Centre of Excellence Stage 2 BUSINESS CASE

Destination Sydney Surrounds South (DSSS) and Destination Southern NSW (DSNSW)

7 February 2024

KEY PROPOSAL DETAILS

PROPOSAL INFORMATION	
Proposal name	NSW Tourism, Hospitality and Events (THE) Centre of Excellence
Lead proponent (e.g. Council)	Destination Sydney Surrounds South (DSSS) and Destination Southern NSW (DSNSW)
Lead proponent ABN	N/A
Proposal partners	N/A
LEAD CONTACT	
Name	Shannan Perry-Hall
Position	General Manager, Destination Sydney Surrounds South
Phone	+61 418 776 640
Email	shannan@dnsss.com.au
Fax	-
Address	93 Crown Street, Wollongong NSW 2500
PROPOSAL SCOPE	
Proposal summary for publication *Please provide 150 words or less*	The NSW Tourism, Hospitality and Events (THE) Centre of Excellence proposes a professional development Centre of Excellence for hospitality and tourism businesses, their staff and hospitality professionals that enhances the level of high-value tourism and hospitality products and experiences available in the DSSS and DSNSW regions.
PROPOSAL LOCATION	
Proposal address	To be confirmed
Local government area	Kiama, Shellharbour, Shoalhaven, Wollongong, Wingecarribee, Snowy Monaro Regional, Bega Valley and Eurobodalla
NSW electorate	Bega, Monaro, South Coast, Shoalhaven, Kiama, Shellharbour, Wollongong, Wollondilly, Goulburn
Federal electorate	Eden Monaro and Gilmore
SUPPORTING INFORMATION	
Attachments *Please list out all supporting information provided*	

DOCUMENT INFORMATION

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Version Release Date	
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Version	Amendment	Amendment Date	Amended by
1.0	Draft Outline	18 October 2023	
2.0	Draft Business Case Version 1	13 December 2023	
3.0	Draft Business Case Version 2	18 January 2024	
4.0	Final Business Case	7 February 2024	

CONTENTS

ACRONYMS

Acronym	Definition
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
AQS	Australian Qualifications Framework
AUSTRADE	Australian Trade and Investment Commission
BCR	Benefit Cost Ratio
BLER	Bushfire Local Economic Recovery
CBA	Cost Benefit Analysis
CoE	Centre of Excellence
CPI	Consumer Price Index
CUC	Country University Centre
DMP	Destination Management Plan
DN	Destination Network
DNSW	Destination NSW
DPI	Department of Primary Industries
DSNSW	Destination Southern NSW
DSSS	Destination Sydney Surrounds South
EDS	Economic Development Strategies
FER	Functional Economic Regions
FTE	Full-time Equivalent
GVA	Gross Value Add
HR	Human Resources
LGA	Local Government Area
MCA	Multi Criteria Assessment
NPV	Net Present Value
NSW	New South Wales
PCG	Project Control Group
PV	Present Value
RBA	Reserve Bank of Australia
REDS	Regional Economic Development Strategies
RSA	Responsible Service of Alcohol
RTO	Registered Training Organisations
TAFE	Technical and Further Education
THE	Tourism, Hospitality and Events
VET	Vocational Education and Training
WPI	Wage Price Index
YES	Youth Employment Strategy

1 EXECUTIVE SUMMARY

Tourism and hospitality are key economic drivers for the New South Wales (NSW) South Coast (the "Region"), providing significant benefits for the local economy and communities. The South Coast Centre of Excellence (CoE) concept was developed following industry feedback in response to the impacts of the 2019/20 NSW bushfires and COVID-19 pandemic which had a compounding effect on the South Coast tourism and hospitality industries and its workforce. DSSS was successful in securing funding to implement a CoE pilot program across the Local Government Areas (LGAs) of Shoalhaven, Eurobodalla and Bega Valley to support the development of staff skills to encourage staff retention and promote career pathways in the industry, whilst providing rewarding, long-term careers for residents.

While the CoE has achieved success in supporting the hospitality and tourism sector, additional opportunities exist to grow the visitor economy and address gaps identified by business owners, operators, and staff. To build on the CoE project's momentum, realise opportunities and address gaps, a second stage of the CoE, NSW Tourism, Hospitality and Events (THE) CoE ("Stage 2") has been proposed. Stage 2 will continue the project delivery in Shoalhaven, Eurobodalla and Bega Valley and expand the CoE to service the LGAs of Kiama, Shellharbour, Wingecarribee, Wollongong and Snowy Monaro.

A series of alternatives, comprising different combinations of service offerings (or activities), locations and delivery models, was developed for Stage 2 to deliver on its vision to support economic growth in the Region through the development and enhancement of the tourism and hospitality industry. Extensive stakeholder consultation was conducted with key stakeholders in the tourism and hospitality industries to understand industry needs and their demand for services and support, which supported refinement of the alternatives into a long-list of four options.

The following four options were then analysed in further detail:

1. Option 1: Networking activities and events hosted or facilitated by the CoE that complement the activities of Destination Networks (DNs) and are intended to drive employment and training opportunities in the industry and draw awareness to region-specific products and services, including by connecting businesses and individuals to existing training and development programs (equivalent to 1 Full Time Equivalent (FTE)), across all 8 LGAs;

2. Option 2: Networking activities (as per Option 1), plus the provision of targeted training programs that focus on high-value product offerings, fill training gaps and upskill workers (equivalent to 2 FTE total), across all 8 LGAs;

3. Option 3: Networking and training activities (as per Option 2), plus activities to facilitate greater recruitment and retention by partnering and engaging with education institutions and offering training programs to encourage retention (equivalent to 4 FTE total), across all 8 LGAs; and

4. Option 4: Activities as per Option 3, implemented via a hub model with additional FTE allocation (6 FTE total) to ensure greater geographic coverage across all 8 LGAs.

A Multi Criteria Analysis (MCA) was performed on these four options, assessing each option against key strategic, financial and operational weighted criteria. Option 3 was ranked the most appropriate option, followed by Option 2, due to its high scoring against strategic criteria, such as the extent to which it can achieve the Proposal's objectives, alignment with stakeholder feedback, and its ability to achieve industry support, criteria which were all weighted highly. A Cost Benefit Analysis (CBA) was subsequently performed on these two shortlisted options to determine the Preferred Option. The costs and benefits of the Proposal were identified for each of the two shortlisted options. Further detail on the CBA methodology, including data sources and assumptions, can be found in Section 3.6. The CBA results are outlined in Table 1.

Table 1: CBA results (real, discounted at 5% per annum)

CBA results	Option 2	Option 3
Total benefits	5,719,856	11,537,753
Total costs	4,873,855	8,245,234
Results		
NPV (Net Present Value)	846,001	3,292,519
BCR (Benefit Cost Ratio)	1.17	1.40

Option 3 was identified as the Preferred Option with the higher Benefit Cost Ratio (BCR). This outcome is driven by the Option offering a greater number of activities and additional FTE support, enabling more engagement and a greater proportion of businesses to realise benefits across the delivery area.

The financial appraisal evaluated the financial viability of the Preferred Option, assessing the actual costs of the project. The analysis found that the whole of life costs for the Preferred Option were estimated at $10.1 million (nominal, discounted by 3.3% per annum). This includes an employment cost component of $6.3 million, delivery cost component of $3.8 million and operational cost component of $66,370.

There are a number of potential sources of funding for the Preferred Option for the CoE, including government funding, sponsorship/philanthropic support, self-generated income, and partnerships. Stakeholder consultation and the analysis undertaken as part of the business case development suggests that there is opportunity for a phased shift from depending largely on government grants to a greater reliance on sponsorship, revenue from partnerships, and self-generated income. Ongoing government funding will likely be necessary to ensure consistent delivery of the CoE's operations. However, the dependence on government funding sources can lessen as industry awareness and participation increase, creating opportunities for funding through industry led alternatives.

The CoE will leverage partnerships and existing networks in the Region to avoid duplication, enable cost-effect service delivery and maximise reach and outcomes across the Region.

The proposed governance model includes two key governing entities responsible for governance and oversight of the CoE's program:

1. *A Board,* comprised of representatives from the DSSS and Destination Southern NSW (DSNSW) Boards, working together in a joint decision-making capacity as key funders of the program; and

2. *A Steering Committee,* comprised of representatives from across the tourism and hospitality industries, including business owners and operators, members of existing community groups and industry networks, as well as local government, in the Region, and responsible for shaping the CoE's activities and delivery mechanisms from a strategic perspective, ensuring that the CoE remains industry led.

The CoE will continue, at least initially, to be hosted by DSSS and DSNSW. As the CoE transitions to a more sustainable funding model with external funding sources beyond government, it is recommended that governance arrangements are revisited to ensure that funding bodies remain responsible for governance.

2 CASE FOR CHANGE

Summary:

The tourism and hospitality industry is a key contributor to the economy in the NSW South Coast (the "Region"), delivering 4 per cent of Gross Value Add (GVA) in the Destination Sydney Surrounds South (DSSS) region and 4.6 per cent of GVA in Destination Southern NSW (DSNSW). The visitor economy in the Region also provides social opportunities for local communities, with enduring Aboriginal culture and connections to Country in the Region.

While the Centre of Excellence (CoE, or the "Centre") has achieved success in supporting the hospitality and tourism sector, additional opportunities exist to grow the visitor economy and address gaps identified by business owners, operators, and staff. Stage 2 of the CoE, NSW Tourism, Hospitality and Events (THE) CoE ("Stage 2"), is proposed to address the enduring challenges faced by the Region in the recruitment and retention of a skilled workforce to deliver the quality experiences sought by visitors.

In recent years, these challenges have primarily been driven by negative perceptions of employment in the industry, housing unaffordability and low unemployment rates. Fragmentation of the industry has hindered the development and promotion of career pathways in the industry, dissemination of best practices, and awareness of local products and services. To date, existing training and professional development facilities have had limited success addressing these challenges.

Stage 2 has been developed to address the three key problems and two opportunities identified by stakeholders in the Region:

1. Problem: Workforce shortages and skills gaps negatively impact businesses' ability to deliver quality visitor experiences and the industry's ability to grow

2. Problem: Targeted industry coordination and networking opportunities for businesses to gain awareness of local product and service offerings and collaboratively address issues specific to the Region, including employment issues are limited.[1]

3. Problem: Career pathways are under-developed and under-promoted, impacting attraction, retention and business continuity in the visitor economy

4. Opportunity: There is an opportunity to grow the visitor economy by adopting a coordinated approach and addressing workforce issues

5. Opportunity: Supporting product and service diversification and cross-promotion of products will improve the resilience of local business and economies and drive visitor dispersal

There is an opportunity to extend and expand the CoE to address ongoing workforce and industry fragmentation issues and leverage opportunities to grow the visitor economy through promoting collaboration amongst industry and equipping business owners, operators and staff to diversify their product and service offering.

Extensive stakeholder consultation has been undertaken to support the business case for Stage 2, ensuring that the CoE concept continues to be industry-led and is designed to address the key problems and opportunities for the Region as identified by key stakeholders.

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[1] Any activities undertaken by the CoE to address this problem statement are expected to complement and support the existing work by DNs, which is understood to be broader in nature when compared to the targeted role of the CoE in facilitating networking to drive employment opportunities and connecting participants to training and providing awareness of region-specific product and service offerings.

2.1 BACKGROUND

NSW hosts the greatest number of international and domestic overnight and day trip visitors of all Australian states and territories, collecting $46.4 billion from visitor expenditure in the year ending March 2023 and contributing 2.7 per cent to the State's Gross Value Add (GVA) in FY22.[2] Indirect contributions of tourism to the NSW economy are also significant, with every dollar spent in the tourism industry resulting in an additional 82 cents of related expenditure being generated and spent elsewhere in the economy in FY22.[3] Regional NSW leads other regional areas in Australia in share of total state visitors, offering strong opportunities for tourism and hospitality. In the year ending March 2023, 55 per cent of NSW's total visitor expenditure contribution was from tourism in regional NSW.[4]

The NSW South Coast (the "Region") is one of NSW's most popular visitor destinations. The visitor economy is a key economic driver for the Region, providing direct and indirect benefits for the local businesses and communities.[5] In recognition of the high demand for tourism in NSW, in 2016 the NSW Government announced the creation of professionalised regional tourism entities, known as Destination Networks (DNs), to work with Destination NSW to advance the interests of growing tourism in NSW. The core role of the DNs is destination management, and their key responsibilities include industry engagement and industry development, produce development, training and education, ensuring quality and compliance with funding application guidelines, and collaboration with Destination NSW on industry activities.[6] The DNs responsible for destination management of the NSW South Coast are Destination Sydney Surrounds South (DSSS) and Destination Southern NSW (DSNSW).

The South Coast region experienced a significant reduction in economic activity from the visitor economy between late 2019 and 2022 due to the combined impact of bushfires and COVID-19. The tourism and hospitality industry faced the most profound and direct impacts of the bushfire crisis, more so than other industries such as healthcare, education and manufacturing. Reduced visitors to coastal towns in the Region during the summer peak season led to falling tourism revenue and less work for casual staff. As such, the local government areas (LGAs) and/or specific areas within LGAs, which are more reliant on the tourism and hospitality industry, were disproportionally impacted by the bushfires compared to regional areas with more diversified economies.

This downturn was further accentuated between 2020 and 2022 with the unprecedented impact of COVID-19 on the visitor economy. Border closures, travel restrictions and traveller hesitancy caused a significant and abrupt effect. This impact to the economy was particularly severe in 2021 with the COVID-19 outbreak being more pronounced and public heath restrictions causing constraints to visitation and the loss of many jobs in the tourism industry. Between March 2020 and December 2021, cumulative losses for the Australian visitor economy reached $146.5 billion, with $69.2 billion of this loss occurring in 2021.[7] Additionally, employment in the visitor economy declined by approximately 26 per cent between the December quarter of 2019 and September quarter of 2021.[7]

The South Coast was hit significantly by the economic and workforce impacts of the bushfires and COVID-19 due to the Region's key industry drivers of hospitality and tourism. Between 2020 and 2021 the South Coast experienced a severe downturn in the number of visitors and therefore expenditure.

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[2] NSW Government Destination NSW, *Travel to NSW Key Statistics Mar 2023,* https://www.destinationnsw.com.au/wp-content/uploads/2023/08/nsw-visitation-infographic-mar-2023.pdf
[3] Tourism Research Australia, State Tourism Satellite Account, https://www.tra.gov.au/en/economic-analysis/tourism-satellite-accounts/state-tourism-satellite-account#ref6
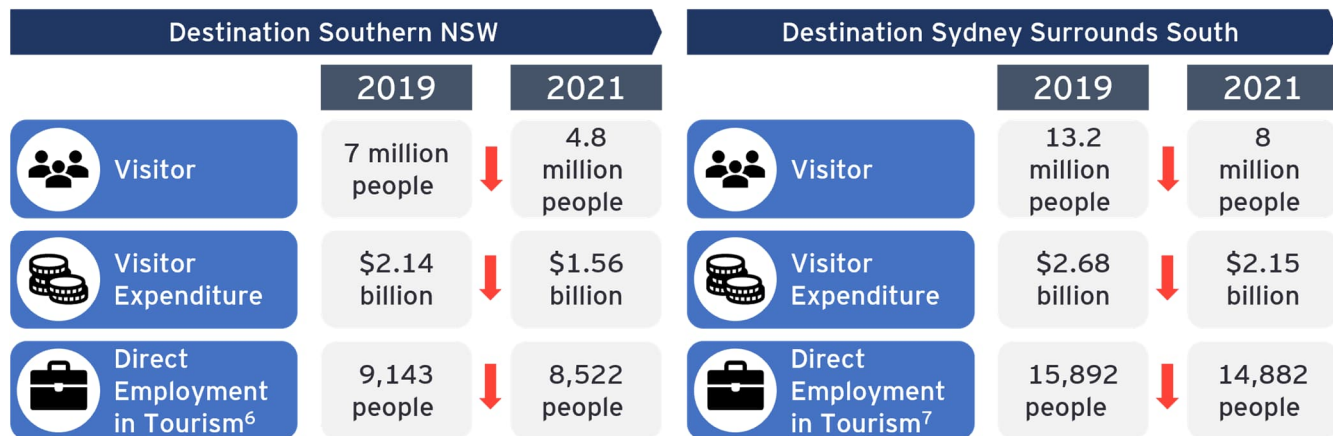[4] NSW Government Destination NSW, *Travel to NSW Key Statistics Mar 2023,* https://www.destinationnsw.com.au/wp-content/uploads/2023/08/nsw-visitation-infographic-mar-2023.pdf
[5] The visitor economy encompasses the direct and indirect contributions to the economy resulting from a person (a visitor) travelling outside their normal place of residence. Source: NSW Visitor Strategy.
[6] NSW Government, *Destination Networks,* https://www.nsw.gov.au/grants-and-funding/event-development-stream/destination-networks
[7] Australian Trade and Investment Commission: Tourism Research Australia, *State of the Industry,* https://www.tra.gov.au/en/economic-analysis/state-of-the-industry/state-of-the-industry-2021.html

Figure 1: DSNSW and DSSS tourism statistics 2019 and 2021

Destination Southern NSW	2019	2021		Destination Sydney Surrounds South	2019	2021
Visitor	7 million people	↓ 4.8 million people		Visitor	13.2 million people	↓ 8 million people
Visitor Expenditure	$2.14 billion	↓ $1.56 billion		Visitor Expenditure	$2.68 billion	↓ $2.15 billion
Direct Employment in Tourism[6]	9,143 people	↓ 8,522 people		Direct Employment in Tourism[7]	15,892 people	↓ 14,882 people

Notes:
[8]. Direct Employment in Tourism (DSNSW)
[9]. Destination Sydney Surrounds South (DSSS) region

2.1.1 Background of the Centre of Excellence

Recognising the impacts of the 2019/20 NSW bushfires and COVID-19 pandemic on the South Coast tourism and hospitality industry and its workforce, DSSS[10] were successful in securing a grant under the Bushfire Local Economic Recovery (BLER) fund. This grant funding, of $995,023, was secured to establish and deliver an industry-led, virtual tourism and hospitality CoE (or the "Centre") for the Region.

The overarching aim for the CoE, as articulated in the Stage 1 business case, is to serve as a network that will grow the Region's economy through the development and enhancement of the tourism and hospitality industry. Currently, the objectives of the CoE pilot program are to address workforce shortages, elevate visitor experiences, and support product diversification, to drive increased tourism yield, reduce seasonality and support resilient local businesses. The CoE has pursued these objectives through the implementation of pilot programs centred around the development of staff skills to encourage staff retention and promoting career pathways in the industry, whilst providing lasting careers for residents, including young people and Aboriginal and Torres Strait Islander communities.[11]

Stage 1 of the CoE has been delivered in close partnership with DSNSW[12] and has entailed the delivery of a pilot program across the LGAs of Shoalhaven, Eurobodalla and Bega Valley. The period of funding for the pilot program is to conclude on 31 March 2024.

To date, the pilot program has delivered three key programs in response to the challenges faced by business owners and operators in the industry. Under each of these programs several activities have been implemented across the delivery period. These programs, their purpose and specific activities are listed in Table 2.

