



# Warrnambool Livestock Exchange- Economic Impact Assessment

**Final Report  
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**Warrnambool City Council**

## Document Control

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 Project Director: Simon Smith  
 Project Manager: Ashley Page  
 Company: Warrnambool City Council  
 Job Contact: Lisa McLeod/ Andrew Paton  
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# Executive Summary

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## BACKGROUND

The Warrnambool Livestock Exchange (WLE) is an important livestock centre with regional significance in southwest Victoria. The WLE processes approximately 160,000 head per annum in beef and dairy cattle and sheep sales. It is an important enabler in the region's primary production supply chain, contributing directly and indirectly to the local, regional and state economy drawing regional, state and interstate (Queensland, New South Wales and South Australia) traders.

Currently, there is a proposal for the saleyards to be re-located 30 mins east (35 kilometres) of the current site. For this re-location to proceed the proponent, Victorian Livestock Exchange (VLE) have requested the support of the existing Warrnambool saleyards and the Camperdown saleyards in closing to make way for a centralised and privately owned facility at Garvoc.

Indicative estimates place the gross regional product (GRP) of the Warrnambool City Council economy at just over \$1.4 billion for 2006/07 and \$2.2 billion for the Warrnambool regional economy when including the surrounding Moyne local government area.

## SCOPE & PURPOSE

The objective of the report is to determine the existing economic contribution the Warrnambool Livestock Exchange makes to the Warrnambool regional economy on an annual basis, and identify any change in the regional economy as a result of the relocation.

## WLE DRIVERS OF ECONOMIC ACTIVITY

The consultation and analysis process revealed the following areas of economic activity as being closely linked to the operation of the Warrnambool Livestock Exchange.

- **Warrnambool Livestock Exchange operational turnover:** The WLE facility has an annual turnover of approximately \$1.0 million generated from sellers and livestock agents fees for the use of the facility. This operational turnover received by the WLE is used for maintenance, direct employment and other local expenditure, which creates subsequent indirect or flow-on economic activity in the regional economy. All of this activity would be lost to the Warrnambool regional economy if the WLE were to relocate.
- **Spend by agents in the Warrnambool economy:** The Warrnambool Livestock agents receive an average fee of approximately 5.0% of total stock value sold at WLE weekly and monthly sales or approximately \$3.8 million annually. It was identified that a significant proportion (approximately 46.4%) of the agents fees that are currently fed directly back into the local regional economy through business operation would be lost to the Warrnambool regional economy if the WLE were to relocate.
- **Visitor spend in Warrnambool:** Persons that frequent the weekly and monthly sales held at the WLE contribute a significant amount to the Warrnambool regional economy each year, which was identified through visitor and retail surveys to be approximately \$13.1 million. Expenditure on saledays has been identified as an important economic driver of the local economy with a proportion of this expenditure (approximately 34.0%) expected to be lost if the WLE were to be relocated 35 km out of Warrnambool. Significant areas identified as being impacted included the retail, agricultural services and repairs, and the accommodation, cafes and restaurants sectors of the regional economy.

The estimated spend of visitors to the WLE and associated operational activity currently totals approximately \$17.9 million and is outlined in Table E.1 below, however not all of this expenditure is dependent on the saleyards being in Warrnambool. The table also highlights the anticipated expenditure within the Warrnambool regional economy if the

WLE were to relocate, with the difference between these being the direct economic leakage from the Warrnambool regional economy associated with the relocation. This figure could also be viewed as the economic contribution that the WLE makes to the broader Warrnambool regional economy. The table below also highlights the key sectors impacted by farmer and visitor expenditure spend.

**Table E.1: Summary of Economic Activity of Persons and Organisations Associated with the WLE (\$2008)**

Economic Impact	Current Expenditure (\$M)	Expenditure if WLE Relocates (\$M)	Economic Leakage Associated with Relocation (%)	Economic Leakage Associated with Relocation (\$M)
WLE Turnover	1.0	0.0	100.0%	1.0
Livestock Agents Fee/Commission	3.8	2.0	46.4%	1.8
Farmer Spend	13.1	8.6	34.0%	4.4
<i>Retail</i>	7.6	5.0	34.0%	2.6
<i>Retail machinery repairs</i>	4.4	2.9	34.0%	1.5
<i>Acc., cafes &amp; restaurants</i>	1.1	0.7	34.0%	0.4
<b>Total</b>	<b>17.9</b>	<b>10.7</b>	<b>40.3%</b>	<b>7.2</b>

Source: AECgroup

## ECONOMIC IMPACT ASSESSMENT

Current expenditure and business activity undertaken by persons related to the WLE amounts to approximately \$17.9 million, which is estimated to result in approximately:

- \$34.1 million in total output (\$17.9 million direct and \$16.3 million flow on);
- \$15.9 million in total value added production (\$8.7 million direct and \$7.2 flow on);
- \$4.8 million in total incomes paid to families (\$3.0 million direct and \$1.8 million flow on); and
- 123 full time employment positions (85 direct and 38 flow on).

The estimated economic contribution of those persons should the saleyards relocate is also presented (b), along with the estimated loss of economic activity, which is the difference between the two figures (c).

