in Australian conferences and meetings

Of the 0.2 million international participants in Australian conferences and meetings, 28 % were from Oceania, 18 % from Europe, and 17 % from South East Asia (Figure 76).

Figure 76: Origin of international participants attending conferences and meetings 2002-03



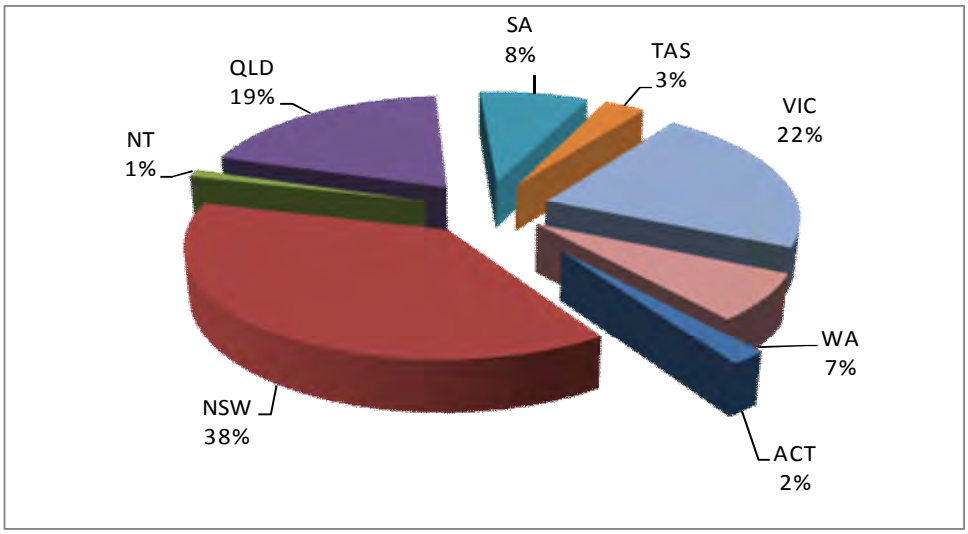
Source: *NBES, p25*

A2.4.3 Origin of domestic participants in Australian conferences and meetings

Of the 19.9 million residents of Australia who participated in conferences and meetings in Australia in 2002-03, 38 per cent were from NSW, 22 per cent were from Victoria and 19 per cent were from Queensland (Figure 77).

Only 2 per cent of residents who attended conferences and exhibitions in Australia in 2002-03 were from the ACT.

Figure 77: Origin of domestic participants attending conferences and meetings 2002-03

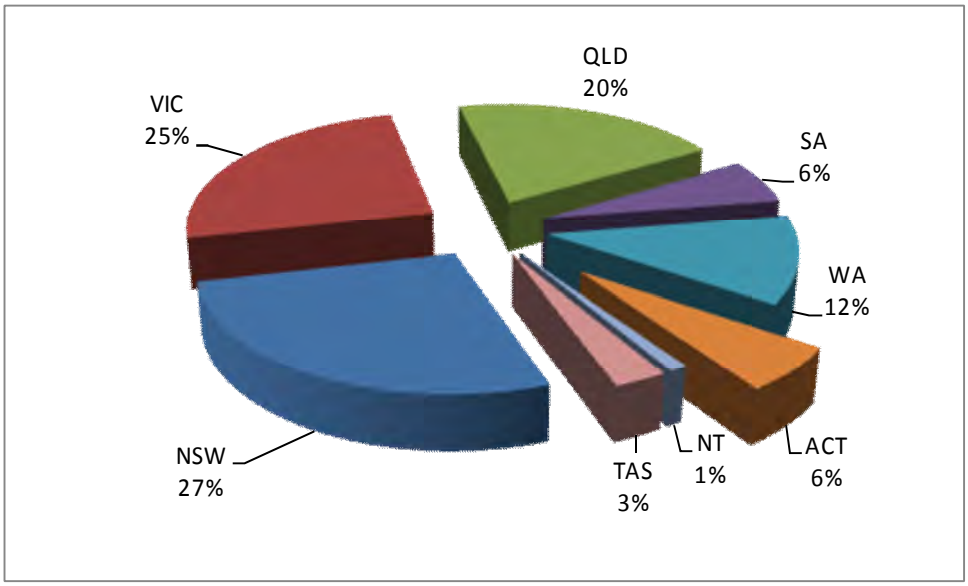


Source: *NBES, p26*

A2.4.4 Location of Australian conferences and meetings

Most of Australia's conferences and meetings are held in NSW (27%), Victoria (25%) and Queensland (20%). Only 6 per cent of conferences and meetings are held in the ACT.

Figure 78: Breakdown of number of conferences and meetings by State and Territory 2002-03

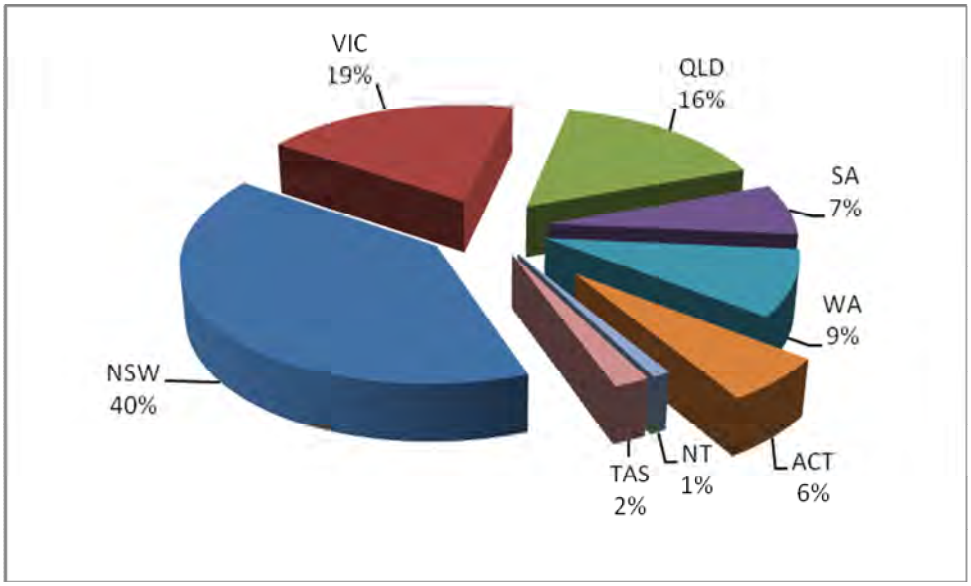


Source: *NBES, Figure 3.7, p 19.*

Similarly, most of the participants in conferences and meetings attend events in NSW (40%), Victoria (19%) and Queensland (16%).

Only 6 per cent of those participants attend conferences and meetings in the ACT.

Figure 79: Breakdown of participants participant numbers in conferences and meetings by State and Territory 2002-03



Source: *NBES, Figure 3.8, p 19.*

A2.5 Exhibition market

A2.5.1 Number of exhibitions and people attending those exhibitions

The NBES estimated that in 2003, there were around 32,136 exhibitions in Australia that were attended by 8.5 million visitors and exhibitors.

This suggests that there are a large number of small exhibitions held in Australia.

More recently, the TRA has estimated that of the 6.1 million people who attended business events in Australia in 2008, those who attended exhibitions and/or trade fares included:

- 53,000 international visitors;
- 238,000 domestic overnight visitors; and
- 755,000 domestic day visitors.

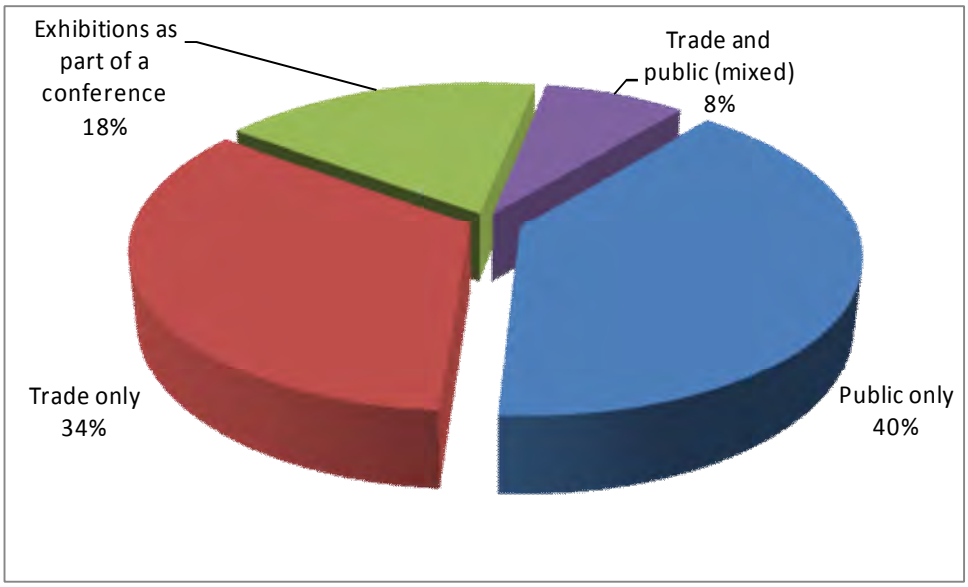
A2.5.2 Number of large exhibitions and people attending those exhibitions

Of these exhibitions, it is estimated that in 2002-03 there were around:

- 300 large exhibitions;
- 174,000 exhibitors at those large exhibitions; and
- 5.4 million people visited those large exhibitions.

A breakdown of exhibitions by type of visitors that attended those exhibitions is provided in Figure 80 below. This indicates that 40 per cent of exhibitions cater for the public only, whereas 34 per cent are trade only.

Figure 80: Breakdown of exhibitions by type of visitor 2002-03

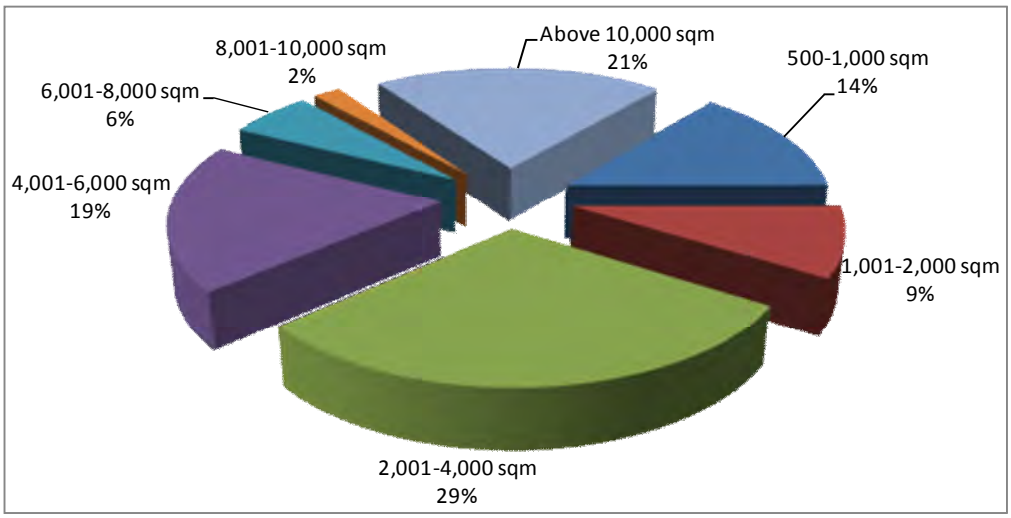


Source: *NBES, p61*

A2.5.3 Floor space sold

As indicated in Figure 81 below, although most floor space sold for exhibitions is in the range of 500 to 6,000 m^2, 21 per cent of sales are for exhibition spaces in excess of 10,000 m^2.

Figure 81: Breakdown of exhibitions by floor space sold 2002-03

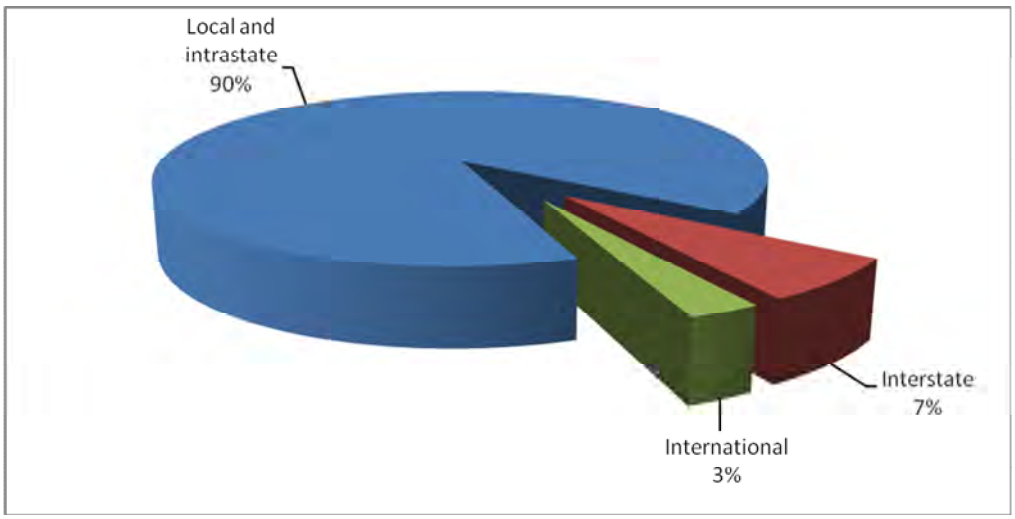


Source: NBES, p65

A2.5.4 Origin of exhibitors

Most exhibitors are either local or come from intrastate (90%). By contrast, only 7 per cent come from interstate, and only 3 per cent are international.

Figure 82: Origin of exhibitors 2002-03

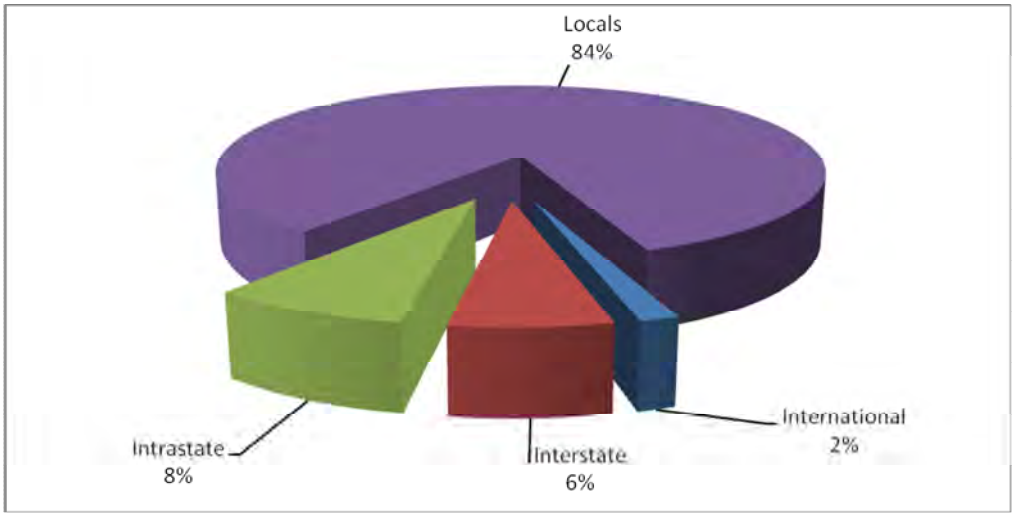


Source: NBES, p61

A2.5.5 Origin of people who attend trade exhibitions

Most people who attend exhibitions are also either local (84%) or come from intrastate (8%). By contrast, only 6 per cent come from interstate and only 2 per cent are international (Figure 83).

Figure 83: Origin of people who attend trade exhibitions 2002-03

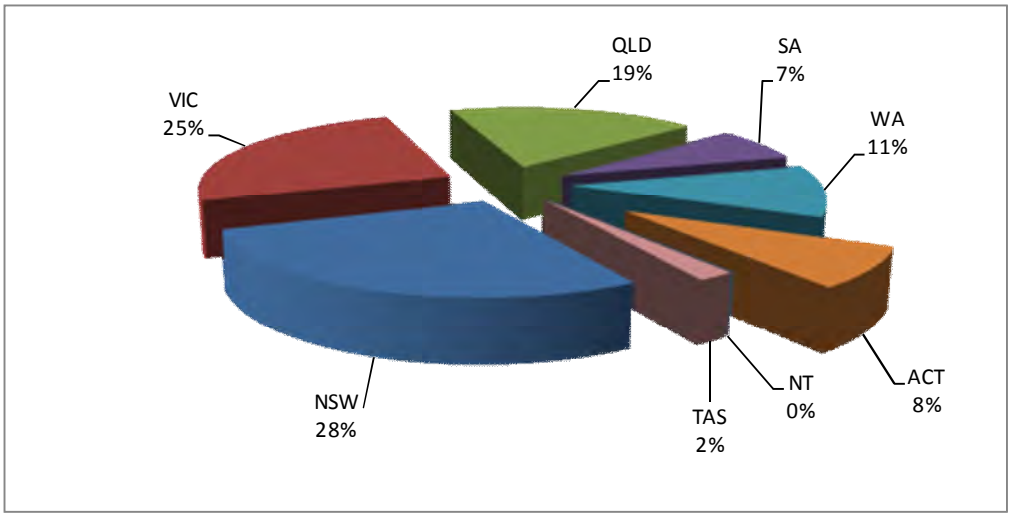


Source: *NBES, p61*

A2.5.6 Exhibitions by State and Territory

In 2002-03, NSW has the largest share of the exhibition market (28%), followed by Victoria (25%) and Queensland (19%). The ACT had 8 per cent of the exhibition market (Figure 84).

Figure 84: Exhibition business by State and Territory 2002-03



Source: *NBES, p64*

A2.6 Incentive travel market

The term "incentive" refers to a global management tool that provides an individual with an exceptional travel experience in order to motivate or reward them for their activities.

The incentive travel market is one of the least well researched business event markets in Australia.

As a result, there is little data available on the nature and extent of this market other than the data provided the NBES and the more recent TRA International and National Visitor Studies.

A2.6.1 Number of international and national travel incentive visitors

Tourism Research Australia's *Business Events in Australia: Results from the International Visitor Survey and the National Visitor Survey 2008* estimates that in 2008 there were 1,577,000 incentive travellers comprising:

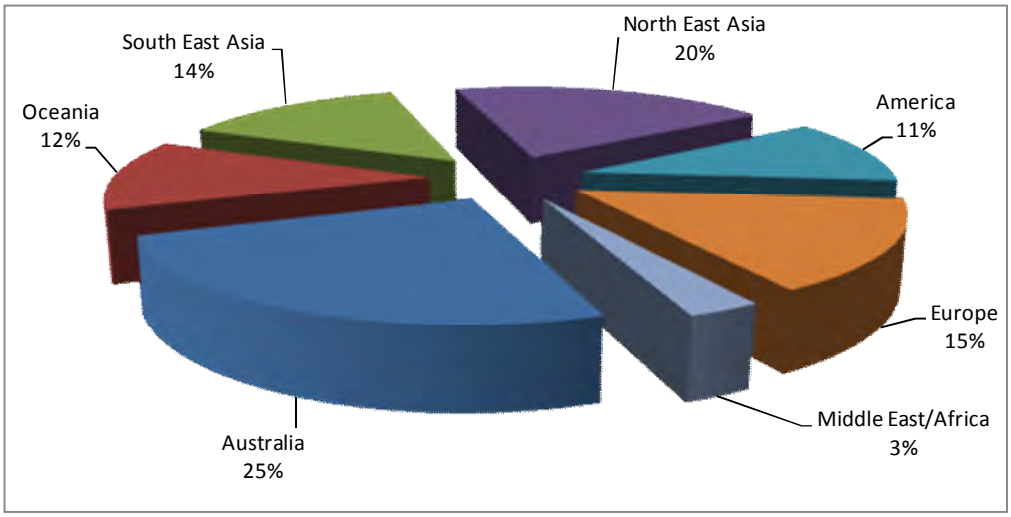
- 167,000 international incentive travellers (11%);
- 783,000 domestic overnight travellers (49.7%); and
- 627,000 domestic day incentive travellers (39.8%).

A2.6.2 Origin of incentive travellers

The NBES provides a breakdown of the incentive business by regional market for 2002-03, which is provided in Figure 85.

This indicates that Australia is the most important source of incentive events was Australia (25%) followed by North East Asia (20%) and South East Asia (14%).

Figure 85: Breakdown of incentive business by regional market (% of events) 2002-03

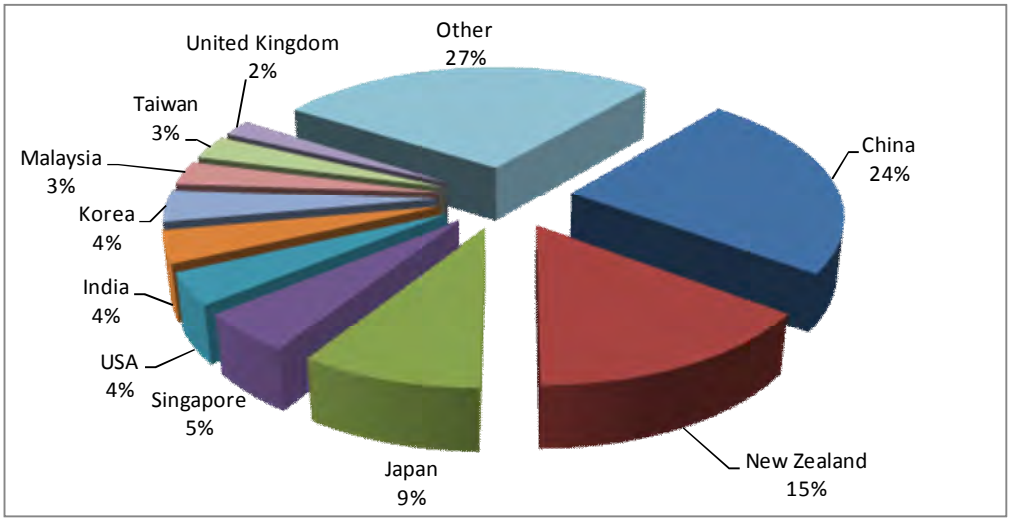


Source: NBES, p76.

More recent data provided by the TRA for 2008, provides the following breakdown of international incentive travellers by country of origin (Figure 86).

This indicates that in 2008, most international incentive travellers came from China (24%), followed by New Zealand (15%), Japan (9%) and Singapore (5%).

Figure 86: Origin of incentive travellers 2008

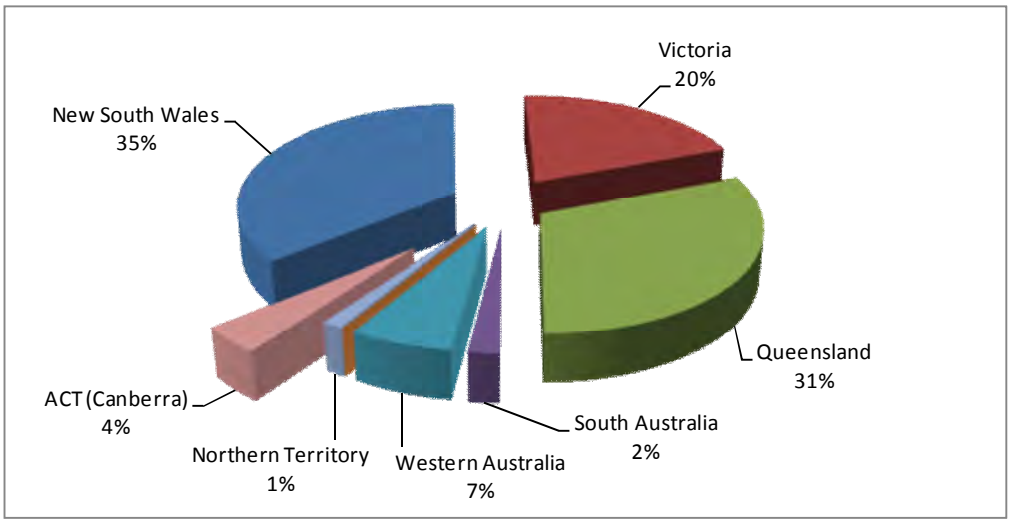


Source: *TRA*

A2.6.3 States and Territories visited by incentive travellers

Most international incentive travellers visit NSW (35%), followed by Queensland (31%) and Victoria (20%). Only 4 per cent visit the ACT.