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[8] Destination Southern NSW, *Southern New South Wales Destination Management Plan 2022-2030,* https://dsnsw.com.au/download/southern-nsw-destination-management-plan-2022-2030/
[9] Destination Sydney Surrounds South NSW, *Sydney Surrounds South Destination Management Plan 2022-2030,* https://dnsss.com.au/resources/
[10] DSSS includes the LGAs of Kiama, Shellharbour, Shoalhaven, Wollongong and Wingecarribee (the Southern Highlands).
[11] DSSS, *Project Briefing: South Coast Centre of Excellence,* https://dnsss.com.au/wp-content/uploads/2021/11/DSSS-Project-Briefing_South-Coast-Centre-of-Excellence_FINAL-web.pdf
[12] DSNSW includes the LGAs of Hilltops, Upper Lachlan, Yass Valley, Goulburn Mulwaree, Queanbeyan-Palerang, Eurobodalla, Bega Valley and Snowy Monaro Regional.

Table 2: Key Stage 1 CoE programs

Program	Purpose	Activities
Schools and Job Seekers Program	To attract and create a pipeline of new recruits into the tourism and hospitality industry	• Tourism and Hospitality Experience school day pilot program November 2022 • 2023 Schools Program • Bega Valley and Eurobodalla Short Course Program
Existing Employees Program	To facilitate the professional development of the current workforce and increase staff retention	• Wine and Spirit Education Trust courses • Local Knowledge Famils • South Coast CoE Scholarship Program • Mentor Program
Owner / Operator Program	To support tourism and hospitality owner / operators to grow their businesses and expand their leadership skills	• Professional Development Program 2022 and 2023

The Manager of Skills and Opportunities and Industry Partnership Specialist appointed to deliver the CoE have led the implementation of these activities alongside DSSS representatives. Actions undertaken to support implementation of the Project include:

- Coordination with Destination NSW to market the CoE activities and programs
- Engagement with local Chambers of Commerce to present a brief on the CoE and encourage collaboration between the Chambers and CoE activities
- Development of a database of more than 1,400 tourism and hospitality operators in the Region and distribution of monthly newsletters to provide updates on the CoE programs and activities
- Establishment of a Steering Committee in March 2022 to regularly review the activities of the CoE and provide guidance to the project officers
- Development of a program of events for 2022 and 2023 based on the results of a 2022 survey of industry representatives outlining needs and training opportunities for the Region
- Facilitation of one-on-one mentoring events through a mentoring program in the 2023 tourism off-peak season
- Establishment of the Champions Program to enable leaders in the tourism and hospitality industry in the Region to provide feedback on the CoE, advise on business needs in their local communities and support with delivery of industry programs
- Ongoing stakeholder engagement and development meetings to gather feedback on programs and knowledge on challenges faced by businesses where the CoE can assist.

2.1.2 This Project

Stage 1 of the Project has demonstrated its success across the two-and-a-half-year delivery through positive stakeholder feedback and high levels of engagement by businesses owners and operators, resulting in oversubscription of pilot programs.

Despite the impact of the CoE in building the capacity in the tourism and hospitality industry in the Region, stakeholders have suggested that barriers to growing the Region's visitor economy remain. The challenges the Region faces in delivering high value and quality tourism and hospitality experiences primarily lie in the fragmented and small-scale nature of businesses. During stakeholder consultation conducted to support the business case for Stage 1 of the CoE, it was noted that many operators were delivering budget experiences and failing to address the strong demand for luxury offerings. Labour and skills shortages meant that business owners lacked the time or capital to invest in high value tourism.

Given the level of industry engagement with the pilot project and the persistent challenges experienced by the industry, a second stage of the CoE, NSW Tourism, Hospitality and Events (THE) CoE ("Stage 2"), is proposed to maintain program momentum, support growth in visitor numbers, elevate quality standards in the industry, facilitate opportunities to develop workforce skills and address industry and workforce gaps identified by business owners and operators. This project will continue to aim to develop a revitalised tourism and hospitality industry that better services high-value customers to support the resilience of the industry and broaden its appeal to a range of visitor markets.

This business case, developed by DSSS and DSNSW in conjunction with EY, investigates opportunities for expansion of the CoE in the medium- to long-term. This will include expanding the target area from Shoalhaven, Eurobodalla and Bega Valley to also include the LGAs of Kiama, Shellharbour, Wingecarribee, Wollongong and Snowy Monaro ("the study region") (see Figure 2)

Figure 2: Stage 2 study region
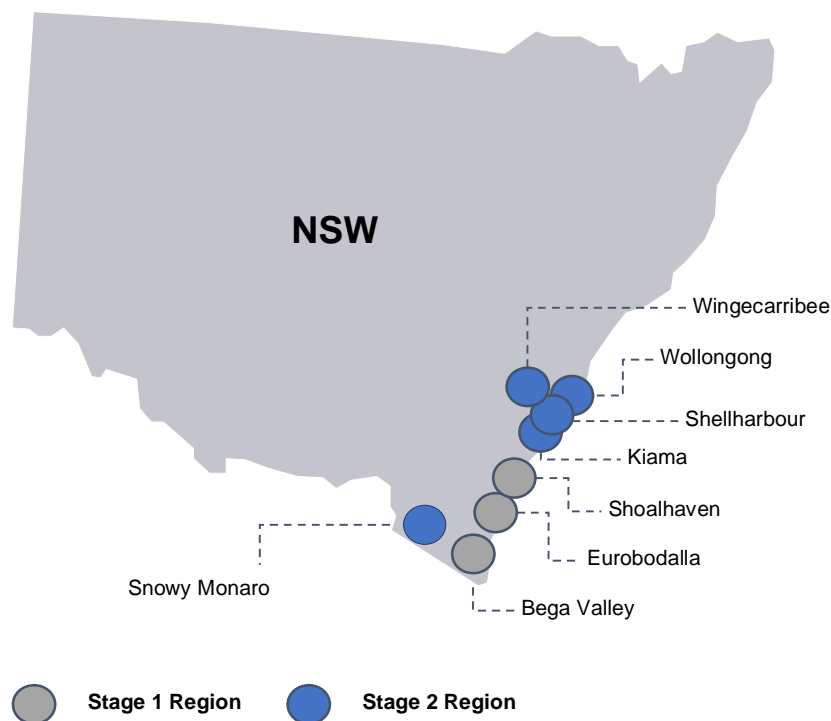
To inform the development of this business case:

1. An industry survey was undertaken by DSSS, identifying the nature of the challenges faced by tourism and hospitality business owners, operators and staff in the Regions, and the feedback collected from the pilot program. These findings are used to inform the development of options and rationale for further investment.

2. Stakeholder consultations were conducted with key business, industry and government stakeholders to gather feedback on the pilot project and understand gaps to be addressed and opportunities to be leveraged for the CoE going forward. The outputs of these consultations support the rationale for investment outlined in this business case and informed the development of options for implementation.

2.2 RATIONALE FOR INVESTMENT

Five areas for the CoE to address and capitalise on have been identified, including three problems and two opportunities as detailed in Table 3.

Table 3: Problem and opportunity statements

Problem / Opportunity Statement			Reference
Problem		Workforce shortages and skills gaps negatively impact businesses' ability to deliver quality visitor experiences and the industry's ability to grow	2.2.1
		Targeted industry coordination and networking opportunities for businesses to gain awareness of local product and service offerings and collaboratively address issues specific to the Region, including employment issues are limited[13]	2.2.2
		Career pathways are under-developed and under-promoted, impacting attraction, retention and business continuity in the visitor economy	2.2.3
Opportunity		There is an opportunity to grow the visitor economy by adopting a coordinated approach and addressing workforce issues	2.2.4
		Supporting product and service diversification and cross-promotion of products will improve the resilience of local business and economies and drive visitor dispersal	2.2.5

These problems and opportunities are detailed in the sub-sections below.

2.2.1 Workforce shortages and skills gaps negatively impact businesses' ability to deliver quality visitor experiences and the industry's ability to grow.

Workforce shortages and skills gaps within the study region are reported to hinder businesses from delivering quality visitor experiences and capitalising on current demand for tourism in the regions.

In an industry survey conducted by the CoE in September 2023, 56 per cent of respondents identified skilled staff as the key resource required to increase the value of the products or services of businesses to attract higher value customers. Workforce and skills shortages were also identified in the Australian Trade and Investment Commission's THRIVE 2030 strategy as significant barriers to the recovery and long-term growth of the visitor economy inhibiting the regions from meeting demand from international and domestic travellers. The Local Jobs Plans for the Illawarra South Coast and Capital Region employment regions identified ongoing difficulties for hospitality, tourism and small businesses to recruit workers to meet demand, reducing the ability of businesses to deliver services and maintain financial viability.

Findings from the 2022 Skills Priority List released by the Australian Government National Skills Commission show that almost a third (31 per cent) of occupations assessed are in shortage (286 out of 914 occupations).[11] A survey conducted by Business NSW highlighted that as of June 2022, 93 per cent of

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[13] Any activities undertaken by the CoE to address this problem statement are expected to complement and support the existing work by DNs.

businesses were experiencing a skills shortage, compared to 73 per cent in 2021, and 55 per cent in 2019.[14]

In particular, prominent occupations found to be in shortage included chefs and cooks, cleaners, housekeepers and waitstaff.[15] These occupation shortages are consistent with those identified in the industry survey conducted by the CoE in September 2023, where Responsible Service of Alcohol (RSA) trained bar staff, housekeeping and wait staff were identified as the primary occupation shortages in the study region. Survey respondents indicated that developing the skills and experiences of existing staff in the following areas may support to strengthen the visitor economy:

- Customer service and communication
- Local tourism awareness and knowledge
- Sales and marketing skills.

Existing training opportunities are available in the study region, including courses administered by Technical and Further Education (TAFE) and other Registered Training Organisations (RTOs) in hospitality, travel and tourism. However, training offered by existing training institutions in the study region generally focuses on upskilling students in basic skills required to deliver experiences in the tourism and hospitality industry. These institutions typically offer formal training across core topics, however flexibility to tailor the courses is restricted by rigid guidelines that form the charter of the training institutions and broader Vocational Education Training (VET) and Australian Qualifications Framework (AQS). Training programs offered by these institutions also lack opportunities for students to develop region-specific insights into the local tourism and hospitality industry, including knowledge of local product and service offerings. Stakeholders also reported that accessibility of this training has decreased in recent years, and highlighted the need to travel significant distances to access specialised training or certifications.

Stakeholders report that there are opportunities to implement more tailored and targeted training initiatives, including vocational skills-based training to support the delivery of higher-value visitor experiences, training to support product development, and training to promote career pathways and opportunities in the industry, which are perceived to be gaps in existing training. There is also an opportunity to offer high-calibre courses which reflect industry trends in flexible formats which are not required to comply with VET/AQS guidelines and frameworks.

Skills shortages and low rates of unemployment are compounded in regional areas, including the study region, where domestic and international visitor demand for products and services has strongly rebounded since the COVID-19 pandemic and 2019/20 bushfires without an associated rebound in the availability and experience of staff. Despite strong demand for products and services, workforce shortages are reported to disrupt business operations, including opening hours and opening periods, and hinder businesses from delivering high-quality visitor experiences. These regional challenges are consistent with the challenges for the national visitor economy including the availability of the Australian workforce, overreliance on temporary migrants, and high staff turnover.[16]

These workforce shortages and skills gaps in the tourism and hospitality industry are reported by stakeholders to be driven by a range of factors including:

	Perceptions of employment in the industry	Employment in the industry is perceived to be short-term in nature or undesirable due to working hours, remuneration and career pathways (detailed in Section 2.2.3). Stakeholders suggested that the provision of targeted skills-based training with a focus on skills development in the

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[14] Business NSW, *Workforce Skills Survey June 2022,* https://www.businessnsw.com/content/dam/nswbc/businessnsw/pdf/Workforce_Skills_Survey_Preliminary_Report.pdf
[15] Business NSW, *Workforce Skills Survey June 2022,* https://www.businessnsw.com/content/dam/nswbc/businessnsw/pdf/Workforce_Skills_Survey_Preliminary_Report.pdf
[16] Australian Trade and Investment Commission (2022). *The Visitor Economy: Making it a Career of Choice: A Literature Review,* https://www.austrade.gov.au/en/news-and-analysis/publications-and-reports/the-visitor-economy-making-it-a-career-of-choice.html

		context of a career pathway in the visitor economy may enable training facilities to overcome common challenges of alternative training schemes – high attrition, low completion rates, low levels of employee loyalty, lack of integrated career planning and lack of strategic skills development.
	Housing availability and affordability	Between June 2022 and June 2023 median weekly rents increased across all LGAs in the DSSS and DSNSW regions with the exception of Wingecarribee. During this period median weekly rents increased by 10 per cent or more in the Bega Valley, Hilltops, Shellharbour and Yass Valley LGAs.[17] On the NSW South Coast, property asking prices have increased by 13.5 per cent in the three years to August 2023.[18]
	Low unemployment rates	Unemployment rates in the regions have fluctuated significantly since 2019, with unemployment rates reaching record lows in the past 12 months. In July 2023, the unemployment rate for the Illawarra, Southern Highlands and Shoalhaven, and Capital regions was 2.8 per cent, 2.7 per cent and 1.8 per cent respectively, significantly below the NSW state unemployment rate of 3.2 per cent, demonstrating there is a particularly tight labour market in the study region.

2.2.2 Targeted industry coordination and networking opportunities for businesses to gain awareness of local product and service offerings and collaboratively address issues specific to the Region, including employment issues are limited[19]

The visitor economy is reliant on a complex ecosystem of stakeholders, requiring effective collaboration between Commonwealth, states and territories, local governments, industry bodies and businesses to bolster the growth and resilience of the economy. Lack of targeted opportunities for collaboration between visitor economy businesses within and between the DNs has been reported to inhibit the overall strength and resilience of the tourism and hospitality industry. Stakeholders in the regions report significant fragmentation of the industry, including the presence of "cliques" and a perception of other businesses in the regions as competitors. This is reported to hinder:

- Industry coordination and networking amongst local businesses, including collaboration to address employment issues
- The dissemination of best practices across the industry
- Awareness of complementary product and service offerings of local businesses
- Cross-promotion of product and service offerings.

The importance of partnership networks to strengthen tourist destinations and the visitor economy more broadly is reinforced in tourism research. Research highlights that a destination, particularly from the visitor's perspective, can be perceived as a series of interrelated activities and attractions that must operate in unison to create a holistically satisfying experience.[20] This requires visitor economy businesses to promote their own products and services whilst simultaneously cooperating and coordinating with other businesses to uplift the destination itself to elevate the entire visitor experience. Studies have demonstrated the benefits of implementing a structured and coordinated approach to collaboration amongst visitor economy businesses, including knowledge sharing, capitalising on complementary assets and capabilities,

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[17] NSW Department of Communities and Justice (2023) *Issue 133 (2023) Rent tables June 2023 quarter,* https://www.facs.nsw.gov.au/download?file=848716

[18] SQM Research (2023). *Weekly Asking Property Prices: South Coast NSW,* https://sqmresearch.com.au/asking-property-prices.php?region=nsw-South%20Coast%20NSW&type=r&t=1

[19] Any activities performed by THE CoE which may address this problem statement, particularly as it relates to training and employment opportunities and drawing awareness to region-specific product and service offerings, would complement the existing general networking activities of the DNs.

[20] Ramayah, T., Lee, J. W. C., & In, J. B. C. (2011). Network collaboration and performance in the tourism sector. *Service Business, 5,* 411-428.

diverse experiences and additional business opportunities.[21] Industry collaboration therefore enables businesses to exert influence over the destination whilst strengthening individual businesses.[22]

Tourism research has also found that ineffective collaboration can inhibit the development of shared objectives and an overarching vision of tourism in the regions.[23] Efforts to encourage local businesses to acknowledge the benefits of visitor economy businesses collaborating with industry associations, businesses, local, state and federal government departments have been recommended to maximise opportunities to promote the regions as tourist destinations.[24] These efforts to strengthen the visitor economy through the cross-promotion of businesses/services and products in the Region may support increasing visitor expenditure and average length of stay in the Region.

Prior to Stage 1 of the CoE, stakeholders reported having limited formal and informal networking opportunities and described the industry as operating in silos rather than in a broader ecosystem. One of the key benefits of the CoE pilot operated in the Shoalhaven, Eurobodalla and Bega Valley regions was reported to be the CoE's role in facilitating opportunities for networking and collaboration. The industry survey conducted by the CoE in September 2023 indicates that amongst those that had previously participated in CoE programs and activities, 72 per cent of respondents reported having improved knowledge of other businesses in the Region and their product and/or service offering. Further, 58 per cent of respondents reported improved collaboration with other businesses in the region to deliver complementary products and/or services.

2.2.3 Career pathways are under-developed and under-promoted, impacting attraction, retention and business continuity in the visitor economy

Attraction and retention of staff is reported by stakeholders to be a key challenge faced by local businesses. The perception of employment in the industry as short-term in nature or as a "job" rather than a "career", is reported by business owners to contribute to challenges with attraction and retention of staff. This is supported by substantial evidence in Australian literature, which highlights that this perception has proven a challenge for the tourism and hospitality industry for many years.[25]

This contrasts with attitudes to employment in the tourism and hospitality industries internationally, including Switzerland's hotel industry, which has a reputation for excellence and providing high quality, reliable services. The strong reputation of the Swiss hotel industry has had a positive influence on perceptions of employment in the tourism and hospitality industry, and has resulted in the establishment of highly renowned hotel schools in Switzerland to educate and train a large number of students.[26] A study examining the attitudes and perceptions of undergraduate tourism and hospitality students in Australia towards careers in the industry found that students have concerns over promotion opportunities, career pathways, and the pay and conditions within the industry, and these concerns resulted in over a third of students surveyed claiming that they would not work in the industry post-graduation.[27] A separate study found that international students are more likely to believe that the tourism and hospitality industry offers the factors they find important when choosing a career, indicating that domestic graduates are less likely to join the industry upon graduation.[28]Industry stakeholders perceive there to be a number of factors

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[21] Zach, F., & Racherla, P. (2011). Assessing the value of collaborations: A case study of Elkhart County, Indiana. Journal of Travel & Tourism Marketing, 28(1), 97-110. doi:10.1080/10548408.2011.535446

[22] Ramayah, T., Lee, J. W. C., & In, J. B. C. (2011). Network collaboration and performance in the tourism sector. *Service Business*, *5*, 411-428.

[23] South Coast Tourism Industry Association (2022) *About Us,* https://southcoasttourismnsw.com.au/

[24] Ibid.

[25] Richardson, S. (2009). Undergraduates' perceptions of tourism and hospitality as a career choice. *International Journal of Hospitality Management*, *28*(3), 382-388.

[26] Tajeddini, K (2011). Customer Orientation, Learning Orientation, and New Service Development: An Empirical Investigation of the Swiss Hotel Industry, 35(4), 437-468

[27] Richardson, S. (2010). Generation Y's perceptions and attitudes towards a career in tourism and hospitality. *Journal of Human Resources in Hospitality & Tourism*, *9*(2), 179-199.

[28] T Richardson, S. (2010). Tourism and hospitality students' perceptions of a career in the industry: a comparison of domestic (Australian) students and international students studying in Australia. *Journal of Hospitality and Tourism Management*, *17*(1), 1-11.

contributing to employment in the industry being perceived as "jobs" as opposed to "careers". These contributing factors are outlined below.