**Table E.2: Economic Impact of Relocating the WLE (\$2008)**

Impact	Output (\$M)	Value Added (\$M)	Income (\$M)	Employment (FTE)
<b>a) Economic impact of spend by those associated with the WLE (Current)</b>				
Direct	\$17.9	\$8.7	\$3.0	85
Indirect	\$16.3	\$7.2	\$1.8	38
<b>Total</b>	<b>\$34.1</b>	<b>\$15.9</b>	<b>\$4.8</b>	<b>123</b>
<b>b) Economic impact of spend by those associated with the WLE (Relocation of Saleyards)</b>				
Direct	\$10.7	\$5.2	\$1.9	53
Indirect	\$9.8	\$4.3	\$1.1	23
<b>Total</b>	<b>\$20.4</b>	<b>\$9.5</b>	<b>\$2.9</b>	<b>75</b>
<b>c) Loss of economic activity due to relocation</b>				
Direct	\$7.2	\$3.5	\$1.2	32
Indirect	\$6.5	\$2.9	\$0.7	15
<b>Total</b>	<b>\$13.7</b>	<b>\$6.4</b>	<b>\$1.9</b>	<b>48</b>

Note: Some totals may not sum due to rounding.

Source: AECgroup

If the relocation of the WLE were to occur, the indicative combined direct and indirect loss to the Warrnambool regional economy is estimated to be approximately:

- A total loss of \$13.7 million in gross output (\$7.2 million directly and \$6.5 million flow on);

- A total loss of \$6.4 million in value added or Gross Regional Product (\$3.5 million directly and \$2.9 million flow on);
- A total loss of \$1.9 million in income (\$1.2 million directly and \$0.7 million flow on); and
- A total reduction in full time employment positions (FTE's) of 48 full time employed (32 FTE's directly and 15 FTE's flow on).

The WLE is a driver of business, employment and trade of the Warrnambool regional economy. Although the majority of economic activity will be retained if the WLE were to be relocated 35km east of Warrnambool (the estimated reduction in Gross Regional Product (GRP) being only 0.29% (0.16% directly and 0.13% indirectly) for the Warrnambool regional economy), a reduction of total business turnover (direct and indirect) of approximately \$13.7 million could impact the stability of some businesses within the regional business and trade community of Warrnambool City.

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# 1. Introduction

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## 1.1 Background

The Warrnambool Livestock Exchange (WLE) is an important livestock centre with regional significance in southwest Victoria. The WLE processes approximately 160,000 head per annum in beef and dairy cattle and sheep sales. It is an important enabler in the region's primary production supply chain, contributing directly and indirectly to the local, regional and state economy drawing regional, state and interstate (Queensland, New South Wales and South Australia) traders.

Currently, there is a proposal for the saleyards to be re-located 30 mins east (35 kilometres) of the current site. For this re-location to proceed the proponent, Victorian Livestock Exchange (VLE) have requested the support of the existing Warrnambool saleyards and the Camperdown saleyards in closing to make way for a centralised and privately owned facility at Garvoc.

Given the regional significance of the WLE an economic impact assessment of the WLE is required to establish the potential economic impact of and benefits to the council and the broader community from relocating to a privately-owned facility approximately 30 minutes from the current site.

Indicative estimates place the gross regional product (GRP) of the Warrnambool City Council economy at just over \$1.4 billion for 2006/07 and \$2.2 million for the Warrnambool regional economy when including the surrounding Moyne local government area.

## 1.2 Scope and Objectives

The purpose of this report is to conduct an economic impact assessment to establish and quantify the economic impacts to the Warrnambool regional economy, existing Warrnambool businesses and the broader community, specifically:

- To identify the elements of and measure the direct economic benefit to the Warrnambool regional economy driven by the expenditure of those associated with the WLE;
- To identify the indirect benefits of this expenditure to the Warrnambool regional economy;
- To identify the likely economic impact of relocating the WLE to a privately-operated, regional facility approximately 30 minutes east of Warrnambool; and
- To identify the economic impact of changes in spending on key stakeholders (e.g. farmers, livestock agents, agricultural services and retail trade).

The objective of the report is to determine the existing economic contribution of those associated with the WLE makes to the Warrnambool regional economy and whether the impacts of the relocation would significantly impact this contribution.

## 1.3 Methodology & Approach

The key steps in achieving the outcomes of this project include:

- 1) Establishment of a contact list and consultation program;
- 2) Identification of key stakeholders, businesses and industry areas to be impacted by the re-location of the WLE;
- 3) Consultation and engagement of farmers, key business owners, livestock agents and traders and relevant associations (e.g. WLE Association; Warrnambool Livestock Agents Association, etc.);
- 4) Distribution, collection and analysis of retail impacts survey;

- 5) Economic Modelling of all data inputs to determine the size and scope of economic impacts to the regional economy; and
- 6) Reporting of findings.



## 2. Consultation Summary

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### 2.1 Overview

The consultation strategy included face-to-face interviews, telephone interviews and consultation meetings with key stakeholder groups. The identified stakeholders included:

- Livestock traders (buyers and sellers) and general sale visitors;
- General farm supply, agricultural machinery and equipment businesses, particularly those located in Caramut Road (located near the WLE);
- Broader retail and other business owners in Warrnambool City;
- The Warrnambool Livestock Agents Association; and
- The Warrnambool Livestock Exchange Advisory Committee (WLEAC).