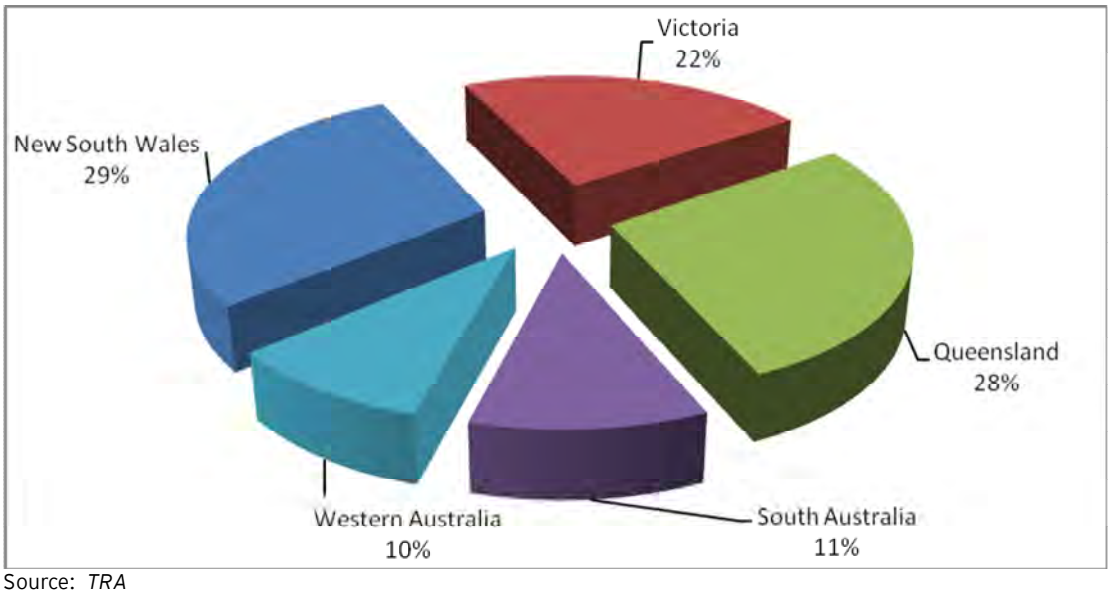
Figure 87: States and Territories visited by international incentive travellers 2008



Source: *TRA*

Similarly, most domestic overnight incentive travellers visit NSW (29%), followed by Queensland (28%) and Victoria (22%).

Figure 88: States and Territories visited by domestic overnight incentive travellers 2008



Source: *TRA*

A3 ACT Market

The main source of data for the analysis of the market for business events in the ACT was obtained from the Canberra Convention Bureau (CCB).

Once again, although this data is useful for the purposes of providing an overview of the market for business events in the ACT, it has its limitations.

In particular:

- like all market data, it tends to reflect "met" demand, rather than actual demand for business event services to the extent that available supply constrains demand;
- changes in the data reflect not only changes in demand, but also changes in the resources and effort that the CCB is able to put into marketing ACT venues;
- not all business events held in Canberra are recorded in the database – only those events that have been pursued by the CCB on behalf of Canberra's venues; and
- the database does not include all venues in the ACT. In particular, it does not include all venues at the ANU.

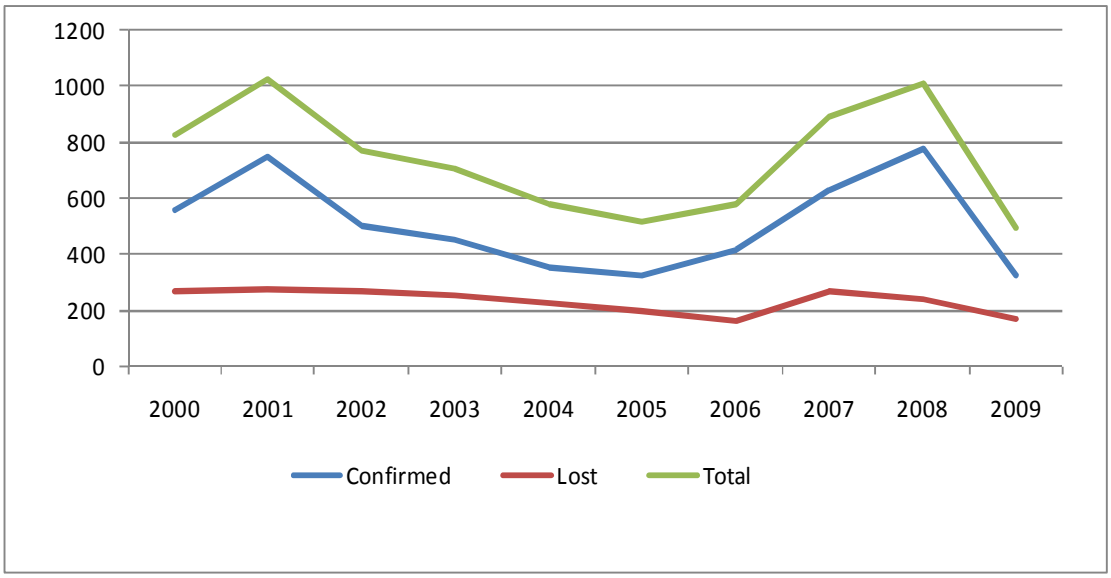
As such, once again it is reasonable to assume that the market data presented in this section understates both the demand for, and supply of, business events in the ACT.

A3.1 Number of business events in the ACT

A3.1.1 Total number of business events in the ACT

Since 2001, the total number of business events in the ACT gradually declined until peaking again in 2008 and declining thereafter (Figure 89).

Figure 89: Trends in total number of business events both won and lost 2000 to 2009

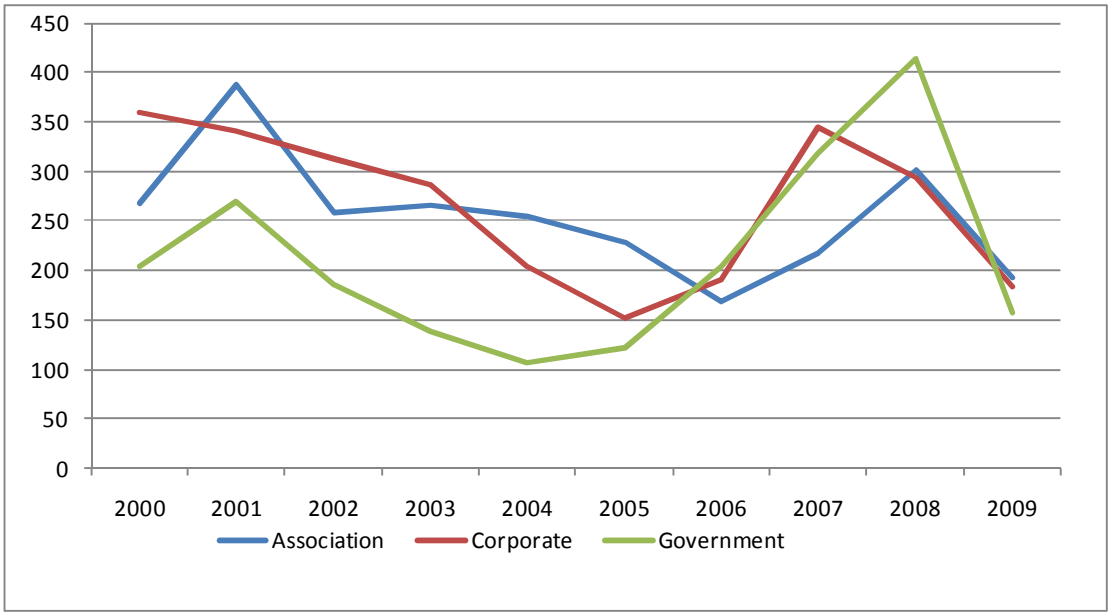


Source: *CCB*

A3.1.2 Number of business events in the ACT by type of client

Up until 2005, corporates and associations were responsible for holding most business events. However, since 2005, Government events have become increasingly important in the ACT market (Figure 90).

Figure 90: Number of events in the ACT by type of client 2000 to 2009

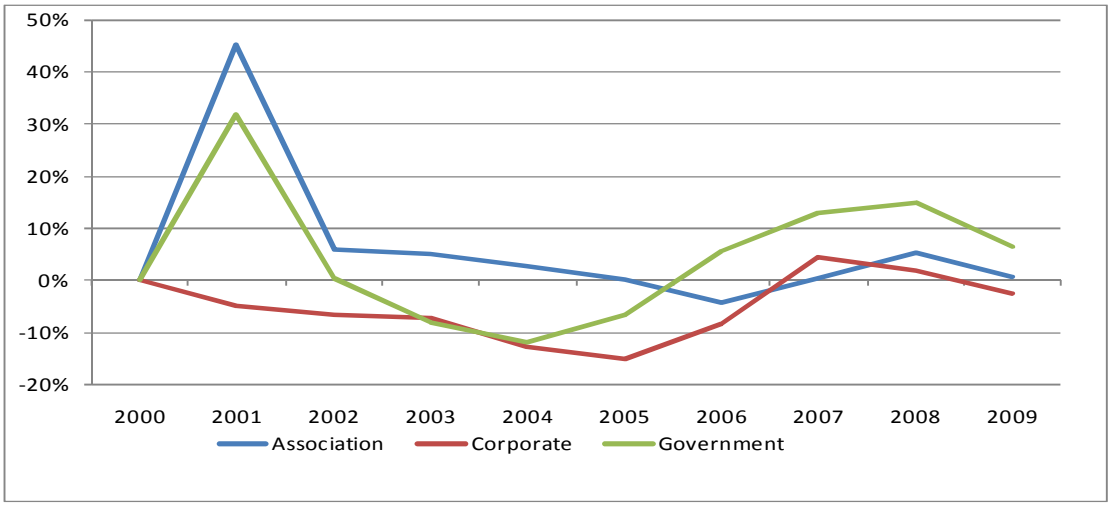


Source: *CCB*

In particular, as illustrated in Figure 91 below, over the period 2000 to 2009, the greatest cumulative average annual rates of growth have been experienced by:

- government business events (6.5%); and
- association events (0.6%).

Figure 91: Cumulative average annual growth rates in the number of events in the ACT by type of client 2000 to 2009

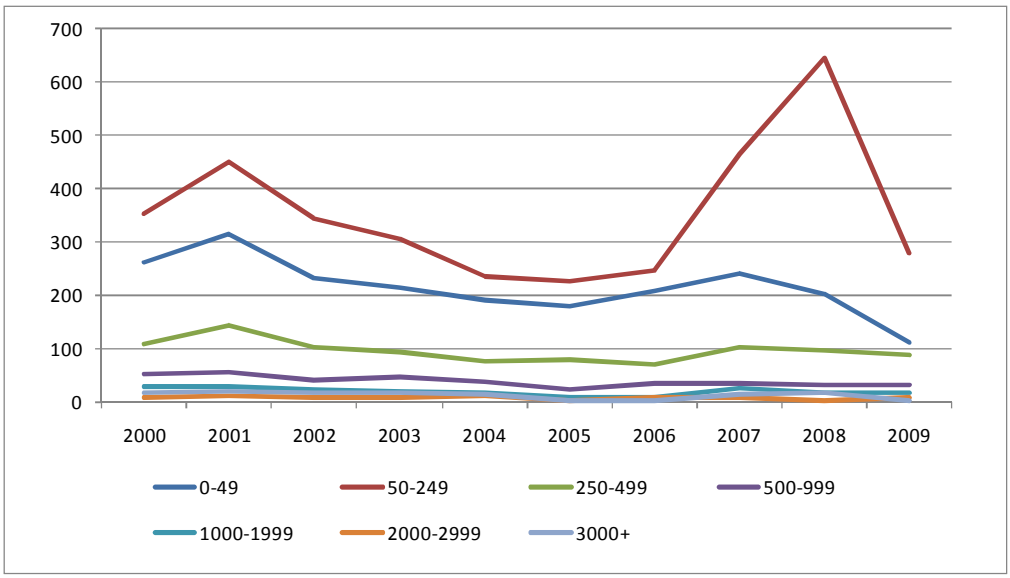


Source: *CCB*

A3.1.3 Size of business events in the ACT

The largest segment of the business events market in the ACT that has experienced the highest growth rates over the period 2006 to 2008 are business events catering for between 50 to 249 people (Figure 92).

Figure 92: Trends in the number of business events in the ACT by event size (both won and lost) 2000 to 2009

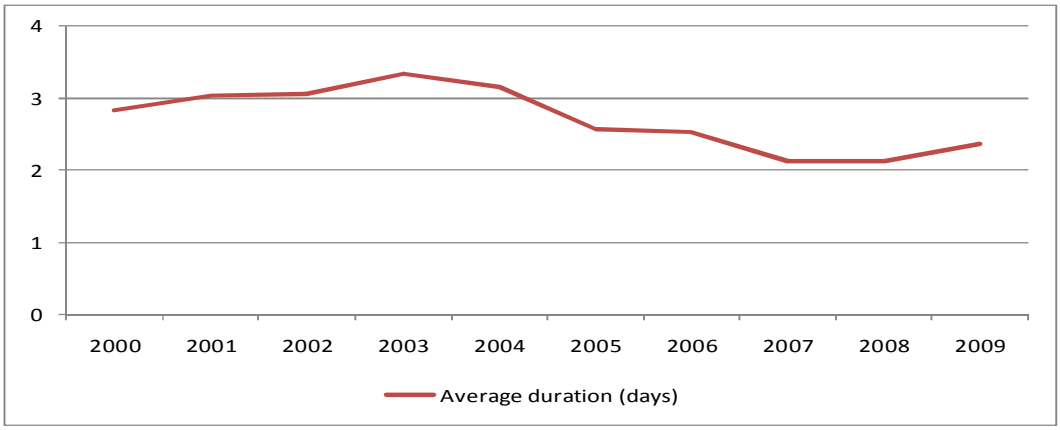


Source: *CCB*

A3.1.4 Average duration of business events in the ACT

The average duration of business events in the ACT has decreased from just over 3 days in 2003, to between 2 and 3 days in 2009 (Figure 93).

Figure 93: Average duration of business events in the ACT 2000 to 2009

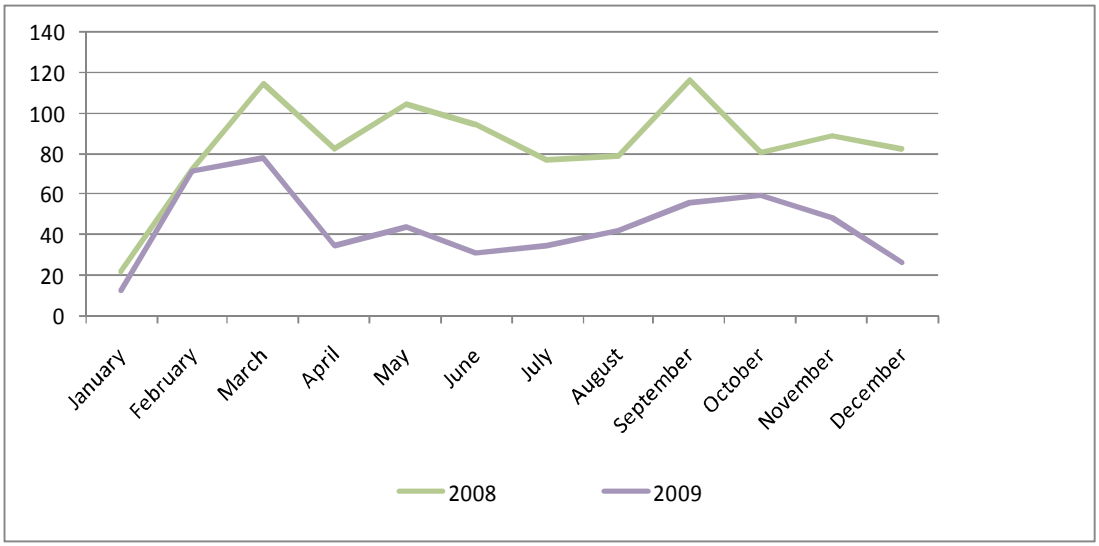


Source: *CCB*

A3.1.5 Timing of business events in the ACT

Business events in the ACT tend to be more uniformly spread over the year than is the case in the international and national markets, where most events occur in the period from July to November (Figure 94).

Figure 94: Timing of business events in the ACT 2000 to 2009



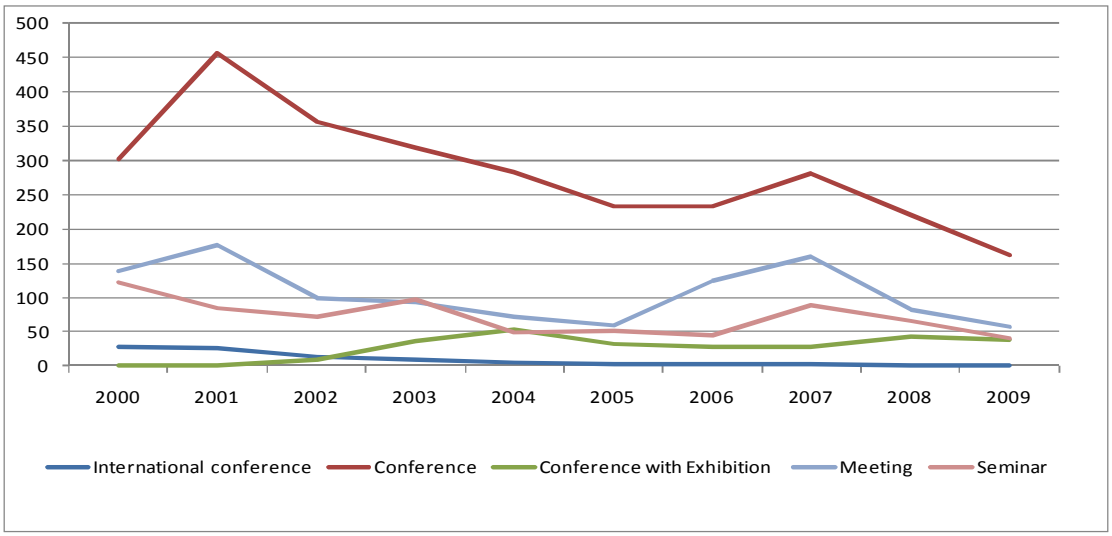
Source: *CCB*

A3.2 ACT convention, conference and meeting market

A3.2.1 Number of conventions, conferences, meetings and seminars

Over the period 2000 to 2009, the number of conferences held in the ACT has exceeded the number of international conferences, conferences with exhibitions, meetings and seminars held (Figure 95).

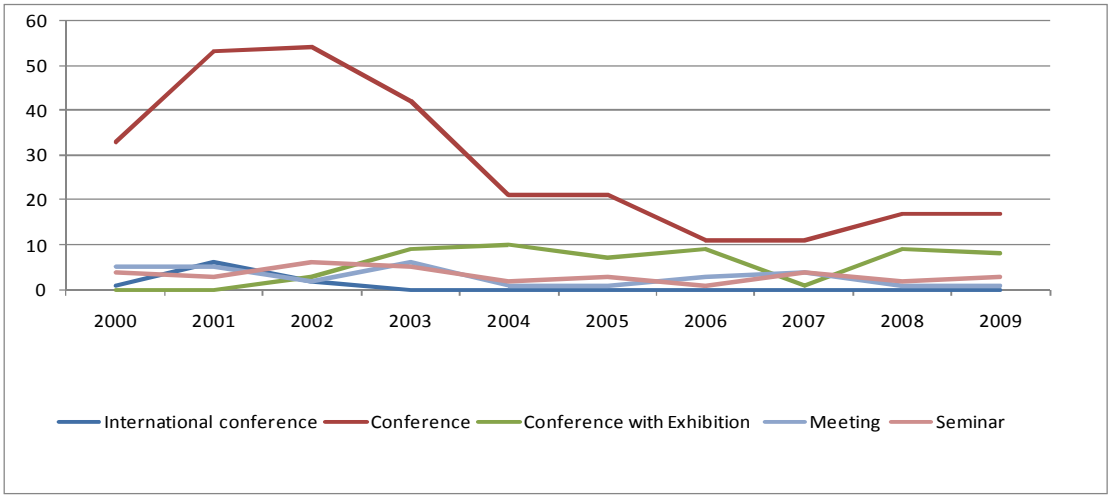
Figure 95: Trends in the number of total number of conferences, meetings and seminars held in the ACT 2000 to 2009



Source: CCB

The trends in the number of conferences, meetings and seminars held at the NCC are illustrated in Figure 96 below.

Figure 96: Trends in the number of conferences, meetings and seminars held at the NCC, 2000 to 2009



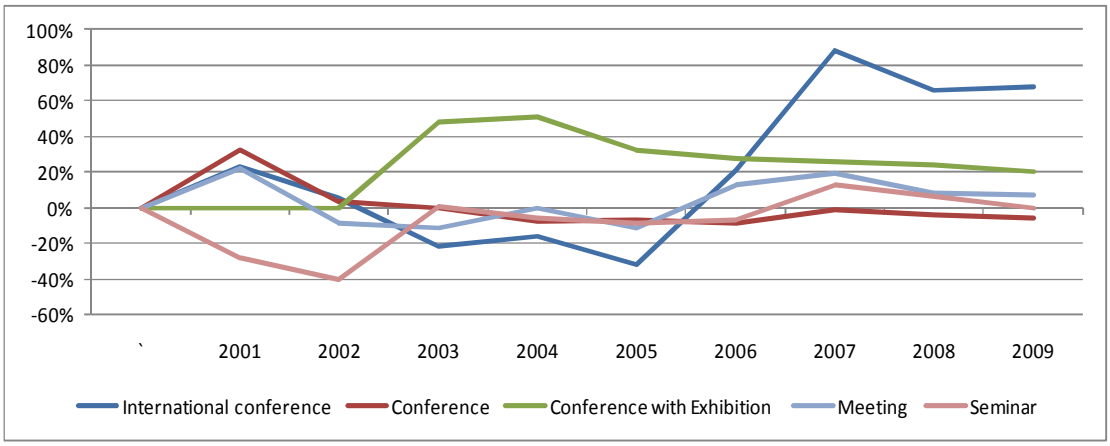
Source: CCB

A3.2.2 Growth in the number of participants in conventions, conferences, meetings and seminars

As illustrated in Figure 97, the highest cumulative average annual rates of growth over the period 2000 to 2009 have been exhibited by:

- international conferences (67%);
- conferences with exhibitions (20%); and
- meetings (7%).

Figure 97: Cumulative average annual growth rates for conferences, meetings and seminars in the ACT, 2000 to 2009



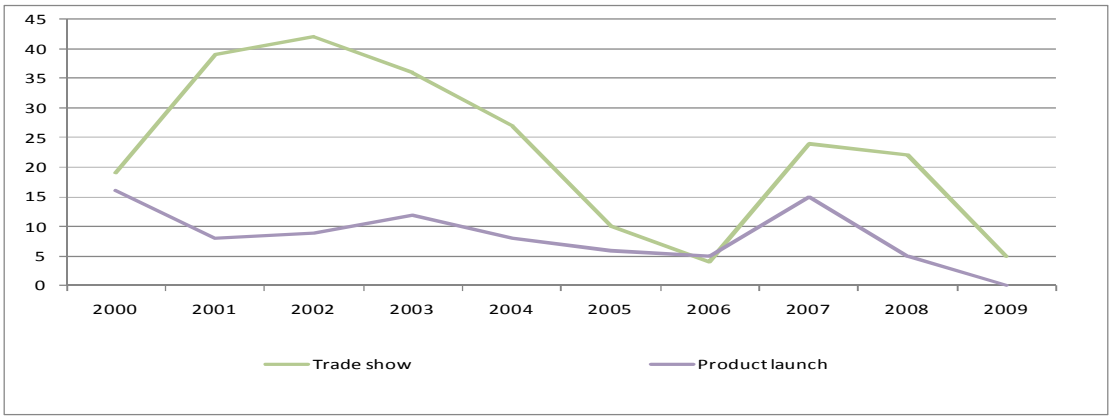
Source: CCB

A3.3 ACT exhibition market

A3.3.1 Number of exhibitions in the ACT

The trends in the number of trade shows and product launches held in the ACT over the period 2000 to 2009 are illustrated in Figure 98.

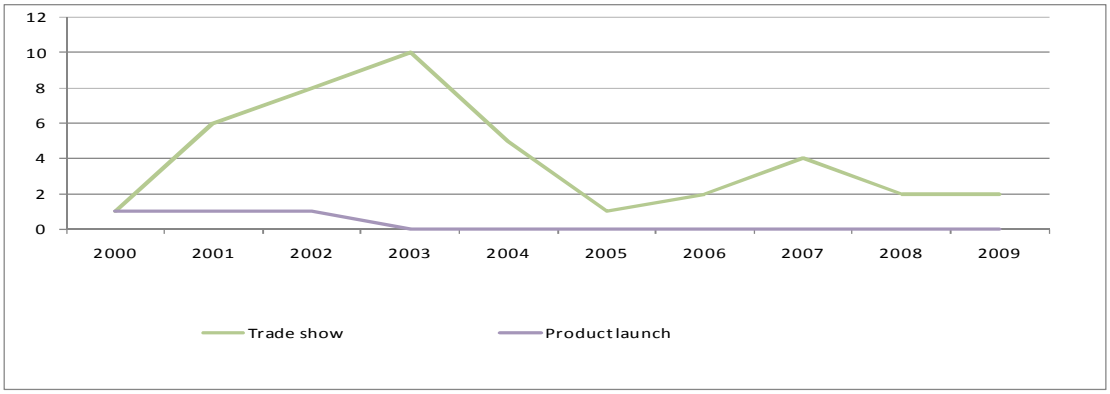
Figure 98: Trends in the total number of trade shows and product launches held in the ACT 2000 to 2009



Source: *CCB*

Similarly, the trends in the number of trade shows and product launches held at the NCC over the period 2000 to 2009 are illustrated in Figure 99.