- A young, transient workforce
- The seasonal nature of employment in the DSSS and DSNSW regions
- Low levels of pay and formal qualifications
- The high proportion of staff employed part-time or on a casual basis
- A fragmented industry that operates in silos
- A large proportion of work outside normal business hours
- High levels of staff turnover.

The number of full-time and part-time workers in the accommodation and food services industries in the DSSS and DSNSW regions is outlined in Figure 3.

Figure 3: Part- and full-time employees in the accommodation and food services industry by region (2022)
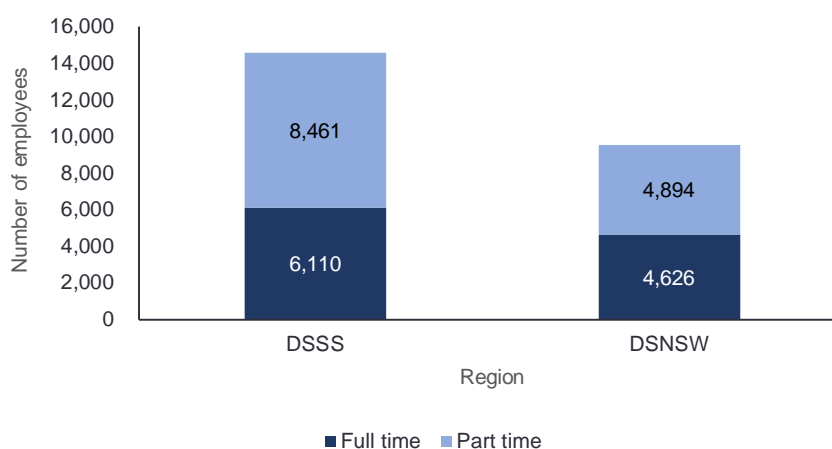
Source: Destination NSW

According to Australian Bureau of Statistics (ABS) data from August 2022, the industries with the lowest median weekly earnings were accommodation and food services ($600 per week) and retail trade ($800 per week). In a period when the labour market is tight, stakeholders have also suggested that staff are being lost to other sectors, particularly the aged care sector.[29] In addition, stakeholders shared that there are limited financial resources to provide staff with appropriate training opportunities to upskill, which may also contribute to reduced job satisfaction and staff turnover. For the first time in 30 years, the TAFE in Nowra did not run a Certificate III in Hospitality course, which will have a significant impact on building a pipeline of skills for the DSNSW region.

Workforce transience is reported by stakeholders to significantly impact business operations and industry growth. These workforce challenges are reported to result in continuous efforts by local businesses to re-train their workforce, resulting in increased costs, lost productivity and an inability to innovate; disruption to service continuity, including impacts on opening hours and periods; and inconsistency in service delivery including quality standards. For local businesses, improving workforce retention will therefore optimise training, improve consistency in service delivery, enable extended opening hours or periods, ultimately supporting businesses to diversify their operations as well as strategically plan for year-round visitation.

To incentivise the workforce in the tourism and hospitality industry to build a career in the industry, there is a need to demonstrate the short-, medium- and long-term benefits of pursuing employment by highlighting

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[29] According to the most recent Fair Work Ombudsman pay guide, full-time aged care workers generally earn between $861.40 and $1,043.60 per week, which is an additional $261.40 to $4,043.60 per week more than the median weekly earnings in the accommodation and food services industry. In addition, the federal government committed to a 15 per cent pay rise for aged care workers from 1 July 2023. Retrieved from https://selmar.edu.au/aged-care-worker-earn/

progression and promotion pathways, and the breadth of business opportunities in the industry. This will require a coordinated and collaborative effort on behalf of business, industry and government stakeholders (as detailed in 2.2.4).

2.2.4 There is an opportunity to grow the visitor economy by adopting a coordinated approach and addressing workforce issues

Addressing fragmentation of the tourism and hospitality industry in the region through the implementation of coordinated and collaborative approaches is necessary to grow and enhance the visitor economy in the region. A number of growth opportunities for the South Coast visitor economy exist, including:

1. Australian economic conditions favouring shorter domestic trips in the coming years	Research published by the Australian Trade and Investment Commission forecasts that solid growth will persist for overnight trips, day trips and visitor nights in 2023, however a dip in growth is expected in 2023 as household savings accumulated during the COVID-19 pandemic will have been reduced by increasing cost-of-living pressures.[30] Stakeholders attributed these economic conditions to a reduction in visitors from the middle-income bracket, and highlighted the need to ensure diverse tourism and hospitality offerings to appeal to each market.
2. Opportunities to increase visitor numbers by delivering diversified visitor experiences that will appeal to varied visitor markets	Of the Destination NSW network regions, DSSS and DSNSW are ranked third and fourth respectively in visitor numbers, recording 11,862,000[31] and 6,256,000[32] domestic overnight and daytrip visitors in the year ended March 2023 respectively, behind Destination Sydney Surrounds North and Destination North Coast. This suggests that there are opportunities to develop tourism and hospitality offerings in the DSSS and DSNSW regions and strengthen service delivery to appeal to visitors from a range of market segments.
3. The potential to reduce operating costs by establishing economies of scale, and forming partnerships with other businesses.	Establishing partnerships may result in qualitative and/or quantitative benefits for local businesses including economies of scale achieved through strategic partnerships, and expanded opportunities to diversify service offerings through leveraging the resources and networks of other businesses.

The need for coordination and collaboration in tourism planning has been widely recognised for decades.[33] Studies have found that to achieve success in the visitor economy, businesses need to collaborate and network to achieve common goals which may be both tangible and intangible. For collaboration and networking to materialise, there must be concerted efforts at building trust and commitment as well as effective communication among the visitor economy stakeholders. Some of the key benefits of collaboration in the visitor economy include:

- Providing cost-effective solutions in regions by pooling resources

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[30] Australian Trade and Investment Commission (2022). Tourism Forecasts for Australia: 2022 to 2027. Austrade, Canberra.
[31] Destination NSW (2023). *Travel to Sydney Surrounds South Destination Network: Year ended March 2023,* https://www.destinationnsw.com.au/wp-content/uploads/2023/07/Sydney-Surrounds-South-dn-time-series-ye-mar-2023.pdf
[32] Destination NSW (2023). *Travel to Southern NSW Destination Network: Year ended March 2023,* https://www.destinationnsw.com.au/wp-content/uploads/2023/07/Southern-NSW-dn-time-series-ye-mar-2023.pdf
[33] Ramayah, T., Lee, J. W. C., & In, J. B. C. (2011). Network collaboration and performance in the tourism sector. *Service Business, 5,* 411-428.

- Avoiding the costs of potential stakeholder conflicts[34]
- Adding value to ongoing policy making and destination development through the inclusion of those impacted by the development in policy decisions[35]
- Knowledge sharing
- Innovation and diversification opportunities
- Resource development.[36]

Opportunities to grow the visitor economy by addressing workforce issues are outlined in research conducted by Swinburne University on behalf of the Australian Trade and Investment Commission, which outlines the need for strong collaboration to ensure workforce skills are aligned with the changing requirements of employers.[37] Research suggests this may be achieved through the use of accredited training programs, micro credentials and short courses developed through industry collaborations.

Promoting improved collaboration and coordination amongst industry in the Region may therefore contribute to industry growth by enabling businesses in the region to capitalise on economic conditions favouring shorter domestic trips, increasing the capacity and diversifying the industry to grow visitor numbers by employing skilled and professional employees, improving awareness/referral pathways, improving visitor dispersal achieved by promoting collaboration intra-regionally and stimulating inter-organizational learning and knowledge exchange and a sense of community and collective common purpose that may result in qualitative and/or quantitative benefits for local businesses.

2.2.5 Supporting product and service diversification and cross-promotion of products will improve the resilience of local business and economies and drive visitor dispersal

Tourism businesses are significant contributors to the regions' economies, accounting for 4 per cent of GVA (or $768 million) in the DSSS region and 4.6 per cent GVA (or $599 million) in the DSNSW region. The contribution of tourism to GVA has grown every year since 2010/11 at an average of 1.5 per cent in the DSSS region, and 1.2 per cent per annum in the DSNSW region. Figure 4 presents the industry share of Direct Tourism GVA by region.

Figure 4: Industry share of Direct Tourism GVA by region (2022)

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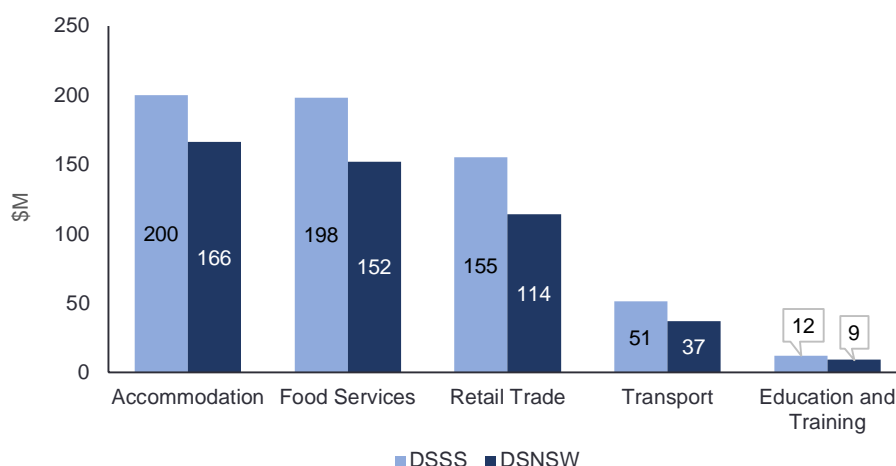
[34] Ladkin, A., & Bertramini, A. M. (2002). Collaborative tourism planning: A case study of Cusco, Peru. *Current issues in tourism*, *5*(2), 71-93.
[35] Ibid.
[36] Ibid.
[37] Australian Trade and Investment Commission (2022). *The Visitor Economy: Making it a Career of Choice: A Literature Review,* https://www.austrade.gov.au/en/news-and-analysis/publications-and-reports/the-visitor-economy-making-it-a-career-of-choice.html

Tourism also represents a significant source of employment for the region, accounting for 7.7 per cent[38] of the workforce in the DSSS regional, and 9.6 per cent[39] of the workforce in the DSNSW region in 2020/21.

The COVID-19 pandemic and bushfire-related declines in domestic and international tourism significantly impacted the DSSS and DSNSW regional economies given the regions' reliance on the tourism and hospitality industry. The pandemic and bushfires reduced the number of visitors to the region, with the DSSS region recording a 62.1 per cent decrease in the number of domestic visitors between March 2020 and March 2022, and a 38.2 per cent decrease in the number of domestic visitors between March 2020 and March 2022[40] and a 62.1 per cent decrease in the DSSS region over the same period.[41] Figure 5 shows the trends in the number of domestic visitors by region between the year ended March 2018 and March 2023.

Figure 5: Number of domestic visitors by region
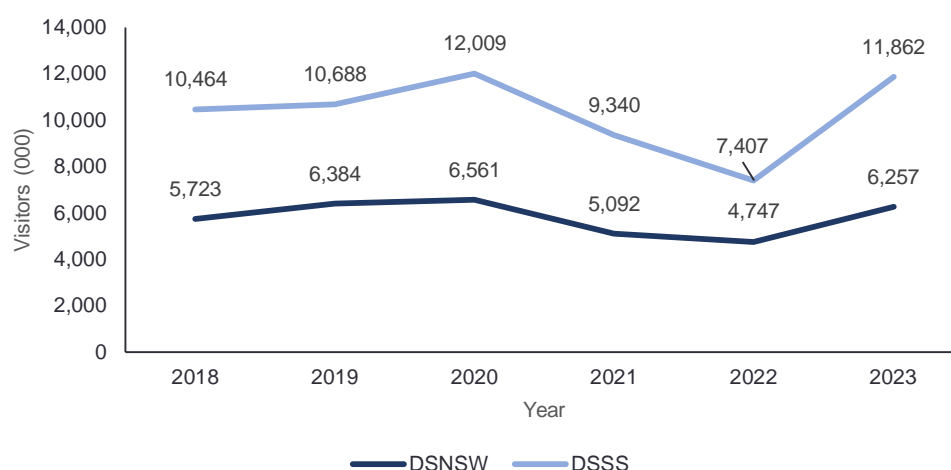
As evidenced in Figure 5, both DSNSW and DSSS have experienced a strong rebound in domestic visitor numbers, approaching pre-pandemic and 2019-20 bushfire levels at March 2023. Whilst the number of domestic visitors remains slightly below pre-pandemic and bushfire levels, the number of nights spent in the region and visitor expenditure has increased significantly. Despite the relative resilience of the DSSS and DSNSW visitor economies to bushfire and COVID-19 related challenges, the medium and long-term impacts of current economic circumstances on the visitor economy in the regions remain to be seen, and Tourism Research Australia has forecast that growth in international and domestic tourism will continue at a slower pace during the forecast period (to 2027) due to deteriorating global economic conditions.

Opportunities to diversify the regions' products and services will contribute to improved resilience of local businesses and economies to future external shocks similar to those that significantly disrupted the tourism and hospitality industry in the regions since 2019, including the 2019/20 bushfires, the COVID-19

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[38] Destination NSW (2022). *The Value of Tourism to Sydney Surrounds South 2022,* https://dnsss.com.au/wp-content/uploads/2023/08/Sydney-Surrrounds-South-DN-report-YE-Dec-2022.pdf

[39] Destination NSW (2022). *The Value of Tourism to Southern NSW 2022,* https://dsnsw.com.au/wp-content/uploads/2023/08/Value-of-Tourism-to-Southern-NSW-2022.pdf

[40] Destination NSW (2023). *Travel to Southern NSW Destination Network: Year ended March 2023,* https://www.destinationnsw.com.au/wp-content/uploads/2023/07/Southern-NSW-dn-time-series-ye-mar-2023.pdf

[41] Destination NSW (2023). *Travel to Sydney Surrounds South Destination Network: Year ended March 2023,* https://www.destinationnsw.com.au/wp-content/uploads/2023/07/Sydney-Surrounds-South-dn-time-series-ye-mar-2023.pdf

pandemic, and more recently, cost-of-living pressures including rising inflation. Stakeholders identified several opportunities to diversify the tourism and hospitality industry in the region, including:

- Expanding opportunities to maximise Aboriginal workforce participation and promote Aboriginal Tourism product and skills development, heritage and cultural tourism
- Developing eco-tourism experiences to cater to increased visitor appetite for sustainable tourism and hospitality experiences
- Forming intra-regional partnerships to promote greater visitor dispersal across the Region
- Forming inter-regional partnerships to develop cohesive visitor experiences through establishing compelling brands and positioning statements
- Cross-collaborations with other businesses and or partnerships with corporates to hold ticketed events
- Developing year-round product and service offering to address the seasonal variation in visitor economy, including investment in regional infrastructure to support year-round tourism experiences in historically seasonal economies.

The THRIVE 2030 Strategy outlines that diversification of the visitor economy's source markets, offering, assets and workforce is key to addressing and modernisation of its offering, assets, and workforce. A literature review commissioned by the Australian Trade and Investment Commission identified several focus areas to support with diversification, including:

- Opportunities to increase the resilience of the visitor economy through developing adaptive, system-level business models to create value, address stakeholder problems and invest in place-based solutions
- Increased focus on creating value propositions that use, measure and manage social and environmental impact as a source of value, to address changing expectations of customers, employees and other stakeholders
- Employing people from underrepresented and disadvantaged groups as a tool to address the issues of skill shortages, and provide opportunities for creating social impact, attracting new customers, opening new funding streams, and building competitive advantage.[42]

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[42] Australian Trade and Investment Commission (2022). *The Visitor Economy: Making it a Career of Choice: A Literature Review,* https://www.austrade.gov.au/en/news-and-analysis/publications-and-reports/the-visitor-economy-making-it-a-career-of-choice.html

2.3 VISION AND OBJECTIVES

The overarching vision for the CoE is to support economic growth in the DSSS and DSNSW regions through the development and enhancement of the tourism and hospitality industry.

This vision is underpinned by five objectives (refer to Figure 6), which, when addressed concurrently, will enable capacity building and increase quality standards in the industry, ultimately supporting growth in visitor numbers, nights and expenditure in the region.

Figure 6: Vision for the Centre of Excellence

Promoting career pathways in the tourism and hospitality industry for school leavers and job seekers to encourage staff attraction and retention, and create a sustainable pipeline of skilled workers;

Facilitating industry networks and collaboration between businesses, staff and regions to support the tourism and hospitality "ecosystem", enable cross-promotion of products and services, and facilitate greater visitor dispersal;

Supporting the development and promotion of high-value products and services by enhancing regional knowledge and catering to segmented consumer preferences to drive greater visitor spend;

Facilitating diversification of the tourist economy and business offerings throughout the regions to address seasonality by facilitating knowledge sharing of best practices amongst industry and catering for segmented consumer preferences; and

Promoting "excellence" amongst regional businesses and elevating overall quality standards for the industries by promoting "champions" and upskilling business owners, operators, managers and staff to deliver consistent and high-quality tourism experiences.

2.4 STRATEGIC ALIGNMENT

The CoE's objective to elevate tourism yield and position the Region to the high-value market is strongly aligned with the objectives of several plans and strategies, as outlined in Table 4. This is either through the development of the Region's tourism and hospitality sector by providing education and career development opportunities, or through leveraging planned improvements to physical infrastructure to further the outcomes of the industry.

Table 4: Strategic Alignment

Strategy or Plan	Alignment of the Centre of Excellence with NSW state, regional and local strategies and plans
NSW state strategies and plans	
Infrastructure NSW plans	The *State Infrastructure Strategy* and *Restart NSW Fund* have a strong focus on ways to grow the State's economy, enhance productivity and improve liveability, acknowledging the challenges and opportunities present, through built infrastructure. A large component of both these strategies is a focus on physical infrastructure. While the CoE may not directly align with the focus of these strategies, it will support them by strengthening the tourism and hospitality sector to harness the benefits of any upgrades to, or new regional environment and tourism infrastructure. Specifically, the *Restart NSW Fund* has a focus on funding and delivery of regional tourism infrastructure, including funding approved for a number of projects that will enhance the industry as well as accessibility to the Region.[43]
20-year Economic Vision for Regional NSW 2021	Tourism is identified as one of the core industries driving the regional NSW economy. The CoE would align with this Vision by supporting growth in the Region's visitor economy.
NSW Visitor Economy Strategy 2030	Acknowledging that Regional NSW is key to the future of NSW's visitor economy, the Strategy centres on restoring businesses and the industry to pre-COVID levels of visitor spending and growing the visitor economy to $65 billion by 2030. Major infrastructure projects completed during the 10-year period are expected to stimulate growth, enhance spending, boost visitation, and expand the visitor economy in NSW. Additionally, there will be increased investments in visitor infrastructure from both the public and private sectors, which is expected to boost community and visitor satisfaction with events. The objectives of the CoE are expected to capitalise on these investments through driving a stronger tourism and hospitality sector.
Visitor Economy Industry Action Plan 2030	The Plan sets out the Government and industry targets and actions to enhance and support NSW's tourism industry, with a goal to accelerate growth and deliver maximum economic benefits through the visitor economy. Focus two of the Plan looks to support regional NSW through additional funding and accountability for DNs and implementation of the Destination Management Plans (see below). The outcomes of the CoE support the Plan which also has a focus on expanding industry education and skills programs to enhance the visitor experience and promote career pathways in the industry.