A retail survey was distributed to over 700 businesses within the Warrnambool trade area, to determine the potential impacts to trade that relocation of the Livestock Exchange would have on the general business community.

The Warrnambool Livestock Exchange (WLE) is an important regional centre that boasts record sale and stock processing times per head in Victoria and have adopted various investment and technology options (first yards to trial and implement NLIS technology, recently Council invested in new scales) that have benefited the wider livestock industry and trade community across Australia. As such, the WLE has a historical significance to Warrnambool City and has supported ongoing business growth and trade that has shaped Warrnambool City to become what it is today.

Although the reliance of Warrnambool City upon the success of the WLE over the years has declined, the historical value and ongoing success of the WLE within the context of Warrnambool City was identified by many as important for retaining and continuing the success of livestock trade in the region.

The majority of buyers, sellers, livestock agents and general persons that were surveyed regarded the WLE as an integral part of the Warrnambool City business community, suggested it would be detrimental if the facility were to be relocated over 35km out of town (to Garvoc).

### 2.2 Key Issues Raised in Consultation

The issues raised in consultation can be divided into three categories:

- 1) Key issues raised about the location of the current site;
- 2) Key issues raised about the location of the proposed site;
- 3) Other key concerns and community issues.

These consultation issues are discussed in the following sections.

#### 2.2.1 Key Issues with the Current Site (Warrnambool)

The WLE is currently located on the Merri River on the north western outskirts of Warrnambool City. The facility is located in a general industrial zone on Caramut Road that is surrounded by a number of light industrial and agricultural supply type businesses. However, the WLE is also in close proximity to the local schools and new residential developments located a few kilometres away. The current site has a 500 metre buffer zone that separates its activity from the residential zones however, this also means that the facility has limited room for expansion for upgrade of facilities or installation of waste treatment ponds.

Key issues raised through consultation about the current location of the WLE included:

- Environmental planning concerns:** The WLE is located on banks of the Merri River in Warrnambool and generates large amounts of waste and waste water from the site due to the large numbers of cattle being processed each week. The washing and cleaning of pens is the main source of the pollution, which has caused both an increase in recurrent expenditure (trade waste disposal) and detriment to the water quality in the Merri River through a direct drainage outlet. While appropriate action has been taken by the Livestock Exchange to mitigate environmental impacts the rising costs to sustain environmental management systems pose an ongoing burden for the facility and it is expected that these costs will continue to rise in the future. The current site does not have the available space to put in ponding lagoons for treatment of waste on site.
- Cost of facility upgrades:** In order to maintain the high standard of the facility and remain a competitive market place in south west Victoria. Consultation with key stakeholders identified a requirement for the WLE to invest a significant amount for facility upgrades over the coming years. In particular, this would involve upgrade of the pen floors to 'soft flooring' and rubber matting to reduce the incidence of sore foot in cattle (estimated cost of \$500,000) and potentially the installation of a roof over the facility (estimated cost of \$5.0 million).
- Rising costs of waste and wastewater treatment:** To mitigate the environmental impacts of run-off waste to the Merri River, the WLE implements waste and wastewater catchment and treatment strategies, which involve the capture and the treatment of waste and wastewater. Over the past few years the costs of maintaining these treatment processes have increased significantly, creating financial pressure for the WLE. Due to the lack of available land/ space to install ponding lagoons for pre-treatment, these costs are not expected to reduce in the long-run.

Although the ongoing costs of the WLE are expected to continue to rise the Warrnambool Livestock Agents Association agreed that the extent of the proposed facility upgrades are not entirely essential and overestimate the future financing required for the WLE to remain a regionally competitive market. Rather, the consultation with the Warrnambool Livestock Agents Association identified soft flooring was the key requirement in the future of the facility to prevent the occurrence of 'sore foot' in livestock sold. Soft flooring is estimated to cost \$500,000 to fully fit out the facility, which is well below the initial estimated full upgrade cost of \$5.5 million.

### 2.2.2 Key Issues with the Proposed Site (Garvoc)

The proposed Garvoc site is located approximately 35km east of Warrnambool on the Princes Highway and located approximately 10 minutes out of Terang. While most people would prefer the WLE to remain at the current location, if it were to be moved, then movement to a more suitable location in close proximity to town (5-10 minutes drive) would be generally supported. However, the proposed site at Garvoc was strongly opposed by the majority of key stakeholders based on the following issues:

- Roads and transport networks:** The proposed Garvoc site is only serviced by one major highway, the Princes Highway (runs from the east of Warrnambool). Any stock that will be travelling from the north west of the proposed site (estimated at approximately 80% of the current livestock) are likely to be diverted to the south through Warrnambool due to the poor condition of roads that run from north west to east. Many of these roads are unsuitable for semi-trailer and truck transport. Also if trucks are to be diverted through Warrnambool and through to Garvoc this will substantially add to travel costs due to additional distance, traffic lights and controls (increased time). Many traders from the north west indicated that they simply would not travel the extra distance when there were other sale facilities available in Mount Gambier and Hamilton.
- Privatisation:** The proposed facility at Garvoc will be privately run by the Victorian Livestock Exchange (VLE). If the proposal is to go ahead many of the key stakeholders have concerns about how the operations will differ from the current facility. It is expected that the fees and charges to accompany the new facility will be

much higher than the municipally managed WLE. Increasing of fees and charges is likely to encourage many stock owners to sell direct to abattoirs in the region, reducing the competitiveness of the local open cattle market. Many stakeholders, particularly agents and buyers, also expressed concerns regarding the 'track record' of VLE in providing efficient and smooth running facilities.