Figure 99: Trends in the number of trade shows and product launches held at the NCC 2000 to 2009

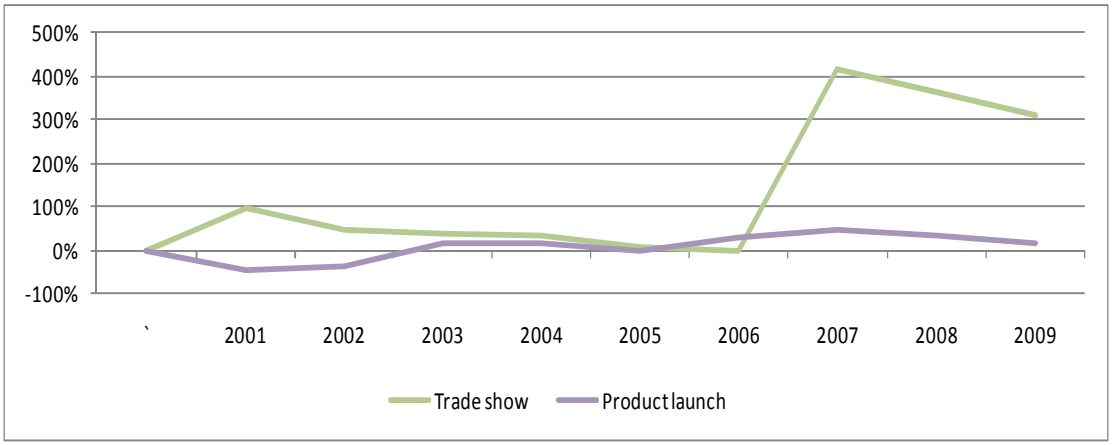


Source: *CCB*

A3.3.2 Growth in the number of attendees at exhibitions in the ACT

As illustrated in Figure 100, the highest cumulative average annual rate of growth over the period 2000 to 2009 has been exhibited by trade shows, which have grown over that period by 311 per cent.

Figure 100: Cumulative average annual growth rate in exhibitions in the ACT 2000 to 2009

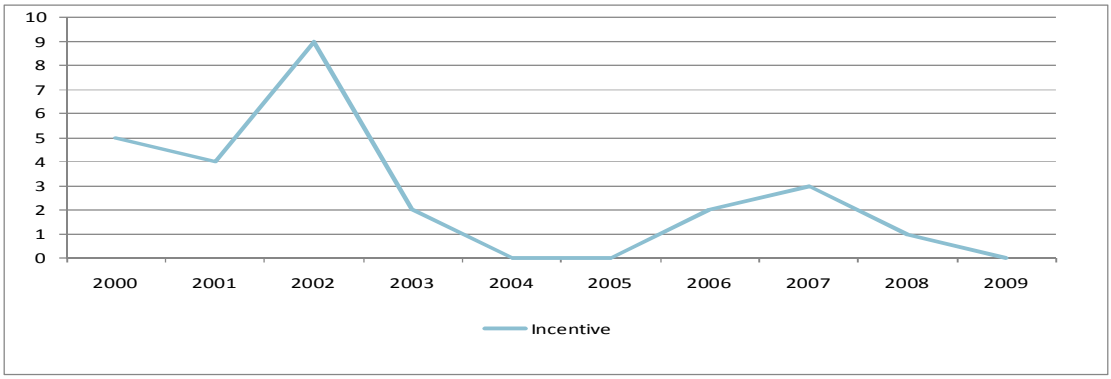


Source: *CCB*

A3.4 ACT incentive market

Figure 101 illustrates the trend in the number of incentive events held in the ACT over the period 2000 to 2009.

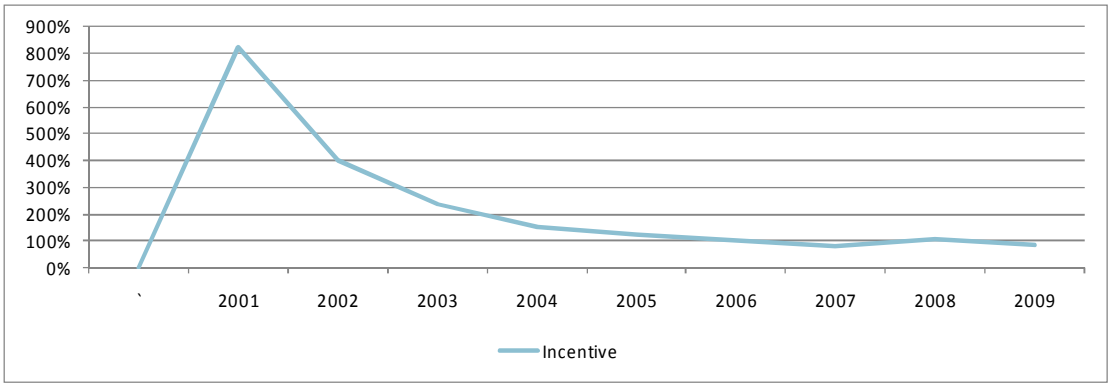
Figure 101: Trends in the number of incentive events held in the ACT 2000 to 2009



Source: *CCB*

As illustrated in Figure 102, the number of incentive events held in the ACT has exhibited a cumulative average annual rate of growth of 86.5 per cent over the period 2000 to 2009.

Figure 102: Cumulative average annual rate of growth in incentive events held in the ACT 2000 to 2009



Source: CCB

Appendix B: Projected Demand for Australia Forum

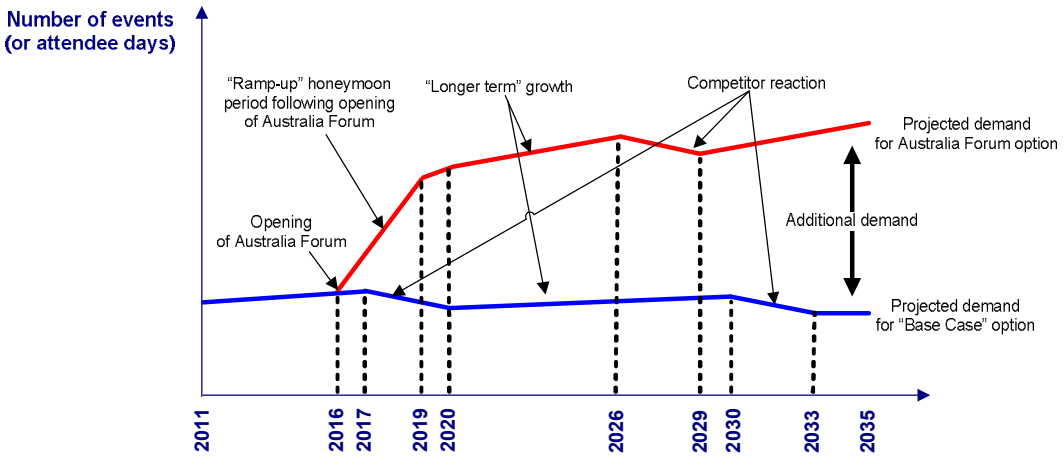
B1 Approach used to project demand

As noted in section 6, in order to evaluate the financial and economic costs and benefits of Australia Forum, it is necessary to forecast the number of additional events, and therefore "attendee days", that are likely to be generated by Australia Forum.

As illustrated in Figure 103 below, the number of additional events (and "attendee days") likely to be generated by Australia Forum is determined by taking the difference between the:

- projected demand for the current NCC facilities (i.e. the "Base Case" Option) over the period 2012 to 2035 under the assumption that there is no further upgrade of those facilities prior to the end of the period of analysis; and
- projected demand for the facilities to be provided by Australia Forum (i.e. the Australia Forum "benchmark" option) over the period of analysis following its construction (i.e. 2016 to 2035).

Figure 103: Illustration of the approach used to determine the additional demand generated by Australia Forum



The purpose of this appendix is to outline in greater detail:

- the approach used to project international, national and local demand for the facilities that would be provided under the "Base Case" Option and the Australia Forum Option; and
- the international, national and local demand projections derived for both the "Base Case" Option and the Australia Forum Option.

In brief, as illustrated in Figure 103 and discussed further below, the approach used to project international, national and local demand for the facilities currently provided by the NCC over the period from 2012 to 2035 involves determining the number of events (and "attendee days"):

- over the last two years of the five year "ramp-up" period following the re-opening of the NCC after its upgrade (i.e. 2011 and 2012). Consistent with the experience of other convention centres that have been upgraded, the number of events held at the NCC (and "attendee days") has increased over the three year "honeymoon" period following the reopening of the refurbished NCC (i.e. over the period 2007 to 2009), with the NCC experiencing its best year ever in 2009. This rate of growth is expected to taper off over the two remaining years of the "ramp-up" period as a result of increasing competition from other venues (i.e. over the period 2010 and 2011); and

- over the "longer term", which extends from the end of the "ramp-up" period following the reopening of the refurbished NCC facilities (i.e. 2012) to the end of the period of analysis (i.e. 2035). Despite its refurbishment, the NCC is still the smallest of Australia's convention centres and is now over 20 years old. As a result, it would be unrealistic to expect that the number of events held at the NCC will continue to grow at the same rate experienced over the "ramp-up" period following its reopening. Rather, at best, it is more realistic to expect that the NCC will experience only modest growth in the longer term and will lose events to its competitors around every 10 years following its reopening (i.e. over the period 2017 to 2020 and again over the period 2030 to 2033).

Similarly, the approach used to project international, national and local demand for the facilities to be provided by Australia Forum over the period of analysis following its construction (i.e. 2016 to 2035) involves determining in the number of events (and "attendee days"):

- over the "ramp-up" period following the construction of Australia Forum (i.e. 2016 to 2020). This "ramp up" period comprises the initial 3 year "honeymoon" period following the construction of Australia Forum (2016 to 2018) over which the number of events and attendee days at Australia Forum is expected to increase above current levels and the fourth and fifth years of the ramp up period (2019 and 2020) over which the rate of growth in demand is expected to taper off as a result of competitor reaction (i.e. either as a result of increased marketing activity by other venues or further improvements in their facilities; and

- over the "longer term", which extends from the end of the "ramp up" period (i.e. 2020) up until the end of the period of analysis (i.e. 2035). Once again, it would be unrealistic to expect the number of events held at Australia Forum to increase over this longer term period at the same rate that it is expected to increase over the "ramp-up" period following its construction. Rather, it is more likely to grow at a relatively lower rate of growth and be subject to a reduction in the number of events due to competitor reaction after about 10 years after its opening (i.e. a loss in the number of events over the period 2026 to 2029).

When projecting the demand for the facilities provided by either the current NCC facilities, or the proposed new Australia Forum facilities, it is important to note that the nature and extent of that demand is "derived" from the nature and extent of the activities that generate the demand for those facilities – that is, the business events held by associations, corporates, and government agencies.

This means that when projecting demand for both the NCC's facilities, or the proposed Australia Forum facilities, it is important to take into account not only the needs of current

users, but also the types of facilities that are likely to be required by future users. The demand for facilities that are flexible enough to adapt to the changing needs of users over time is likely to be greater in the longer term than for those facilities that have been custom made with only the needs of current users in mind.

B2 International demand projections

As discussed in Appendix A, although Australia's share of the international convention market is relatively small, the international business event market is very large and the potential economic and social benefits to Australia from securing an increased share of that market are significant.

International demand for the facilities provided by business event venues in the ACT, including both the current NCC and the proposed Australia Forum, potentially comes from two main sources:

- international associations; and
- international government organisations, of which the Australian Government is a member or participant.

By contrast, there is relatively little international demand for corporate events or exhibitions in the National Capital, in view of the relatively small size of the ACT market.

In this regard, however, it is important to note that the National Capital is home to the Australian Government agencies that make all of the key expenditure decisions. This makes the National Capital an attractive location for international businesses that are interested in selling goods and services to the Australian Government, particularly international companies involved in the provision of goods and services to the Department of Defence. This is discussed further in section B3 below.

It is also important to note that since most of the conferences and meetings organised by international associations and government agencies tend to be rotated around the member countries, it can be several years before a particular event is held in, and eventually returns to, Australia. This also makes it difficult to forecast international demand for association and government events in the National Capital and at the NCC, since the timing of those events, as well as the country and venue at which those events are held, depends on the decisions of a wide range of member associations and governments, which are not always known in advance and can change over time.

B2.1 Base Case international demand projections

As noted above and illustrated in Figure 103, the approach used to project international demand for the facilities currently provided by the NCC over the period from 2012 to 2035 involves:

- projecting the demand for international events at the NCC over the period 2010 to 2011 (i.e. over the last two years of the five year "ramp-up" period following its reopening after refurbishment); and
- projecting the demand for international events at the NCC over the "longer term" (i.e. from 2011 to 2035).

B2.1.1 Base Case international demand projections over the period 2010 to 2011

The first step is to project the number of international events (and "attendee days") that are expected to be held at the NCC over the last two years of the five year "ramp-up" period that normally follows the re-opening of upgraded convention centre facilities. That is, it involves determining the extent to which international demand for events at the NCC is likely to increase in 2010 and 2011.

This involves:

- determining the number of international events that were held in 2009; and
- estimating the number of international events that are expected to be held at the NCC in 2010 and 2011.

In 2009:

- no international association meetings (as recorded in the ICCA database) were held at the NCC. Of the 169 international association meetings recorded in the ICAA database as being held in Australia in 2009, Sydney held 61 (36%), Melbourne held 30 (18%), Brisbane held 26 (15%), Perth held 12 (7%) and Adelaide held 8 (5%); and
- no international government meetings were held at the NCC.

As noted in Appendix A, this does not mean that there were no international association and government meetings held in the National Capital and at the NCC. Although the National Capital did host a number of international events in 2009, those events were not held at the NCC and did not necessarily satisfy the criteria required to be included in the ICCA database. In addition, the NCC has also hosted international government meetings in the past, including some of the APEC meetings that were held outside Sydney in 2007.

However, it does indicate that international conferences and meetings are now only held relatively infrequently at the NCC. Unlike the convention centres located in other capital cities of Australia, the NCC does not attract a regular stream of international association and government meetings each year.

As a result, for the purposes of this study, it has been assumed that no international events will be held at the NCC in 2010 and 2011.

B2.1.2 Base Case international demand projections over the "longer term" (2012 to 2035)

The next step is to project international demand for facilities at the NCC over the longer term – that is, the period of time extending from the end of the "ramp-up" period following its refurbishment (i.e. 2011) to the end of the period of analysis (i.e. 2035).

As noted in Appendix A, the demand for international association meetings has proven to be remarkably robust in the face of international terrorism and the global financial crisis, with the number of meetings held increasing at a compound annual growth rate of 6.5 per cent over the period 1999 to 2009.

At the same time, the increasing globalisation of the world economy, together with the emergence of the Asia Pacific region as a major economic power, and increased collaboration between international governments on global and regional issues (e.g. global warming and border security issues in the South Pacific region) has been increasing international demand for government meetings.

In response to this rapidly increasing demand for international association and government meetings, governments around the world have been investing heavily in the construction of new venues to host those international association and government events.

Given the age and small size of the NCC facilities in comparison to the new and much larger facilities in other Australian capital cities, it is not surprising to find that the NCC does not consistently attract these international association and government meetings. The current facilities at the NCC are simply too small to deal with either the current, or expected future, demands of international association and government meetings such as G20 and CHOGM.

As noted above, this does not mean that the NCC will not be used in the future, from time to time, as a venue to host those international meetings as it was in 2007 for some of the interstate APEC events.

However, it does mean that it would be unrealistic to expect that the NCC will attract a regular stream of international association and international government conferences and meetings in the longer term.

Rather, it is more realistic to expect that in the future, most of those events will continue to have to be held in other capital cities in Australia, as they are at the moment.

As a result, for the purposes of this study, we have assumed that there is no projected international demand for events at the NCC over the period of analysis.

B2.2 Australia Forum international demand projections

Having determined international demand under the Base Case Option, the next step is to determine projected international demand for Australia Forum's proposed facilities over the period following its construction to the end of the period of analysis (i.e. over the period 2016 to 2035).

As illustrated in Figure 103, this involves:

- projecting the demand for international events at Australia Forum over the five year "ramp-up" period following its opening in 2016 (i.e. over the period 2016 to 2020); and

- projecting the demand for international events at Australia Forum over the "longer term" (i.e. from 2021 to 2035).

B2.2.1 Australia Forum international demand projections over the "ramp-up" period (2016 to 2020)

As noted above, following the opening of a new or refurbished venue, it is normal for that venue to experience an increase in demand over a "ramp-up" period of around 5 years, which comprises:

- a three year "honeymoon" period over which the number of events increases at a rate of growth that typically exceeds the trend rates of growth being experienced by other existing venues; and

- a further two years, over which demand often still increases, but at a lower rate of growth than that experienced over the "honeymoon" period (i.e. the rate of growth tends to taper off over the final two years of the "ramp-up" period).

In order to determine the international demand for Australia Forum's facilities over this 5 year "ramp-up" period, we:

- projected the number of international association meetings likely to be held in Australia over the period 2016 to 2020 under the assumptions that:
  - the international market for association meetings will continue to grow at a compound annual growth rate of 5.5 per cent over the period 2010 to 2020. This assumed growth rate is conservative given that the number of international association meetings held globally has been increasing at a compound annual growth rate of 7.7 per cent over the period 2001 to 2008 and 6.5 per cent over the period 1999 to 2009; and
  - Australia will continue to maintain its current 2 per cent share of the international association meetings market;
- projected the number of those international events that are expected to be held at Australia Forum over the period 2016 to 2020 under the assumptions that Australia Forum's market share of international conventions held in Australia would be:
  - 0 per cent in 2015;
  - 5 per cent in 2016 and 2017, which is consistent with the rise in market share in international events that other convention centres have experienced open opening with expanded exhibition space; and
  - 4.5 per cent in 2018 and 4 per cent in 2019 and 2020. This is consistent with the assumptions there will be:
    - a 3 year 'honeymoon' period before any competitor reaction; and
    - a reduction in demand in years 4 and 5 of the ramp-up period. Although the extent of this decrease in demand is uncertain, a minimum of a 0.5 percentage points adverse impact on market share in events in years 4 and 5 (a drop from 5% to 4.5% and then to 4%) to reflect the impact of competitor reactions to the development is considered reasonable;
- the number of international conventions/exhibitions that can be held at Australia Forum under the Base Configuration (i.e. with 8,000 m^2 of exhibition space) is 10 % less than under the Expanded Configuration (where there is 12,000 m^2 of exhibition space).

These projections are set out in Table 54 below.

Table 54: Projected international demand for events in Australia and at Australia Forum

Year	2016	2017	2018	2019	2020
Number of International Events in Australia	201	206	211	216	222
Number of International Events at Australia Forum:					
Australia Forum – Base Configuration	2	4	10	10	9
Australia Forum - Expanded Configuration	2	4	11	10	9

Table 55 summarises the estimated allocation of the total number of international events at Australia Forum between international conventions / meetings and conventions / exhibitions, to estimate the actual number of international conventions / meetings and the actual number of international conventions / exhibitions at Australia Forum in the period immediately following its completion.

Table 55 - Estimated allocation of total number of international events at Australia Forum

	2016	2017	2018	2019	2020
Number of International Conventions/Meetings	1	2	5	5	5
Number of International Conventions/Exhibitions:					
Australia Forum – Base Configuration	1	2	5	5	4
Australia Forum – Expanded Configuration	1	2	6	5	4
Total:					
Australia Forum – Base Configuration	**2**	**4**	**10**	**10**	**9**
Australia Forum – Expanded Configuration	**2**	**4**	**11**	**10**	**9**

This is based on the following assumptions:

- the total Australia Forum market for international conventions / meetings and conventions / exhibitions; and
- allocation between international conventions / meetings and international convention / exhibitions, based on typical allocations at other convention centres.

Table 56 summarises the estimated allocation of event size for international conventions / meetings and international conventions / exhibitions at Australia Forum in the period following its completion.

Table 56: Estimated allocation of event size for international events at Australia Forum

Type of Event	Size of Event	Allocation
International Conventions/Meetings and International Conventions/Exhibitions	0-249	35.9%
	250-499	27.2%
	500-999	18.4%
	1000+	18.4%

These allocations are based on the proportional size of international meetings as reflected in the ICCA average event size range for 2009.

Table 57 summarises the estimated number of international conventions / meetings (by event size) and the actual number of international conventions / exhibitions (by event size) held at the Australia Forum in the period immediately following its completion.

Table 57: Estimated number of international events held at Australia Forum by event size

	Size	2016	2017	2018	2019	2020
International Convention/Meeting	0-250	1	1	2	2	2
	251-500	0	1	1	1	1
	501-1,000	0	0	1	1	1
	1,000+	0	0	1	1	1
Total		**1**	**2**	**5**	**5**	**5**
International Convention/Exhibitions	0-250	1	1	2	1	1
(Australia Forum – Base Configuration)	251-500	0	1	2	2	1
	501-1,000	0	0	1	1	1
	1,000+	0	0	0	1	1
Total		**1**	**2**	**5**	**5**	**4**
International Convention/Exhibitions	0-250	**1**	**1**	**2**	**1**	**1**
(Australia Forum – Expanded Configuration)	251-500	**0**	**1**	**2**	**2**	**1**
	501-1,000	**0**	**0**	**1**	**1**	**1**
	1,000+	**0**	**0**	**1**	**1**	**1**
Total		**1**	**2**	**6**	**5**	**4**

These estimates are based on the following assumptions:

- the actual number of international conventions / meetings / exhibitions at Australia Forum over the ramp up period following its construction are as set out in Table 55 above; and
- the estimated allocation of event size for international conventions / meetings / exhibitions at Australia Forum over the ramp up period following its construction is assumed to be the same as the allocation of worldwide events, as set out in Table 56.

B2.2.2 Australia Forum international demand projections over the "longer term" (2021 to 2035)

In order to project longer term demand for international events at Australia Forum, we have:

- projected the number of international association meetings expected to be held at Australia Forum over the period 2021 to 2035; and
- considered the extent to which the Australian Government is likely to hold additional international government meetings at Australia Forum.

As confirmed in our discussions with the Ceremonial and Hospitality branch of the Department of Prime Minister and Cabinet, and the Department of Foreign Affairs and Trade, Australia is playing an increasing role in international affairs, including both:

- global affairs, including:
  - the activities of a wide range of international organisations of which Australia is a member (e.g. the G20 which is now the most significant forum for global economic co-operation among the world's major powers, the Australian National Commission for UNESCO, the OECD, the Commonwealth of Nations, the United Nations, and the World Trade Organisation);
  - global security issues (e.g. counter-terrorism, nuclear non-proliferation, arms control and disarmament, US Security Council financial sanctions and the freezing of terrorist assets);
  - global immigration and human rights issues (e.g. people smuggling and trafficking in people); and
  - global environmental issues (e.g. global warming and biosecurity);
- Asia Pacific regional affairs, including:
  - the activities of regional organisations of which Australia is a member (e.g. the Asia Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations, the ASEAN Regional Forum, the Asia-Europe Meeting, the East Asia Summit, and a range of South Pacific Organisations);
  - the activities of the regional foundations and councils of which Australia is a member (e.g. the Australia-China Council, Australia-India Council, Australia-Indonesia Institute, Australia-Japan Foundation, Australia-Korea Foundation, Australia-Malaysia Institute, Australia-Thailand Institute, Council on Australia Latin America Relations); and
  - bilateral trade and taxation issues arising from Australia's trade and tax agreements with countries in the Asia Pacific region.

Like large associations, these international government organisations tend to rotate the location of their meetings around the member countries. For example:

- the Asia-Pacific Economic Cooperation (APEC), which is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region, tends to be rotated around its developing country members unless a country cannot host the meeting for some reason (e.g. as was the case when Sydney hosted APEC in 2007 due to problems in Thailand). Although Canberra is unlikely to be in a position to host APEC in view of the large amount of 5 star accommodation required by its participants, it does has the capacity to host some of the subject matter meetings held in conjunction with APEC as it did in 2007 when it hosted the Senior Officials meeting and related meetings;
- the Commonwealth Heads of Government Meeting (CHOGM) is held every second year and is rotated around 50 member countries and was last held in Australia at the Hyatt Resort Coolum in 2002. Once again, this meeting has accommodation requirements for at least 50 suites and 2,000 to 3,000 rooms;

- the G-20 meetings are also rotated around the member countries (Canada 1999 to 2001, 2002 India, 2003 Mexico, 2004 Germany, 2005 China, 2006 Australia, 2007 South Africa, 2008 Brazil, and 2009 United Kingdom). These meetings have similar requirements to CHOGM in that they need to be held at a venue somewhere that does not involve having to shut down a city, security is a primary requirement, and large board room with translation facilities and room at table for key delegates supported by officials. Once again, there is a need for sufficient high quality accommodation;

- the Pacific Islands Forum is rotated around the 16 member countries and was hosted in the Cairns Convention Centre last year in view of its proximity to many of the Pacific Island nations;

- there are also numerous ASEAN meetings that are rotated around the 27 participating nations; and

- there a many bilateral meetings (e.g. bilateral trade and tax agreement negotiations) that are currently held each year at Parliament House.

In summary, while the Australian Government is involved in numerous, large, international government meetings as a result of its membership of a wide variety of international and regional organisations, the fact that those meetings are typically rotated around a large number of member countries means that they tend to be held relatively infrequently in Australia.

This means that, at the moment, such meetings are unlikely to be a significant source of demand for Australia Forum's facilities in comparison with the number of international association meetings.

Rather, they are an extremely important, but infrequent, source of international demand. While they might be relatively infrequent at the moment, their number is likely to increase over the longer term. In addition, regardless of their frequency, it is desirable that the National Capital has the facilities required to host those meetings as much as practicable.

B3 National and local demand projections

While there is detailed information available on the nature and extent of international demand for association meetings, there is little information available on the nature and extent of national demand for business events, and only limited data on local demand for business events in the ACT.