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[43] Infrastructure NSW, *State Infrastructure Strategy*, https://www.infrastructure.nsw.gov.au/expert-advice/state-infrastructure-strategy/ ; Infrastructure NSW, *Restart NSW*, https://www.infrastructure.nsw.gov.au/restart-nsw/agency-led-projects/

Strategy or Plan	Alignment of the Centre of Excellence with NSW state, regional and local strategies and plans
Destination Networks Growing the Regional NSW Visitor Economy to 2030	The NSW Destination Management Plan (DMP) sits above the seven individual plans for each NSW DN and provides a collaborative framework to guide the work of the DNs and local, regional and state tourism stakeholders. The objectives align to the CoE with a major goal of the DMP to assist businesses and the industry to rebuild and return total visitor expenditure to pre-COVID levels.
Pathways for Secondary Students Strategy	The Strategy aims to ensure that every student is supported through diverse pathways to succeed in post-school employment or training. The CoE's school program directly aligns to this outcome by investing in school transition and providing pathways for students into the hospitality and tourism sectors.
South Coast region strategies and plans	
Sydney Surrounds South Destination Management Plan 2022-2030	The CoE would seek to support the visitor economy to recover and be sustainable, capable and resilient. This aligns with the DSSS DMP's emphasis on enhancing collaborative marketing partnerships, fostering economic prosperity, generating jobs and lifestyle prospects for NSW residents, creating genuine visitor experiences to extend stays and increase dispersal, hosting high-quality events, creating new events and attracting investments to boost the visitor economy.
Southern NSW Destination Management Plan 2022-2030	The CoE would support several objectives of the DSNSW DMP, including strengthening the visitor economy for recovery and resilience through genuine experiences, boosting current and new events and attracting investment for sustainable growth. Additionally, the CoE will support the Plan's objective to develop and deliver authentic visitor products and experiences to drive visitation to the Region through the CoE's focus on high-value and quality tourism.
Local strategies and plans	
Regional Economic Development Strategies (REDS)	The Regional Economic Development Strategies (REDS) were developed by local councils and communities across NSW's 38 Functional Economic Regions (FERs). This includes the FERs of Shellharbour, Shoalhaven, Snowy Valley, Southern Tablelands, Snowy Monaro, Wingecarribee and Far South Coast, which are impacted by the CoE. While each strategy speaks to the individual characteristics of the FERs, collectively across these five REDS, growth in the tourism sector is a key focus for future investment and support. There is an emphasis on enabling diversity of tourism offerings and developing new tourism experiences which aligns with the objectives of the CoE. Additionally, the REDS focus on workforce and skills development and sustainability in industries where the FER has comparative advantages. Accommodation and food services and tourism are identified as these key industries across the study region.
LGA Economic Development Strategies (EDS)	At the LGA level, Councils may develop an Economic Development Strategy (EDS). This is a plan to guide the economic direction of the LGA for a set time. Often the plan will include several actions that will feed directly into annual Council Action Plans aiming to address challenges and opportunities faced by the LGA with a focus on industry and workforce. Wingecarribee, Wollongong, Shoalhaven City Council, Eurobodalla Shire and Bega Valley Shire all have published and current EDS. The impact of the CoE within these LGAs to local businesses, the workforce and the visitor economy directly aligns with these documents to achieve an economic vision for each region.

Strategy or Plan	Alignment of the Centre of Excellence with NSW state, regional and local strategies and plans
Southern Highlands Destination Strategy 2020-2030	The Destination Strategy brings together community and economic strategies of the Wingecarribee Shire Council, providing a blueprint to achieve the Council's 2031 vision. With tourism being a core industry of the area, the Strategy includes a number of priorities to support and grow the visitor economy. The delivery of the CoE, which will assist in building resilience into the tourism sector, will enhance the objectives of this strategy, which includes targeting the variability of visitors.
South East and Tablelands Regional Plan 2041	The South East and Tablelands Regional Plan 2041 provides a long-term vision supported by objectives and actions for the Region. A key outcome of this Plan is increased investment in tourism to drive development. The CoE will assist in the realisation of the objectives of the Plan by assisting in diversifying and capitalising on investments in the tourism industry.
Shoalhaven Destination Management Plan 2018-2023	The Shoalhaven DMP outlines the key priorities, focus areas and actions for the Shoalhaven region with a specific focus on tourism. The CoE will support the vision of the Plan which is for the Region to be recognised and valued for its quality environment and visitor experiences.
Illawarra Shoalhaven Regional Plan 2041	The Plan aims to enhance the Region's assets and plan for a sustainable future. Tourism is identified as a priority growth sector, with ongoing investment in infrastructure aiming to better connect the network of tourism attractions. The CoE will support this plan by fostering an environment that can deliver a varied visitor economy with high-value tourism and hospitality product offerings ultimately, boosting visitor numbers and expenditure.
Illawarra South Coast Local Jobs Plan	The Plan sets out the training and employment challenges and priorities of the region and associated strategies for implementation or projects to address these in the Illawarra South Coast employment region. A key challenge outlined in the Plan is the ongoing difficulty for hospitality, tourism and small businesses to recruit workers to meet demand. The CoE looks to address this challenge through its activities and focus on driving a skilled workforce, enhancing career opportunities and engaging with young people in the industry.
Far South Coast Strategic Regional Plan 2022-2027	The Plan brings together several regional strategies and plans from across the Far South Coast (Shoalhaven City, Eurobodalla and Bega Valley) to ensure collaboration and avoid duplication of Council efforts. The Plan highlights the tourism industry as a key economic driver and acknowledges the impacts the 2019-2020 Bushfires had on the Region. Similar to the CoE, the Plan aims to assist the Region to transition from recovery and improve the resilience of industries. A key opportunity identified is growth in tourism initiatives and visitor economy, both of which the CoE can assist in facilitating.
Tablelands Destination Development Plan 2020-2025	The Tablelands Destination Development Plan was developed to create a roadmap to guide the collaborative work of local, regional and state tourism stakeholders to grow, develop and promote the Tablelands region and its towns and villages as a distinct new, appealing and competitive tourism region in NSW. The Plan outlines the five key Tablelands Visitor Economy Objectives for 2025 and describes the Region's strategic priorities to guide the work of tourism stakeholders over the five years to 2025. The CoE will assist in the realisation of these objectives by promoting quality tourism and hospitality experiences in bordering areas within the DSNSW region.

2.5 EXPECTED OUTCOMES

The aim is for the CoE to elevate the tourism and hospitality industry in the NSW South Coast by facilitating industry networking and coordination and capacity building. This would involve a focus on establishing career pathways into the industry, supporting industry to develop diversified and high-value products and services, linking industry with existing training offerings and filling gaps in training and development of high-value product and service offerings. The CoE would seek to address several key outcomes that will support consumers, residents, local businesses, industry and Local Councils, as outlined in Table 5. Specific success indicators for the CoE are outlined in section 2.3.

Table 5: Expected outcomes of the CoE

Outcomes for the NSW South Coast	Expected Beneficiaries
✓ Increase annual visitors ✓ Increase higher value spending ✓ Increase duration of visitor stays ✓ Increase workforce retention in the tourism and hospitality sector ✓ Increase the pipeline of skilled tourism and hospitality workers ✓ Increase the professional development of business operators	✓ **Consumers:** who will have access to a segmented tourism and hospitality offering, ranging from 'budget' to 'high-value' experiences. ✓ **Local businesses:** who will enjoy increased revenue, which can be used to support further job creation. This will particularly be the case for the businesses that develop year-round offerings. ✓ **Local residents:** who will benefit from more employment opportunities, long-term career options, greater choice in local hospitality offerings and a stronger tourism and hospitality sector. ✓ **Local industry groups:** who can market the region's improved hospitality and tourism experience to attract more visitors year-round. ✓ **Local Councils:** who may be able to use increased visitor numbers as a case for sourcing greater levels of funding for the Region's community infrastructure. ✓ **NSW Government:** DNSW will benefit from the development of a model that can be used by other regions and adapted to their specific local context

2.6 STAKEHOLDER & COMMUNITY SUPPORT

In undertaking this business case, extensive stakeholder consultation has been undertaken to seek feedback and insights to determine the future direction of the CoE. Similar to the Stage 1 CoE business case, stakeholder consultation has been critical in informing this business case and optioneering process, to ensure the Centre addresses the identified needs of regional stakeholders.

2.6.1 Consultation activities undertaken

Consultations have been conducted with a wide range of industry and government representatives and local business owners and operators from across the DSSS and DSNSW regions.[44] Stakeholder consultation has been undertaken utilising a range of new and existing consultation forums. Key consultation activities include a virtual industry workshop, small group interviews and one-one-one consultation alongside ongoing project control group (PCG) and DN project team working sessions (see Table 6).

Stakeholders consulted throughout the CoE pilot phase include:

- Community stakeholders (local business owners and operators, CoE pilot project stakeholders, First Nations businesses)
- Local community group representatives (Chambers of Commerce, First Nations organisations)
- Local tourism representatives (Council, local tourism office and Regional Development Australia representatives)
- Government representatives (Department of Regional NSW, Destination NSW, DSNSW and DSSS)
- DSNSW Board members
- DSSS Board members
- CoE Steering Committee
- PCG
- TAFE representatives
- Local Jobs Network representatives

 These stakeholder groups listed above were consulted through the following mechanisms:

- Industry Survey
- Interviews
- Famils
- Site visits to local businesses
- Presentations in Local Jobs Network meetings
- Presentations in Business Chamber Meetings

Table 6: Key stakeholder consultation undertaken as part of the Stage 2 business case

Activity	Detail
Industry workshop	A virtual industry workshop was undertaken with key industry stakeholders from across DSSS and DSNSW. Stakeholders included a range of business owners and operators in the tourism and hospitality industry in the Region. The purpose of the workshop was to explore stakeholder perspectives on the major challenges and opportunities specific to the Region, present and test the CoE vision and activities, and explore implementation considerations including FTE requirements to support the CoE, locations and delivery methods.
Small group interviews	Virtual small group consultations were held with various community, business, industry and government stakeholders. Similarly to the industry

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[44] See Appendix for a full list of stakeholders who attended virtual workshops and interviews.

Activity	Detail
	workshops, the purpose of the interviews was to test options, adapting the content of each session to the relevant stakeholder group.
PCG	Virtual PCG meetings were held on a fortnightly basis to update PCG members on project progress, test direction for the vision of the CoE and options development, and seek feedback on key deliverables. Engaging with PCG members on a regular basis has supported ongoing refinement of business case inputs. PCG members included representatives from DSSS, DSNSW, Department of Regional NSW, Destination NSW and local industry associations.
Indigenous Connections Famil	Business case writers from the EY team participated in an Indigenous Connections Famil in Shoalhaven in October 2023 to observe CoE activities developed to promote Indigenous tourism offerings in the Region. Throughout the Famil, operators participating in the program were engaged to discuss individual perspectives on opportunities and challenges in the Region, their feedback on the CoE pilot program and their views on how the CoE could provide additional support in Stage 2.

Stakeholder consultation was used to obtain input on:

- The current problems faced by the Region's tourism and hospitality sector and the key opportunities and strengths of the Region's visitor economy where the CoE can have an impact
- The medium- to long-term vision for the CoE, including the role the CoE should undertake and activities the CoE should prioritise in the medium' to long-term to achieve this
- The potential options, including the type of FTE support, the delivery mode, the location and funding arrangements of Stage 2 to assist in refinement of the long-list of options.

Stakeholders shared mixed views when defining the overall value proposition of the CoE, activities to ensure the achievement of outcomes, and proposed funding sources, however, stakeholders were broadly supportive of the proposed continuation and expansion in the Region.

2.6.2 Qualitative Findings

2.6.2.1 The Current State of Play

Stakeholders suggested that while the Region has seen a rebound over the past 12 to 18 months, the visitor economy is still recovering.

Consultation participants re-iterated common themes around the impact of workforce shortages on operations, the fragmented nature of the tourism and hospitality industry in the study region and lack of established career pathways, as described in Section 2.2.

A number of additional factors were identified as drivers of challenges in the tourism and hospitality industry in the study region. Many of these drivers are ongoing challenges which were identified in the CoE Stage 1 business case. Challenges identified included:

- Developing and sustaining a diversified and resilient business model capable of adapting to seasonal changes, including changes to seasonality brought about by climate change
- Offering long term careers in the industry that are appealing to graduates, skilled and unskilled staff
- Coordination between training providers and local businesses to ensure the availability of practical training experiences and ensure that graduates possess skills that align with industry needs
- Offering long-term careers in the industry, rather than short-term seasonal work to address workforce transience
- Recruiting and retaining staff to ensure business continuity and support the delivery of high-quality tourism and hospitality experiences
- Availability of grants in the industry and the lack of support for grant applications
- Quality product development and service delivery

- Coordination between business owners/operators and the presence of "cliques" in the industry hindering collaboration and the promotion of a cohesive 'destination' for visitors.

Stakeholders perceived these challenges to be exacerbated by external economic pressures, including increased costs of living. This was reported to have resulted in changes to the typical demographic profile of visitors to the South Coast region. Stakeholders reported that the number of high-income visitors has remained stable, as this cohort is less impacted by cost-of-living increases, however the number of middle-income visitors has decreased substantially, due to the impact of cost of living pressures on their spending habits. Stakeholders reported that the number of low-income visitors has remained relatively consistent due to the low-cost nature of trips to the region amongst this group, including camping and stays in budget holiday parks. These trends demonstrate the need for a continued focus on expanding hospitality offerings, including high value offerings to meet demand from high income visitors, and developing local capability to cater to all traveller profiles, from budget to high value.

2.6.2.2   Required role and activities of the CoE

Stakeholders discussed the role and activities of the CoE in reference to the outcomes of the Stage 1 pilot and the desired outcomes of Stage 2. There was general consensus amongst stakeholders that the current activities of the CoE are effective in facilitating industry collaboration, upskilling business owners/operators and staff, and developing a pipeline of young workers from local schools. Additionally, stakeholders discussed their preference for the role of the CoE to primarily relate to attracting and retaining staff and business-to-business collaboration, to decrease the impacts of seasonality on the Region's industry.

To address current challenges faced by industry in the Region, stakeholders recommended a number of priority areas for the CoE, including:

- Providing training for business owners/operators and staff in:
    - o Innovation and diversification of product/service offerings to expand their revenue streams and develop higher-value offerings
    - o Cultural awareness training to develop international-ready products and services, and enable businesses to appeal to international visitors
    - o Marketing activities including developing digital marketing strategies and social media marketing materials.
- Supporting the establishment of career pathways into the industry and building a pipeline of skilled graduates
- Facilitating the cross-promotion of products and services amongst industry, including cross-promotion of business via major events.

Developing institutional and corporate partnerships to support the provision of quality training and addressing gaps in existing training offerings Stakeholders highlighted the potential for activities undertaken by the CoE to be duplicative with the offerings of other training facilities including TAFE and RTOs. In response to comments about this potential for duplication, CoE stakeholders distinguished the CoE from other training institutions due to its role in building industry capacity and acting as a connector, connecting industry with training opportunities, or to fill a gap in training that is not already being delivered by other organisations.

Overall stakeholders were supportive of the CoE remaining industry led and ensuring that CoE participants are able to influence CoE offerings to ensure they are directly relevant and helpful to participants.

2.6.2.3   Delivery Options

When developing delivery options for Stage 1 of the CoE, the focus was on complementing and leveraging existing networks and initiatives. This was intended to prevent the CoE from being duplicative and enable it to use the Region's current strengths to perform its role in a financially sustainable way. Stage 1 was delivered in a hybrid model with funding from Government to deliver activities and support FTE requirements.

Stage 2 proposes the expansion of the pilot project while still upholding the focus of Stage 1. Stakeholders were consulted on the current delivery form of the CoE and additional delivery options THE CoE. Whilst stakeholders had diverse views, the majority agreed that benefits would flow from a delivery option that includes:

- **Ongoing in-person delivery:** Stakeholders agreed that there is limited need for a physical 'centre'. However, consultation findings indicate that the general consensus amongst industry stakeholders was that in-person delivery is effective in maximising engagement in the program. It was suggested that the most effective and engaging delivery method for THE CoE is in-person delivery to ensure face-to-face interaction. Stakeholders acknowledged the existence and capacity of existing facilities in the Region and the potential benefits of leveraging underutilising facilities to facilitate CoE training and events. It was noted that a hybrid model would be useful to improve the accessibility of CoE programs as it may reduce the travel costs and time commitment required to participate in the CoE program.
- **Co-funding options:** There was significant variance in stakeholder perspectives on funding methods for Stage 2. Some industry stakeholders were comfortable with a user-pay system provided the CoE programs are priced reasonably, and the offerings are of a distinct nature, of high quality and have a strong value proposition. Other stakeholders noted that industry stakeholders are already financially constrained and that introducing a user-pay system or contribution amount may limit industry participation in the program and therefore the extent of the outcomes. In the short- to medium-term,, funding from government will likely be an ongoing requirement to ensure resources are provided to the CoE. To enable seamless delivery of a virtual model, stakeholders recommended the CoE prioritise investment in a well-resourced, fully functional digital space to ensure a professional and functional front-door for the CoE.

2.6.3 How the Proposal has adapted to these qualitative findings

The options developed in this business case were informed by the extensive stakeholder consultation undertaken in Stage 1 of the CoE business case, key findings of the Stage 1 survey results and feedback, input received from stakeholders at the virtual workshops and the PCG meetings, as well as the comments received on the initial long-list of options that were modified accordingly prior to, refining the options and selecting the preferred option. The Proposal was adapted to these findings by:

- Refining the long-list of CoE options that aimed to address the identified ongoing challenges and opportunities following the pilot stage of the project
- Presenting these options to stakeholders, with their feedback used to provide:
  - Additional CoE components for some options (for example, the inclusion of additional support roles such as an Indigenous Engagement Officer)
  - The removal of options that were found to overlap with existing offerings in the Region
  - The removal of options that were found to not drive the CoE's vision of 'excellence'
  - The confirmation of the expansion to additional LGAs in the Region.

2.6.4 Future communication activities proposed

Further consultations may be required with key stakeholders to:

- Validate the expected delivery costs for the preferred option in this business case
- Formulate quantitative targets for the CoE
- Obtain feedback on any specific policies and programs proposed by the CoE
- Provide updates on the next steps after the business case, operational plan and progress of delivery
- Seek funding and partnership arrangements
- Ensure THE CoE meets the specific needs of Indigenous businesses and stakeholders in the region
- Obtain ongoing feedback via survey or workshops on programs and activities as they are delivered throughout the course of Stage 2.

3 ANALYSIS OF THE PROPOSAL

Summary:

The Proposal seeks to achieve several short- and medium- to long-term objectives, including upskilling business owners, operators, managers and existing staff to deliver high-quality tourism experiences; to facilitate networking and collaboration amongst businesses to enable cross-promotion of products and services; and promoting career pathways in the tourism and hospitality industry to encourage greater attraction and retention, amongst other objectives.