- **Loss of market share:** During consultation the majority of buyers, sellers and general sale goers suggested that if the sale were to relocate to Garvoc they would find an alternative facility due to the increased travel time, costs and inconvenient location of the site. The alternatives for over 80 percent of traders included selling at Hamilton, Mount Gambier, Colac and/or direct to the abattoir.
- **Loss of employment opportunities (direct):** The WLE provides a large number of direct and indirect employment opportunities for the Warrnambool community. By relocating the facility 35km out of Warrnambool under private management it is highly likely that these employment positions will be lost to other areas.

### 2.2.3 Other Key Issues & Concerns

Other general key issues and concerns included:

- **General town planning concerns:** Many industrial businesses located in the vicinity of the WLE (Caramut Road) showed concern for the future town planning and zoning of the site if the re-location of the facility were to go ahead. Key concerns are that business activities may be impacted if the land is rezoned as residential rather than for general industrial use. Many of the businesses in this area rely on the industrial zoning to conduct heavy machinery, manufacturing and transport type business at a reasonable distance from private residential lands. If the land were to be re-zoned as residential business owners fear complaints, business restriction and significant operational losses. Should this occur, many businesses indicated that relocation out of the Warrnambool region would be considered, particularly for those businesses with offices and operations established in other areas.
- **Loss of employment (indirect):** During consultation a large number of businesses, particularly those located in Caramut Road, indicated that the relocation of the sale facility would result a reduction of sales and a subsequent reduction in full time and part time positions provided by businesses in the vicinity of the WLE. The businesses identified to be most likely to be affected included the agricultural supplies and small machinery and equipment suppliers.
- **Loss/ relocation of business:** Many businesses in the vicinity of the WLE that the potential losses from the re-location would likely result in either significant scale back of operations or relocation outside of Warrnambool City.

## 2.3 Issues Identified by the Retail Survey

A retail survey was distributed to over 700 businesses listed on the CBD and Warrnambool business database. This survey was designed to capture information about the expected impacts to employment and turnover with the relocation of the WLE 35 km out of Warrnambool City to Garvoc. Respondents of the survey were represented by following industry groups:

- Retail trade;
- Wholesale trade;
- Support agricultural services (machinery, equipment and general supplies);
- Construction and manufacturing;
- Accommodation and personal services.

Generally, just under half of respondents indicated that there would be some degree of direct negative impact to annual business income. The other half of respondents indicated that while their business was not directly related to the expenditure of Warrnambool sale visitors, they felt that the relocation of the WLE would have a significant economic impact upon the business community, which would indirectly affect

Warrnambool businesses across the board. There was also strong comment that while a relocation may be necessary in terms of town planning and future growth and development of the city, the broader business community felt it would be in the interests of ongoing economic prosperity to relocate the facility to a more appropriate site located in close proximity to town.

The key issues identified in the retail survey included:

- **General loss of business and indirect flow on effects to the economy:** Approximately 47% of retail survey respondents indicated that there would be some negative impact to business turnover if the WLE were located 35km east of Warrnambool. The other 53% of respondents indicated that while no direct impacts on business turnover were expected there was concern for the possible indirect impacts on business due to the high amount of confidence that business owners place in the WLE as a key player in the Warrnambool economy. It is expected by many business owners that these economic impacts could also weaken employment in the region as staff are laid off to compensate for the reduction in trade.
- **Impact on business from re-zoning of land to residential:** Some businesses located in the vicinity of industrial zoned land in Warrnambool indicated that while the relocation of the WLE was not a primary concern the possible rezoning of the site as residential was a major concern. Many industrial type businesses in the vicinity of Caramut Road indicated that inappropriate zoning of the WLE land after relocation could be disastrous for business activity of surrounding businesses. Particularly as residential zoning of the land so close to light and heavy industrial activity may result in the complaints and restrictions on industrial business activity. Ultimately, any restrictions may result in major losses in industrial business activity and relocation of businesses out of the current area.
- **Prospective saleyards relocation requirements (close proximity to town and transport networks):** The majority of the business community in Warrnambool City believes that while the relocation of the WLE may be a necessary move to fit in with growth of the city and town planning for the future, a movement beyond the city boundaries to Garvoc (35km east) would be detrimental to the trade and the Warrnambool economy. Feedback indicates that a relocation of the facility within a 5-15km to the north of Warrnambool City in proximity to town and on a more efficient transport network would be most appropriate when the time arises.

## 3. WLE Drivers of Economic Activity

### 3.1 Introduction

Economic activity driven by the Warrnambool Livestock Exchange (WLE) is defined by the turnover and business activity created by users of the facility rather than the actual trade occurring at the facility. That is, not the value of the stock sold, which is assumed to be of a similar value to the vendor if sold in a different location, but the discretionary expenditure made by users of the facility (e.g. buyers, sellers, agents) and the operational turnover of the facility itself.

The consultation and analysis process revealed the following areas of economic activity as being closely linked to the operation of the WLE.