As outlined in Appendix A, this includes information provided by the:

- National Business Event Survey, which provides information on the nature and number of business events held in Australia in 2002-03. This indicates that in 2002-03, around 54 per cent of the business events held in Australia were corporate events, 24 per cent were government events, and 22 per cent were association events;

- National Visitor Survey, which indicates that since late 2006, there has been a significant decline in both the number of domestic overnight visitors attending business events, and the number of nights they stayed, which suggests that there has been a significant reduction in national demand for business events;

- Bureau of Infrastructure, Transport and Regional Economics (BITRE) data on the number of passengers travelling to and from Canberra. This indicates that there has been a compound annual growth rate in the number of those passengers over the period 2004 to 2010, which suggests that the National Visitor Survey might not

provide an accurate indication of trends in national demand for business events that are held in Canberra;

- Canberra Convention Bureau (CCB) data on the nature and number of business events held in the ACT. This indicates that although there has been a decrease in the number of business events held in the ACT in 2008 and 2009, the number of business events held in the ACT increased by a compound annual growth rate of around 4.2 per cent over the period 2000 to 2008; and

- National Convention Centre (NCC) data on the number and nature of national events held at the Centre, which indicates that there has been a turnaround in the market, with the NCC holding record numbers of events in 2009.

As discussed further below, in view of that limited and potentially conflicting data, we have sought to complement that data with information obtained from a survey of national and local associations, corporates, and government agencies, which are listed in the attachment to this appendix.

B3.1 Base case national and local demand projections

In order to project national and local demand for business events under the "Base Case" Option over the period 2011 to 2035 (which involves a continuation of the current facilities offered by the NCC), it is necessary to:

- project the demand for national and local events at the NCC over the period 2010 to 2011 (i.e. over the last two years of the five year "ramp-up" period following its reopening after refurbishment); and

- project the demand for national and local events at the NCC over the "longer term" (i.e. from 2012 to 2035).

B3.1.1 Base case national and local demand projections over the period 2010 to 2011

The first step is to project the number of national and local events that are expected to be held at the NCC over the last two years of the five year "ramp-up" period that normally follows the re-opening of upgraded convention centre facilities. That is, determine the extent to which international demand for events at the NCC is likely to increase in 2010 and 2011.

This involves:

- determining the number of national and local events that were held in 2009; and

- estimating the number of national and local events that will be held at the NCC in 2010 and 2011.

A breakdown of the type, number and size of national and local events held at the NCC in 2009 is provided in Table 58 below.

Table 58: Type, number and size of national and events held at the NCC in 2009

Size	Conference		Conference/Exhbition		Exhibition		Other events
	National	Local	National	Local	Public	Trade	
Number of attendees							
0 - 249	16	43	5	0			5
250 - 499	32	22	22	3			6
500 - 999	21	17	20	2			8
1,000 +	0	5	4	0			30
Exhibition space (sqm)							
0 - 149					0	0	
150 - 849					0	0	
850 - 1,149					0	0	
1,150 - 2,999					4	5	
3,000 - 4,999					0	0	
5,000 - 9,999					0	0	
10,000 +					0	0	

As noted above, it is reasonable to expect that following its reopening after refurbishment, the NCC would experience an increase in demand over a five year "ramp-up" period (i.e. over the years 2007 to 2011).

In particular, it is reasonable to expect that in the first three years (i.e. the "honeymoon period") of this "ramp-up" period (i.e. 2007 to 2009) the NCC would experience a significant increase the number of events it holds as it recaptures market share that was lost during its closure. Indeed, in 2009, the NCC has experienced its best year ever, holding 269 conferences and events that attracted 117,000 visitors and generated $8.4 million of revenue.

However, it would be unrealistic to expect that the rates of growth experienced by the NCC over the first three years of this "ramp-up" period will continue over the remaining two years of the period. Rather, consistent with the experience of other upgraded convention centres, it is more realistic to expect that the rate of growth will taper off in the last two years of the "ramp-up" period (i.e. in 2010 and 2011).

As a result, for the purposes of this study, it has been assumed that the record number of events that the NCC held in 2009 will continue to grow over the period 2010 and 2011 at an annual compound growth rate of 0.07 per cent, which is consistent with the TRA forecast compound annual growth rate in the number of domestic overnight visitors attending business events.

In effect, this assumption means that the number of events held at the NCC in 2010 and 2011 is expected to remain at their current levels, which are outlined in Table 58 above.

B3.1.2 Base case national and local demand projections over the "longer term" (2012 to 2035)

Having determined the number of events that are likely to be held in 2010 and 2011, the next step is to project the number of events that are likely to be held at the NCC over the longer term (i.e. the period 2012 to 2035).

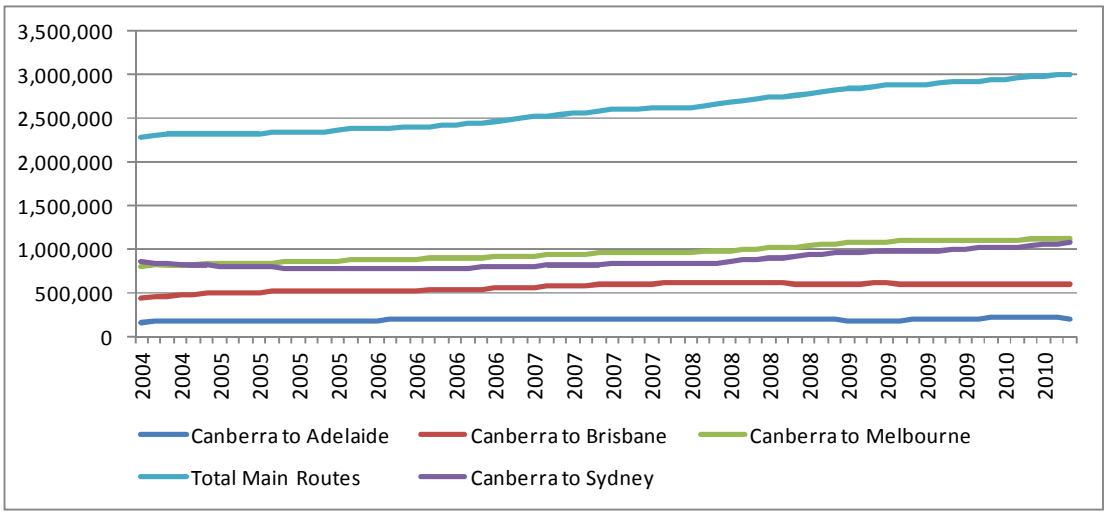
This raises the issue as to the rate at which the national market for business events is expected to grow over that period.

As noted above, currently there is a range of conflicting information available on recent trends in the number of business events in Australia.

National Visitor Survey data indicates that since late 2006, there has been a significant decline in both the number of domestic overnight visitors attending business events, and the number of nights they stayed. This suggests that there has been a significant reduction in national demand for business events. As a result, the TRA is currently forecasting that the number of domestic overnight visitors attending business events in Australia will increase over the short term at a compound annual growth rate of around 0.7 per cent.

By contrast, as illustrated in Figure 104 below, BITRE time series data indicates that the number of airline passengers travelling to and from Canberra has been increasing over the period 2004 to 2010 at a compound annual growth rate of 4.75 per cent, which raises questions about the accuracy of the National Visitor Survey data.

Figure 104: Trends in the number of airline passengers travelling to and from Canberra



Source: *Bureau of Infrastructure, Transport and Regional Economics*

As discussed in section 3 of this report, there is also some evidence of a recent recovery in the national market for business events, with the Sydney Convention Centre, the Adelaide Convention Bureau and the National Convention Centre all reporting record results in 2009.

In addition, it is also likely that there will be an increase in the number of events held at the NCC in 2013 as well, as a result of Canberra's centenary celebrations. Consistent with past experience, however, it is likely that the number of events held at the NCC will return in 2014 to levels similar to those prevailing in 2012.

Given the age and small size of the venue, and the increasing competition from more modern and much larger venues in other capital cities of Australia, it is unrealistic to assume that the NCC will continue to enjoy the same rates of growth in event numbers as it has over the "ramp-up" period following its refurbishment.

As a result, we have adopted the more realistic assumptions that:

- the national and local demand for the facilities at the NCC will increase in the longer term at a compound annual growth rate of around 0.7 per cent, which is consistent with the which is consistent with the TRA forecast compound annual growth rate in the number of domestic overnight visitors attending business events; and

- the NCC will lose events to its competitors around every 10 years following its reopening (i.e. over the period 2017 to 2020 and again over the period 2030 to 2033, at a rate of around 6.5 per cent per annum in each of those years).

The projected number of events that would be held over the longer term at the NCC under these assumptions, and the projected number of attendee days over the longer term, are set out respectively in Figure 105 and Figure 106 below.

Figure 105: Projected number of events under the Base Case Option

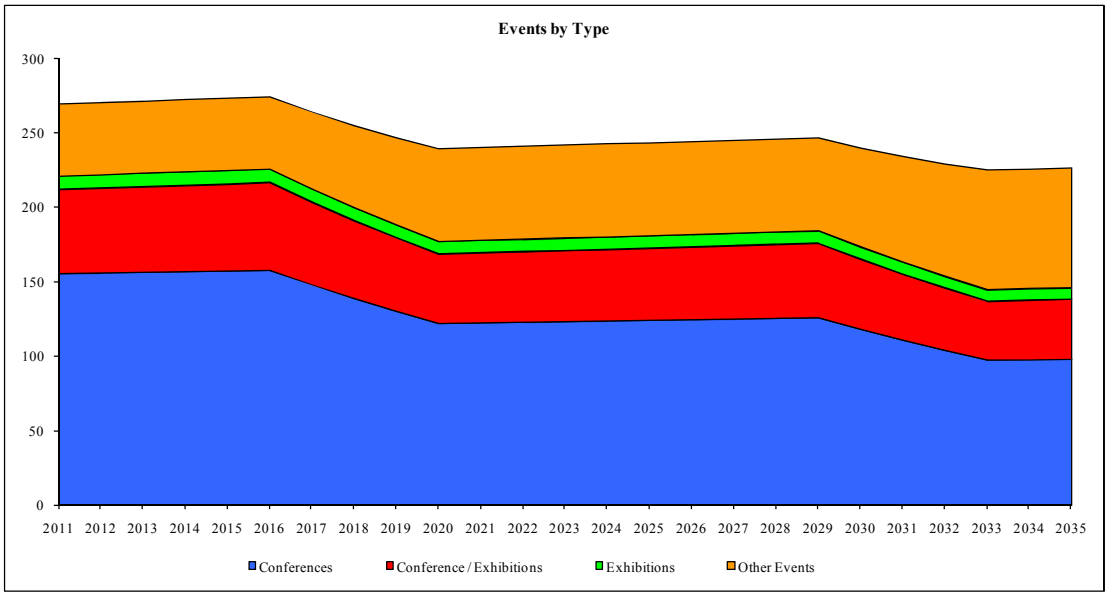
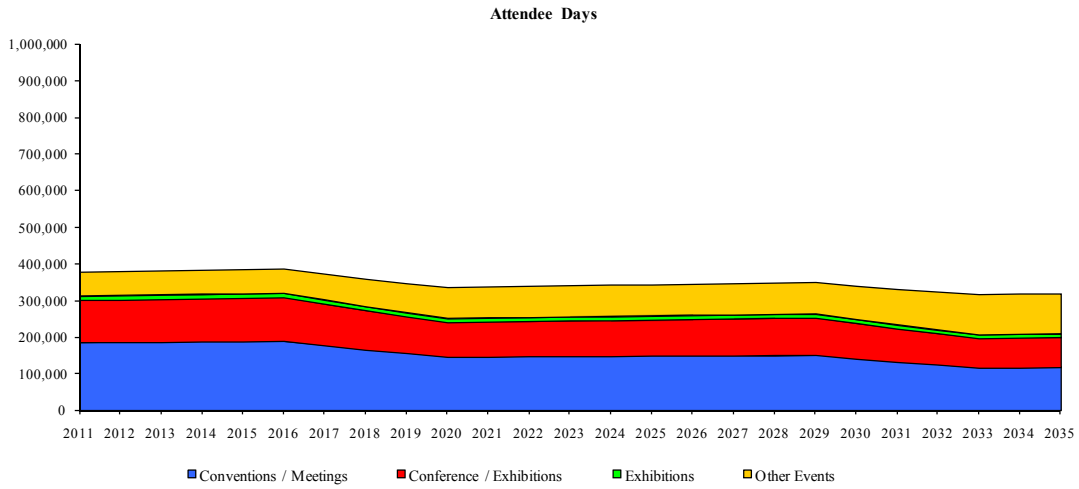


Figure 106: Projected number of attendee days under the Base Case Option



B3.2 Australia Forum national and local demand projections

A similar approach is used to project national and local demand for business events for the Australia Forum option over the period 2016 to 2035. This involves:

- projecting the demand for national and local events at Australia Forum over the five year "ramp-up" period following its opening in 2016 (i.e. over the period 2016 to 2020); and
- projecting the demand for national and local events at Australia Forum over the "longer term" (i.e. from 2021 to 2035).

B3.2.1 Australia Forum national and local demand projections over the "ramp-up" period (2016 to 2020)

When projecting demand over the "ramp-up" period it is important to note that the proposed Australia Forum would, in effect, have the capacity to hold more than double the number of events that are currently held at the NCC.

Despite its refurbishment in 2006, the NCC is one of the oldest and smallest convention centres in Australia, providing just over 7,300 m^2 of useable space, which is configured as follows:

- the Royal Theatre (720 m^2);
- the Bradman, Menzies, Nicholls and Sutherland theatrettes (890 m^2 of tiered seating);
- exhibition space of around 2,000 m^2;
- ballroom area of 658 m^2;
- 9 rooms that provide 77 m^2 of space, including:
  - 5 gallery rooms that provide a combined space of 599 m^2; and
  - 4 work rooms that provide 175 m^2 of space;
- foyer space of around 2,190 m^2.

By contrast, the proposed facilities at Australia Forum would provide around 26,800 m^2 of useable space that would be configured as follows:

- plenary hall capable of seating 3,000 (3,000 m^2), that would be divisible into four separate halls (7,500 m^2 each), plus 2 theatrettes catering for 200 each (500 m^2) under the Base Configuration, or 4 theatrettes catering for 200 each (1,000 m^2) under the Expanded Configuration;
- exhibition space of around 8,000 m^2 under the Base Configuration and 12,000 m^2 under the Expanded Configuration;
- ballroom space of 1,500 m^2;
- banquet room of 1,800 m^2 and 1,000 m^2 concourse under the Base Configuration, and banquet space of 2,250 m^2 plus 1,500 m^2 concourse under the Expanded Configuration;

- Centre for Dialogue, capable of seating 180 people (2,500 m^2); and

- 15 meeting rooms providing 2,250 m^2 of space (15x150 m^2).

This would enable Australia Forum to cater for more than double the number and size of events that currently are held at the NCC.

In effect, the significantly expanded facilities would enable Australia Forum to hold a number of events at the same time, unlike the NCC, which is really only suited to holding one event at a time. For example:

- the expanded "exhibition" facilities would cater for the needs of:

  - conference/exhibition organisers who prefer a flat floor, "cabaret" or "school room" style layout for their conferences, as well as the close proximity of their exhibition and entertainment spaces to maximise their networking opportunities with colleagues and clients;

  - major international government meetings, which need access to as much "exhibition" space as possible to accommodate the wide variety of special support services required, including police assembly areas as well as large areas to house the media; and

  - exhibitors who need to use higher quality facilities than are currently available at EPIC, thereby reducing the risk that those exhibitions will eventually move interstate once they get past a size that can be comfortably accommodated in the NCC (as has been the case with some large retail exhibitions);

- the expanded plenary, theatrette, and break out room facilities would cater for the needs of larger associations and government agencies that prefer to use a large plenary hall for their main conference and then break out into multiple smaller rooms for more detailed discussions; and

- the proposed Centre for Dialogue would cater to the needs of:

  - major international and national government meetings that require high quality, comfortable, secure and private facilities that are more amenable to facilitating dialogue between attendees than is possible in the board room facilities currently provided by most convention centres or hotels (e.g. G20, CHOGM and COAG meetings);

  - government agencies wishing to engage in much greater collaboration with the academic and business communities on issues of national importance, as recommended by both Australia's innovation strategy and the Blueprint for the Reform of Australian Government Administration; and

  - corporates seeking more comfortable, secure, and private facilities than are currently available at most convention centres and hotels to host their major board room meetings and sensitive discussions with shareholders, politicians, government officials, the academic community and the wider community.

Having more room to host multiple events is a major advantage to the operator of an event venue, since it reduces the risk that accepting bookings from smaller event organisers will result in the loss of subsequent much larger events. In many respects, the business event market is much like a lottery. The operators of smaller event venues such as the NCC face the dilemma of having to hold off booking small events while they seek to fill the peak

periods of their event calendar with as many larger and more profitable events as possible. By contrast, the operators of larger venues have much greater flexibility to book smaller events, while having sufficient capacity to host much larger events should the opportunity arise. In addition, they are also able to reap economies of scale that make them more cost competitive than smaller venues.

In order to gain a better idea of the potential magnitude of the demand for Australia Forum's proposed facilities, we surveyed and consulted with a wide range of national associations, corporates, government agencies and professional conference organisers (PCOs) who help those agencies select venues and organise their events (see the attachment to this Appendix for the list of organisations).

In view of the wide range and large number of organisations that hold business events in Australia, we focused our efforts on a sample of:

- large, medium and small interstate and ACT based PCOs who organise conferences for associations, government, and corporate clients. Overall, PCOs are responsible for organising around 40 per cent of all association events held in Australia;
- associations and corporates that are likely to have an interest in hosting conferences and meetings in the National Capital (e.g. those representing members involved in the provision of defence, health and education services); and
- government agencies that are involved in issues of national significance that are most likely to be interested in holding or attending conferences in the National Capital.

B3.2.2 Results from the survey of PCOs

The survey of PCOs asked them to provide information on:

- the nature and number of the events that they currently hold in Canberra and other States and Territories;
- the venues where they hold those events (e.g. the NCC or hotels such as the Hyatt and the Realm);
- the reasons why they choose those venues to hold their events; and
- the number of additional events they would consider holding in the future at Australia Forum, in the light of its improved facilities.

Overall, the results of that survey of indicate that around 32 per cent of PCOs had not held events in Canberra recently and were unlikely to do so in the future if there were no further improvements to facilities in Canberra.

Most PCOs identified the following factors as being the main reasons why more business events are not held in the National Capital:

- Not all associations and companies have sufficient numbers of members or clients in the ACT regional area to warrant holding their events in Canberra. Rather, most of the national demand for business events in Canberra comes from those national associations and corporates that have a significant interest in the National Capital (e.g. as a result of their operations being influenced significantly by government policy, or their involvement in the provision of goods and services to government agencies, such as the Department of Defence);

- Canberra still suffers from an "image" problem. PCOs noted that Canberra typically did not feature high on the list of potential destinations for business events. Rather, Canberra is viewed by many associations as being a "high risk" destination that might fail to attract sufficient delegates to make the event financially viable. This means that Canberra can often miss out on its "turn" to hold national association conferences that are rotated around the States and Territories each year. As a result, most PCOs noted that Canberra needed a new high quality "iconic" venue in order to overcome the initial reluctance of delegates to attend an event hosted in the National Capital. Once delegates have visited a successful event held in the National Capital, PCOs noted that their views about Canberra tended to change;

- There is a shortage of suitable venues in Canberra to host events:

  - For events under 250 delegates, many associations and corporates prefer to hold their events in hotels in view of their higher quality facilities and the convenience of the accommodation being located within the same building. However, PCOs indicated that there were only two suitable 5 star facilities available in Canberra – the Hyatt Hotel and the Realm;

  - Similarly, for events with over 250 delegates, which accounts for the bulk of the association market, as well as the highest growth segments of that market, there is really only one venue – the National Convention Centre; and

  - For events over 1,000 delegates, however, many PCOs considered the facilities at the NCC to be inadequate, and typically sought to use larger and newer interstate venues instead;

- Canberra is not making the most of its proximity to Parliament and Australian Government agencies and its world renowned educational, scientific and medical research institutions. It is often argued that one of the major advantages of Canberra as a destination for business events is its proximity to Parliament and government officials. In practice, however, several PCOs argued that this was often not the case due to the difficulties associated with attracting politicians and government officials to engage more with associations, corporates, and the academic community to discuss issues of national and international significance. This often meant that it was just as difficult to gain access to those politicians and government officials in Canberra as it was in other capital cities in Australia. Indeed, it was noted that government officials often preferred to attend conferences interstate, rather than in Canberra. It was noted that this significantly undermined the "comparative advantage" that Canberra is able to realise from its status as the seat of government and a hub for scientific and medical research. This highlights the potential benefits to be derived from the implementation of the government's innovation policy and administrative reforms which are directed at encouraging collaboration between government, business, academia, and the wider community; and

- Canberra is difficult for delegates to access by air. Despite the new "international" airport facilities:

  - domestic delegates often experienced problems getting to and from Canberra due to the lack of sufficiently frequent flights, particularly during Parliamentary sitting times;

  - international delegates need to take two flights; and

  - Canberra's taxi service cannot cope with demand, particularly during Parliamentary sitting times.

While PCOs noted that the National Capital is never likely to have the same attraction as recognised holiday destinations such as the Gold Coast, it was seen as a potentially viable alternative to venues located in other capital cities of Australia.

Indeed, several PCOs indicated that some of their most successful events had been held in the National Capital and had involved bundling together high quality event programs with innovative social events that allowed delegates to experience many of the unique features and attractions of the National Capital that they otherwise might not have visited (e.g. dinner at Parliament House, cocktails at the National Gallery, visits to the War Memorial and Canberra's internationally acclaimed vinyards).

This highlights the fact that the demand for Australia Forum will depend on much more than just the functionality of its facilities. It also will also depend crucially on the extent to which those facilities are packaged with a high quality conference program, speakers and an innovative and interesting social event program.

When asked to estimate the number of additional events that they would consider holding at Australia Forum in the light of its improved facilities, most PCOs experienced difficulty in view of the fact that it is often their clients that choose both the city and venue where they would like their events to be held.

However, when pressed:

- most PCOs (over 90%) indicated that the they would consider holding additional events in Canberra at the proposed Australia Forum if the new venue was of a sufficiently high quality to meet the needs of their clients and overcome their initial reservations regarding the desirability of the National Capital as a potential destination to host their events; and

- While PCOs indicated that the magnitude of additional events was difficult to estimate, it is likely to be well in excess of 100 per cent of the current numbers of business events that Canberra is attracting. In other words, the PCOs were not talking about marginal changes in the number of events they would be brining to Canberra. Rather, they were talking about doubling, or even more than doubling, the number of events they currently bring to Canberra. One large PCO who was not currently bringing any events to Canberra noted that they could possibly bring an additional 8 events a year.

The size breakdown of the additional events that PCOs believed Australia Forum would attract are as follows:

- 18 per cent (50-249 attendees);

- 32 per cent (250 to 499 attendees);

- 37 per cent (500 to 999 attendees);

- 11 per cent (1,000 to 1,999 attendees); and

- 3 per cent (2,000 to 2,999 attendees).

As discussed further below, these results were used along with the results obtained from the survey of associations, to provide a guide when determining the number of additional events that Australia Forum is likely to attract over the five year "ramp up" period following its opening.

It is important to note, however, that although PCOs often play an important role in the selection of appropriate venues to host business events, and in the management of those events, they are not involved planning and organising all business events.

Rather, most events (around 60 % of association events) tend to be organised and managed directly by associations, corporates and government agencies themselves. Indeed, even when an event is organised by a PCO, the choice of the city and venue at which that event is to be held is often made by the client.

As a result, in addition to surveying PCOs, we also surveyed a range of associations, corporates and government agencies.

B3.2.3 Results from the survey of associations

Our approach surveying associations, which are the most important source of demand for business events in the Canberra, involved the following key steps.

The first step was to identify the number of associations in Australia and their membership. This information was obtained from the Directory of Australian Associations, which lists in excess of 4,700 associations.

The second step involved excluding from that dataset those associations that are unlikely to be interested in holding events at Australia Forum or at other event venues in the ACT. Specifically, the following associations were excluded:

- small associations with a membership of less than 250 people (including small ACT associations, since those associations are more likely to use venues other than Australia Forum, such as Canberra's numerous club facilities);
- interstate associations that have been set up to cater primarily for their members in that State and are unlikely to hold meetings in the ACT (i.e. State and Territory associations other than ACT associations); and
- interstate associations that hold events in other States and Territories, but are unlikely to hold events in the ACT. In particular, we included only those associations that are involved in the following activities:
    - defence and security;
    - information technology and communications;
    - finance, including insurance, accounting and auditing;
    - management;
    - medicine;
    - community organisations;
    - science and technology, including medical science and social sciences;
    - education;
    - training and development;
    - law;

- property;
- architecture, real estate and building;
- engineering; and
- retail.

Overall, this approach yielded a subset of 509 national and ACT associations comprising:

- 71 associations (14%) with a membership between 250 and 500;
- 265 associations (52%) with a membership between 500 and 1,000;
- 94 associations (18%) with a membership between 1,000 and 2,000; and
- 80 associations (16%) with a membership in excess of 2,000.

The third step involved surveying a sample of associations drawn from this subset, which are listed in the attachment to this appendix.

These associations were asked to provide information on:

- the nature and number of events they currently hold in Canberra and other States and Territories, the duration of those events, and the number of attendees at those events;
- the types of venue where they hold those events (e.g. the NCC or hotels such as the Hyatt and the Realm);
- the key reasons why they selected those venues; and
- the number of additional events they would consider holding in the future at Australia Forum, in the light of its improved facilities.