The analysis suggests that under the base case scenario, in which the CoE ceases to exist after 31 March 2024, these objectives will not be able to be realised.

A series of alternatives, comprising different combinations of types of support (or activities), locations and delivery models, was developed and analysed to determine the Preferred Option for Stage 2. Extensive stakeholder consultation was conducted with key stakeholders in the tourism and hospitality industries (refer to Appendix 5.1 for a full list of organisation and agencies consulted) to learn industry perspectives on needs and demand for services and support, the insights from which supported refinement of the alternatives into a long-list of four options.

The following four options were then analysed in further detail:

1. Option 1: Networking activities and events hosted or facilitated by the CoE, connecting businesses and individuals to existing training and development programs and drawing awareness to region-specific products and services (equivalent to 1 FTE), across all 8 LGAs

2. Option 2: Networking activities (as per Option 1), plus the provision of targeted training programs that focus on high-value product offerings, fill training gaps and upskill workers (equivalent to 2 FTE total), across all 8 LGAs

3. Option 3: Networking and training activities (as per Option 2), plus activities to facilitate greater recruitment and retention by partnering and engaging with education institutions and offering training programs to encourage retention (equivalent to 4 FTE total), across all 8 LGAs

4. Option 4: Activities as per Option 3, implemented via a hub model with additional FTE allocation (6 FTE total) to ensure greater geographic coverage across all 8 LGAs.

An Multi Criteria Analysis (MCA) was performed on these four options, assessing each option against key strategic, financial and operational weighted criteria. Option 3 was ranked the most appropriate option, followed by Option 2, due to its high scoring against strategic criteria, such as the extent to which it can achieve the Proposal's objectives, alignment with stakeholder feedback, and its ability to achieve industry support, criteria which were all weighted highly.

A Cost Benefit Analysis (CBA) was subsequently performed on these two shortlisted options to determine the Preferred Option. The costs and benefits of the Proposal were identified for each of the shortlisted options. Costs were based on cost requirements of the pilot stage of the proposal and increased proportionally to meet the characteristics of each option. Three cost categories were identified for the CBA, including employment costs, delivery costs and operational costs. The findings are as follows (real costs, discounted at 5% per annum):

*   Option 2: $4.9 million

*   Option 3: $8.2 million.

The Proposal will deliver a range of direct benefits that can be categorised under increased profits and decreased costs. Increased profits refer to the increased revenue a business can obtain from realising the benefits of the CoE activities, minus the costs associated with this growth. Decreased costs are a

result of reduced spending on three cost categories, including marketing costs, recruitment costs and staff attrition. The CBA has assessed these benefits with the findings as follows (real costs, discounted at 5% per annum):

- Option 2: $5.7 million

- Option 3: $11.5 million.

A CBA analysis on these benefits and costs to determine a preferred option was conducted. The findings are as follows:

- Option 2: BCR of 1.17 and a Net Present Value (NPV) of $0.85

- Option 3: BCR of 1.40 and NPV of $3.30.

As such, Option 3 is identified as the Preferred Option with the higher BCR. This outcome is driven by the Option offering a greater number of activities and additional FTE support, enabling more engagement and a greater proportion of businesses to realise benefits across the delivery area.

The financial appraisal evaluated the financial viability of the Preferred Option assessing the actual costs of the project. The analysis found that the whole of life costs for the Preferred Option were estimated at $10.1 million (nominal, discounted by 3.3% per annum). This includes an employment cost component of $6.3 million, delivery cost component of $3.8 million and operational cost component of $66,370.

There are a variety of funding sources available for Stage 2 including grant funding, sponsorship/philanthropic support, self-generated income and partnerships. The funding alternatives considered provide access to a spectrum of avenues which will support the CoE to uphold financial resilience despite seasonality cashflow implications for local businesses. During the implementation of Stage 2, it is acknowledged that a phased shift from reliance primarily on grant funding to reliance on other funding sources occur.

3.1 OBJECTIVES & INDICATORS

Table 7: Proposal objectives and success indicators

Key problem/issue	Key proposal objective	Key success indicator
Workforce shortages and skills gaps negatively impact businesses' ability to deliver a quality tourism experience and the industries' ability to grow	**Short-term objective:** Upskill business owners, operators, managers and existing staff in relevant skillsets to deliver consistent and high-quality tourism experiences.	• Increase in the average tourism spend per visitor • Decrease in average training/onboarding costs per staff member • Increase in the number of workers retained by the Region's tourism and hospitality businesses for five years or more by a specified target year • Increase in the annual participation in informal training programs offered by local industry by a specified target year • Increase in the number of business owners accessing professional development initiatives
There is limited industry coordination and few opportunities to network to facilitate the cross-promotion of products and collaborate to promote offerings	**Short-term objective:** Facilitate networking and collaboration between businesses and staff to enable cross-promotion of product/services. **Medium to long-term objective:** Facilitate collaboration to encourage investment attraction e.g., through the coordination of major events for destinations.	• Increase in the number of business to business and business to customer referrals • Increase in the number of visitor nights Decrease in average marketing expenditure
Career pathways are under-developed and under-promoted, impacting attraction, retention and business continuity in the tourism and hospitality industry	**Short to medium-term objective:** Promote career pathways in the tourism and hospitality industry for school leavers and job seekers to encourage staff attraction and retention. **Medium to long-term objective:** Create a sustainable pipeline of skilled workers and increase the professional development of business operators.	• Increase in the number of annual visitors • Extension of opening hours/periods • Increase in the number of workers retained by the Region's tourism and hospitality businesses for five years or more by a specified target year • Decrease in average training/onboarding costs per staff member • Increase in the number of graduates in relevant courses from local universities, TAFE and other VET training providers by a specified target year
There is an opportunity to grow the tourism sector further though a more collaborative approach and by addressing workforce issues	**Short-term objective**: Cater for segmented consumer preferences by improving high-value customer service, through enhancing regional knowledge, high-value products, skills and customer service. **Medium to long-term objective:** Create a sustainable pipeline of skilled workers and increase the professional development of business operators.	• Increase in the number of annual visitors • Extension of opening hours/periods • Decrease in marketing expenditure per business
Supporting product and service diversification and cross-promotion will improve resilience of local businesses and economies and drive visitor dispersal	**Short to medium-term objective:** Facilitate knowledge sharing of best practices amongst industry to promote product and service diversification. **Short-term objective:** Strengthen and promote the regional supply chain by facilitating future growth opportunities, investment attraction, product development and higher customer spend per visit. **Medium to long-term objective:** Increase high end tourism products and investment attraction.	• Increase in the number of high-value hospitality and tourism business start-ups • Increase in the average tourism spend per visitor by LGA • Increase in visitor numbers during off-peak season • Increase in visitor nights • Decrease in average marketing expenditure

3.2 THE BASE CASE

The base case involves not delivering the CoE beyond the finalisation of the pilot stage on the 31 March 2024. The base case assumes that all programs and funding requirements will cease on the 31 March 2024.

3.3 OTHER ALTERNATIVES CONSIDERED

A series of alternatives were considered as solutions to the defined problems and to optimise the opportunities the CoE presents. The alternatives specifically considered the ways in which the CoE pilot activities can be leveraged, with the intent to shift from short-term offerings to medium- to longer-term service delivery and build on the success of the pilot stage. The following three scope areas were identified to guide options development:

- Type of support required – with which kinds of activities do industry stakeholders need support and what role can the CoE play to provide them?
- Location – which locations within the DSSS and DSNSW regions should be targeted for provision of CoE support?
- Delivery model – what kind of supporting infrastructure and how many FTE would be required to facilitate delivery of CoE activities?

Alternatives for these components were discussed in workshops and stakeholder consultations. Details on the ideas and discussions held have been included below to illustrate the process undertaken to consolidate feedback and develop a long-list of options.

Type of support required

The CoE is currently being managed by two full-time FTE; the Manager of Skills and Opportunities and the Industry Partnership Specialist, who are involved in identifying opportunities and coordinating the development and delivery of the program.

As part of the stakeholder consultations, the scope of the activities to be delivered by Stage 2 was discussed. This included the expansion and streamlining of the Stage 1 CoE activities, which has typically focussed on coordinating networking opportunities, enabling access to training and mentoring programs, and the development of a pipeline of workers through delivery of the Schools Program. These activities were developed to align with the overarching objectives and vision for Stage 1 of the CoE and address identified gaps in the offerings at that time. These activities have been refined throughout delivery of Stage 1 through continuous engagement with industry.

During consultations, stakeholders broadly expressed support for the continuation of Stage 1 activities, suggesting that Stage 2 should build on the momentum of Stage 1. Stakeholders suggested that as part of Stage 2, the scope of activities may be expanded and implemented across a larger geographic area to broaden the reach and optimise outcomes of the program. The following key activities were identified as potential priorities for Stage 2 and discussed in stakeholder consultations:

- **Coordination of networking opportunities:** To develop initiatives and facilitate events to foster collaboration and support the formation of partnerships and business networks in the Region with a focus on employment and training opportunities and spreading awareness of local product and service offerings.

- **Access to training programs:** To identify region-specific gaps in accredited training pathways, and develop accredited training programs to address identified gaps.

- **Development of recruitment and retention initiatives:** To support the establishment of career pathways into the industry, build a pipeline of skilled workers and facilitate training programs to encourage retention.

- **Aboriginal and/or Torres Strait Islander engagement:** To support targeted investment in Aboriginal employment, partnership and training opportunities, as well as product and service development.

- **Grant application support:** To provide training in grant writing and assistance with grant application processes to enable access to a broader range of government funding opportunities.

Additional types of support activities were raised during consultations, and these, alongside findings from the recent (September 2023) industry survey distributed by the CoE, are outlined below.

Coordination of networking opportunities

The formation of partnerships, specifically informal partnerships and collaboration opportunities, was found to be a key benefit of the CoE pilot program as per industry survey responses.

Consultation findings similarly indicated the benefit of having ongoing support and greater opportunity in the medium- to long-term to foster partnerships and other models of collaboration. Stakeholders noted that the lack of collaboration between businesses in the Region is a hindrance to industry growth, and this was largely attributed to the fragmented nature and presence of "cliques" in industry in the Region (see Section 2.2.2 for further detail). Stakeholders suggested that the role of the CoE in coordinating networking opportunities and facilitating partnerships for training and development specific to identified needs/gaps in the Region should continue to be a core focus of Stage 2, recommending that the CoE may expand this activity to focus on establishing institutional partnerships as a means to develop funding streams and increase awareness of the program.

It is noted that industry networking support is a role of the DNs and this role is broad in nature. Networking activities undertaken by the CoE are more targeted towards facilitating networking to drive employment opportunities and connecting CoE participants to training to address region-specific training gaps and drawing awareness to region- specific product and service offerings. Any activities undertaken by the CoE are expected to complement and support the existing work by DNs.

Access to training programs

Stakeholders indicated that existing accredited training offerings in the region primarily focus on the development of the standard skillsets required for the delivery of tourism and hospitality services. A key gap in training opportunities is perceived to be training in the product and service offerings specific to the Region, and key attractions and resources available in the Region, in addition to promoting excellence and increasing quality standards in the industry. One industry representative discussed the need for increased focus on sustainable tourism experiences of training opportunities, given both the eco-tourism focus of the Region and the growing requirements of businesses to seek more sustainable operational methods.

Stakeholders highlighted the importance of the CoE in spreading awareness and promoting uptake of existing training opportunities in the industry, with a key resulting benefit of this activity being reduced duplication, improved collaboration and increased engagement in training programs.

The key skills development focus areas for existing staff as identified by industry survey respondents were customer service and communication (44.4 per cent), local tourism awareness and knowledge (43.1 per cent), sales and marketing including social media skills (39.4 per cent), and local Indigenous culture understanding and awareness of experience offering (30.6 per cent). Amongst business owners, operators and managers, the skills development focus areas were grant writing and understanding of government funding. Stakeholders suggested that the *Manager – Skills and opportunities* prioritise learning opportunities in these areas as a priority.

Development of recruitment and retention initiatives

Stakeholders raised challenges related to recruitment and retention, which may be addressed by the CoE. Multiple stakeholders emphasised the state-wide need to address staff attraction and retention issues in the tourism and hospitality industry. The irregularity of shift work and the need to work outside standard

working hours, such as weekend shifts, were identified to be the primary reason for the decline in interest in these industries, particularly amongst younger generations (see Section 2.2.3 for further detail).

As a result of this, stakeholders suggested that Stage 2 of the CoE prioritise the development and delivery of programs to increase interest, particularly amongst local residents, to consider careers in the hospitality and tourism industry, and identify strategies to improve staff retention. One stakeholder suggested minimising the impact of seasonality on the workforce may mitigate staff retention challenges and may be achieved through staff-sharing arrangements. However, other stakeholders noted competing priorities of businesses can make this arrangement problematic, and the efficacy of this arrangement is dependent on the size of the businesses, specialist expertise and skillsets required to deliver services.

Aboriginal and/or Torres Strait Islander engagement: Supporting targeted investment in Aboriginal employment, partnership and training opportunities, and product and service development was regarded by local stakeholders as critically important. Some stakeholders reported that existing roles within government and industry in the Region are already performing this role, suggesting that the introduction of a dedicated function within the CoE to perform these activities may result in duplication. Existing programs of a similar nature currently operating in the Region include Tourism Australia's Indigenous Tourism Champions Program; the NSW National Parks and Wildlife Services (in partnership with TAFE NSW) Aboriginal Cultural Tourism Training program; and the First Nations Tourism Business Planning Program run by TRC Tourism in partnership with the Department of Primary Industries (DPI) and Regional NSW. It was also acknowledged that the DNs (DSNSW and DSSS) are involved in the development of activities to assist in creating tourism employment opportunities and increased Aboriginal tourism experiences in NSW, in partnership with Department of Regional NSW Aboriginal Partnership Managers under the Regional Aboriginal Partnerships Program. The CoE received positive feedback in response to Indigenous famils that were conducted under Stage 1 of the CoE, which will continue to be facilitated under Stage 2. Due to the presence of existing programs and roles, and the effectiveness of Stage 1 of the CoE in facilitating Aboriginal and/or Torres Strait Islander engagement, there was no specific need identified for a dedicated FTE to support this role.

Grant application support: A few stakeholders highlighted that time constraints, lack of awareness and, at times, the complex process involved in completing a grant application hinders the ability for businesses to benefit from grant offerings. It was however also mentioned that support with grant applications may be a duplication of existing offerings, such as Smarty Grants (customised grants management system), which addresses this need. Amongst industry survey respondents, training in grant writing and understanding of government funding opportunities was identified as the second highest priority training area, after sales and marketing training, with 41.3 per cent of survey respondents selecting this as one of their preferred training areas.

Location

Stage 1 of the CoE is currently being delivered in three LGAs across the DSSS and DSNSW regions, Shoalhaven, Eurobodalla, and Bega Valley. Potential expansion of the CoE in the medium- to long-term to five additional LGAs of Kiama, Shellharbour, Wingecarribee, Wollongong and Snowy Monaro is being considered as part of this business case for Stage 2 of the CoE – see Figure 7 for a map of Stage 1 and proposed Stage 2 CoE delivery locations.

Figure 7: Map of proposed Stage 2 delivery locations (the study region)

The delivery locations for the CoE were a key topic of discussion during stakeholder consultations to ensure Stage 2 is designed to meet industry need, considering the unique needs and priorities of LGAs within the study region.

During industry consultations, stakeholders expressed broad support for the expansion of the CoE to service the additional LGAs in the DSSS and DSNSW regions. The key benefits resulting from its expansion as cited by stakeholders include opportunities to share learnings and innovative business solutions to address industry-specific and region-specific challenges, noting the variation in issues being addressed due to differing levels of industry maturity.

Stakeholders highlighted opportunities for the CoE to support local businesses and capitalise on region-specific advantages, including the geographic location of the Snowy Monaro region on the Sydney to Melbourne inland driving route, and opportunities for the CoE to support businesses in the Snowy Monaro region to diversify product and service offerings to minimise the impact of seasonality on their businesses.

Whilst there was consensus that delivery of the CoE should be expanded to the eight LGAs across DSSS and DSNSW as outlined in Figure 7, numerous stakeholders highlighted diversity in priorities and needs across the proposed LGAs specifically due to varying levels of industry maturity. Stakeholders identified opportunities for synergies between regions with similar visitor economies and industry maturity, including Wollongong, Shellharbour and Kiama. Other stakeholders suggested that the LGAs were siloed and required targeted support, noting that the FTE supporting the delivery of the CoE should offer flexibility to tailor support activities depending on the region-specific need.

Delivery model

Supporting infrastructure

A range of alternatives were explored to determine supporting infrastructure required to deliver the CoE, ranging from permanent physical infrastructure to virtual offerings.

Amongst industry survey respondents, preferred delivery methods for provision of training included hybrid online and face-to-face trainings (54.8 per cent), online training (45.2 per cent), and seminars/workshops (41.4 per cent)

During consultations, stakeholders emphasised the benefits of face-to-face interaction, such as improved engagement and collaboration. Various methods of enabling face-to-face interaction were discussed, including the potential to establish a physical centre and/or hybrid models.

The practicality of travelling to a centralised site was cited as key hindrance to the potential benefits of a physical centre, particularly given the geographic distance between the LGAs considered. The majority of stakeholders concluded that a hybrid model, which relies on the usage of existing physical infrastructure, as well as virtual support, was the ideal model to ensure targeted and financially sustainable delivery in the medium- to long-term.

Stakeholders proposed conducting events on-site at local businesses in the study region to showcase their products and services, in addition to conducting meetings and events at underutilised facilities in the Region, including local council, university, country university centres (CUCs) and TAFE buildings. To support the virtual implementation of the CoE, stakeholders highlighted the importance of investing in a functional and integrated digital space to provide a professional and intuitive front-door for CoE participants.

This hybrid model enables face-to-face interaction and the resulting benefits in improved collaboration, in addition to providing flexibility to deliver support in multiple locations to minimise travel costs and time commitments and will also not entail additional capital acquisition costs.

Stakeholders proposed opportunities to establish corporate and institutional partnerships to support with the development and delivery of the CoE, including partnerships with private corporations and educational institutions to support with establishing career pathways into industry through 'cadetship' style programs and to enable delivery of CoE courses on-site at educational institutions.

Extent of support

Stakeholder feedback regarding the extent of support, and the number of FTEs to engage for delivery of Stage 2 activities, was varied, with some stakeholders of the view that additional FTE above current levels would not be necessary, and many other stakeholders noting that the proposed expansion of the delivery area to five additional LGAs should be considered when assessing the FTE resourcing requirements for delivery of the CoE, with stakeholders recognising the increased administration requirements of the program. A few stakeholders indicated the extent of support should be trialled, with additional resources added overtime via a phased process.

3.4 LONG-LIST OF OPTIONS CONSIDERED

Outputs from stakeholder consultations were thematically analysed to define a long-list of four options. The options have been categorised by priority activities, delivery model (including FTE requirements and delivery method), and location.

- **Priority activities:** At the conclusion of the stakeholder consultations, it was determined in conjunction with DSSS, DSNSW and the PCG, that the options should be defined by the activities offered or performed by the CoE, rather than the roles that perform them. Whilst each option proposes a defined number of activities, it does not specify how the activities should be organised with respect to role functions, giving each option the flexibility to define how the proposed activities should be delivered. Further refinement of the options following stakeholder consultation also resulted in not including activities related to Aboriginal-specific product development and grant application support. It was determined through the consultation that the introduction of a role to support Indigenous product and service development could result in duplication, with several existing roles already supporting this function. Activities including support with navigating the grant application process were not considered to align well with the CoE's core objectives and vision, and so were not included in the short-list of options below.