- **Warrnambool Livestock Exchange operational turnover:** The WLE facility has an annual turnover of approximately \$1.0 million generated from sellers and livestock agents fees for the use of the facility. This operational turnover received by the WLE is used for maintenance, direct employment and other local expenditure, which creates direct and indirect economic activity in the regional economy. All of this activity would be lost to the Warrnambool regional economy if the WLE were to relocate.
- **Spend by agents in the Warrnambool economy:** The Warrnambool Livestock agents receive an average fee of approximately 5.0% of total stock value sold at WLE weekly and monthly sales or approximately \$3.8 million annually. It was identified that a proportion (approximately 46.4%) of the agents activities/ offices would no longer center on Warrnambool and would subsequently be lost from the Warrnambool regional economy if the WLE were to relocate.
- **Visitor spend in Warrnambool:** Persons that frequent the weekly and monthly sales held at the WLE contribute a significant amount to the Warrnambool regional economy each year, which was identified through visitor and retail surveys to be approximately \$13.1 million. Expenditure on saledays has been identified as an important economic driver of the local economy with a proportion of this expenditure (approximately 34.0%) expected to be lost if the WLE were to be relocated 35 km out of Warrnambool. Significant areas identified as being impacted included the retail, agricultural services and repairs, and the accommodation, cafes and restaurants sectors of the regional economy.

The detail behind each of these key impacts is outlined in the following section, with the economic impact assessment of these changes quantified in the economic impact assessment section (Chapter 4).

### 3.2 Key Data & Inputs

All key data inputs were sourced directly from the Warrnambool City Council and the Warrnambool Livestock Exchange Operational manager unless otherwise stated. The majority of other inputs were sourced from the public through general consultation of key stakeholders in the study.

#### 3.2.1 Existing Economic Activity

##### 3.2.1.1 WLE Operational Turnover

The WLE has an operational turnover of approximately \$1.0 million per annum and retains an operational profit of approximately \$400,000 per annum (2003/04). The current estimated land value of the site is \$8.0 million.

##### 3.2.1.2 Livestock Agents Fee/Commission in the Warrnambool Economy

The number of stock traded was estimated to be 162,483 head per annum with 118,044 cattle, 33,213 sheep and 11,226 calves in the year ended June 2007 (Warrnambool Livestock Agents Association, Unpublished data). Annual stock throughput for 2006/07 is shown in the table below. The average agents fee was calculated based on 5.0% of the total value of stock traded at the WLE in 2006/07, which was \$75.8 million. It is assumed

that overall, agents receive annual fees and commissions of approximately \$3.8 million per annum.

**Table 3.1 Warrnambool Livestock Exchange Throughput 2006/07**

Livestock Agency	Stock Number (2006/07)	Annual % Change on 2005-06
Sheep	33,213	-39.2%
Cattle	118,044	13.4%
Calves	11,226	-2.1%
<b>Total</b>	<b>162,483</b>	<b>-3.6%</b>

Source: Warrnambool Livestock Agents Association (Unpublished data)

### 3.2.1.3 Current Visitor Spend in Warrnambool

The WLE attracts an average of approximately 75 persons (approximately 74.0% of these being repeat visitors) to the weekly sale (Wednesday) and 300 persons (approximately 25.0% of these being repeat visitors) to the monthly store sale (Friday), which relates to a conservative estimated 7,350 persons travelling to and attending Warrnambool saleyard each year. When accounting for repeat visitors it is estimated there are, on average approximately 3,675 individuals/ families that visit the WLE each year, this is comprised of approximately 975 individuals that attend the Wednesday sale (counted once only) and 2,700 persons that attend the Friday sale (counted once only).

Based on the consultation undertaken, a retail survey and a landholder survey information, it has been estimated that each individual Wednesday WLE visitor has a median annual expenditure of approximately \$12,500 per annum and each individual Friday WLE visitor has a median annual expenditure of \$325 per annum (assuming that Friday visitors have a lower average annual expenditure because they come less often).

It is estimated that the key annual expenditure sectoral splits are:

- 57.8% in retail expenditure (including agricultural supplies);
- 33.9% in retail equipment and machinery repairs (including agricultural machinery parts); and
- 8.3% in accommodation, cafes and restaurants.

## 3.2.2 Anticipated Changes to Economic Activity Following Relocation

### 3.2.2.1 WLE Operational Information with Relocation

The relocation of the WLE to Garvoc will mean that the current facility will cease to have an operational turnover and any operational benefits will also be relocated outside of Warrnambool to Garvoc.

### 3.2.2.2 Livestock Agents Fee/Commission with Relocation

Consultation with the Warrnambool Livestock Agents Association revealed that a large proportion of business sourced from the west would be lost if the relocation of the site were to occur to the east of Warrnambool. Each agent provided an estimate of business lost if the relocation were to go ahead. It is estimated that a total of 46.4% of business would be relocated to other livestock centres including Hamilton, Mount Gambier and Colac. This will equate to a loss in the regional economy of \$1.8 million per annum where agents relocate a portion of their business to these other centers. In a worst-case scenario some agents indicated their business may relocate entirely from the Warrnambool region to the other livestock trading centres.