The survey confirmed much of the advice provided by the PCOs. In particular, it revealed that:

- most associations hold at least one national annual general meeting/conference that was rotated around the States and Territories at least once every 6 years;
- 32 per cent of the associations surveyed indicated that Canberra was not included in the list of destinations that their events were rotated around. The main reasons cited for this decision were concerns about:
    - their members perceptions regarding Canberra as a potential destination. They noted that Canberra was still considered to be a "high risk" destination that might not attract sufficient delegates to make the event financially viable; and
    - the adequacy of event venues in the ACT. Associations hosting larger events (e.g. those attracting more than 1,000 delegates) did not consider that the NCC was sufficiently large enough to meet their needs. Similarly, associations hosting smaller events noted that there were only around two event venues of a sufficiently high quality to meet their needs – the Hyatt and Realm hotels;

- over 70 per cent of associations indicated that they would be interested in holding additional events at the proposed Australia Forum in view of its improved facilities. Further details on the numbers and sizes of those events are provided below.

The final step in the process involved applying the survey results to the subset of national and local ACT associations in order to derive an estimate of the total number of additional events that might be held at Australia Forum each year that are not currently held at the NCC.

Overall, the results suggest that Australia Forum has the potential to attract each year an additional:

- 94 events with an attendance range of up to 249 delegates;
- 19 events with an attendance range between 250 and 499 delegates;
- 15 events with an attendance range between 500 and 999 delegates; and
- 11 events with an attendance range of more than 1,000 delegates.

This is equivalent to a 65 per cent increase in the overall number of conferences/meetings and conferences/exhibitions that are currently held at the NCC each year.

As discussed further below, these results were used in conjunction with the results of the PCO survey to provide a guide to the determination of the number additional events that Australia Forum is likely to attract over the ramp up period (i.e. to ensure that the ramp up projections are kept within realistic limits).

B3.2.4 Results from the survey of corporates

Although there are around 25,000 businesses in Canberra, most are relatively small in size. None of the top 500 public companies has its headquarters in the ACT and only 5 of the top 500 private companies have their headquarters located in Canberra:

- St Vincent de Paul;
- Diabetes Australia;
- Canberra Airport;
- National Capital Motors; and
- Project Co-ordination.

This reflects the relatively small size of the ACT economy and the lack of large manufacturing industries that are normally found in other capital cities in Australia. Most large Australian public and private companies have relatively few shareholders and clients located in the National Capital and therefore have located their headquarters in other capital cities, although some also have regional offices in Canberra.

This means that, with some notable exceptions that are discussed further below, most of the demand for corporate events in Canberra comes from smaller local companies, rather than larger national and multinational companies.

The main events held and attended by corporates in the National Capital include:

- meetings (e.g. Annual General Meetings and Board Meetings);
- annual conferences/exhibitions;
- public and trade exhibitions; and
- other events, such as corporate meetings and social functions.

The survey indicated that most corporates:

- hold their small meetings in house and only use external meeting room facilities when it is too large to accommodate in their own facilities. When external meeting room facilities are required, their preference is to use the higher quality facilities that offer 5 star accommodation on site – the Hyatt and the Realm; and
- hold a wide variety of social events in Canberra, but rarely at the NCC. Rather, once again, their preference is either to hold those events at more attractive venues interstate, or at Canberra's five star hotels.

In particular, the survey also indicated that most companies in the ACT do not hold their own conferences and trade exhibitions. Rather, they attend events organised by other entities, including government agencies and associations. This means that they typically have little say in determining either the number or location of events that are held in the ACT. Rather, these decisions are made by the government agencies and associations organising those events;

For example, although Canberra only has a relatively small retail market when compared with other capital cities, it is home to Australia's largest purchasers of goods and services – Australian government agencies, which in 2010-11 spent:

- $115 billion on social security and welfare;
- $93 billion on general government services;
- $57 billion on health;
- $33 billion on education; and
- $21 billion on defence.

As a result, Canberra is the home to the regional offices of many large multinational and national businesses that provide goods and services to the Australia Government, or whose businesses are significantly affected by government policy.

At the moment, however, most of these businesses do not organise their own conferences and exhibitions. Rather, they participate in conferences and exhibitions organised by the key government agencies responsible for each of these portfolios.

For example, although Canberra is home to a large number of the branches of large multinational and national companies that supply goods and services to the Department of Defence, these companies do not hold their own conferences and exhibitions. As a result, they have little influence over the location and timing of those conferences and exhibitions. Rather, they participate in the main conferences and exhibitions that are organised predominantly by government agencies.

This includes the following conferences and exhibitions that are held in the National Capital:

- Military Communications and Information Systems (MiLCIS) conference and trade exhibition, which is held each year in the NCC and attracts around 600 attendees. This is hosted by the Defence Chief Information Officer Group (CIOG), the University of New South Wales (UNSW), and the Australian Defence Force Academy. This conference seeks to facilitate a continuing interface between Dept of Defence, employees, contractors, industry, customers and UNSW /ADFA to discuss current and developing technological capabilities, initiatives, and operational requirements; and

- Security in Government (SIG) conference and exhibition, which is held at the NCC each year and hosted by the National Security Resilience Policy Division of the Australian Government's Attorney-General's Department. The trade exhibition attached to the SIG 2010 Conference featured over 100 security-related service providers who work closely with both the Government and private sector to provide cutting-edge solutions to protective security issues.

It is important to note, however, that not all national defence and security conferences and exhibitions are held in Canberra. Rather, there are several major defence and security conferences and exhibitions that are held interstate, some of which are rotated around a number of the States, including the:

- Land Warfare Conference (LWC), which is a 3 day conference that is now to be held every two years. This conference, which used to be held every year, has been held at the Brisbane Convention and Exhibition Centre for the last two years;

- Pacific International Maritime Conference and Exposition (PAC), which is a major 4 to 5 day commercial maritime and naval defence exhibitions for the Asia Pacific region which is usually held at the Sydney Convention & Exhibition Centre due to its proximity to Darling Harbour and the Garden Island Naval Base;

- Royal Australian Navy Sea Power Conference, which is held in conjunction with the Pacific International Maritime, at the Sydney Convention & Exhibition Centre;

- Australian International Airshow and Aerospace & Defence Exposition (Avalon Airshow), which is held every two years over 6 days at Avalon, in Victoria. This involves trade exhibitions that are held during the week, as well as a public exhibition over the weekend. Associated industry and technology conferences, seminars and symposia will be held at Avalon and in Melbourne and Geelong during show week. In 2009, the Aerospace and Defence Exposition exhibition attracted 599 companies from 17 nations;

- Defence and Industry (D+I) conference and trade exhibition, which is a 3 day event hosted by the Defence Materiel Organisation of the Department of Defence. This event attracts more than 1500 national and international attendees;

- Aviation Business Asia Pacific Airport and Airline Security Summit, which is to be held in Canberra in 2011 at the Realm Hotel. This high-level networking forum that features a variety of case studies and presentations from government, airports, airlines, security providers and technology developers from Australia, New Zealand and abroad;

- Australian Defence Magazine (ADM) Congress, which is held at Canberra's Hyatt Hotel each year and attracts over 250 delegates. This event brings together senior officials from all areas of the Australian Defence Force, the Defence Materiel Organisation, and

the Defence industry to share views and experiences and develop strategies for better collaboration, for the benefit of those in the field; and

- SimTecT, which is Australasia's premier simulation and training technologies conference and exhibition that brings together the region's leading simulation practitioners, users and policy makers in the areas of defence, transportation, emergency management, resources and infrastructure, manufacturing, education and health.

Companies surveyed indicated that they believed there was significant scope for Australia Forum to hold a much larger number of defence industry events than are currently held at the NCC. They noted that some conferences and exhibitions obviously could not be held in Canberra (e.g. the Pacific International Maritime Conference and Exposition and its associated Royal Australian Navy Sea Power Conference, as well as the Australian International Airshow and Aerospace & Defence Exposition which is held at Avalon). However, they also noted that there were several other events that would be beneficial to hold at Australia Forum, including the Defence + Industry conference and trade exhibition, since this would give them much greater scope to network with key politicians and government officials who might not otherwise be able to attend those events if they were held interstate.

However, the companies consulted were not able to comment on the extent to which Australia Forum was likely to result in an increased number of defence industry events being held in Canberra, since they were not involved in making the decisions regarding the cities or venues in which those events would be held.

The survey also revealed that those companies that do hold their own trade and public exhibitions and their exhibition organisers consider that:

- Canberra has insufficient high quality exhibition space to host major trade and public exhibitions. Currently there are only two main venues for major exhibitions in Canberra:

  - Exhibition Park In Canberra (EPIC), which has adequate facilities to accommodate large public exhibitions and shows, but lacks areas of a sufficiently high quality to host major trade exhibitions (e.g. major government, defence and industry exhibitions); and

  - the NCC, which is the only venue in Canberra that provides exhibition space of a sufficiently high quality to hold major trade and public exhibitions. However, it only has around 2,000 m^2 of exhibition space and is considered to have poor loading dock facilities and insufficient on-site parking;

- the demand for higher quality trade and public exhibitions in Canberra is sufficiently high to support the construction of a new, high quality, exhibition venue that would provide around 8,000 m^2 of space, divisible into 4 areas of 2,000 m^2, to host major trade and public exhibitions in the central business district.

When determining the potential demand for "exhibition" space at Australia Forum, however, it is also important to consider the extent to which that space could be used to facilitate other events at Australia Forum, including conferences, conference/exhibitions and government meetings.

As noted above, the survey of associations revealed that many organisers of small to medium sized events (e.g. those catering for around 100 to 600 delegates) preferred flat floor "cabaret" or "school room" style layouts, rather than the more traditional tiered

seating typically found in larger plenary halls. This allows their delegates to flow freely from the conference area into the exhibition, catering and banqueting areas, thereby maximising the networking opportunities between delegates and exhibitors. Medical and other scientific meetings also often require additional space to accommodate poster displays for research presentations.

The survey also revealed that the organisers of larger conferences/exhibitions (e.g. those with in excess of 1,000 attendees) often do not have sufficient additional space to provide enough breakout rooms and office facilities to meet their needs.

In addition, the survey of government agencies revealed that in order to host major international events (e.g. G20 meetings and CHOGM) and national events, venues needed sufficient additional space to provide:

- office facilities for the government officials that support each of the delegations attending the meeting;
- a media centre to house outside broadcast control rooms and members of the press;
- assembly areas for police, security briefings, and breaks; and
- large storage facilities.

Overall, this suggests that while 8,000 m^2 of exhibition space might be sufficient to meet Canberra's current trade and public exhibition requirements, it may not be sufficient to provide the additional space needed for Australia Forum to host major international and national government meetings, or to cater for multiple flat floor conferences and exhibitions. This is the reason why a total of 12,000 m^2 of exhibition space has been included in the Australia Forum "Expanded Configuration".

As indicated in Table 59, the need for additional high quality, flexible, "exhibition" space is illustrated by the experience of most convention centres in Australia, which have found that it has been necessary to expand their original exhibition space.

This includes convention centres that cater to a similar market to the ACT, such as the Adelaide Convention Centre, which is planning to expand its current 10,500 m^2 of exhibition space to over 12,000 m^2.

Table 59: Comparison of Australia's dedicated convention centre business event destinations

Venue	Year Opened	Exhibition Space (m^2)	Number of Meeting Rooms	Largest Tiered Theatre Capacity	Announced Expansion/Refurbishment projects
Melbourne Exhibition and Convention Centre	2009	30,000	32	5,541	Currently seeking to further expand
Sydney Convention & Exhibition Centre	1988	25,000	31	3,500	Report was undertaken into the need to expand Sydney's convention facilities and panel has been formed to further this topic.
Brisbane Convention & Exhibition Centre	1995	20,000	24	8,000	Brisbane Convention & Exhibition Centre has started the $130million expansion which is due to be completed in 2011. The new building will have five levels of boutique meetings and event space, bringing the total meeting and event spaces to 42, including three stand alone tiered plenary halls able to accommodate from 400 – 8,000 people. The 24,000 m^2 development will have access to over 800 hotel rooms, retail and restaurant hub and art and cultural precinct.
Perth Convention & Exhibition Centre	2004	16,554	13	2,600	
Adelaide Convention Centre	1987	10,500	15	2,350	Expansion planned to extend exhibition capacity to over 12,000 m^2
Darwin Convention & Exhibition Centre	2008	4,020	13	1,500	The new Darwin Convention Centre opened in June 2008
Cairns Convention Centre	1996	4,055	18	5,000	
Gold Coast Convention Centre	2004	6,000	18	6,000	The Centre completed an extension to the centre in November 2008 which increased Centre's total exhibition space by approximately 50%
National Convention Centre (Canberra)	1989	2,400	15	2,500	
Alice Springs Convention Centre	2002	1,260	10	1,200	

B3.2.5 Results from the survey of government agencies

As discussed in Appendix A, government agencies are already a significant and increasingly important source of national and local demand for business event venues in the ACT. Over the period 2000 to 2008, the number of government events held in the ACT increased at a compound annual growth rate of around 9.2 per cent.

This increase in demand for government events in Canberra is expected to increase even further over both the short and longer term as a result of both:

- the increasing role that the Australian Government is playing in issues of national significance (e.g. health, education, taxation reform, and local environmental issues); and

- the implementation of the Government's innovation strategy and the Blueprint for the Reform of Australian Government Administration, which both call for a significant increase in collaboration between government agencies, the academic and business community, as well as the wider community in order to facilitate innovation and improve the process of policy development, implementation, administration and service delivery.

The results of our survey of government agencies indicated that most government agencies:

- hold a large number of external events each year, including meetings, conferences, seminars, exhibitions, staff training events and social functions; and

- those events tend to be organised by a wide range of different areas of their agencies.

This made it difficult for those agencies, in the absence of a central register of those events, to provide us with the detailed information we requested in our survey on the number, type and location of those events. Despite their best endeavours, many agencies had to admit that they lacked the resources that would be required to collect that information on our behalf.

This lack of a central register of their external events also made it difficult for most government agencies to provide us with information on the potential number of additional events that they might hold in the future at Australia Forum. While the government agencies expressed interest in the facilities to be provide by Australia Forum, most were unable to quantify the number of events that they might hold at such a facility each year. Most government agencies, with the exception of larger agencies such as the Department of Prime Minister and Cabinet, which has a separate section devoted to event management (CERHOS), are still in the process of developing and implementing the internal systems required to plan and co-ordinate their process of increased collaboration with the academic, business, and wider communities, to improve their processes of policy development, program implementation and the delivery of service, as recommended by the Review of Government Administration.

However, the government agencies surveyed were able to provide the following key comments and observations regarding the adequacy of the current facilities in the National Capital and those proposed at Australia Forum:

- Many agencies are having to "make do" with the existing facilities to host their events. This inevitably involves compromise to the extent that there are few venues that fully meet the requirements to host those meetings. For example, the tax summit and the 2020 summit had to make use of Old Parliament House as well as facilities at Parliament House when it was not sitting. At best, this is a only a short term solution to meeting the National Capital's need for suitable facilities to hold such events of national significance;

- Ideally, events of national significance require:

  - a secure venue, which is of primary importance;

  - a venue in a location that can be locked down without disrupting the city;

  - sufficient 5 and 4 star accommodation to host delegates without the need to spread the delegation across multiple venues and transport them to and from the venue;

  - large board room facilities capable of seating each of the key delegates around a board room table, and their support staff (which can include up to 5 officials); and

  - sufficient support rooms to provide office accommodation for delegates, security, press, and interpreters;

- These requirements inevitably rule the National Capital out as a potential venue not only for international government meetings such as the G20 and CHOGM, but also major national meetings (e.g. COAG). For example, the requirements for COAG meetings are similar in many respects to those required for G20 meetings and include:
  - a large board room to seat both the Leader and the Treasurer around the "table", with seating behind for 5 to 7 officials for each delegation;
  - one delegation room required for each State and Territory;
  - office space to accommodate the 10 to 15 person Secretariat for each State and Territory (around 115 people altogether);
  - lunch facilities;
  - press conference room;
  - media centre for press gallery and live feeds;
  - space for live transmission vans;
  - accommodation facilities; and
  - security;
- Venues currently used in Canberra include:
  - in-house facilities, which are suited to hosting meetings between government officials, but might not be appropriate for external parties, due to security issues; and
  - external facilities including Parliament House, Old Parliament House, the NCC, hotels, clubs with adequate conference facilities and the AIS;
- Key factors that influence the choice of venue include:
  - proximity to key stakeholders;
  - the availability of a suitably sized, appropriate, cost-effective venue;
  - accessibility via commercial airline routed;
  - the need to maintain a regional "presence"; and
  - reasonable proximity to the CBD and Canberra airport;
- Like many companies, many government agencies do not host their own events. Rather, some perform more the role of a facilitator, rather than an event organiser. For example, although the Department of Health and Ageing supports, sponsors and participates in a wide range of events, it is not necessarily involved in the selection of the city and venue in which those events. Rather, those decisions are made by the organisers of those events.

B3.2.6 Projected national and local demand for Australia Forum over the "ramp-up" period

The survey results outlined above have been used, in conjunction with the experience of other new and upgraded facilities following their opening, as a guide to determine the projected demand for Australia Forum's facilities over the 5 year "ramp-up" period following its opening in 2016.

These demand projections for Australia Forum over the "ramp-up" period are summarised in Table 60 and Table 61 for the Base Configuration and Expanded Configuration respectively and are discussed further below.

National and local demand for conferences/meetings and conferences/exhibitions is projected to:

- increase by 50 per cent in 2016;
- increase over the period 2017 to 2019 at a compound annual growth rate of 3.5 per cent; and
- increase at a reduced compound annual growth rate of 1.75 per cent in 2020, as a result of competitor reaction.

The projected demand for exhibitions has been developed from consultations with exhibitors in the ACT.

Once again, these projections are consistent with the growth in exhibition event numbers following the opening of expanded exhibition space in similar markets (e.g. following the expansion of exhibition space in Adelaide in 2001), as well as the views of companies involved in exhibiting and organising exhibitions in the ACT.

National and local demand for other business events (e.g. concerts and banquets) is projected to:

- increase by 50 per cent in 2016; and
- increase over the period 2016 to 2020 at a compound annual growth rate of 3.5 per cent, which is slightly less than the forecast rate of State Final Demand in the ACT of 3.75 per cent.

Table 60: Projected number of national and local events at Australia Forum over the "ramp up" period (Base Configuration)

National					
Conference/meetings	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	24	25	26	27	27
250 - 499	48	50	52	53	54
500 - 999	32	33	34	35	36
1,000 +	0	0	0	0	0
Total	**104**	**108**	**111**	**115**	**117**
Local					
Conference/meetings	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	65	67	69	72	73
250 - 499	33	34	35	37	37
500 - 999	26	27	27	28	29
1,000 +	8	8	8	8	8
Total	**131**	**136**	**140**	**145**	**148**
National					
Conference/Exhibition	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	7	7	7	8	8
250 - 499	30	31	32	33	34
500 - 999	27	28	29	30	30
1,000 +	5	6	6	6	6
Total	**69**	**72**	**74**	**77**	**78**
Local					
Conference/Exhibition	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	0	0	0	0	0
250 - 499	4	4	4	4	4
500 - 999	3	3	3	3	3
1,000 +	0	0	0	0	0
Total	**7**	**7**	**7**	**7**	**7**
Exhibition					
Public	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 149	0	0	0	0	0
150 - 849	0	0	0	0	0
850 - 1,149	0	0	0	0	0
1,150 - 2,999	4	5	5	5	5
3,000 - 4,999	1	1	1	2	2
5,000 - 9,999	0	0	0	0	0
10,000 +	0	0	0	0	0
Total	**5**	**6**	**6**	**7**	**7**
Exhibition					
Trade	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 149	0	0	0	0	0
150 - 849	0	0	0	0	0
850 - 1,149	0	0	0	0	0
1,150 - 2,999	5	5	5	5	6
3,000 - 4,999	1	1	2	2	2
5,000 - 9,999	0	0	0	0	0
10,000 +	0	0	0	0	0
Total	**6**	**6**	**7**	**7**	**8**
Other Events	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	5	5	5	5	5
250 - 499	6	6	6	6	6
500 - 999	7	8	8	8	9
1,000 +	28	29	30	31	32
Total	**46**	**47**	**49**	**51**	**53**

Table 61: Projected number of national and local events at Australia Forum over the "ramp up" period (Expanded Configuration)

National					
Conference/meetings	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	24	25	26	27	27
250 - 499	48	50	52	53	54
500 - 999	32	33	34	35	36
1,000 +	0	0	0	0	0
Total	**104**	**108**	**111**	**115**	**117**
Local					
Conference/meetings	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	65	67	69	72	73
250 - 499	33	34	35	37	37
500 - 999	26	27	27	28	29
1,000 +	8	8	8	8	8
Total	**131**	**136**	**140**	**145**	**148**
National					
Conference/Exhibition	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	8	8	8	8	8
250 - 499	33	34	35	37	37
500 - 999	30	31	32	33	34
1,000 +	6	6	6	7	7
Total	**77**	**80**	**82**	**85**	**87**
Local					
Conference/Exhibition	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	0	0	0	0	0
250 - 499	5	5	5	5	5
500 - 999	3	3	3	3	3
1,000 +	0	0	0	0	0
Total	**8**	**8**	**8**	**8**	**8**
Exhibition					
Public	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 149	0	0	0	0	0
150 - 849	0	0	0	0	0
850 - 1,149	0	0	0	0	0
1,150 - 2,999	4	5	5	5	5
3,000 - 4,999	1	1	1	2	2
5,000 - 9,999	0	0	0	0	0
10,000 +	0	0	0	0	0
Total	**5**	**6**	**6**	**7**	**7**
Exhibition					
Trade	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 149	0	0	0	0	0
150 - 849	0	0	0	0	0
850 - 1,149	0	0	0	0	0
1,150 - 2,999	6	6	6	6	7
3,000 - 4,999	1	1	2	2	2
5,000 - 9,999	0	0	0	0	0
10,000 +	0	0	0	0	0
Total	**7**	**7**	**8**	**8**	**9**
Other Events	**2016**	**2017**	**2018**	**2019**	**2020**
0 - 249	5	5	6	6	6
250 - 499	6	6	7	7	7
500 - 999	8	9	9	9	10
1,000 +	31	32	33	35	36
Total	**51**	**53**	**55**	**56**	**58**

B3.2.7 Australia Forum national and local demand projections over the "longer term" (2021 to 2035)

In order to project demand for Australia Forum's facilities in the longer term, we have:

- examined past trends in the number of events held in the longer term following the opening of similar new and upgraded convention centres (e.g. the Adelaide Convention Centre); and

- sought to identify any possible future developments that might cause the number of events held at Australia Forum in the longer term to deviate from those trends.

Past experience suggests that it would be unrealistic to expect that the number of events held at Australia Forum will continue to increase over the longer term at the same rate as it is projected to increase over the "ramp-up" period following its opening.

Rather, it is more realistic to expect that in the longer term:

- the number of events held at Australia Forum will increase in line with rate of growth in the key markets serviced by Australia Forum (i.e. the association and government markets); and

- the construction of new and upgraded venues will, in the absence of further upgrades to Australia Forum at least every 10 years, reduce the number of events held at Australia Forum (i.e. competition from other new and upgraded venues can be expected to reduce the number of events held at Australia Forum at least once every 10 years).

At the same time, however, it is important to note that the nature and extent of future demand for Australia Forum's facilities is likely to change over time as a result of:

- the increasingly important role that the Australian Government is playing in issues of international and national significance. As the Australian Government's involvement in international and national affairs increases, so too does its need for a suitable venue in the National Capital in which to hold its international and national meetings. At the moment, most of the larger international and national government meetings have to be held interstate and most of the smaller meetings have to be hosted in existing venues in Canberra (e.g. Parliament House and departmental offices). However, this approach is not sustainable in the longer term. The facilities at Parliament House are only available outside House sitting times and the facilities within government departments are limited and are not designed to meet the increasingly demanding needs of those meetings. As the importance and frequency of these international and national meetings increases over the longer term, so too does the need for the Government to have access to a suitably designed and secure venue in the National Capital to hold those meetings; and

- the implementation of the Australian Government's innovation strategy and Blueprint for the Reform of Australian Government Administration, which both call for greater collaboration between government agencies, the academic and business communities to increase innovation and improve the development, implementation and administration of government policy and service delivery. This is expected to increase even further the demand for an appropriate venue, such as the proposed Australia Forum, to facilitate that increased collaboration. At this stage, however, it is difficult to determine the nature, extent and timing of that increase in demand for improved meeting facilities in the National Capital since many Government agencies are still in the process of developing and implementing the internal systems required to plan and

co-ordinate their process of increased collaboration with the academic, business, and wider communities.

In view of the uncertainty currently surrounding the impact that these developments will have on the future demand for Australia Forum's facilities, we have projected the longer term demand for those facilities under three alternative scenarios in order to illustrate its impact on projected demand:

- a "most likely" scenario, which assumes that the number of conferences and exhibitions held at Australia Forum increases over the longer term at a compound annual growth rate of 2.5 per cent, which is consistent with the compound annual growth rate in international meetings in Australia over the period 2001 to 2008 (2.6%) and is significantly less than the compound annual growth rate for the worldwide meetings market over the period 1999 to 2009 (6.5%) and over the period from 2001 to 2008 (7.7%);

- a "high case" scenario, which assumes that the projected demand for events is 20 per cent higher than that projected under the "most likely" scenario; and

- a "low case" scenario, which assumes that the projected number of attendees is 20 per cent lower than that projected under the "most likely" scenario.

The projected number of events and attendee days are illustrated for the "most likely" scenario respectively in Figure 109 below for the Australia Forum Base Configuration and in Figure 109 and Figure 110 for the Australia Forum Expanded Configuration.