- **Delivery model:** Each option proposes a defined number of FTEs which has been determined based on the scope of activities being offered under each option. Option 4 specifies the number of FTEs by DN/region. Given unanimous stakeholder feedback preference for a hybrid and/or partnership model, this remains consistent across the four options.

- **Location:** The proposed delivery area is consistent across the four options in the long-list, and includes all eight LGAs outlined in Figure 7 based on stakeholder feedback. Option 4 specifies more defined support by geography (further details in Table 8 below).

Table 8: Long-list of options considered for the implementation of THE CoE

Options	Delivery model	Locations	Descriptions
Option 1: Networking activities across all 8 LGAs	1 FTE — Hybrid / partnership delivery	Whole proposed delivery area i.e. all 8 LGAs, with delivery to be designed and prioritised based on regional need as determined by the FTE	This model will focus on providing networking support, as well as connecting businesses and individuals to existing training and development programs, to a wider delivery area not currently captured in the current program (including Shoalhaven, Eurobodalla and Bega Valley). The focus will remain on connecting industry and fostering business to business networking and relationships to encourage collaboration and informal partnerships, however under this model, the CoE will no longer directly provide training courses.
Option 2 : Networking activities (as per Option 1), plus the provision of targeted training programs across all 8 LGAs	2 FTE — Hybrid / partnership delivery	Whole proposed delivery area i.e. all 8 LGAs, with delivery to be designed and prioritised based on regional need as determined by the FTE	This model will focus on providing networking support, as outlined above, as well as facilitating connections of businesses and individuals to existing training and development programs, and providing other targeted training programs that fill gaps not covered by other organisations. More detail on activities can be found in Table 11.
Option 3: Networking and training activities (as per Option 2), plus activities to facilitate greater recruitment and retention across all 8 LGAs	4 FTE — Hybrid / partnership delivery	Whole proposed delivery area i.e. all 8 LGAs, with delivery to be designed and prioritised based on regional need as determined by the FTE	In addition to the activities offered by Option 2 regarding networking and provision of training, this model will also provide targeted support specifically for staff recruitment and retention, training and programs and business networking and partnerships, including with TAFE and schools to support the development of a pipeline of skilled workers for the tourism and hospitality industries.
Option 4: Option 3 implemented via a hub model with additional FTE allocation to ensure greater geographic coverage across all 8 LGAs	6 FTE, 3 FTE per DN — Hybrid / partnership delivery	Whole proposed delivery area, i.e. all 8 LGAs, however there will be hubs (non-physical) based in central locations within DSSS and DSNSW to ensure accessible and tailored support across all 8 LGAs	The purpose of Option 4 will be similar to that of Option 3 in terms of the spectrum of activities provided. The key difference is that this Option provides two additional FTE, with support split between LGAs "centrally" i.e. somewhere in the DSSS region, and LGAs further down the South Coast. It is anticipated that this Option will provide area specific intervention. As suggested by stakeholders, given the extensive proposed delivery area and the differing tourism industries across it, the needs for businesses will differ across the LGAs. As such, Option 4 will look to have the FTE providing specialised roles that are area based.

Table 9: Activity mapping to each option

Option	FTE	Activity Category	No.	Activity
Option 1	1	Networking	1	Facilitating connection of businesses and individuals to other training and development programs through built networks
			2	Networking activities and events hosted or facilitated by the CoE, including those which promote and support local and Indigenous products and services
Option 2	2	Networking	1	Facilitating connection of businesses and individuals to other training and development programs through built networks

Option	FTE	Activity Category	No.	Activity
			2	Networking activities and events hosted or facilitated by the CoE, including those which promote and support local and Indigenous products and services
		Training programs	1	Provision of owner/operator training or mentoring program that target business owners and/or operators that is focused on high-value offering of businesses and business development
			2	Short courses that fill training gaps identified in the Region (i.e., not offered through TAFE or other training organisations)
			3	Providing training opportunities to current staff to upskill workers
Option 3	4	Networking	1	Facilitating connection of businesses and individuals to other training and development programs through built networks
			2	Networking activities and events hosted or facilitated by the CoE, including those which promote and support local and Indigenous products and services
		Training programs	1	Provision of owner/operator training or mentoring program that target business owners and/or operators that is focused on high-value offering of businesses and business development
			2	Short courses that fill training gaps identified in the Region (i.e., not offered through TAFE or other training organisations)
			3	Providing training opportunities to current staff to upskill workers
		Recruitment	1	Partnering and engaging with local schools and students to establish career pathways into the industry and promoting the tourism and hospitality industry building the pipeline of workers to the industry
			2	Partnership with TAFE to offer scholarships
			3	Develop the skills of the current workforce though training programs that also provide networking opportunities to encourage retention
Option 4	6	Networking	1	Facilitating connection of businesses and individuals to other training and development programs through built networks
			2	Networking activities and events hosted or facilitated by the CoE, including those which promote and support local and Indigenous products and services
		Training programs	1	Provision of owner/operator training or mentoring program that target business owners and/or operators that is focused on high-value offering of businesses and business development
			2	Short courses that fill training gaps identified in the Region (i.e., not offered through TAFE or other training organisations)
			3	Providing training opportunities to current staff to upskill workers
		Recruitment	1	Partnering and engaging with local schools and students to establish career pathways into the industry and promoting the tourism and hospitality industry building the pipeline of workers to the industry
			2	Partnership with TAFE to offer scholarships

Option	FTE	Activity Category	No.	Activity
			3	Develop the skills of the current workforce though training programs that also provide networking opportunities to encourage retention

3.4.1 Multi-Criteria Assessment

A Multi-Criteria Assessment (MCA) was undertaken to assess the long-list of options. Criteria for the assessment (Table 10) were developed based on the identified objectives of Stage 2, from a strategic, financial and operational perspective, with weightings for each criteria determined by its strategic importance and impact on the future success THE CoE.

Table 10: Criteria used in the multi-criteria assessment of options

Focus Area	No.	Criteria	Weighting (%)
Strategic	1	The extent to which the option could achieve the proposal's objectives in the short-, medium- and long-term (refer Section 3.1) and aligns with existing state, regional, and local strategies and policies that aim to increase tourism visitation and yield (refer Section 2.4)	25
	2	Alignment with stakeholder feedback received on the CoE through consultation, ensuring that design of the proposal is shaped by industry	20
	3	The ability of the option to be industry led and obtain support for delivery and operations through industry partnerships and collaborative models	15
Financial	4	The degree of cost efficiency in terms of seeking funding for the operating costs required to facilitate the option	20
Operational	5	The extent to which the option can be implemented with ease in new regions	15
	6	The extent to which support offered by the option can be tailored to regional needs	5

Ratings of 0 to 10 were assigned for each option to reflect the extent to which the option met the evaluation criteria (see Table 11).

Table 11: Options assessment criteria ratings

Rating	Explanation
0	The option does not satisfy any aspects of the criteria.
2	The option satisfies some aspects of the criteria, but only to a limited extent.
4	The option satisfies an aspect of the criteria but is limited in its scope and therefore requires supporting functions to fully meet the criteria.
6	The option partially satisfies the criteria, but faces some risks, uncertainty or is limited in its coverage.
8	The option satisfies most aspects of the criteria but is associated with some limited elements of risk or uncertainty.
10	The option satisfies all aspects of the criteria.

Criteria, weightings and initial scoring of the long-list of options were tested with the PCG and refined based on the group's feedback. Each option was assessed separately, with the aim to identify a single preferred option. The highest total weighted score across all criteria revealed the preferred options, upon which a more detailed cost and benefit analysis was then performed (refer to Section 3.6).

3.4.2 Summary of ratings

The table below summarises the ratings for each option, being:

- **Option 1:** Networking activities and events hosted or facilitated by the CoE that complement the activities of the DNs and are intended to drive employment and training opportunities in the industry, including by connecting businesses and individuals to existing training and development programs and draw awareness to region-specific products and services (equivalent to 1 FTE), across all current CoE regions and expanded regions
- **Option 2:** Networking activities (as per Option 1) plus the provision of targeted training programs that focus on high-value product offerings, fill training gaps and upskill workers (equivalent to 2 FTE total), across all current CoE regions and expanded regions
- **Option 3:** Networking and training activities (as per Option 2), plus activities to facilitate greater recruitment by partnering and engaging with schools and TAFE, and offering training programs to encourage retention (equivalent to 4 FTE total), across all current CoE regions and expanded regions
- **Option 4:** Option 3 but with additional FTE allocation to ensure greater geographic coverage (equivalent to 6 FTE total). In terms of location, it is proposed that CoE support will have a strong regional delineation with targeted support somewhere central in the DSSS regions, and somewhere central in the DSNSW regions.

Table 12 below presents a summary of unweighted ratings for each of the options. The final weighted scores for each option can be found in Table 14.

Table 12: Summary of unweighted ratings for all options

Focus Area	Criteria	Options ratings			
		Option 1	Option 2	Option 3	Option 4
Strategic	1. The extent to which the option could achieve the proposal's objectives in the short-, medium- and long-term (refer Section 3.1) and aligns with existing state, regional, and local strategies and policies that aim to increase tourism visitation and yield (refer Section 2.4)	4	6	8	10
	2. Alignment with stakeholder feedback received on the CoE through consultation, ensuring that design of the proposal is shaped by industry	2	7	10	10
	3. The ability of the option to be industry led and obtain support for delivery and operations through industry partnerships and collaborative models	2	6	7	8
Financial	4. The degree of cost efficiency in terms of seeking funding for the operating costs required to facilitate the option	10	7	3	0

		Options ratings			
Focus Area	Criteria	Option 1	Option 2	Option 3	Option 4
Operational	5. The extent to which the option can be implemented with ease in new regions	10	7	6	2
	6. The extent to which support offered by the option can be tailored to regional needs	2	6	8	10
Total Ratings*		30	39	42	40

Out of a possible score of 60

Further detail on the rationale for the various options' ratings can be found in Table 13 below.

Table 13: Detailed rationale for ratings for all options

Criteria	Rationale for options rankings
1. The extent to which the option could achieve the proposal's objectives in the short-, medium- and long-term (refer Section 2.3) and aligns with existing state, regional, and local strategies and policies that aim to increase tourism visitation and yield (refer Section 2.4)	• All options could achieve the proposal's objectives and align with existing state, regional and local strategies and policies to an extent. In particular, the CoE would support the DNs in NSW to assist businesses and industry to rebuild and return total visitor expenditure to pre-COVID levels. The DMPs for DSSS and DSNSW emphasise collaboration, job generation, event creation and a focus on high-quality, higher-yield tourism experiences. • Option 1 has some ability to achieve the proposal's short-term objectives, particularly those around facilitation of networking, collaboration and knowledge-sharing, however its ability to address the full spectrum of the proposal's objectives is limited without partnerships and/or other supporting functions, so this option scores a 4. • Option 2 includes the provision of training programs in addition to networking activities, and therefore has an enhanced ability to achieve additional proposal objectives, particularly those related to upskilling relevant stakeholders and creating a pipeline of skilled workers. Therefore Option 2 scored a 6. • Options 3 scored an 8, it offers a comprehensive spectrum of activities across networking, training and recruitment, and therefore aligns well with the proposal's objectives and relevant strategies and policies which are intended to increase tourism visitation and yield. • Option 4 scored a 10, as it offers the full spectrum of activities proposed for the CoE, and it has the benefit of two additional FTE to support dissemination of activities across DSSS and DSNSW LGAs; therefore, this option has the greatest opportunity to fully achieve the proposal's objectives and align with relevant strategies and policies.
2. Alignment with stakeholder feedback received on the CoE	• Stakeholder feedback varied with respect to how the CoE should address the identified problems and opportunities within the tourism and hospitality industries on the South Coast, however there was a

Criteria	Rationale for options rankings
through consultation, ensuring that design of the proposal is shaped by industry	general consensus amongst stakeholders that the current CoE offerings were supporting individuals and businesses to deliver better services and programs in the tourism and hospitality industries. • Option 1 scored a 2, as it represents a reduction in the current CoE offerings with only networking-related activities provided. • Option 2 scored a 7 as it partially addresses the criteria of aligning with stakeholder feedback. However, stakeholders indicated they would like to see support for recruitment in the CoE. • Options 3 and 4 each scored a 10, as they satisfy all aspects of the criteria, with a comprehensive offering of activities, which aligns well with stakeholder feedback (refer to Section 3.3).
3. The ability of the option to be industry led and obtain support for delivery and operations through industry partnerships and collaborative models	• Stakeholders were of the view that the proposal's offerings would need to demonstrate value over and above other similar programs in order to lead to an increased likelihood of collaboration, commercial and funding partnerships, sponsorships, and/or a membership payment model or similar. • Option 1 has limited ability to satisfy stakeholder requirements and demonstrate value, and therefore is unlikely to be an attractive proposal for partnerships with industry. This Option scored a 2. • Options 2 and 3 scored 6 and 7 respectively. Option 2 builds on Option 1 with the addition of training activities, and therefore further opportunities to partner with industry and educational partners to deliver activities and demonstrate value. Option 3 builds on Option 2 with the addition of recruitment activities as well, and hence, opportunities to partner with TAFE and other educational facilities, as well as collaborate with institutions offering recruitment support to demonstrate value to industry and other key stakeholders. • Option 4 scored an 8. It offers the full spectrum of proposed activities with greater likelihood of regional dissemination, promotion and engagement with stakeholders due to the higher number of FTE and the proposed "hub" model of operations, and therefore has the greatest ability of the short-list of options to achieve this criteria.
4. The degree of cost efficiency in terms of seeking funding for the operating costs required to facilitate the option	• The greater the number of FTEs required to deliver each option, the greater the amount of funding required. • The options are scored accordingly; Option 1 scores a 10 as the most cost-effective option with only 1 FTE, Option 2 scores a 7 as the next most cost-effective option with 2 FTE, Option 3 scores a 3 with 4 FTE, and Option 4 a 0 with 6 FTE.
5. The extent to which the option can be implemented with ease in new regions	• All options propose a virtual/hybrid model of operations, which is relatively easily implemented in new regions. • Despite this, options which propose additional activities and FTE would likely require additional time and effort to implement in new regions and recruit FTE support. • Accordingly, Option 1 scored a 10 with only 1 FTE to deliver networking activities, whilst Option 4, with 6 FTE, the full activity offering and a more structured "hub and spoke"-type operating model, which may require greater coordination to implement, scored a 2.

Criteria	Rationale for options rankings
	• Options 2 and 3 scored a 7 and 6 respectively; they have reduced recruitment needs as compared to Option 4, and a simpler operational model without the proposed "hub" operating model.
6. The extent to which support offered by the option can be tailored to regional needs	• All options propose a virtual/hybrid model of operations, which could be easily transferable to regions where there is demand/need for specific CoE activities. • Option 1 has a lower ability to offer tailored support by region need due to limited FTE support, so it scored a 2. • Option 2 scored a 6. It includes 2 FTE, so it has greater ability than Option 1 to tailor support by geography. • Option 3 scored an 8; with 4 proposed FTE, the CoE would be able to deliver activities with a greater geographical reach and a more targeted approach. • Option 4 scored highest against this criteria, receiving a 10, as it proposes 6 FTE across all activities and the greatest geographical coverage across the target regions with the inclusion of the 2 FTE based in central "hub" locations within each DN.

Table 14: Ratings for all options

	Option 1	Option 2	Option 3	Option 4
Unweighted scores*	30	39	42	40
Weighted scores**	53	65.5	69.5	65

Out of a possible score of 60

**Out of a possible score of 100*

Based on the above criteria, Option 3 was rated as the Preferred Option. When comparing the total ratings for the other options, it should be noted that:

• Option 1 was the lowest rated option, reflecting its limited scope of activities, meaning it was rated lower against all strategic criteria. Its limited scope of activities would likely result in an inability to be able to demonstrate the value required to form funding partnerships and other collaborative arrangements that could ensure the longer-term viability of the proposal

• Options 2 and 3 were rated similarly, with Option 2 scoring slightly less in the strategic criteria category, which reflects its reduced scope of activities as compared to Option 3. The importance and subsequent weightings of the strategic criteria result in Option 3 having a higher overall score than Option 2, despite Option 2 scoring better with regard to cost efficiency

- Option 4 rates lower than Options 2 and 3. Despite offering all activities and having the highest number of FTE to support dissemination of activities across geographies, it requires greater funding and would entail greater implementation complexity, requiring additional time and resources to implement in the new regions.

A cost-benefit analysis was performed for both Option 2 and Option 3 to determine the Preferred Option. The specific scope, costs, benefits, funding arrangements and implementation of the Preferred Option have been considered in the sections that follow.

3.5 INFORMATION ABOUT THE PROPOSAL

3.5.1 SCOPE OF WORKS

The scope of works entails building on the Stage 1 pilot of the CoE to deliver the following activities:

- Facilitating connection of businesses and individuals to other training and development programs through built networks
- Networking activities and events hosted or facilitated by the CoE, including those which promote and support Indigenous products and services
- Provision of owner/operator training or mentoring programs that target business owners and/or operators that is focused on high-value offering of businesses and business development;
- Provision of short courses that fill training gaps (i.e., not offered through TAFE or other training organisations)
- Providing training opportunities to current staff to upskill workers
- Partnering and engaging with local schools and students to establish career pathways into the industry and promoting the tourism and hospitality industry building the pipeline of workers to the industry
- Partnership with TAFE to offer scholarships
- Develop the skills of the current workforce through training programs that also provide networking opportunities to encourage retention.

These activities will be undertaken across the LGAs of Kiama, Shellharbour, Wingecarribee, Wollongong, Shoalhaven, Eurobodalla, Bega Valley and Snowy Monaro.

The scope of works will require the recruitment of 4 FTEs in order to deliver the activities across the regions. Recruitment will need to occur as soon as practicable after the receipt of business case approval and funding to ensure continuity in delivery of the CoE's program of activities. Thereafter, the new CoE roles can commence implementation of the activities outlined above, as well as measurement and monitoring of the outcomes of these activities, to be reported to the Board on a quarterly basis.

Figure 8 below outlines the key phases of implementation of Stage 2. Further detail on implementation and governance arrangements can be found in section 4: Implementation Case.

Figure 8: Key phases of implementation of Stage 2

Recruitment	Governance	Monitoring and reporting
Immediate term	**3 months**	**6 months and beyond**
• Positions for 4 FTE to be advertised • Appointments of 4 FTE to be announced • Expressions of interested for Steering Committee and Board membership to be issued	• Membership of Board and Steering Committee to be finalised • Governance arrangements, including governing documents, to be formalised	• CoE staff to commence tracking outcomes • Implementation of industry partnership and funding strategy • Outcomes to be reported to the Board on a quarterly basis • Board to review staff performance, implementation of the partnership and funding strategy, CoE outcomes and governance arrangements on a quarterly basis

The scope of activities will be delivered using a hybrid model. The suitability of virtual or in-person program delivery will be determined on a case-by-case basis by CoE staff based on demand for the program and location. CoE staff themselves will largely work remotely, as they will be responsible for coordinating

activities across a large geographic footprint, and therefore will be expected to remain flexible and mobile. Should it be determined that CoE staff require an office, whether that be on an ad hoc, temporary or more permanent basis at some point in the future, a suitable location will need to be found by DSSS and DSNSW, or any other future host organisation. A possible solution may be the DSSS and DSNSW office spaces.