### 3.2.2.3 Visitor Spending in Warrnambool with relocation

The average change in visitor spending was calculated as approximately 34% of total individual expenditure on sale days per annum, which was derived from the proportion of business activity sale goes indicated they would take elsewhere, in particular, to Hamilton, Mount Gambier and Colac regional centres should the WLD relocate. The other 66.0% of business would remain in Warrnambool, particularly speciality retail as most families would still travel to Warrnambool City for these purposes regardless of the relocation of the WLE.

### 3.2.3 Summary of Key Data & Impacts

A summary of the key data utilised in the economic impact assessment undertaken in the following chapter is outlined in the table below and highlights the current expenditure, the anticipated expenditure should the WLE relocate and the resultant leakage or loss from the Warrnambool regional economy.

**Table 3.2: Summary of Key Data & Inputs**

Economic Impact	Current Expenditure (\$M)	Expenditure if WLE Relocates (\$M)	Economic Leakage Associated with Relocation (%)	Economic Leakage Associated with Relocation (\$M)
WLE Turnover	1.0	0.0	100.0%	1.0
Livestock Agents Fee/Commission	3.8	2.0	46.4%	1.8
Farmer Spend	13.1	8.6	34.0%	4.4
<i>Retail</i>	7.6	5.0	34.0%	2.6
<i>Retail machinery repairs</i>	4.4	2.9	34.0%	1.5
<i>Acc., cafes &amp; restaurants</i>	1.1	0.7	34.0%	0.4
<b>Total</b>	<b>17.9</b>	<b>10.7</b>	<b>40.3%</b>	<b>7.2</b>

Source: AECgroup

## 4. Economic Impact Assessment

### 4.1 Introduction

The economic impact assessment will consider two scenarios within an input-output framework (see Appendix B for an overview of the input-output methodology approach and terminology):

- a) The current economic contribution (direct and indirect) to the Warrnambool regional economy by those associated with the Warrnambool Livestock Exchange (WLE); and
- b) The economic contribution (direct and indirect) to the Warrnambool regional economy by those currently associated with the WLE if the saleyards are relocated 35km east of the current site.

The potential loss to the Warrnambool regional economy is assessed as scenario (a) minus scenario (b).

### 4.2 Input-Output Methodology

Input-output analysis measures the stimulus from economic activity in different ways:

- The first round effect, or direct effect, are those from the expenditure by purchasing additional goods from other industries.
- The second round effects, or indirect effects, are those from the supplying industries increasing their purchases to meet the additional demand. The second and subsequent rounds of purchasing are termed the indirect effects<sup>1</sup>.

These effects can be represented by multipliers, which are based on Australian National Accounts: Input-Output Tables (ABS Cat. No 5209.0.55.001).

The direct and indirect impacts to the Warrnambool regional economy will be assessed by the following four measures:

- **Output:** Measures the increase in gross sales throughout the whole economy by summing all the individual transactions, directly and indirectly, from economic stimulus or loss. The output impact is also useful for providing an indication of the degree of structural dependence between sectors of the economy.
- **Value added:** The value added or gross regional product (GRP) impact measures only the net activity at each stage of production. GRP is broadly defined as the additional consumption, investment and government expenditure, plus exports of goods and services, minus imports of goods and services. The GRP impacts are the preferred measure for the assessment and measurement of economic activity.
- **Income:** The income impact measures the additional amount of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the stimulus to the economy.
- **Employment:** The employment impact measures the number of jobs created by the stimulus, both directly and indirectly. It should be noted that short-term responses to changes in demand may be for employers to ask existing staff to vary their hours. The employment data presented here is in full time equivalent (FTE) employment positions.

### 4.3 Existing Economic Activity Associated with the WLE

Current expenditure and business activity undertaken by persons related to the WLE amounts to approximately \$17.9 million, which is estimated to result in approximately:

- \$34.1 million in total output (\$17.9 million direct and \$16.3 million flow on);

<sup>1</sup> The AECgroup exclude the household induced effect due to concerns in relation to its potential to overstate the actual impact.



- \$15.9 million in total value added production (\$8.7 million direct and \$7.2 flow on);
- \$4.8 million in total incomes paid to families (\$3.0 million direct and \$1.8 million flow on); and
- 123 full time employment positions (85 direct and 38 flow on).

**Table 4.1: Economic Impact of Spend by those Associated with the WLE (2008)**

Impact	Output (\$M)	Value Added (\$M)	Income (\$M)	Employment (FTE)
Direct	\$17.9	\$8.7	\$3.0	85
Indirect	\$16.3	\$7.2	\$1.8	38
<b>Total</b>	<b>\$34.1</b>	<b>\$15.9</b>	<b>\$4.8</b>	<b>123</b>

Note: Some totals may not sum due to rounding.  
Source: AECgroup

#### 4.4 Anticipated Changes to Economic Activity with the Relocation of the Saleyards

The expenditure and business activity undertaken by persons related to the WLE should it relocate is anticipated to reduce to approximately \$10.7 million, which estimated to result in approximately:

- \$20.4 million in total output (\$10.7 million direct and \$9.8 million flow on);
- \$9.5 million in total value added production (\$5.2 million direct and \$4.3 flow on);
- \$2.9 million in total incomes paid to families (\$1.9 million direct and \$1.1 million flow on); and
- 75 full time employment positions (53 direct and 23 flow on).