The projected number of attendee days at Australia Forum over the longer term under the "high case" and "low case" scenarios are set out in section B4 below.

Figure 107: Projected number of events under the Australia Forum option (Base Configuration)

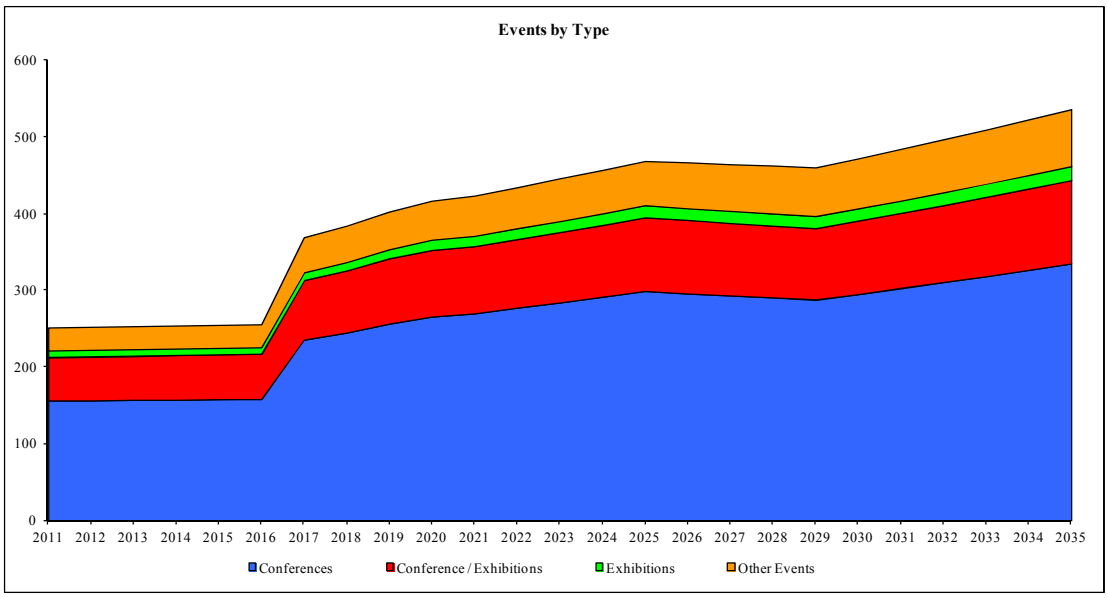


Figure 108: Projected number of attendee days under the Australia Forum option (Base Configuration)

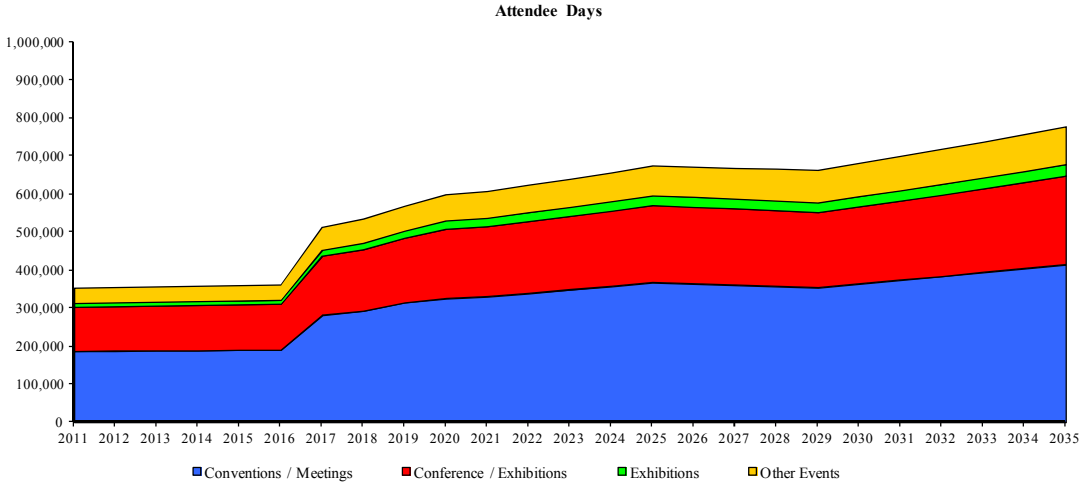


Figure 109: Projected number of events under the Australia Forum option (Expanded Configuration)

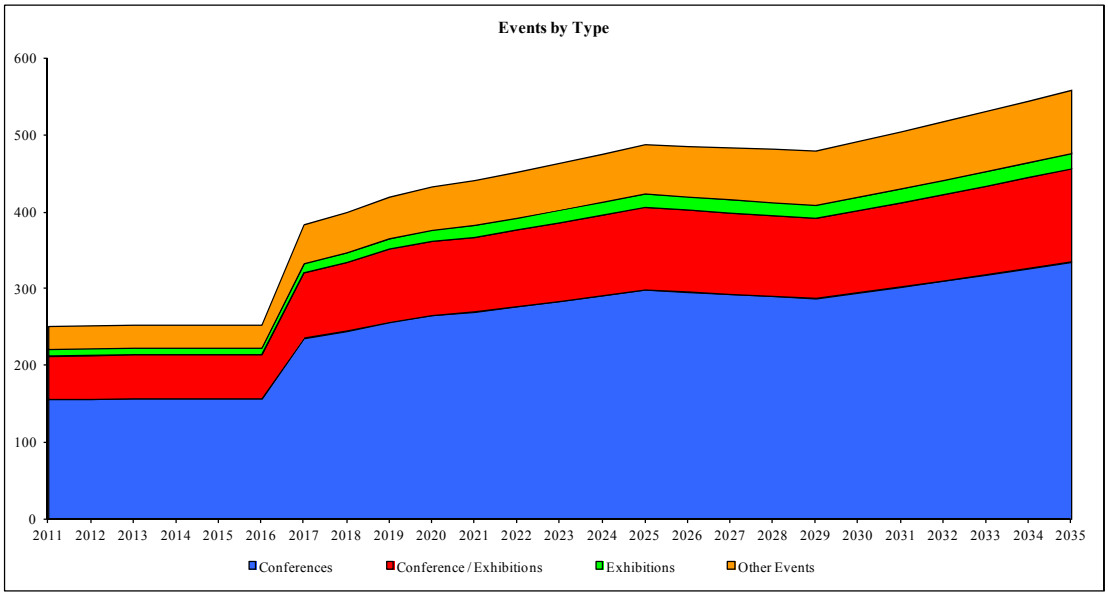
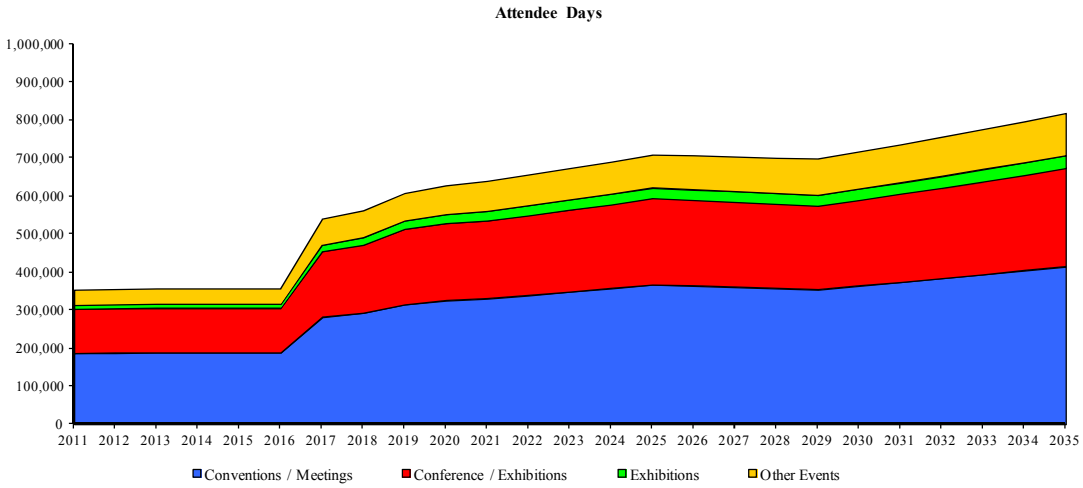


Figure 110: Projected number of attendee days under the Australia Forum option (Expanded Configuration)



B4 Projected increase in the total number of events and attendee days

The projected number of attendee days, under both the Base Case and Australia Forum Options are presented under the "most likely", "high case" and "low case" scenarios in Figure 111 for the Australia Forum Base Configuration and in Figure 112 for the Australia Forum Expanded Configuration.

The number of additional attendee days generated by Australia Forum is determined by taking the (vertical) difference between:

- the projected number of attendee days that would be held under the Australia Forum Option; and
- the projected number of attendee days that would be held under the Base Case Option.

These projections of the additional number of attendee days generated by Australia Forum in each year over the period of analysis are used as an input into the detailed financial and economic analysis of the Australia Forum option to determine the financial and economic costs and benefits of this option in relation to the Base Case Option.

The impact of a 20 per cent increase or decrease in the number of projected attendee days under the Australia Forum Option is considered further in the sensitivity analysis of the results of the financial analysis, which is set out in section 7.

Figure 111: Projected number of attendee days under the Base Case and Australia Forum Option (Base Configuration)

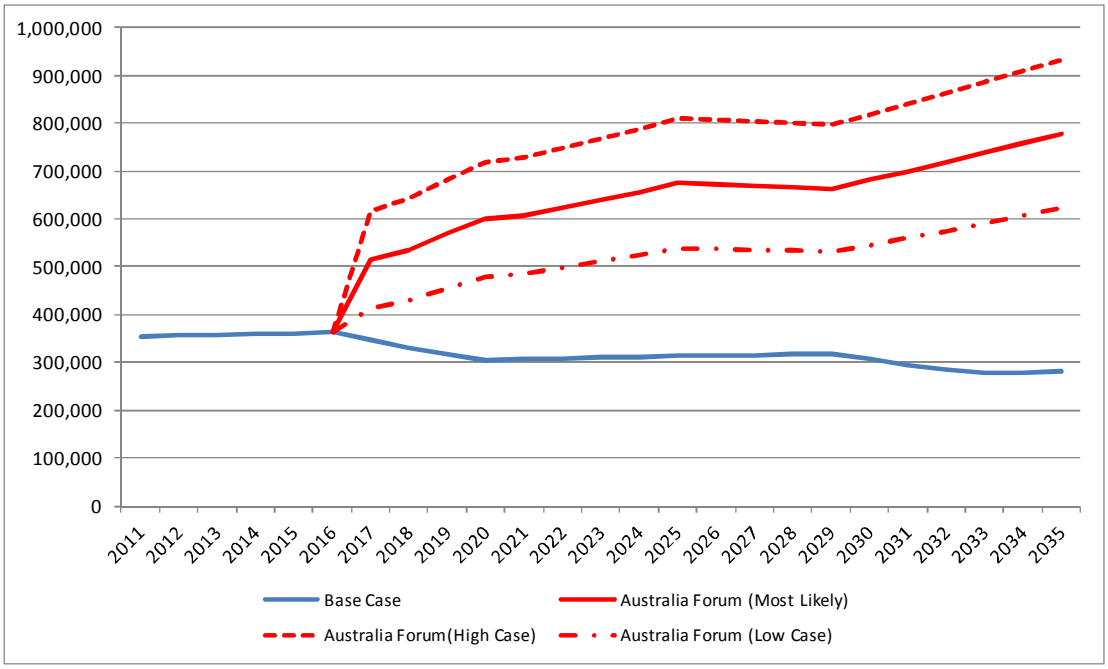
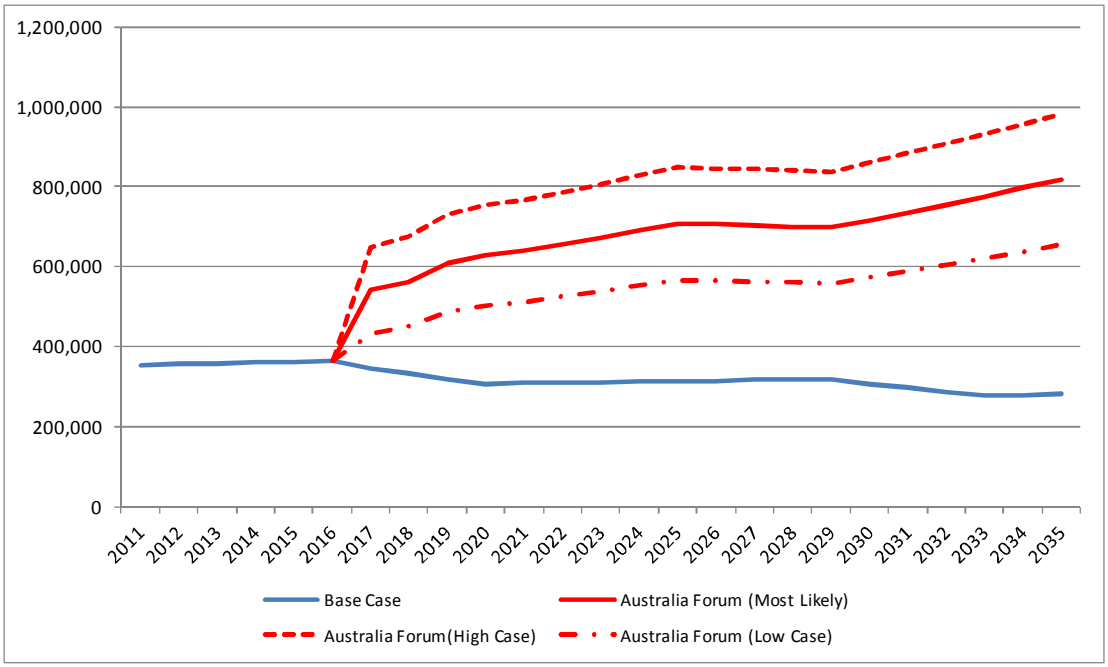


Figure 112: Projected number of attendee days under the Base Case and Australia Forum option (Expanded Configuration)



ATTACHMENT TO APPENDIX B: KEY ASSOCIATIONS, CORPORATES AND GOVERNMENT AGENCIES CONSULTED IN THE COURSE OF THIS PROJECT

HEALTH

Alzheimer's Australia
Australasian College of Dermatologists
Australasian Podiatry Council
Australasian Society for Immunology Inc
Australasian Society of Clinical Immunology and Allergy
Australian and New Zealand Intensive Care Society
Australian Association of Pathology Practices Inc
Australian Healthcare and Hospitals Association
Australian Institute of Radiography
Australian Medical Association Ltd
Australian Nursing Federation
Australian Orthopaedic Association
Australian Private Hospitals Association Ltd
Australian Society for Medical Research
Cancer Council Australia
Cardiac Society of Australia and New Zealand
Catholic Health Australia
Catholic Social Services (Australia)
Diabetes Australia
Doctors Reform Society of Australia
Haematology Society of Australia and New Zealand
Hepatitis Australia
Pharmaceutical Society of Australia
Public Health Association of Australia Inc
Royal Australasian College of Physicians
Royal Australian College of General Practitioners
Sports Medicine Australia
The Australian Kidney Foundation (t/a Kidney Health Australia)
The Pharmacy Guild of Australia
Transplantation Society of Australia and New Zealand Inc
Ramsey Health Care Limited
Blackmores Limited
Australian Hospital Care Limited
OPSM Protector Limited
Primary Health Care Limited

EDUCATION (tertiary)

Association for Tertiary Education Management
Association of Development & Alumni Professionals In Education
Association of Heads of Independent Schools of Australia
Australian Association of Graduate Employers
Australian College of Educators
Australian Science Teachers Association Inc
Higher Education Research and Development Society of Australasia Inc
Universities Australia

SCIENCE

Academy of the Social Sciences in Australia
Australian Institute of Agricultural Science and Technology
Australian Institute of Policy and Science
Research School of Social Sciences

AGRICULTURE

Sheepmeat Council of Australia
Australian Agricultural and Resource Economics Society
Australian Forest Growers
Institute of Foresters of Australia
National Farmers' Federation
WoolProducers Australia

AVIATION

Regional Aviation Association of Australia
Qantas
Virgin

INFORMATION TECHNOLOGY

Australian Information Industry Association
Microsoft
Hewlett Packard
Unisys
Oracle (Sun Microsystems)

DEFENCE, SECURITY

Australian Federal Police Association
Thales Australia
BAE Systems Australia
CEA Technologies Pty Ltd
Codarra Advanced Systems Pty Ltd
Raytheon Australia
General Dynamics Land Systems - Australia
KAZ Technology Services
EOS
Compucat Research - Australia
Mikoh Corporation Ltd
Australian Technology Information Pty Limited
Operational Solutions Management
Scientific Management Associates
Tenix Datagate Pty Ltd
Tenix Defence Pty Ltd - Land Division
Adacel Technologies Limited
ASC Pty Ltd
Boeing Australia Limited
Codan Limited

C4i Pty Ltd
Cirrus Real Time Processing Systems
Hawker de Havilland
Incat Australia Pty Ltd
Marand Precision Engineering Pty Ltd
Rockwell Collins Australia Pty Ltd
Saab Systems Pty Ltd
Thomas Electronics of Australia Pty Ltd

AUSTRALIAN GOVERNMENT AGENCIES

Department of Prime Minister and Cabinet
Department of Defence
Department of Foreign Affairs and Trade
Department of Resources, Energy and Tourism
Attorney General's Department (Home Affairs)
National Capital Authority

ACT GOVERNMENT AGENCIES

Chief Ministers Department
ACT Planning and Land Authority
Department of Land and Property Services
Department of Territory and Municipal Services
Tourism ACT

ARCHITECTURE, BUILDING, ENGINEERING

Australian Institute of Architects
Australian Institute of Building
Engineers Australia
Master Builders Australia Ltd
Real Estate Institute of Australia
Urban Development Institute of Australia
Property Council of Australia

RETAIL

Australian Food and Grocery Council
ACT & Region Chamber of Commerce and Industry
Confederation of ACT Industry
Federal Chamber of Automotive Industries
Australian Industry Greenhouse Network
Australian Industry Group
Woolworths Limited
Coles Myer Ltd
David Jones Limited
Flight Centre Limited
Foodland Associated Limited
Harvey Norman Holdings Limited
Rebel Sport Limited

INSURANCE

FAI Insurance's Limited
GIO Australia Holdings Limited
National Mutual Limited
QBE Insurance Group Limited

PROFESSIONAL CONFERENCE ORGANISERS

Arinex
Avanti Events
CMA Events
Concept Event Management
Connexion Event Management
Conference Focus
Conference Logistics
Conference Plus
Conference Solutions
Consec Conference Management
Conference Coordinators
DC Conferences
Directions Conference $ IM
Event Planners Australia
Gems Event Management
Happenings Australia
ICMS
ICE Australia
Leading Edge Conferences
Medical Meetings
National Promotions Australia
On Q Conferences
Solterbeck
Suzanne Hart
Tulip Meetings
Waldron Smith Management
Will Organise

Appendix C: Australia Forum Commercial Opportunities

C1 Introduction

Of the three sites (City Hill; Constitution Avenue and Lakefront), each have different yet similar commercial opportunities as a consequence of their various property fundamentals, including in particular their individual locations.

Each site has the opportunity, albeit in varying forms (location of the site itself, location within a development, design, size, configuration, commercial acceptance, demand etc.) to incorporate commercial car parking, an accommodation hotel(s), supporting retail outlets and residential apartments and possibly other uses. The demand, development costs, size (i.e. supply) and return on investment will vary as no two sites are the same. From a commercial opportunities point of view a summary of the sites' strengths, weaknesses, opportunities and threats is included below.

Estimate pricing estimates for the following uses have been indicated as at 2010:

- Residential apartments;
- Hotels accommodation; and
- Retail accommodation.

It should be noted that the nominated pricing (capital value and rental for retail accommodation) is a range of possible price estimates for the various uses only, and is not and should not be construed as a valuation or valuation advice. No liability is accepted for this information.

Market and economic commentary on the various markets is available for most of the major potential commercial uses and this data, and in some cases opinion, has been utilised where possible and appropriate. Outlined is a summary of the market and economic environment as of the date of the preparation of this report in order to highlight market and other influencing dynamics to the various commercial opportunities.

Also considered at a high level are the potential for redevelopment of the current National Convention Centre (NCC) following completion of a new facility, and also the pricing potential for reclaimed land under the Lakefront option.

Influential to commercial opportunities is the ACT Government's *Draft Canberra City Action Plan 2010-16*, which is a set of nine explicit targets for the period 2010 and 2016. Key elements of the Plan are included herein.

C2 Residential apartments

It is not uncommon to incorporate strata titled multi storey residential apartments as co-development with centres such as conference facilities. A major reason for this is to increase the financial returns from the entire development, as it is often the case that residential apartment developments can 'subsidise' the development cost of the conference facility. The following comments assume a stand-alone residential apartment complex, with a yield in excess of 300 residential units and apartments, which could be considered not uncommon and appropriate for redevelopment on each of the three sites (subject to planning and other approvals). A strong influencing factor on the price of land for residential apartment development is the capital cost of required carparking, which is invariably located in basements.

There have been several relatively recent sales that assist with providing a range of potential site value (i.e. land) unit prices. These include:

- Block 1 Section 52 City (corner Bunda and Akuna Streets). Sold December 2008 (settled early 2010) for $22.5 million. The DA is for a gross floor area of 35,713 sq metres comprising 332 units with an average size of 107 sq metres plus carparking. Represents $5,381 per sq metre site area; $630 per sq metre proposed gross floor area and $52,570 pre proposed unit;

- Block Section 62 Kingston (Harbour side – Kingston Foreshore). Sold November 2009 for $14.2 million. Vacant residential development site with estimated potential gross floor area of 15,000 sq metres. Represents $2,722 per sq metre site area; $947 per sq metre proposed gross floor area;

- Block 5 Section 18 Griffith (corner Canberra Avenue & Giles Street). Sold November 2009 for $7.65 million (with 17,273 mandatory works). Large vacant corner site with residential and commercial (office) uses allowable. No maximum gross floor area nominated however anecdotal advice represents 10,500 sq metres. Represents $2,642 per sq metre site area; $730 per sq metre proposed gross floor area and $60,851 for an average 83.3 sq metre unit; and

- It has also been reported that there has been a sale of the site behind the Ottoman restaurant in Barton for $16.5 million with a potential development of 300 plus units. This would provide a site value per unit in the order of $55,000.

Overall demand remains strong for well located and appropriately developed strata titled residential apartments, with sale prices of completed high quality units in the range of $7,000 to $9,000 per sq metre. The purchaser profile is a combination of owner occupiers and investors, and has been so for some time.

Based on recent sales for sites that will be redeveloped for apartment use (i.e. land), the site price per unit for the various sites could be in the range of $55,000 to $75,000. This range is heavily impacted on location, unit size, the number of units proposed, and development costs (in particular building height and required basement carparking). It is envisaged that the Lakefront site (site 3) would likely be priced at the upper end of the range, and potentially the City Hill and Constitution Avenue sites (sites 1 and 2 respectively) would be priced in the lower to mid range.

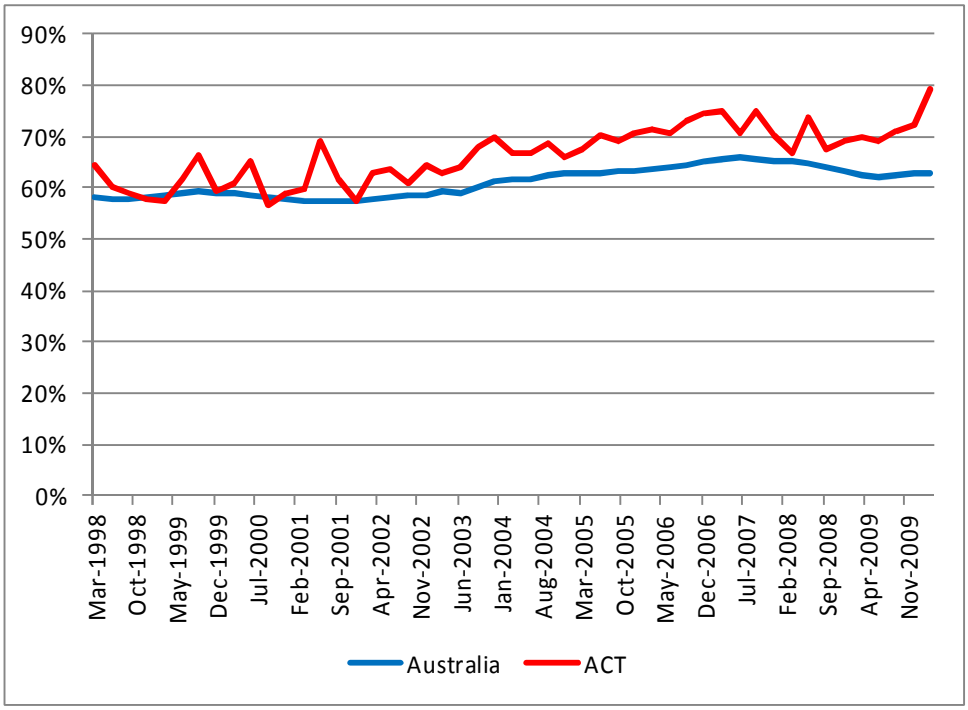
C3 Hotel accommodation

The ACT Government recently undertook an auction of a hotel site on London Circuit. The property did not sell and was withdrawn from the market. It is understood that development cost issues and variations in purchase price positioning both had an impact on the sale process.