3.5.2 RELATED PROJECTS

Related projects provide existing networks and initiatives that can continue to be leveraged by the CoE. These include:

- Destination NSW's NSW First Program
- Destination NSW's Get Connected Program
- Training Services NSW, Illawarra and South East NSW (based in Wollongong)
- Illawarra Youth Employment Strategy (YES)
- The Local Jobs Program for Illawarra and the South Coast
- Regional Industry Education Partnership
- Country University Centres in Ulladulla, Goulburn and Cooma
- Business Activator Program, Bega Valley Shire Council
- Existing traineeship programs and school-based apprenticeships and traineeships
- TAFE NSW
- The University of Wollongong
- Enterprise Plus
- Chambers of Commerce, such as the Shoalhaven Business Chamber, five business chambers in the Eurobodalla Shire
- South Coast Tourism Industry Association, which provides networking opportunities, grant support and connections to training opportunities for its members
- Ongoing dialogue with local professionals and entrepreneurs in the tourism and hospitality sector to share knowledge and build strengths-based partnerships.

3.6 COST-BENEFIT ANALYSIS

3.6.1 Overview and methodology

The CBA for the CoE is consistent with NSW economic appraisal guidelines. The CBA assesses the impact of the project on the economic welfare of NSW citizens relative to the 'Base Case' scenario which reflects a 'do nothing' scenario (e.g., no benefits and no costs incurred). As with all such analyses, CBA is only one factor that is used to help in assessing value for money.

A CBA attempts to systematically analyse the financial, economic, environmental and social costs and benefits that can be attributed to the project by converting them into standard units of measurement (that is dollar terms). CBA contributes to decision-making by weighing up the cost and benefits to all stakeholders. CBA can also be used as a performance benchmark that can be continually refined and updated as projects move through the various stages of planning, delivery and implementation.

The intent of the CBA is to indicate that the CoE produces an estimated net economic return, as well as to confirm that which option will yield the greatest societal benefit. The metrics by which the proposed solution is to be assessed are:

- Net Present Value (NPV), which is the Present Value (PV) of economic benefits delivered by the option less the PV of economic costs incurred
- BCR, which is the ratio of the PV of economic benefits to PV of economic costs.

Methodology

The CBA assesses the two shortlisted options identified in Section 3.4., analysing these over a 10-year appraisal period which aligns with the long-term nature of Stage two of the CoE. The number of businesses associated with the program are assessed under the CBA and have been assumed based on engagement of the program to date and accounting for the expansion of the delivery area.

The CBA leverages data from the following sources:

- DSSS and DSNSW data and information on tourism statistics for the relevant region. This data is based on the Tourism Research Australia's National Visitor Survey, with the most recent release used. To note, this survey data is limited to domestic visitor figures due to reporting inconsistencies and lack of data robustness around international visitors during the COVID-19 period
- DSSS data and information attributed to the pilot stage of the CoE. This data includes survey and data on participants of the project to date
- Desktop research conducted to gather statistical data to inform the CBA. This includes data published on the ABS and Reserve Bank of Australia (RBA) as well as other data where required from the most reliable source available.

Where information was unable to be obtained, general assumptions have been made and are detailed in the following sections.

3.6.2 Assumptions

The following general inputs and assumptions have been used for estimating the costs and benefits of the CoE. The rationale behind these inputs and assumptions have also been outlined.

Table 15: CBA general assumptions

Assumption	Value	Rational	Source
Discount rate	5%	The discount rate of 5 per cent is as per NSW Treasury CBA guidelines.	NSW Treasury CBA guidelines, 2023
Program delivery	10 years	The CBA has measured the costs and benefits of the CoE over a 10-year analysis period. It has been determined that this period is sufficient to capture all significant costs and benefits of the CoE. As the project does not require capital and is recurrent, in line with the NSW Treasury CBA guidelines, the 10-year period has been adopted.	NSW Treasury CBA guidelines, 2023
Number of businesses interacting with the CoE programs in year 1	367 per annum	This assumption is based on the average number of people that attended CoE programs across 2022 and 2023. This has been provided by the Proponent using current data on programs to date. The assumption is based on a conservative estimate that half of the recorded number of the annual attendees represent individuals. This accounts for both the potential that multiple people from one business attend an event, or individuals from a business attend multiple events.	Data based on number of businesses engaged in pilot project
Annual growth in businesses interacting with the CoE	2.7%	This assumption is based on the NSW average growth rate of businesses in the tourism industry between 2017 and 2022. This growth rate is applied to the annual number of businesses engaged by the CoE to account for expansion and maturity of the program over time.	Australian Trade and Investment Commissions (AUSTRADE)

3.6.3 Costs

The costs have been calculated based on the financial requirements of the pilot program and tailored to the needs of the shortlisted options. These costs have not been included in a Base Case as it is assumed that program costs will cease at the finalisation of the pilot program in March 2024. Three cost categories have been identified for the CBA, these include:

1. Employment costs
2. Delivery costs
3. Operational costs.

Given the hybrid nature of the project, the Proposal would not require any capital costs in the delivery phase. The project does not require a physical location and therefore does not require any construction costs.

The key assumptions used in the development of the costs estimates for the Proposal are detailed in Table 16 and this section. It is assumed all costs are incurred from year 1 onward.

Table 16: Key cost assumptions

Assumption	Value	Rationale	Source
Pilot stage costs have been derived from the cost requirements of the pilot stage delivery and escalated proportional to the number of businesses interacting with the CoE for each of the options. Additional information is detailed in Section 3.6.3.	Option 2: 1.5 times pilot annual costs	Under Option 2 it is assumed that costs will increase proportionally to the increased engagement with businesses. As such, costs are assumed to be 1.5 times greater than the costs associated with pilot project annually, aligned with the number of businesses under this option.	Estimate based on escalation of pilot stage costs to account for increased geographical coverage and FTE per option. The delivery and operational costs of the CoE are expected to be dependent on the number of businesses interacted with, and, as such cost increases are associated with the assumptions made regarding the businesses interacted with under each option.
	Option 3: 2 times pilot annual costs	Under Option 3 it is assumed that costs will increase proportionally to the increased engagement with businesses. As such, costs are assumed to be twice as high as the costs associated with pilot project annually	

Employment costs

Employment costs entail the salary requirements of the Manager of Skills and Opportunities and Industry Partnership Specialist roles. This includes superannuation, other employment entitlements and allowances for mobile.

Table 17: Base employment costs of the CoE in year 1 and assumptions ($, real, per annum)

Assumption	Cost	Rationale	Source
Manager Skills and Opportunities base salary	171,392	The salary requirements for each role are based on the salaries offered in the pilot stage, escalated to year 1. This salary is inclusive of superannuation and other employment entitlements. These salaries are expected to be applicable as a benchmark for Stage 2.	Data based on pilot stage costs
Industry Partnership Specialist base salary	139,256		

The employment costs of Option 2 are $2.5 million while Option 3 has costs of $5.0 million over the 10-year analysis period. The employment costs associated with the two shortlisted options differentiate through the FTE employment requirements. The FTE requirements of each option are as follows:

- Option 2 requires two FTEs, one Manager of Skills and Opportunities and one Industry Partnership Specialist. These two FTE would be required to deliver a reduced number of activities to the pilot project but across the larger delivery area
- Option 3 requires four FTEs, two Managers of Skills and Opportunities and two Industry Partnership Specialists. Option 3 requires four FTE as it includes a greater number of activities to be delivered across the larger deliver area (relative to the pilot).

Table 18: Employment costs by option ($, 10-year total, real, 5% discount rate per annum)

Cost category	Option 2	Option 3
Employment costs		
Employment costs	3,106,484	6,212,968
Total employment costs	**3,106,484**	**6,212,968**
Total employment costs - discounted	**2,518,682**	**5,037,363**

Source: EY 2023.

Delivery costs

Delivery costs include the costs that are required for the delivery of the CoE activities annually. These costs are associated with travel per person, marketing, event expenses, program expenses and committee expenses.

Table 19: Base delivery costs of the CoE in year 1 and assumptions ($, real, per annum)

Assumption	Cost	Rationale	Source
Travel costs (per person)	6,257	These cost categories are based on the travel, marketing, event, program and committee costs of the pilot stage escalated to year 1. It is assumed that these costs provide a benchmark for annual costs of delivering Stage 2.[45]	Data based on pilot stage costs
Marketing	4,753		
Event expenses	25,041		
Program expenses	146,854		
Committee expenses	5,267		

The delivery of Option 2 costs $2.3 million while Option 3 generates costs of $3.2 million over the 10-year analysis period. Costs associated with travel have been calculated at a per person cost and therefore Option 3 has higher travel costs. Additionally, as Option 3 will interact with a larger number of businesses costs associated with the delivery of the project will be higher than Option 2.

Table 20: Delivery costs by option ($, 10-year total, real, 5% discount rate per annum)

Cost category	Option 2	Option 3
Delivery costs		
Travel costs	125,138	250,275
Marketing	71,296	95,062
Event expenses	375,622	500,829
Program expenses	2,202,810	2,937,080
Committee Expenses	78,999	105,332
Total delivery costs	**2,853,865**	**3,888,578**
Total delivery costs - discounted	**2,313,863**	**3,152,790**

Source: EY 2023. Totals may not sum due to rounding.

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[45] Program expenses represent the costs associated with delivery of the schools program, while event expenses represent the costs associated with the delivery of other CoE activities and events. These costs include, but are not limited to, photography, venue and equipment hire and catering costs.

Operational costs

Operational costs are associated with ongoing annual operational costs of the CoE including, accountancy fees, computer software costs and general meeting costs.

Table 21: Base operational costs of the CoE in year 1 and assumptions ($, real, per annum)

Assumption	Cost	Rationale	Source
Accountancy fees	3,064	Operational costs are based on the accountancy, computer and meeting costs of the pilot stage escalated to year 1. It is assumed that these costs provide a benchmark for annual costs of delivering Stage 2.	Data based on pilot stage costs
Computer software	203		
Meeting costs	130		

The operational costs of Option 2 are $41,310 while Option 3 has operational costs of $55,081 over the 10-year analysis period. Operational costs associated with each option differ based on the cost assumptions of each option. These assumptions are detailed in Table 21 and are proportional to the number of businesses engaged. It is assumed that as the CoE expands, more annual operational costs will be required.

Table 22: Operational costs by option ($, 10-year total, real, 5% discount rate per annum)

Cost category	Option 2	Option 3
Operational costs		
Accountancy fees	45,957	61,277
Computer software	3,045	4,060
Meetings	1,949	2,599
Total operational costs	**50,951**	**67,935**
Total operational costs - discounted	**41,310**	**55,081**

Source: EY 2023. Totals may not sum due to rounding.

Summary of costs

A summary of the whole of project costs for each of the shortlisted options is shown Table 23 in real terms for the 10-year analysis period. Based on the cost estimates, Option 2 costs $4.9 million and Option 3 costs $8.2 million. Cost differences are driven by the FTE requirements of each option and the higher annual costs from a greater number of businesses engaged with under Option 3. Option 3, requiring twice the number of FTEs, has higher employment costs and travel costs (which are calculated per FTE). It also requires higher delivery and operational costs in line with the proposed activities and requirements of the option.

Table 23: Whole of project costs ($, 10-year total, real, 5% discount rate per annum)

Cost category	Option 2	Option 3
Employment costs		
Employment costs	3,106,484	6,212,968
Total employment costs	**3,106,484**	**6,212,968**
Delivery costs		
Travel costs	125,138	250,275
Marketing	71,296	95,062
Event expenses	375,622	500,829
Program expenses	2,202,810	2,937,080
Committee Expenses	78,999	105,332
Total delivery costs	**2,853,865**	**3,888,578**
Operational costs		
Accountancy fees	45,957	61,277
Computer software	3,045	4,060
Meetings	1,949	2,599
Total operational costs	**50,951**	**67,935**
Total costs	**6,011,300**	**10,169,481**
Total costs - discounted	**4,873,855**	**8,245,234**

Source: EY 2023. Totals may not sum due to rounding.

3.6.4   Benefits

The benefits of the Proposal have been scoped based on the activities delivered by the CoE and the impact these have on the businesses that interact with it. These benefits are measured against the base case of no CoE. Two benefit categories have been identified for the CBA, these include:

1.   Increased profits

2.   Decreased costs.

The benefits have been considered and quantified for the shortlisted options. These benefits and the relation to each of the options are detailed in Table 24 with the key assumptions outlined in Table 25. The total benefits for each option will depend on the number of businesses and owners and operators reached and impacted by the CoE annually.

Table 24: Activities and quantified benefits of the CoE

Activity grouping	Benefit	Benefit category	Option 2	Option 3
1. Networking	1.1 Increase in business revenue occurring from obtaining productive staff	Increased profits	✓	✓
	1.2 Higher sales from an expanded customer base	Increased profits	✓	✓
	1.3 Reduced marketing costs from business-to-business networking	Decreased costs	✓	✓
2. Training programs	2.1 High value sales because of a high value product offering	Increased profits	✓	✓
	2.2 A greater range of products and services	Increased profits	✓	✓
	2.3 Increased visitor expenditure from higher quality visitor experiences and increased nights	Increased profits	✓	✓
	2.4 Staff attrition due to greater investment in training and development of staff	Decreased costs	✓	✓
3. Recruitment	3.1 Reduced cost of recruitment from partnerships across industry and with local schools and TAFE	Decreased costs		✓

Table 25: Benefit assumptions

Assumption	Value	Rationale	Source
The number of businesses interacted with under each option is based on the expansion of the delivery area and the FTE requirements of each shortlisted option.	Option 2: 1.5 x base annual businesses	Under Option 2 the increased delivery area will allow the CoE to reach more businesses. Given the increase in FTE and greater geographical coverage relative to the pilot project, it is assumed that there will be a 50 per cent increase to the current number of businesses interacted with.	Estimate calculated by escalating the number of businesses that interacted with the CoE in the pilot stage to account for increased geographical coverage and FTE
	Option 3: 2 x base annual businesses	Under Option 3, while the delivery area is expanded in a similar way to Option 2, the addition of twice as many FTE, are expected to allow the CoE to interact with twice as many businesses relative to the pilot stage.	
The percentage of businesses that will realise the quantified benefits. It should be noted that businesses can realise more than one benefit.[46]	Option 2: 10%	Under Option 2 it is assumed that 10 per cent of businesses interacting with the COE will realise the benefits of the program. This is a conservative assumption based on the number of FTE relative to the alternative shortlisted option and ability for businesses to realise one of more benefits.	Estimate based on a proportion of businesses that interact with the CoE. A conservative approach has been adopted, with only a relatively small percentage of business interacting with the CoE assumed to actual realise benefits.
	Option 3: 15%	Under Option 3 it is assumed that 15 per cent of businesses will realise the benefits of the program. This assumption is based on the greater number of FTE associated with this option relative to Option 2. Option 3 activities are expected to reach a higher number of businesses and have more FTE support per business resulting in a greater number of businesses realising benefits.	

Increased profits

Increased profits are a result of increased revenue associated with benefits from the CoE. These benefits stem from increased nights and expenditure on products by visitors. Increased expenditure can be a result of a larger customer spending due to:

- Marketing and business-to-business connections facilitating wider customer awareness

- Higher spending per person through higher quality products sold at a greater price

- Greater quality of staff improving productivity and creating a better customer experience driving return customers.

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[46] It is expected that the number of businesses that will realise benefits will be greater, however this number has been reduced to only capture the quantified benefits.

To capture increased revenue as profit, the costs associated with business growth are recognised by applying a margin of 10 per cent to the benefits realised. This has been undertaken, given economic analysis needs to consider the net impact to society.

To calculate this benefit, firstly expenditure per business per night was calculated by dividing total expenditure in DSSS and DSNSW by the number the number of nights spent by tourists in the region.[47]

Next, to understand the impact that the CoE has, the anticipated increase in expenditure (5 per cent) was applied to the proportion of businesses who interacted with the CoE and realised the benefit. Finally, a profit margin (10 per cent) was applied to understand the increased profits for each business because of interaction with the CoE. Table 26 shows the assumptions and inputs used in this calculation.

Figure 9: Increased profit formula

$$\text{Increased profit} = \frac{\text{Total expenditure (annual)}}{\text{Total number of nights (annual)}} \times \text{Increase in expenditure} \times \left(\text{Number of businesses interacting with the CoE} \times \text{Percentage of businesses realising the benefit} \right) \times \text{Profit margin}$$

Table 26: Increased profit inputs and assumptions (real, year 1)

Input/assumption	Value[48]	Rationale	Source
Increase in expenditure	5%	It is assumed that the benefits of interaction with the CoE will result in an equivalent of a five per cent increase in nights expenditure per impacted businesses. This assumption accounts for increased product expenditure. This assumption is based on the average number of nights per business across the DSSS and DSNSW regions.	Estimate calculated by taking a conservative estimate of the increased customer expenditure for each business receiving benefits as a result of interacting with the CoE.
Number of businesses in tourism and accommodation	DSSS: 6,118[49] DSNSW: 3,446[50]	This is the total number of tourism related businesses in DSSS and DSNSW sourced from the National Visitor Survey and escalated by the average growth rate to year 1 of the CBA analysis.	Tourism Research Australia, National Visitor Survey
Number of nights (000)	DSSS: 11,473[51] DSNSW: 10,794[52]	This is the number of nights spent by tourists in the relevant regions in year-end 2022.	Tourism Research Australia, National Visitor Survey
Expenditure ($m)	$6.6	This is the total annual expenditure by domestic tourist across the DSSS and DSNSW sourced from the Tourism Research Australia, National Visitor Survey and escalated by the average growth rate to year 1 of the CBA analysis.	Tourism Research Australia, National Visitor Survey

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[47] Expenditure and number of nights data is only available for domestic travel due to a lack of data reporting on international travel during 2020-2022.
[48] All costs and number of businesses have been escalated to FY2025.
[49] DSSS, The Value of Tourism to Sydney Surrounds South, 2022.
[50] DNSNW, The Value of Tourism to Southern NSW, 2022.
[51] DSSS, The Value of Tourism to Sydney Surrounds South, 2022.
[52] DNSNW, The Value of Tourism to Southern NSW, 2022.

Input/assumption	Value[48]	Rationale	Source
Expenditure per night	$297[53]	The expenditure per night in the DSSS and DSNSW regions. This figure has been derived from annual expenditure and the number of annual nights across both regions.	Tourism Research Australia, National Visitor Survey
Profit margin	10%[54]	A 10 per cent profit margin has been applied to the increased revenue calculated per businesses impacted.	RBA

The benefits calculated as a result of increased profits for Option 2 are estimated to be $2.0 million while Option 3 they are estimated to be $4.0 million. Driving this is the number of businesses interacted with under each option and additionally the number of businesses that will realise this benefit.