**Table 4.2: Economic Impact of Spend by those Associated with the WLE (Relocation of Saleyard)**

Impact	Output (\$M)	Value Added (\$M)	Income (\$M)	Employment (FTE)
Direct	\$10.7	\$5.2	\$1.9	53
Indirect	\$9.8	\$4.3	\$1.1	23
<b>Total</b>	<b>\$20.4</b>	<b>\$9.5</b>	<b>\$2.9</b>	<b>75</b>

Note: Some totals may not sum due to rounding.  
Source: AECgroup

#### 4.5 Economic Activity Lost from Relocation

If the relocation of the WLE were to occur, the indicative combined direct and indirect loss to the Warrnambool regional economy may include:

- A total loss of \$13.7 million in gross output (\$7.2 million directly and \$6.5 million flow on);
- A total loss of \$6.4 million in value added or Gross Regional Product (\$3.5 million directly and \$2.9 million flow on);
- A total loss of \$1.9 million in income (\$1.2 million directly and \$0.7 million flow on); and
- A total reduction in full time employment positions (FTE's) of 48 full time employed (32 FTE's directly and 15 FTE's flow on).

**Table 4.3: Loss of Economic Activity due to Relocation (2008)**

Impact	Output (\$M)	Value Added (\$M)	Income (\$M)	Employment (FTE)
Direct	\$7.2	\$3.5	\$1.2	32
Indirect	\$6.5	\$2.9	\$0.7	15
<b>Total</b>	<b>\$13.7</b>	<b>\$6.4</b>	<b>\$1.9</b>	<b>48</b>

Note: Some totals may not sum due to rounding.  
Source: AECgroup

## 5. Findings

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The Warrnambool Livestock Exchange (WLE) is an important regional centre and enabler in the region's primary production supply chain, contributing directly and indirectly to the local, regional and state economy drawing regional, state and interstate (Queensland, New South Wales and South Australia) traders.

The WLE contributes significantly to the Warrnambool regional economy with approximately \$13.7 million in direct and indirect output or business turnover each year, which would be lost from the Warrnambool regional economy should the WLE relocate.

If the WLE were to relocate to a privately owned site near Garvoc (35km east of the current site) the areas within the Warrnambool regional economy anticipated to be impacted most significantly would include:

- The WLE turnover, experiencing a reduction of approximately \$1.0 million;
- Livestock agents fees and commissions, experiencing a reduction of approximately \$1.8 million;
- Retail trade, experiencing a reduction of approximately \$2.6 million, including expenditure on retail agricultural supplies;
- Retail machinery repair and service expenditure, experiencing a reduction of approximately \$1.5 million; and
- Accommodation, cafes and restaurants expenditure, experiencing a reduction of approximately \$0.4 million.

The combined direct and indirect impacts of these individual losses include:

- A total loss of \$13.7 million in gross output (\$7.2 million directly and \$6.5 million flow on);
- A total loss of \$6.4 million in value added or Gross Regional Product (\$3.5 million directly and \$2.9 million flow on);
- A total loss of \$1.9 million in income (\$1.2 million directly and \$0.7 million flow on); and
- A total reduction in full time employment positions (FTE's) of 48 full time employed (32 FTE's directly and 15 FTE's flow on).

The WLE is a driver of business, employment and trade of the Warrnambool regional economy. Although the majority of economic activity will be retained if the WLE were to be relocated 35km east of Warrnambool (the estimated reduction in Gross Regional Product (GRP) being only 0.3% (0.2% directly and 0.1% indirectly) for the Warrnambool regional economy), a reduction of total business turnover (direct and indirect) of approximately \$13.7 million could impact the stability of some businesses within the regional business and trade community of Warrnambool City.

## Appendix A: Retail Survey

The following retail survey was distributed to the over 700 registered businesses in Warrnambool City to capture the general impacts to revenue, employment and the general business opinion of retail traders in regards to the re-location of the WLE.

### Warrnambool Livestock Exchange-Economic Impact Assessment: Retail Business Survey

#### PROJECT BACKGROUND

The Warrnambool Livestock Exchange is an important livestock centre with regional significance in Southwest Victoria. The Warrnambool Livestock Exchange processes approximately 120,000 head per annum in beef and dairy cattle and sheep sales. It is an important enabler in the region's primary production supply chain, contributing directly and indirectly to the local, regional and state economy drawing regional, state and interstate (Queensland, New South Wales and South Australia) traders.

Currently, there is a proposal for the saleyards to be re-located 30 mins East (35 kilometres) of the current site. This re-location will mean the closure of the existing Warrnambool saleyards and the Camperdown saleyards.

Given the regional significance of the saleyards an economic impact assessment of the Warrnambool Livestock Exchange is required to establish the potential economic impact of and benefits to the council and the broader community from relocating to a privately-owned facility approximately 30 minutes from the current site.

#### SCOPE AND PURPOSE

The objective of this study is to determine the economic impact of the proposed re-location of the saleyards on the regional Warrnambool economy. This study will identify:

- The key industry and business groups that will be affected by the re-location;
- The current economic benefits to town that the current location of the Warrnambool sale yards provides; and
- The potential economic losses that may occur with the re-location of the sale yard facility 35 kilometres east of the current site.