Of the most recent available hotel statistics, Canberra's accommodation market has been performing well over the past year due to continued demand from the government travel sector and a successful events schedule.

As illustrated in Figure 113 below, hotel occupancy rates have been significantly higher in the ACT than elsewhere in Australia since around early 2002 and have increased even further since September 2008, despite the opening of new hotels.

Figure 113: Comparison of hotel occupancy rates in the ACT and Australia

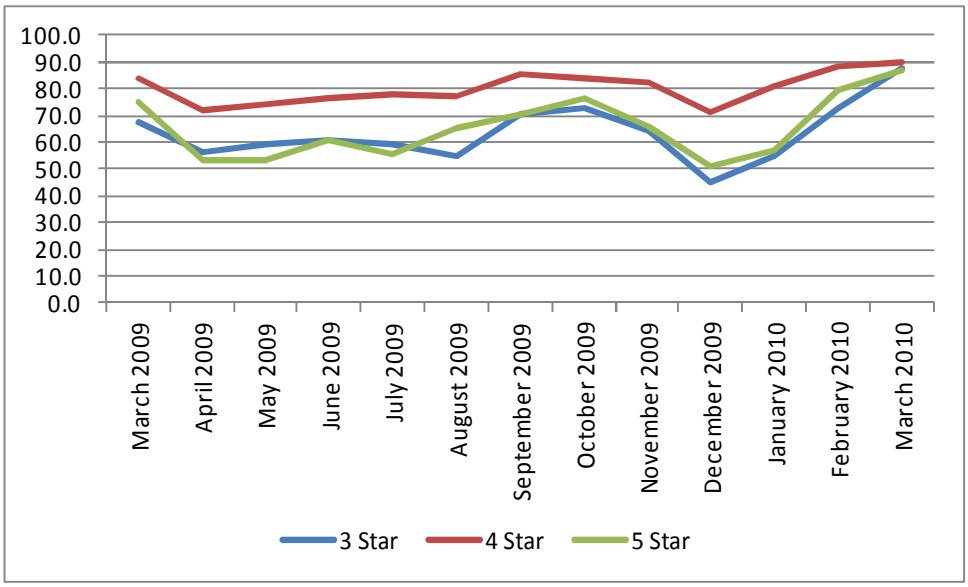


Source: Hotels and motels with more than 15 rooms ABS 8635855001DO001_201003 Tourist Accommodation, Small Area Data, Australian Capital Territory, Mar 2010

In particular, as illustrated in Figure 114 below, hotel occupancy rates in 3, 4 and 5 star hotels in the ACT were all reaching around 90 per cent in March 2010.

This confirms the feedback received in consultation with government, associations and businesses that the number of business events being held in the ACT is being significantly constrained by the lack of availability of suitable high quality accommodation. The current hotel stock is not sufficient to meet the current needs of the business event industry, let alone the additional demand that would be generated by the proposed Australia Forum.

Figure 114: Hotel occupancy rates in the ACT – 2, 4 and 5 star accommodation



Source: Hotels and motels with more than 15 rooms ABS 8635855001DO001_201003 Tourist Accommodation, Small Area Data, Australian Capital Territory, Mar 2010

Since the announcement of the recent Federal election and the period after the election there has been a reported significant drop off in hotel accommodation demand, which is usual with such an announcement. Demand, as measured by the number of room nights sold, increased by 3.1 per cent in the 12 month period to March 2010. Coupled with near-steady room supply, the result was a 2.7 percentage point rise to 72.9 per cent in the average occupancy rate. While demand and occupancy have seen positive growth, the Average Room Rate (ARR) in this market has been declining, down by 1.7 per cent to $147.60 in the 12 month period to March 2010. Nonetheless, buoyed by growth in occupancy, Revenue per Available Room (RevPAR) increased by 2.2 per cent to $107.66 over the same period.[12]

There have been very limited hotel transactions recently as a consequence of the global financial crisis (GFC) and the consequent overall softening of demand and revenue statistics generally across the sector. In addition to this there has been very limited development activity, which is as a consequence of the GFC and the significant development costs that have reportedly softened developer profits on such projects.

It appears that each of the three sites would provide appropriate locations for accommodation hotels, being a normal or usual co-development with a conference facility. Each site has its individual attributes as a hotel destination and these are included in the analysis of sites (see below). It is likely that the Lakefront site would have relatively strong demand as a hotel site on the important assumption that there is significant improvement to access to and from Civic (via a land bridge) and also with vehicular and pedestrian access arrangements from Commonwealth Avenue and Parkes Way. The City Hill and Constitution Avenue sites both have relatively strong locational attributes, arguably to a lesser extent than the Lakefront site. It is assumed that the appropriate rating for a hotel adjacent to a quality conference facility should be 4 to 4.5 stars.

In respect to sale pricing statistics, there are no recent comparable sales statistics available to provide sales data for hotel site sales. It is apparent that feasibility studies for new hotels are particularly sensitive to development costs; hotel rating (i.e. quality and costing issues),

12 Colliers International Hotels – INNvestment Australia, Winter Quarter 2010

forecast hotel demand and operational costs. From industry sources it is apparent that hotel site values per room are significantly less than those of residential apartments of a similar standard.

A range of pricing in the current market could be $35,000 to $45,000 per room. This assumes that the hotel is built as a single hotel development in the 4 to 4.5 star rating category. It is possible that feasibility studies could indicate hotel developments that are developed and sold as separate strata title sales with a long term lease or management agreement in place could increase the above range, however the increase is unlikely to be to the level of high quality residential apartments.

C4 Retail accommodation

According to ACTPLA (*'Retailing in Canberra' Background Paper'*, September 2009, ACTPLA), excluding major commercial offices in 2007 there was 2.7 million square metres of space on Canberra of which 31 per cent was in town centres, 11 per cent in group centres, 4 per cent at local centres and 51 per cent in industrial areas. Of the total floor space 38 per cent was retail, and of this retail space 35 per cent was in town centres. Canberra Central (i.e. Civic) had the greatest amount of retail space at centres, followed by Belconnen and Woden

Current local retail trading statistics sourced from the ACT Government / ABS indicate that annual retail turnover growth in the ACT in the year to July 2010 was 4.1 per cent, which is lower than the 15-year average growth rate of 5.4 per cent. Over the same period, the 15-year national average growth rate has been 5.8 per cent. In trend terms, retail turnover in the ACT decreased by 0.1 per cent in July 2010, while nationally it increased by 0.4 per cent. [13]

In July 2010, retail turnover in the ACT decreased by 0.7 per cent in seasonally adjusted terms. Year-on-year to July 2010, turnover in the ACT in original terms was up 4.1 per cent. Nationally, seasonally adjusted retail turnover increased by 0.7 pre cent in July 2010. Year-on-year to July 2010, turnover was up 3.6 per cent in original terms.[14] Regionally the ACT, Queensland, South Australia, Western Australia and Tasmania have been relatively weak in recent months, while NSW, Victoria and Northern Territory have outperformed the National average.[15]

Retail turnover is predominately reported by the various types of reported centres – regional, sub-regional, neighbourhood centres etc., however none of these centres are comparable to the form of retail development that would be linked to a convention or conference centre. Retail facilities for such centres are normally linked to the functionality of the facility, and as such are predominately food, tourism and service related. The convention centre sites do not fall within the definitions of any of these standard retail models, as they are not standard 'shopping centre' models. The retail trends applicable to shopping centres are therefore not generally applicable to the support retail adjacent to convention centres. There is no known evidence of turnover statistics or trends for shopping facilities outside the above commonly reported types of centres.

The Canberra central business district (i.e. 'Civic') has been heavily influenced by in particular the relatively recent redevelopment and extensions to QIC's Canberra Centre,

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13 Retail Trade – July 2010, ACT Department of Treasury, Economics Branch

14 Retail Trade – July 2010, ACT Department of Treasury, Economics Branch.

15 Urbis – Urbis Retail Perspectives, August/September 2010

which is the equivalent of the regional shopping centre with several 'majors' (David Jones, Myer) and a number of 'mini majors' (Target, Big W), together with multiple supermarkets and approximately 300 specialty shops. This development has altered the retail balance of Civic to the extent that retail rents have reduced considerably in the area over the past few years, and there has been a significant increase in retail vacancies, particularly in what are now considered to be former prime areas such as Garema Place. Another major impact on the supply of retail premises in the region has been the development of the DFO and Brand Depot centres in Fyshwick and Canberra Airport respectively. Other than the redevelopment of the Canberra Centre and the extensions to Westfield Belconnen there is no major growth in retail development in the ACT.

Gross rental rates have a direct relation to the level of turnover from the premises, and for a typical specialty shop regularly equate to around 10 per cent of the store turnover. Prevailing retail rents for non-Canberra Centre (and other 'prime' type locations) have a market level in the order of $330 to $430 per sq metre pa net, or $400 to $500 per sq metre pa gross (inclusive of outgoings). Rental rates equating to this type of range is deemed appropriate for all three sites, noting that each have their respective positive and negative attributes.

Variances in the type of retail outlets could be expected between the three sites as follows:

- The City Hill site (Site 1) would be expected to include predominately service retail with very little specialty retail. The area is expected to have only limited appeal as a destination to the local population. However, this could change if the proposed ACT Government Building is developed. It would be expected that cafes and other food outlets would be the major users of retail space, together with service retail such as drycleaners and perhaps some specialist shops such as bookstores. Total expected retail volume (without the ACT Government Building being developed) could be in the order of 1,500 sq metres (e.g. say 10 shops with an average area of 150 sq metres). It is anticipated that the average rental range would be at the lower end of the nominated range;

- Constitution Avenue (Site 2) would be expected to provide retail facilities that service both city workers and a new conference facility. As such it is considered that the range and numbers of retail outlets would fall between sites 1 and 3 and that a reasonable estimated demand would be in the order of 1,500 to 2,000 sq metres of space that would provide approximately 10 to 15 retail outlets. The retail mix would likely include predominately food based facilities with more service retail that site 1 due to its superior commercial location, being closer to Civic offices with considerable local population. The ongoing success of the retail component would expect to be influenced by the potential redevelopment of the current National Convention Centre, particularly if this were to be developed into a higher use such as residential apartments or offices. The location is negatively influenced by the busy Constitution Avenue, as this is considered a 'border' for local Civic workers; and

- The Lakefront site (Site 3) would be expected to include more 'destination' and more restaurant and cafe type uses due to its proximity to the edge of the lake and its superior potential to draw the local population, an attribute considered to be the highest of the three sites. It is anticipated that there would be a range of types of styles of food outlets (restaurants, cafes and smaller outlets such as ice cream, fast food or similar retailers. Each would have various and differing size requirements. Total expected retail volume is expected to be in the order of 2,500 sq metres from 20 to 30 separate retail tenancies. Importantly, the success of the retail component will in part be the link to the city via a land bridge and improved traffic management. It is expected that subject to appropriate access to the site, retail rents may be at the upper end of the nominated range.

C5 Commercial Opportunities – Analysis of Sites

C5.1 Site 1 – City Hill Expanded

Strengths	Weaknesses
► Strong link to parliamentary triangle ► Elevated site and vista particularly from south-west to south east ► Main road frontages ► Centrally located site, close to city centre that includes restaurants, entertainment, government, offices etc ► Proximity to proposed new ACT Government office building and other nearby offices ► Overall large and elevated site with opportunity to expand core facilities and develop commercial precincts ► Opportunities for outdoor commercial development ► Visitor and tourism access is reasonable ► Good opportunities for commercial car parking (i.e. revenue) ► Abundant land for large commercial development e.g. hotels ► Precinct likely to change (i.e. improve) over time ► Public transport located nearby ► Good set down space.	► Opportunity cost of land for other uses by ACT Government i.e. a large and valuable site ► Pedestrian links to city area would have to be improved i.e. safety.
Opportunities	**Threats**
► Site allows a wide range of commercial opportunities e.g. carparking, hotels, apartments, retail, food and beverage etc. and associated income ► Site may allow expansion and staging of future development and commercial opportunities as site matures ► Good potential for local tourism and attractions.	► ACT Government hotel land releases impacting on hotel uses ► Opportunity cost of land.

Key Messages

- Elevated site and vista;
- Overall large and elevated site with opportunity to expand; and
- Hotel development opportunities limited in short/medium term with land releases.

C5.2 Site 2 – Constitution Avenue

Strengths	Weaknesses
► Close to city centre (restaurants, entertainment, government, offices etc.) ► Constitution Avenue and Allara Street frontages ► Overall large and flat site with opportunity to expand to south via land bridge and south west into Commonwealth owned Army depot ► Opportunities for large scale outdoor commercial opportunities ► Not a great deal of commercial competition nearby ► Visitor and tourism access is reasonable ► Good opportunities for commercial car parking (revenue) ► Abundant land for large commercial development (e.g. hotels) ► Precinct likely to change (i.e. improve) over time ► Synergies with redevelopment of current NCC site (e.g. Casino relocation) ► Public transport in Constitution Avenue ► Good set down space.	► Constitution Avenue not a primary commercial frontage, but likely to improve ► Site is 'low' and lacks prominence ► Could be considered not the ideal hotel location ► Considered reasonably difficult to attract retail, food and beverage for day to day Canberra market ► Vista to north needs upgrade.
Opportunities	**Threats**
► Site allows a wide range of commercial opportunities e.g. car parking, hotels, apartments, retail, food and beverage etc. and associated income ► Site may allow expansion and staging of future development and commercial opportunities as site matures ► Links to redevelopment of Constitution Avenue and Griffin Legacy ► Links to current NCC and associated commercial opportunities.	► ACT Government hotel land releases impacting on hotel uses ► Redevelopment of current NCC site with competitive/inappropriate uses ► Vista to Glebe Park may be compromised with development ► Impact of swimming pool site study being conducted by ACT Government.

Key Messages

- Location not considered central and attractive to local users and tourism industry;
- Overall large and flat site with opportunity to expand; and
- Hotel development opportunities limited in short/medium term with land releases.

C5.3 Site 3 – Lakefront

Strengths	Weaknesses
► Water frontage is visible and a 'centre of interest' itself and will attract commercial users, local, conference and tourism patronage ► Potential commercial links to the ANU, particularly with a land bridge ► Overall large and prominent site with possible opportunity to expand to west and north south via land bridge ► Opportunities for individual (i.e. informal) and small to large scale outdoor commercial opportunities ► Commercial competition located in city area, away from the site ► Visitor and tourism access is reasonable ► Reasonable opportunities for commercial car parking (revenue) ► Reasonable land area volume for commercial development (e.g. hotels).	► Requires a more direct link to the city than current for both vehicles and pedestrians to access from non-lake areas at significant infrastructure expense ► Two large roads 'cut site off' from Civic and surrounds ► Currently servicing to site could be problematic due to existing road network ► Cost of reclaiming land to be accounted for in cost benefit ► Expansion space is limited.
Opportunities	**Threats**
► Site allows a wide range of commercial opportunities e.g. car parking, hotels, apartments, retail, food and beverage etc. and associated income ► Commercial opportunities have potential to be unique to Canberra and to draw local residents, tourists and delegates; ► Site may allow for limited expansion and commercial opportunities as site matures ► Development of public transport services aligned to ANU Master planning (to be confirmed).	► Planning issues with land bridge, lake access, road reconfiguration.

Key Messages

- Site allows a wide range of Lakefront commercial opportunities that could be unique to Canberra;
- Potentially greatest range of uses for local tourism industry;
- Links to city area and ANU; and
- Costs and planning will be critical.

C6 Current National Convention Centre (NCC) site

Any residual value of the current NCC site will be dependent on a number of issues including:

- the current lease arrangements with the operator (length of tenure and prevailing rental);
- the timing of when the site could be sold as a consequence of the existing lease and the development of a new facility; the highest and best use of the site; and
- the ability to be able to utilise or not being able to utilise the existing commercial carpark in a future development and associated demolition costs.

There are many unknown or unquantifiable factors as at the date of the preparation of this advice, and in such circumstances it is appropriate to consider the site at a high level only.

It is assumed that the site will be redeveloped following the expiry of the current sublease arrangement. It is possible that the future use could be as quality residential apartments with some potential for mixed use at the ground floor and use of the existing car park for commercial as well as residential purposes, although it may be possible to reconfigure the existing facility to a higher use.

Based on recent sales for sites that will be redeveloped for apartment use the site (i.e. land) price per unit could be in the range of $55,000 to $100,000 as at 2010 on the assumption that the site is available. The range is heavily impacted on location, the number of units proposed, and development costs (in particular building height and required basement car parking – both of which would reduce this range). Although this is a relatively wide range of pricing, the impacts of key issues impacting on site pricing per unit are unknown at this stage.

C7 Reclaimed land

The potential value of reclaimed land, which is a component of the Lakefront site is heavily influenced by what can be constructed on the site (i.e. its technical limitations, if any) as well as the costs to reclaim the land to bring it to a serviceable condition for development. Another major influencing factor will be the amount of the reclaimed land that can be realistically developed. Assuming construction can occur, the development costs (which are unkown at this stage) should be deducted from the potential price. A realistic price for the site assuming that it can be utilised for full development (excluding the impact of development costs) could be in the order of $1,000 to $1,500 per m^2 of developable land, prior to deducting the above referred to development costs.

C8 Draft Canberra City Area Action Plan 2010-16

The Canberra Plan identifies the Civic as the dynamic heart of Canberra. The policy to build a stronger city heart in the context of the ACT's town centre structure is promoted in Territory and Commonwealth planning statutes and in more comprehensive commentaries through The Canberra Plan ACT Government (2002) and Canberra: A sustainable future. OECD, Paris (2002).

Planning policies and land release programs of both the Commonwealth and ACT Governments have supported significant development activity over the past five years. Significant changes to the Greater City Area must be anticipated over the next seven years to 2016.

The nine explicit targets for the seven years from 2010 and 2016 are:

- Optimise utilisation of existing transport and other infrastructure;
- Maintain City's existing high level of accessibility and functionality;
- Help improve Canberra's environmental footprint;
- Enhance City's vitality and urban lifestyle by fostering growth in employment, retail, entertainment and residential development;
- Steadily achieve cohesive and robust urban design and public realm improvements; and
- Underpin continued land releases and new development to support the growth and changing needs of Canberra's 'vital heart'.

The business case for road network enhancements concentrates on eight road improvement projects ranging in value from $0.5m to $5m. The probable order of cost in 2009 dollars of Territory funded road improvements over the next seven years is about $25.5m. An economic analysis of vehicle operating costs, time costs and accident costs was undertaken, along with the financial impacts of enhanced land release opportunities. The economic benefit of this package of work at 7 per cent discount rate over 30 years is more than seven times the estimated $25.5m cost.

The Action Plan contributes to broader discussions that will lead to clearer priorities and common goals. This shared direction will help determine the level of public investment that is appropriate for the Greater Canberra City area over coming years. At this stage, commitment to fund individual or groups of projects remains subject to further consideration and decisions in the context of future budgets.[16]

16 Extracts from http://www.andrewbarr.com.au/canberra-central-program/draft-city-area-action-plan-2010-16

Appendix D: Detailed Financial and Economic Information

		Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Summary Financial Performance														
Revenue ex-Government Contribution	$ Nominal	8,400,000	8,669,609	8,948,384	9,236,657	9,534,773	9,843,092	13,954,633	19,551,924	20,829,355	22,539,554	24,367,703	25,352,950	26,666,828
Government Contribution	$ Nominal	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**$ Nominal**	**8,400,000**	**8,669,609**	**8,948,384**	**9,236,657**	**9,534,773**	**9,843,092**	**13,954,633**	**19,551,924**	**20,829,355**	**22,539,554**	**24,367,703**	**25,352,950**	**26,666,828**
COGS	$ Nominal	1,560,384	1,607,616	1,656,309	1,706,512	1,758,270	1,811,634	2,683,781	3,824,409	4,075,151	4,412,464	4,782,508	4,961,507	5,219,596
Total Labour Costs	$ Nominal	1,154,149	1,187,981	1,222,827	1,258,718	1,295,688	1,333,769	1,966,719	2,852,035	3,040,226	3,296,368	3,557,622	3,707,216	3,899,173
Total General Expenses	$ Nominal	2,293,757	2,358,706	2,425,575	2,494,425	3,669,129	3,769,722	3,873,178	3,364,484	3,533,804	3,762,317	3,982,507	4,123,046	4,299,261
Total Annual Operational Property Management Costs	$ Nominal	252,943	259,267	265,749	272,392	279,202	286,182	293,337	1,410,306	1,445,564	1,481,703	1,518,745	1,556,714	1,595,632
Total Expenses	**$ Nominal**	**5,261,233**	**5,413,569**	**5,570,460**	**5,732,047**	**7,002,289**	**7,201,307**	**8,817,014**	**11,451,234**	**12,094,744**	**12,952,852**	**13,841,382**	**14,348,483**	**15,013,662**
Operating Cash Flow	**$ Nominal**	**3,138,767**	**3,256,040**	**3,377,924**	**3,504,610**	**2,532,484**	**2,641,784**	**5,137,619**	**8,100,690**	**8,734,611**	**9,586,702**	**10,526,321**	**11,004,467**	**11,653,167**
Total Capital Costs	$ Nominal	3,680,000	3,772,000	3,866,300	3,962,958	148,209,211	227,952,078	4,267,672	1,285,093	1,317,220	1,350,151	1,383,904	1,418,502	1,453,964
Net Position	**$ Nominal**	**(541,233)**	**(515,960)**	**(488,376)**	**(458,347)**	**(145,676,727)**	**(225,310,294)**	**869,948**	**6,815,597**	**7,417,391**	**8,236,551**	**9,142,417**	**9,585,965**	**10,199,202**
Net Position ex Government Contribution	**$ Nominal**	**(541,233)**	**(515,960)**	**(488,376)**	**(458,347)**	**(145,676,727)**	**(225,310,294)**	**869,948**	**6,815,597**	**7,417,391**	**8,236,551**	**9,142,417**	**9,585,965**	**10,199,202**
Risk-adjusted Summary Financial Performance														
Revenue ex-Government Contribution	$ Nominal	8,400,000	8,669,609	8,948,384	9,236,657	9,534,773	9,843,092	13,954,633	19,551,924	20,829,355	22,539,554	24,367,703	25,352,950	26,666,828
Government Contribution	$ Nominal	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**$ Nominal**	**8,400,000**	**8,669,609**	**8,948,384**	**9,236,657**	**9,534,773**	**9,843,092**	**13,954,633**	**19,551,924**	**20,829,355**	**22,539,554**	**24,367,703**	**25,352,950**	**26,666,828**
COGS	$ Nominal	1,560,384	1,607,616	1,656,309	1,706,512	1,758,270	1,811,634	2,683,781	3,824,409	4,075,151	4,412,464	4,782,508	4,961,507	5,219,596
Total Labour Costs	$ Nominal	1,154,149	1,187,981	1,222,827	1,258,718	1,295,688	1,333,769	1,966,719	2,852,035	3,040,226	3,296,368	3,557,622	3,707,216	3,899,173
Total General Expenses	$ Nominal	2,293,757	2,358,706	2,425,575	2,494,425	3,669,129	3,769,722	3,873,178	3,364,484	3,533,804	3,762,317	3,982,507	4,123,046	4,299,261
Total Annual Operational Property Management Costs	$ Nominal	336,668	345,084	353,711	362,554	371,618	380,909	390,431	1,877,117	1,924,045	1,972,146	2,021,450	2,071,986	2,123,786
Total Expenses	**$ Nominal**	**5,344,958**	**5,499,387**	**5,658,423**	**5,822,209**	**7,094,705**	**7,296,034**	**8,914,108**	**11,918,045**	**12,573,226**	**13,443,296**	**14,344,086**	**14,863,755**	**15,541,816**
Operating Cash Flow	**$ Nominal**	**3,055,042**	**3,170,222**	**3,289,961**	**3,414,448**	**2,440,068**	**2,547,058**	**5,040,525**	**7,633,879**	**8,256,130**	**9,096,258**	**10,023,616**	**10,489,195**	**11,125,012**
Total Capital Costs	$ Nominal	4,898,080	5,020,532	5,146,045	5,274,696	163,968,461	251,709,074	5,680,271	1,710,458	1,753,220	1,797,050	1,841,977	1,888,026	1,935,227
Net Position	**$ Nominal**	**(1,843,038)**	**(1,850,310)**	**(1,856,084)**	**(1,860,248)**	**(161,528,393)**	**(249,162,015)**	**(639,746)**	**5,923,420**	**6,502,910**	**7,299,208**	**8,181,640**	**8,601,169**	**9,189,786**
Net Position ex Government Contribution	**$ Nominal**	**(1,843,038)**	**(1,850,310)**	**(1,856,084)**	**(1,860,248)**	**(161,528,393)**	**(249,162,015)**	**(639,746)**	**5,923,420**	**6,502,910**	**7,299,208**	**8,181,640**	**8,601,169**	**9,189,786**

Summary Financial Performance

		Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Revenue ex-Government Contribution	$ Nominal	8,400,000	8,669,609	8,948,384	9,236,657	9,534,773	9,843,092	13,954,633	19,551,924	20,829,355	22,539,554	24,367,703	25,352,950	26,666,828
Government Contribution	$ Nominal	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**$ Nominal**	**8,400,000**	**8,669,609**	**8,948,384**	**9,236,657**	**9,534,773**	**9,843,092**	**13,954,633**	**19,551,924**	**20,829,355**	**22,539,554**	**24,367,703**	**25,352,950**	**26,666,828**
COGS	$ Nominal	1,560,384	1,607,616	1,656,309	1,706,512	1,758,270	1,811,634	2,683,781	3,824,409	4,075,151	4,412,464	4,782,508	4,961,507	5,219,596
Total Labour Costs	$ Nominal	1,154,149	1,187,981	1,222,827	1,258,718	1,295,688	1,333,769	1,966,719	2,852,035	3,040,226	3,296,368	3,557,622	3,707,216	3,899,173
Total General Expenses	$ Nominal	2,293,757	2,358,706	2,425,575	2,494,425	3,669,129	3,769,722	3,873,178	3,364,484	3,533,804	3,762,317	3,982,507	4,123,046	4,299,261
Total Annual Operational Property Management Costs	$ Nominal	252,943	259,267	265,749	272,392	279,202	286,182	293,337	1,410,306	1,445,564	1,481,703	1,518,745	1,556,714	1,595,632
Total Expenses	**$ Nominal**	**5,261,233**	**5,413,569**	**5,570,460**	**5,732,047**	**7,002,289**	**7,201,307**	**8,817,014**	**11,451,234**	**12,094,744**	**12,952,852**	**13,841,382**	**14,348,483**	**15,013,662**
Operating Cash Flow	**$ Nominal**	**3,138,767**	**3,256,040**	**3,377,924**	**3,504,610**	**2,532,484**	**2,641,784**	**5,137,619**	**8,100,690**	**8,734,611**	**9,586,702**	**10,526,321**	**11,004,467**	**11,653,167**
Total Capital Costs	$ Nominal	3,680,000	3,772,000	3,866,300	3,962,958	148,209,211	227,952,078	4,267,672	1,285,093	1,317,220	1,350,151	1,383,904	1,418,502	1,453,964
Net Position	**$ Nominal**	**(541,233)**	**(515,960)**	**(488,376)**	**(458,347)**	**(145,676,727)**	**(225,310,294)**	**869,948**	**6,815,597**	**7,417,391**	**8,236,551**	**9,142,417**	**9,585,965**	**10,199,202**
Net Position ex Government Contribution	**$ Nominal**	**(541,233)**	**(515,960)**	**(488,376)**	**(458,347)**	**(145,676,727)**	**(225,310,294)**	**869,948**	**6,815,597**	**7,417,391**	**8,236,551**	**9,142,417**	**9,585,965**	**10,199,202**

Risk-adjusted Summary Financial Performance

Revenue ex-Government Contribution	$ Nominal	8,400,000	8,669,609	8,948,384	9,236,657	9,534,773	9,843,092	13,954,633	19,551,924	20,829,355	22,539,554	24,367,703	25,352,950	26,666,828
Government Contribution	$ Nominal	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**$ Nominal**	**8,400,000**	**8,669,609**	**8,948,384**	**9,236,657**	**9,534,773**	**9,843,092**	**13,954,633**	**19,551,924**	**20,829,355**	**22,539,554**	**24,367,703**	**25,352,950**	**26,666,828**
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Total Annual Operational Property Management Costs	$ Nominal	336,668	345,084	353,711	362,554	371,618	380,909	390,431	1,877,117	1,924,045	1,972,146	2,021,450	2,071,986	2,123,786
Total Expenses	**$ Nominal**	**5,344,958**	**5,499,387**	**5,658,423**	**5,822,209**	**7,094,705**	**7,296,034**	**8,914,108**	**11,918,045**	**12,573,226**	**13,443,296**	**14,344,086**	**14,863,755**	**15,541,816**
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Total Capital Costs	$ Nominal	4,898,080	5,020,532	5,146,045	5,274,696	163,968,461	251,709,074	5,680,271	1,710,458	1,753,220	1,797,050	1,841,977	1,888,026	1,935,227
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Net Position ex Government Contribution	**$ Nominal**	**(1,843,038)**	**(1,850,310)**	**(1,856,084)**	**(1,860,248)**	**(161,528,393)**	**(249,162,015)**	**(639,746)**	**5,923,420**	**6,502,910**	**7,299,208**	**8,181,640**	**8,601,169**	**9,189,786**

Summary Financial Performance

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Net Position	**$ Nominal**	**(541,233)**	**(515,960)**	**(488,376)**	**(458,347)**	**(145,676,727)**	**(225,310,294)**	**869,948**	**6,815,597**	**7,417,391**	**8,236,551**	**9,142,417**	**9,585,965**	**10,199,202**
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Risk-adjusted Summary Financial Performance

Revenue ex-Government Contribution	$ Nominal	8,400,000	8,669,609	8,948,384	9,236,657	9,534,773	9,843,092	13,954,633	19,551,924	20,829,355	22,539,554	24,367,703	25,352,950	26,666,828
Government Contribution	$ Nominal	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**$ Nominal**	**8,400,000**	**8,669,609**	**8,948,384**	**9,236,657**	**9,534,773**	**9,843,092**	**13,954,633**	**19,551,924**	**20,829,355**	**22,539,554**	**24,367,703**	**25,352,950**	**26,666,828**
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Total Expenses	**$ Nominal**	**5,344,958**	**5,499,387**	**5,658,423**	**5,822,209**	**7,094,705**	**7,296,034**	**8,914,108**	**11,918,045**	**12,573,226**	**13,443,296**	**14,344,086**	**14,863,755**	**15,541,816**
Operating Cash Flow	**$ Nominal**	**3,055,042**	**3,170,222**	**3,289,961**	**3,414,448**	**2,440,068**	**2,547,058**	**5,040,525**	**7,633,879**	**8,256,130**	**9,096,258**	**10,023,616**	**10,489,195**	**11,125,012**
Total Capital Costs	$ Nominal	4,898,080	5,020,532	5,146,045	5,274,696	163,968,461	251,709,074	5,680,271	1,710,458	1,753,220	1,797,050	1,841,977	1,888,026	1,935,227
Net Position	**$ Nominal**	**(1,843,038)**	**(1,850,310)**	**(1,856,084)**	**(1,860,248)**	**(161,528,393)**	**(249,162,015)**	**(639,746)**	**5,923,420**	**6,502,910**	**7,299,208**	**8,181,640**	**8,601,169**	**9,189,786**
Net Position ex Government Contribution	**$ Nominal**	**(1,843,038)**	**(1,850,310)**	**(1,856,084)**	**(1,860,248)**	**(161,528,393)**	**(249,162,015)**	**(639,746)**	**5,923,420**	**6,502,910**	**7,299,208**	**8,181,640**	**8,601,169**	**9,189,786**

Appendix E: Risk Analysis

E1 Data sources

There are two main sources of data on Optimism Bias:

- review of Large Public Procurement in the UK, Mott MacDonald, July 2002 (reviews 50 large procurements in the UK across range of industries); and
- underestimating Costs in Public Works Projects – Error or Lie, Flyvbjerg et al, 2002 (reviews 258 large transport infrastructure projects from 20 countries).

Since there is no current published data on Optimism Bias in Australia, the Mott MacDonald study is used as basis of this assessment since:

- projects are more reflective of the Australia Forum project; and
- greater guidance as to the use of Optimism Bias at the early stage of feasibility assessment (e.g. the scoping study and business case phase) in estimating risk adjusted outturn costs of projects.

E2 Reported figures for Optimism Bias

Mott MacDonald identified six project types and proposed Upper Bound and Lower Bound figures for Optimism Bias in respect of both capital cost and works duration for each project type.

The two project types relevant to Australia Forum (and Mott Macdonald's proposed Upper Bound and Lower Bound for capital costs for each) are provided in Table 62 below.

Table 62 – Reported figures for Optimism Bias

Project Type	Lower Bound	Upper Bound
Non-standard buildings	4%	51%
Standard buildings	2%	24%

Mott MacDonald recommend using the Upper Bound figures for calculating Optimism Bias for projects without effective risk management and bad scope definition, and are the starting point for calculating optimism bias for projects.

Mott MacDonald further states that the extent of reduction in Optimism Bias depends on the extent to which a number of risk categories are mitigated.

Table 63 summarises these risks categories, and captures Mott MacDonald's assessment of contribution to Optimism Bias for each risk category for each of the Non-standard building and Standard building types.

Table 63 – Risk category summary

Risk Area	Non-Standard Buildings	Standard Buildings
Procurements	24%	40%
Project Specific	11%	5%
Client Specific	39%	37%
Environment	4%	4%
External Influences	22%	14%
Total	**100%**	**100%**

E3 Use of Optimism Bias for Australia Forum

It is assumed that the Australia Forum facilities will have attributes of both non-standard building and standard building in the following proportion.

Table 64 – Use of Optimism Bias for Australia Forum

Project Type	Proportion	Upper Bound	Weighted
Non-standard buildings	60%	51%	30.6%
Standard buildings	40%	24%	9.6%
Total	**100%**		**40.2%**

Therefore, the starting level of Optimism Bias is 40.2 per cent prior to consideration of risk mitigation. Table 65 summarises the extent of risk mitigation in each category (with 0 reflecting no mitigation and 1 reflecting full mitigation) at this stage of project.

Table 65 – Extent of risk mitigation In each category

Risk Area	Mitigation Factor	Comment
Procurements	0.0	**No consideration of procurement issues in Scoping study/Business Case**
Project Specific	0.2	**Preliminary consideration of design, but difficult site**
Client Specific	0.3	**Preliminary development of scope and project intelligence, few stakeholders**
Environment	0.2	**Site identified and similar characteristics of existing facilities, however few site specific investigations undertaken**
External Influences	0.2	**Limited mitigation commenced and exposure to political stakeholders and extent of market demand**

The reduction in the Upper Bound is therefore approximately 17.7 per cent of the Upper Bound (or 7.1 % of project value). This reduces proposed risk adjustment to 33.1 per cent. Consideration is then made for existing contingency proposed by Rider Levett Bucknall for construction costs. This reduces the risk adjustment for construction costs from 33.1 per cent to 10.0 per cent.

Appendix F : Survey Questionnaires

Outlined below are the survey forms that were used to collect information from a wide range of agencies, including the Australian Government, associations, businesses and professional conference organisers (PCOs).

[Name]
[Address]

Dear [……]

On behalf of the Australia Forum project and the Steering Committee chaired by Professor Peter Shergold, I would like to introduce you to the project consultant team who have been commissioned to prepare a scoping study for the Forum - Ernst & Young, together with Cox Architects, Tania Parkes Consulting and Weston Advisory.

"Australia Forum" is to be a world-class venue for significant meetings, dialogue, cultural events and other occasions of national importance in the National Capital. In particular, Australia Forum seeks to cater for those events that have the features of a "public good" – that is, events that generate important wider economic benefits for the community (benefits that are unlikely to be taken into account by the private sector when it is making its decisions regarding the appropriate level of investment in new venues). Preliminary views on the facilities and services that would be available at Australia Forum are set out in Attachment A to this letter.

Given the importance of the [Australian Government] [ACT Government] [Associations Sector] [the business community] [the Research and Learning Institutes Group] to event activity in the ACT, we are seeking your assistance to complete the attached questionnaire and survey in order to provide us with up to date information on:

- the types of events your organisation needs to hold each year and the extent to which your needs are changing over time;
- the number, nature, size and location of the events you have held over the last 3 years;
- the key factors that influence your choice of a venue for your event;
- your event plans into the future; and
- the extent to which the proposed Australia Forum facilities and services (as set out in Attachment A) would meet your needs, or would require further amendment to meet those needs.

This information will help us refine the design of Australia Forum to best meet the needs of potential users and evaluate potential demand for such a facility.

[DRAFTING NOTE: Insert here the relevant paragraphs for the relevant market segment]

[Federal Government agencies]

In recognition of the increasingly important roles that Australian Government agencies are playing in global affairs, Asia/Pacific regional affairs, and issues of national importance, we are particularly interested in the views of your agency on:

- the extent to which changes in the role of your agency (e.g. the increasing role that your agency might be playing in national, Asia/Pacific regional, or global affairs) and/or changes in your agency's approach to consultation (e.g. recognition of the need for greater dialogue between participants at events) have been, or are expected to, change the nature, size and number of events you hold each year (please discuss in your responses to Question 1);
- the extent to which the facilities and services that would be provided by Australia Forum (see Attachment A to this letter) would meet your changing needs, or would require further amendment to meet your needs (please discuss in your response to Question 6); and
- the extent to which Australia Forum would enable you to hold new events in the ACT and Australia that cannot be held at the moment, due to the lack of suitable facilities (please discuss in your response to Question 7).

[ACT Government agencies]

We recognise that in addition to the ACT Government providing services to Canberra residents, it also engages in the region around it and in the national debates through COAG and other forums. Consequently, we are particularly interested in the views of your agency on:

- the extent to which changes in the role of your agency (e.g. the increasing role that your agency might be playing in national and affairs) and/or changes in your agency's approach to consultation (e.g. recognition of the need for greater dialogue between participants at events) have been, or are expected to, change the nature, size and number of events you hold each year (please discuss in your responses to Question 1);
- the extent to which the facilities and services that would be provided by Australia Forum (see Attachment A to this letter) would meet your changing needs, or would require further amendment to meet your needs (please discuss in your response to Question 6); and
- the extent to which Australia Forum would enable you to hold new events in the ACT that cannot be held at the moment, due to the lack of suitable facilities (please discuss in your response to Question 7).

[Associations Sector]

In recognition of the increasingly important role that Associations are playing in regional, national and international affairs (e.g. Australia/New Zealand affairs), we are particularly interested in your views on:

- the extent to which changes in the role of your Association (e.g. the increasing role that your Association might be playing in regional, national and international affairs) and/or changes in your Association's approach to consultation (e.g. recognition of the need for greater dialogue between participants at events) have been, or are expected to, change the nature, size and number of events you hold each year (please discuss in your responses to Question 1);
- the extent to which the facilities and services that would be provided by Australia Forum (see Attachment A to this letter) would meet your changing needs, or would require further amendment to meet your needs (please discuss in your response to Question 6); and

- the extent to which Australia Forum would enable you to hold new events in the ACT and Australia that cannot be held at the moment, due to the lack of suitable facilities (please discuss in your response to Question 7).

[Business community]

We recognise that the business community not only requires appropriate facilities to hold its own corporate events, but it also needs venues that are suited to facilitate the increasing role that it is expected to play in the development and implementation of government policies that affect the business community (e.g. infrastructure policy, tax policy, environmental policies such as the emissions trading scheme, health and education policies). As a result, we are particularly interested in your views on:

- the extent to which changes in the role of your business (e.g. the increasing role that your business might be playing in the development and implementation of government policy) and/or changes in your approach to consultation (e.g. recognition of the need for greater dialogue between participants at events) have been, or are expected to, change the nature, size and number of events you hold each year (please discuss in your responses to Question 1);
- the extent to which the facilities and services that would be provided by Australia Forum (see Attachment A to this letter) would meet your changing needs, or would require further amendment to meet your needs (please discuss in your response to Question 6); and
- the extent to which Australia Forum would enable you to hold new events in the ACT and Australia that cannot be held at the moment, due to the lack of suitable facilities (please discuss in your response to Question 7).

[RALIG]

In recognition of the increasingly important role that research and learning institutions are playing in regional, national and international affairs (e.g. Australia/New Zealand affairs), we are particularly interested in your views on:

- the extent to which changes in the role of your Association (e.g. the increasing role that your Association might be playing in regional, national and international affairs) and/or changes in your Association's approach to consultation (e.g. recognition of the need for greater dialogue between participants at events) have been, or are expected to, change the nature, size and number of events you hold each year (please discuss in your responses to Question 1);
- the extent to which the facilities and services that would be provided by Australia Forum (see Attachment A to this letter) would meet your changing needs, or would require further amendment to meet your needs (please discuss in your response to Question 6); and
- the extent to which Australia Forum would enable you to hold new events in the ACT and Australia that cannot be held at the moment, due to the lack of suitable facilities (please discuss in your response to Question 7).

[All recipients]

The questionnaire is designed to be as brief as possible and not burdensome for participants. It would be greatly appreciated if the questionnaire and survey spreadsheet could be returned by [insert date] to the following address:

Australia Forum Survey
51 Denny Street, Latham ACT 2615

Any questions relating to the questionnaire and survey should be directed to Tania Parkes on telephone 0419 491 166, or email taniaparkes@taniaparkes.com.au. Further reference material on Australia Forum is available on the Canberra Business Council web site: http://www.canberrabusinesscouncil.com.au/pages/page174.asp

In order to fully understand the Australia Forum and your views on the project, we would be happy also to have further discussions with you either by interview, workshop or telephone.

Ideally, we would like to receive your feedback by Friday 2nd July. As a result, we would welcome the opportunity to assist you with the task to ensure your views are taken into account.

Your cooperation in completing the questionnaire and survey would be greatly appreciated.

Yours sincerely

Lincoln Hawkins

Project Director
Australia Forum
21 May 2010

ATTACHMENT A: PRELIMINARY VIEWS ON AUSTRALIA FORUM'S FACILITIES

Vision and Goals of Australia Forum

A series of draft project goals for the Australia Forum have been established:

- **National/International:**
  - Enhance the National Capital's capacity to conduct effective international relations through a world class meeting venue
  - Establish a high quality regional conference and meeting venue for the Asia Pacific Region
  - Provide a highly secure venue to meet future international requirements as well as those of Australia's security, defence and intelligence communities
  - Establish a centre of innovation, education and human development where leaders from government, community, business and other fields of endeavour meet for dialogue in a creative environment
  - Contribute to the positioning of Australia, and its National Capital, as a centre of creativity and significant international dialogue.

- **Capital Region:**
  - Contribute to the economic and community development of the Capital Region through an increased range of events and visitation.

- **Design:**
  - Establish a landmark building of high architectural quality commensurate with other national institutional buildings
  - Contribute significantly to the quality and character of Canberra and its Central Area
  - Demonstrate sustainability leadership in design and use.

The Australia Forum is intended to be a centre unlike any other in the country, befitting the role of the National Capital, and helping to position Australia's role in the Asia Pacific Region. World class standards should apply in design, security and delivery of services. In particular, the Forum should, through its design and use, also seek to:

- Strengthen international connections and relationships
- Engage all Australians and
- Strengthen the national values of social justice and equity.

International Developments

A number of capital cities are currently undertaking development of new centres to cater for their future
requirements in terms of trade, international dialogue and national positioning (e.g. Ottawa, Dublin, Edinburgh, New Delhi).

Preliminary investigations have been carried out in relation to various projects and other significant facilities that relate to this proposal (e.g. Tokyo International Forum).

Design

In terms of design of the Forum, the following principles have been identified at this point:

- a high level of design excellence and innovation
- an iconic design with enduring value and appeal
- a future-focused solution
- stimulating attractive design, yet respectful of its environment
- leadership in terms of sustainability
- making a significant contribution to the quality and character of the capital

In addition the design should strongly engage with the public domain and create a significant national place attracting activity to its precinct on a continuing basis, well supported by associated public uses (e.g. restaurants) and transport connectivity.

A Multi-purpose Venue

Based on preliminary research the scope of the Forum could include the following facilities and services:

a. A purpose designed Plenary Hall (catering for say 3,000 delegates minimum and 3,300 patrons on a flat floor standing mode for performance events) with dividing walls. Equipment and facilities fit-out to provide capacity to host national and

international conferences and business events along with significant performing arts events from time to time

b. Break-out rooms to support major conferences and business events

c. Exhibition Halls with flexible design to accommodate large banqueting events:
   - 7,500 m^2 of exhibition space with capacity for say 5,000-10,000 m^2 of future expansion
   - Capable of division into a minimum of 4 halls operating simultaneously
   - Loading dock access to each hall (3.6m wide x 6m high)
   - Additional indoor use of foyer space and circulation space 2,000 m^2 minimum
   - Additional outdoor use of external concourse areas 2,000 m^2 minimum

d. Banqueting Ballroom with capacity for minimum 1500 patrons in banquet mode and 1000 persons in ballroom mode; capable of division into 4 separate venues operating simultaneously (acoustic isolation provisions; access points for each divided space); configured to allow for temporary dance floor and/or stage

e. Meetings facility for the Australian Centre for Dialogue (see below)

f. A purpose designed International Affairs Meeting Venue with adjacent function and dining facilities to host high level international forums with design elements to accommodate the highest standards of building security including VIP and dignitary vehicle drop-off and pick-up area

g. Co-location to accommodate efficient use of facilities

h. Business Centre

i. Interpreter and press facilities

j. A food & beverage outlet with casual lounge area strategically located offering the wider community of Canberra opportunities to enjoy and participate in the use of the venue providing local ownership of the facility. This outlet would also provide suitable meeting areas for conference delegates to network and conduct out of session business discussions – an essential element of conferencing culture

k. Capacity to cater for advanced technological support services and connectivity

l. Facilities enabling large group concurrent conversations, with international connectivity

m. Back of house and external supporting facilities

n. Car parking facilities with secure all weather access to meeting and function facilities

Earlier research has identified indicative requirements which provide a foundation for the scoping study. Dimensions and capacity for the facilities are to be determined based on research of the market mix and market segment demand data.

Venue planning for a multi-purpose facility will consider operational and design issues including:

- Acoustics

- Operable walls
- Sound proofing
- Seating configurations
- Audio visual systems including: audio systems infrastructure, video systems infrastructure, presentation systems, plenary stage management systems, technical rooms
- Theatre systems including plenary hall/performing arts functional planning, sightlines, over-stage systems, technical grid and lighting bridges, production lighting, rigging equipment, camera locations, performers facilities, back stage facilities, loading access

This list is not conclusive but will provide a working framework on which the scoping process would develop more detailed and targeted venue specifications.

A Centre for Dialogue

The design of the centre should incorporate an international Centre for Dialogue in close association
with the Australian National University, with capacity to host dialogue and meetings "in-the-round."

The Australian Centre for Dialogue (ACD), www.anu.edu.au/dialogue, is a partner to the scoping study. The ACD is very closely linked with the Australian National University.

The parties have agreed to investigate and develop the concept of the Forum as a flexible, integrated centre and to also explore and develop international opportunities for dialogue, recognising the rare strategic advantages of Canberra as a location.

Meetings 'in the round' facilitate an environment where all can be equal in an atmosphere of comfort, mutual respect and collaboration.

The design of the Forum and architectural treatment of an ACD area within it would provide for a separate sense of arrival, retention of a unique identity for the centre and a specific intimate space. The layout would be capable of providing no 'sides' evoking the corroboree and the 'round table'. There would be seating for others to observe public dialogue events without impacting on the intimacy of those in dialogue. It would be possible to provide this facility in a flexible way consistent with the multi-use philosophy of the Forum. Flexibility in the design, location and number of break-out rooms could provide a suitable facility to service the requirements of the centre, and other specific interest groups.

The ACD would retain its important linkages with the ANU. The study will also not compromise the Centre's long term development of dialogue programs and services. The outcomes of this study can provide a further possible avenue for establishment of an operational Centre for Dialogue.

Subject: Australia Forum – Business Event Market Demand Analysis

Dear # # # # # # #

The purpose of this communication is to seek support from your organization as a leading PCO to assist with a Business Event Market Demand Analysis for the Australia Forum Scoping Study. Specifically, we seek your assistance to identify the number of current and potential future business events that would be held in Canberra, by market type and specified attendance range.

Australia Forum is the working title for a world class venue to host significant meetings, dialogue and cultural events of importance in the National Capital.
Canberra is the meeting place of the Nation and it is also a rare centre of knowledge and research, with far reaching global relationships.

A meeting place of significant function and design has long been considered to be an essential requirement for Canberra to function as a National Capital. The concept for the Australia Forum involves a world-class multipurpose venue designed with flexibility, capable of responding to the Capital's unique meeting requirements.

Australia Forum is envisaged to provide conferencing capacity up to approximately three thousand delegates, 12,000 sq metres of supporting exhibition space, break-out rooms and a Centre for Dialogue to facilitate collaboration between government, business, academia, and the wider community.

We propose to make telephone contact with your office within the following two weeks to conduct a very brief interview to obtain the following business event data:

1. The average number of business events managed by your company in Canberra on an annual basis within the following market categories (by specified attendance range):

    - Association Business
    - Government Business
    - Corporate Business
    - Incentive Business

2. The potential number of additional business events that could be managed by your company in Canberra within a given year, given a significant increase to Canberra's meeting venue capacity as a result of the construction of Australia Forum (by specified attendance range).

Please Note: *Business Event client details are not required - nor is the origin of business sought* ***– the number of events by market category and specified attendance range is the only data required for demand analysis purposes.***

	Attendance range	Number of current events (annually)	Potential number of additional events (annually)
Association business	0-49		
	50-249		
	250-499		
	500-999		
	1,000-1,999		
	2,000-2,999		
	3,000+		
Corporate business	0-49		
	50-249		
	250-499		
	500-999		
	1,000-1,999		
	2,000-2,999		
	3,000+		
Government business	0-49		
	50-249		
	250-499		
	500-999		
	1,000-1,999		
	2,000-2,999		
	3,000+		
Incentive business	0-49		
	50-249		
	250-499		
	500-999		
	1,000-1,999		
	2,000-2,999		
	3,000+		

The Canberra Convention Bureau takes the opportunity to extend our thanks for your co-operation and input into the business event market demand analysis for the Australia Forum Scoping Study.

If you require further information please contact:

John Wallace | Executive Director | Project Finance Advisory, Economic Advisory Group
Ernst & Young | Canberra
☎ 2 6267 3910

Thank you for your assistance.

Yours sincerely

Carla Heutter
Sales Manager
Canberra Convention Bureau

The Australia Forum is a project initiated by the Canberra Business Council with the support of the ACT Government

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