#### HOW CAN YOU PROVIDE INPUT?

Retail trade has been identified as one of the key areas that may be potentially impacted by the relocation of the Warrnambool Stock Exchange. As retail traders and business owners in the region your input to the analysis could greatly enhance the accuracy of the economic impact assessment. The key areas of information that we are seeking are outlined in the following questionnaire.

*All information collected will be held in the Strictest Confidence.*

Please write your responses in the space provided in **ALL CAPITALS**, or place a 'tick' in the relevant box/s

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To return the completed survey:

1. Address to: Attention: Warrnambool Economic Impact Assessment Survey Response  
AECgroup - PO Box 942, Spring Hill, QLD, 4004; or
2. Fax: Fax directly to AECgroup's Brisbane office – 07 3831 3899
3. Email: [lmcleod@warrnambool.vic.gov.au](mailto:lmcleod@warrnambool.vic.gov.au) or [sarah-jane@aecgrouppltd.com](mailto:sarah-jane@aecgrouppltd.com)

1

Warrnambool Livestock Exchange- Economic Impact Assessment - Business Survey  
Confidential

**Questions**

**Q1:** Please provide a brief description of your business [what sorts of goods and services do you sell?].

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→ \_\_\_\_\_

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**Q2:** How many employees do you have excluding yourself? [please answer both a) and b), inserting 0 if none]

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a) Full time: \_\_\_\_\_ [number of staff]

b) Part time/ Casual: \_\_\_\_\_ [number of staff]

**Q3:** Is there a noticeable difference in trade activity on the: [please answer a) & b) and provide additional detail in c) as appropriate]

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a) The weekly (normal) Wednesday sale days? [please tick yes or no]

b) The monthly (special) sale days? [yes/ no]

c) Please provide additional detail or comments relating to the above question: \_\_\_\_\_

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**Q4:** What is an average indicative monthly turnover for your business? [please insert figure in space provided]

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→ \$ \_\_\_\_\_/month

**Q5:** If the Warrnambool Livestock Exchange relocated 35km east of the current site, I would expect the average monthly turnover of my business to: [please tick one box and fill in percent (%) as relevant]

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→ Increase  by \_\_\_\_\_ %

→ Decrease  by \_\_\_\_\_ %

→ Stay approximately the same

**Q6:** Would the re-location of the Warrnambool Livestock Exchange place financial pressure on your business? [please tick one box and provide an additional comment]

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Yes  No

**Comment/ Additional Detail:**

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## Appendix B: Input-Output Model

### Input-Output Methodology

Quantitative estimates have been developed for the economic impact of the relocation of the WLE 35 km east of Warrnambool City to the area of Garvoc. AECgroup has used its proprietary input-output assessment models to develop the likely impacts of the project on gross output, value-added production (net contribution to the Gross Regional Product or GRP), incomes and employment.

The impacts have been assessed for the likely direct and flow-on benefits resulting from the development of the entertainment facility and its operation.

Expenditure after adjusting for producer purchases from the project are allocated to the 109 industrial sectors used by the input output table and applied to an input output model of the economy. The input output table used to assess the economic impact of the project is the 2001/02 Australian Bureau of Statistics Australian Input-Output Table.

The stimulus from additional economic activity can be traced through the economic system in several different ways:

- The first round effect, or direct effect, are those from the expenditure by purchasing additional goods from other industries.
- The second round effects, or indirect effects, are those from the supplying industries increasing their purchases to meet the additional demand. The second and subsequent rounds of purchasing are termed the indirect effects.

The first and second round effects are measured utilising multipliers. The four types of multipliers represented in each scenario include:

- **Output:** Measures the increase in gross sales throughout the whole economy by summing all the individual transactions, directly and indirectly, from economic stimulus. The output impact is also useful for providing an indication of the degree of structural dependence between sectors of the economy.
- **Value added:** The value added or gross regional product (GRP) impact measures only the net activity at each stage of production. GRP is broadly defined as the additional consumption, investment and government expenditure, plus exports of goods and services, minus imports of goods and services. The GRP impacts are the preferred measure for the assessment and contribution of a stimulus to the economy.
- **Income:** The income impact measures the additional amount of wages and salaries paid to employees of the industry under consideration and to other industries benefiting from the stimulus to the economy.
- **Employment:** The employment impact measures the number of jobs created by the stimulus, both directly and indirectly. It should be noted that short-term response to increased demand may be for employers to ask existing staff to work overtime and will therefore result in less employment than the numbers of jobs indicated by the economic impact of the stimulus.

### Limitations of Analysis

Key limitations of input-output analysis include:

- **Linear and homogenous inputs:** The inputs purchased by each industry are a function of the level of output of that industry. The input function assumes constant returns to scale and no substitution between inputs by assuming that inputs are linear and homogenous of degree one.
- **Static equilibrium:** The system is in equilibrium at given prices. This is not the case in an economic system subject to external influences.

- **Perfect elasticity:** The input-output model is a static model with no capacity constraints so that the supply of each good is perfectly elastic. Each industry can supply whatever quantity is demanded of it and there are no capital restrictions.
- **Additivity:** The total effect of carrying on several types of production is the sum of the separate effects. This rules out external economies and diseconomies and generally does not reflect real world operations.



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**E:** [aec@aecgroup ltd.com](mailto:aec@aecgroup ltd.com)  
**W:** [www.aecgroup ltd.com](http://www.aecgroup ltd.com)