Table 27: Increased profit by option ($, 10-year total, real, 5% discount rate per annum)

CBA results	Option 2	Option 3
Increased profit		
Increased profit	2,503,585	5,007,169
Total benefits	**2,503,585**	**5,007,169**
Total benefits – discounted	**2,008,251**	**4,016,503**

Source: EY 2023.

Decreased costs

Decreased costs are a result of business efficiencies or cost savings gained through interaction with the CoE. These benefits have been split into three categories, reduced marketing costs, reduced cost of recruitment and reduced costs due to staff attrition.

1. Reduced marketing costs

Reduced costs of marketing for businesses interacting with the CoE are a result of strategic partnerships formed through the networking opportunities presented. Strategic partnerships can create mutual benefits for businesses by increasing customer bases and allowing products to enter new markets. It allows businesses to combine their resources and collaborate to reduce costs associated with marketing and enables them to expand their customer reach.

To calculate the benefit of the CoE impact on marketing costs for businesses, the number of businesses that will realise the benefit is multiplied by the reduction in marketing costs annually. Table 28 shows the assumptions and inputs used in this calculation.

Figure 10: Reduced marketing costs formula

$$Reduced\ marketing\ costs = \left(\begin{array}{c} Number\ of\ businesses \\ interacting\ with\ the\ CoE \end{array} \times \begin{array}{c} Percentage\ of \\ businesses\ realising\ the \\ benefit \end{array} \right) \times \left(\begin{array}{c} Cost\ of\ marketing\ per \\ annum \end{array} \times \begin{array}{c} Reduction\ to\ marketing \\ costs \end{array} \right)$$

Table 28: Reduced marketing costs inputs and assumptions (real, year 1)

Input/assumption	Value[55]	Rationale	Source
Reduction to marketing costs per business annually	5%	The activities of the CoE will reduce overall annual marketing costs by five percent for each business that interacts with the program and is expected to realise a benefit. Quantitative data on the impact of strategic partnerships on marketing budgets is not	Estimate calculated by taking a conservative estimate of the marketing costs saved for each

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[53] DSSS, The Value of Tourism to Sydney Surrounds South, 2022; DNSNW, The Value of Tourism to Southern NSW, 2022.
[54] RBA, *Costs and Margins on the Retail Supply Chain,* https://www.rba.gov.au/publications/bulletin/2012/jun/pdf/bu-0612-2.pdf
[55] All costs and number of businesses have been escalated to FY2025.

Input/assumption	Value[55]	Rationale	Source
		available. Therefore a conservative estimate has been made to quantify the benefit.	business receiving benefits as a result of interacting with the CoE.
Cost of marketing per annum	$38,133[56]	The input of $38,133 is the average expenditure on marketing by small private tourism business annually. This includes online print, television and radio advertising. Marketing costs in FY2019 were reported to range from $30,733 for a small tourism business to $1.7 million for a large tourism business. The businesses engaged with through the CoE are characterised as small businesses. As such the marketing costs associated with small businesses ($30,733) has been used as a reflective and conservative estimate of the costs of marketing for impacted businesses under the project. This figure has been escalated to year 1 resulting in a cost of $38,133.	Griffith University

The benefits of reduced marking costs for impacted businesses for Option 2 is $0.8 million, while for Option 3 is $1.7 million. Similar to the benefits of increased profits, the differing number of businesses impacted is driving the total benefits under each option.

Table 29: Reduced marketing costs by option ($, 10-year total, real, 5% discount rate per annum)

CBA results	Option 2	Option 3
Reduced marketing costs		
Reduced marketing costs	1,036,052	2,072,103
Total benefits	**1,036,052**	**2,072,103**
Total benefits - discounted	**831,069**	**1,662,138**

Source: EY 2023.

2. Reduced cost of recruitment

Through partnering with local schools and engaging students in the tourism sector by establishing career pathways into the industry and promoting work opportunities, the CoE builds the pipeline of workers directly. This facilitation of employment partnerships can reduce the cost associated with recruitment for businesses engaging with the CoE. Reduced cost of recruitment specifically relates to the recruitment costs associated with engaging new employees for businesses and are saved when the CoE enables this recruitment process.

To calculate this benefit of the reduction in marketing costs for each of the impacted businesses, the number of businesses realising the benefit is multiplied by the reduction in recruitment costs because of CoE activities. Table 30 shows the assumptions and inputs used in this calculation.

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[56] Griffith University, *Marketing Expenditure of the Queensland Tourism Industry,* 2018, https://qticazure.blob.core.windows.net/crmblobcontainer/180711%20Marketing%20Expenditure%20Final%20Report_Revised.pdf

Figure 11: Reduced cost of recruitment formula

$$\text{Reduced cost of recruitment} = \left(\begin{array}{c}\text{Number of businesses} \\ \text{interacting with the CoE}\end{array} \times \begin{array}{c}\text{Percentage of} \\ \text{businesses realising the} \\ \text{benefit}\end{array}\right)$$

$$\times \left(\begin{array}{c}\text{Average number} \\ \text{of employees}\end{array} \times \begin{array}{c}\text{Average increase} \\ \text{to employment}\end{array} \times \begin{array}{c}\text{Average cost to} \\ \text{recruit per person}\end{array}\right) \times \begin{array}{c}\text{Recruitment} \\ \text{cost saving}\end{array}$$

Table 30: Reduced cost of recruitment inputs and assumptions (real, year 1)

Input/assumption	Value[57]	Rationale	Source
Reduction to the cost of recruitment per business annually	5%	It is assumed that activities of the CoE that influence the recruitment process for impacted businesses will result in a five per cent reduction in costs. Quantitative data on the impact of reduced recruitment costs as a result of internship programs and networking is not available. Therefore a conservative estimate has been made to quantify the benefit.	Estimate calculated by taking a conservative estimate of the recruitment costs saved for each business receiving benefits as a result of interacting with the CoE.
Cost of recruitment per person	$24,519[58]	This is the average cost to recruit a new employee in Australia. This includes training as well as other costs such as equipment, onboarding and induction processes.	Australia Human Resources (HR) Industry Benchmark Survey

The benefits of reduced cost of recruitment will only impact Option 3. Under Option 2, the reduced scope of activities does not include a recruitment component. Over the life of the project this will result in $1.0 million in benefits for Option 3.

Table 31: Reduced cost of recruitment by option ($, 10-year total, real, 5% discount rate per annum)

CBA results	Option 2	Option 3
Reduced cost of recruitment		
Reduced cost of recruitment	-	122,223
Total benefits	**-**	**122,223**
Total benefits - discounted	**-**	**98,041**

Source: EY 2023.

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[57] All costs and number of businesses have been escalated to FY2025.

[58] Australia HR, *Industry Benchmark Survey*, 2021. https://www.hireborderless.com/post/how-much-does-it-cost-to-hire-an-employee-in-australia#:~:text=The%20average%20cost%20of%20recruiting,%2C%20onboarding%2C%20and%20induction%20processes.

3. Reduced costs due to staff attrition

Investing in employee development, training and career pathways can lead to improved retention rates. Staff turnover can have significant direct and indirect costs for businesses. Direct costs are associated with shift or workload coverage, productivity loss, recruiting, training, onboarding and other costs. Indirect costs include a loss of skills and efficiency, as well as lost investment in training and staff expertise.[59] Reduced costs due to staff attrition therefore relate to the costs avoided from reduced turnover of current staff. It is noted that it does not include new staff hired for the business (this is captured as part of recruitment costs).

To measure the benefit of reduced costs due to staff attrition, the reduction in turnover costs is calculated by multiplying the number of businesses realising the benefit by the reduction in turnover costs. Table 32 details the inputs used in the CBA to calculate the reduced costs due to staff attrition. Assumptions and inputs are based on the data sources available and where required, conservative estimates have been made.

Figure 12: Reduced costs due to staff attrition formula

Table 32: Reduced costs due to staff attrition inputs and assumptions

Input/assumption	Value[60]	Rationale	Source
Reduction in turnover costs because of staff attrition associated with the CoE	31%	It is assumed that activities of the CoE that impact staff attrition, such as training programs and awareness of career pathways, will reduce the costs associated with turnover for an impacted business by 31 per cent. A study by Deloitte found that companies with strong employee development programs had 31 per cent lower turnover rates.[61] [62]	Deloitte
Staff turnover cost	100% of the employee salary	Staff turnover refers to the voluntary or involuntary loss of employees. The cost of turnover is between 0.5 and 1.5 per cent times the departing employee's salary depending on their position.[63] This includes direct costs associated with coverage, productivity loss, recruiting, training, onboarding and other costs. There are also indirect costs of a loss of skills and efficiency, as well as lost investment	Tasmanian Hospitality Industry; Bentleys

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[59] Griffith University, *Putting a cost on labour turnover in the Australian Accommodation Industry,* 2009. https://research-repository.griffith.edu.au/bitstream/handle/10072/31846/60401_1.pdf;sequence=1#:~:text=Similar%20to%20other%20tourism%20related,some%20hospitality%20positions%20exceeded%2080%25.

[60] All costs and number of businesses have been escalated to FY2025.

[61] Deloitte (referenced in Mentor Group), *The benefits of investment in employee development and training for talent retention,* 2023. https://www.mentorgroup.co.uk/insights/the-benefits-of-investing-in-employee-development-and-training-for-talent-retention#:~:text=Improved%20Retention%20Rates%3A-,Investing%20in%20employee%20development%20and%20training%20can%20also%20lead%20to,supports%20their%20growth%20and%20development.

[62] As reduced costs due to staff attrition constitutes a large portion of the total benefits, this assumption will be tested in the sensitivity analysis.

[63] Tasmanian Hospitality Association, *Staff turnover impacts bottom line*, 2021 https://www.tha.asn.au/news/staff-turnover-impacts-bottom-line and Human Resources Director Magazine 2022 https://www.bentleys.com.au/knowledge-centre/cost-of-high-employee-turnover/

Input/assumption	Value[60]	Rationale	Source
		in training and staff expertise.[64] The midpoint of this cost range has been used for the calculation of the benefit.	
Staff turnover rate	19.1%	In hospitality services, as of February 2023 job turnover rate was 19.1 per cent. This data has been used to find the average turnover rate of each business in the DSSS and DSNSW region.[65]	Ai Group

The benefits of reduced costs due to staff attrition for impacted businesses for Option 2 is $2.9 million and for Option 3 is $5.8 million. Alike increased profits and reduced marketing costs, this benefit is driven by the number of businesses interacted with under each option.

Table 33: Reduced costs due to staff attrition inputs and assumptions ($, 10-year total, real, 5% discount rate per annum)

CBA results	Option 2	Option 3
Reduced costs due to staff attrition		
Reduced costs due to staff attrition	3,591,016	7,182,033
Total benefits	**3,591,016**	**7,182,033**
Total benefits - discounted	**2,880,535**	**5,761,070**

Source: EY 2023.

Summary of benefits

A summary of the whole of life benefits undiscounted and discounted is presented in Table 34. Option 2 results in $5.7 million in benefits, while Option 3 results in $11.5 million in benefits. Option 3 yields greater benefits through its additional outreach and number of activities which is reflected in higher benefits across all categories.

Table 34: Summary of quantified benefits ($, 10-year total, real, 5% discount rate per annum)

CBA results	Option 2	Option 3
Benefits		
Increased profit	2,503,585	5,007,169
Reduced marketing costs	1,036,052	2,072,103
Reduced cost of recruitment	-	122,223
Reduced costs due to staff attrition	3,591,016	7,182,033
Total benefits	**7,130,653**	**14,383,529**
Total benefits - discounted	**5,719,856**	**11,537,753**

Source: EY 2023. Totals may not sum due to rounding.

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[64] Griffith University, *Putting a cost on labour turnover in the Australian Accommodation Industry,* 2009 https://research-repository.griffith.edu.au/bitstream/handle/10072/31846/60401_1.pdf;sequence=1#:~:text=Similar%20to%20other%20tourism%20related,some%20hospitality%20positions%20exceeded%2080%25.

[65] Ai Group, *Factsheet: Labour turnover in 2023,* 2023 https://www.aigroup.com.au/news/reports/2023-economics/factsheet-labour-turnover-in-2023/

3.6.5 CBA Results

The economic appraisal combines the Proposals benefits and costs and compares the shortlisted options, recommending a Preferred Option. The results of the CBA are summarised in Table 35, discounted at a rate of five per cent per annum as per NSW Treasury CBA Guidelines 2023.

Option 2 is estimated to result in a BCR of 1.17 and an NPV of $0.85 million while Option 3 is estimated to result in a BCR of 1.40 and NPV of $3.29 million. Differences in the BCR are driven by Option 3's wider reach to businesses and greater impact on those businesses as a result of a higher number of FTEs. Additionally, the inclusion of recruitment activities contributes to higher benefits for Option 3.

Table 35: Total Proposal quantified economic benefits ($, 10-year total, real, discounted at 5% per annum)

CBA results	Base Case	Option 2	Option 3
Benefits			
Increased profit	-	2,008,251	4,016,503
Reduced marketing costs	-	831,069	1,662,138
Reduced cost of recruitment	-	-	98,041
Reduced costs due to staff attrition	-	2,880,535	5,761,070
Total benefits	**-**	**5,719,856**	**11,537,753**
Costs			
Employment costs	-	2,518,682	5,037,363
Other costs	-	2,313,863	3,152,790
Operational costs	-	41,310	55,081
Total costs	**-**	**4,873,855**	**8,245,234**
Results			
NPV	**-**	**846,001**	**3,292,519**
BCR	**-**	**1.17**	**1.40**

Source: EY 2023. Totals may not sum due to rounding.

3.6.6 The Preferred Option

The MCA resulted in the identification of Option 2 and Option 3 as the short-listed options, which have been analysed through the CBA. The Preferred Option has been selected from this short-list by undertaking the analysis of the economic costs and benefits of each option through the CBA. The comparison of options shows the option with the highest net economic return and societal benefit.

Based on the comparison, it has been determined that Option 3 has the highest net economic return and societal benefit. Option 3 has the highest BCR (1.40) and NPV ($8.69 million) over the 10-year delivery period. The CBA estimates that Option 3 will provide the highest economic benefits with $12.6 million (real, discounted at 5 per cent per annum) of estimated benefits. This outcome is driven by:

- Inclusion of two additional FTE for delivery of activities over the wider geographical area
- Greater number of activities delivered when compared to Option 2, specifically the inclusion of recruitment activities
- Higher number of businesses engaged due to the increase FTE and activities
- Increased quality in engagement resulting in a greater number of businesses realising the benefits of the CoE when compared to Option 2.

Based on the results of both the MCA and CBA, Option 3 has been selected as the Preferred Option and will progress for sensitivity and financial analysis.

3.6.7 Sensitivity analysis

The sensitivity analysis has been conducted on the Preferred Option (Option 3) to show the impact of changing key assumptions used in the CBA. It is acknowledged that there is a high level of uncertainty in relation to how many businesses interact with the CoE and how many of these realise the benefits. While conservative assumptions have been made to reflect this uncertainty, the sensitive analysis explores the impact to changes to these key variables.

The assumptions tested under the sensitivity analysis include:

- A 10 per cent increase and decrease on the impact of the CoE on business revenue
- A 50 per cent increase and decrease in the number of businesses assumed to be interacted with as a proportion of number of businesses interacting with the CoE programs in year 1
- A 50 per cent reduction in the assumed impact of reduced staff turnover on businesses impacted by the CoE (current assumption is 31 per cent).

These parameters have been selected based on their material impact to the findings of the CBA. The BCR and NPV results from the sensitivity analysis are provided in Table 36 as well as the impact changing these assumptions have on the NPV of the Preferred Option.

Table 36: Sensitivity results ($, real, discounted at 5% per annum)

Sensitivity result-preferred option	BCR	NPV ($)	Change in NPV ($m)
Core results	1.40	3,292,519	-
Change in assumed number of nights			
10% increase	2.28	10,522,224	7,229,705
10% reduction	1.14	1,139,673	(2,152,845)
Change in number of businesses interacted with			
50% increase	1.60	5,425,719	2,133,200
50% reduction	1.15	1,159,319	(2,133,200)
Change in the impact of staff turnover			
50% reduction	1.05	411,984	(2,880,535)

Source: EY 2023.

The sensitivity analysis shows that the Preferred Option is robust in changes to the key assumptions driving outputs including changes to the assumed number of nights (impacting revenue calculations), number of businesses interacted with and impact of staff turnover (the key driver of benefit outputs). Despite significant changes to these key drivers of benefit, the analysis suggests that the preferred option still has a BCR greater than one.

3.7 FINANCIAL APPRAISAL

3.7.1 Overview and methodology

The financial appraisal of the CoE is consistent with the NSW Treasury financial appraisal guidelines. The financial appraisal is a method of evaluating the financial viability of a Proposal by looking at the impact of the project on the finances of the government entity undertaking the project. The intent of the financial analysis is to indicate the funding requirement of the CoE across the 10-year delivery period to assist decision makers to understand and assess the financial and budgetary impacts of undertaking the project.

Methodology

This section looks at the actual costs of the project (nominal costs) incurred and the total funding requirement to deliver the Preferred Option. The financial analysis therefore escalates costs to demonstrate actual costs incurred and then discounts them at a rate that represents the cost of obtaining finance.

The drivers of the costs and key assumptions related to these that have been assessed in the financial analysis are the same as that analysed in the CBA and are detailed in Section 3.6.3. This section therefore focuses on reporting the total financial costs as the same methodology has been applied, albeit different total costs arise due to escalation and different discounting as noted above.

3.7.2 Assumptions

The following general inputs and assumptions have been used for estimating the costs of the CoE. The rationale behind these inputs and assumptions have also been outlined.

Table 37: Financial analysis general assumptions

Assumption	Value	Rational
Escalation rate	CPI: 2.75%	The escalation rates are based on the RBA Consumer Price Index (CPI) and Wage Price Index (WPI) forecasts as of November 2023. [66]
	WPI: 3.5%	
Discount rate	3.3%	The discount rate is based on the three-year average of the NSW Treasury Corporation 10-year bond.[67]

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[66] RBA, *CPI and WPI forecasts,* as of November 2023 https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html

[67] Official NSW Treasury Guidelines state the 10-year average is to be used. As of 31 March 2023, historical data prior to 1 January 2021 has been deleted from the RBA due to commercial reasons. As such the three-year average has been used. This rate has been tested in the sensitivity analysis below. Source: RBA, *Statistical Tables,* 2023, https://www.rba.gov.au/statistics/tables/

3.7.3   Financial summary

The 10-year total nominal costs for the Proposal are outlined in Table 38 with the year-on-year breakdown outline in Table 39. Funding will be required from year 1 onwards. Employment costs are escalated at 3.5 per cent per annum and delivery and operational costs have been escalated by 2.75 per cent per annum in line with the relevant WPI and CPI rates.

Table 38: Financial appraisal summary ($, 10-year total, nominal, undiscounted)

Cost category	Option 3
Employment costs	
Employment costs	7,288,677
Total employment costs	**7,288,677**
Delivery costs	
Travel costs	283,631
Marketing	107,731
Event expenses	567,578
Program expenses	3,328,523
Committee Expenses	119,371
Total delivery costs	**4,406,834**
Operational costs	
Accountancy fees	69,443
Computer software	4,601
Meetings	2,945
Total operational costs	**76,989**
Total costs - nominal	**11,772,500**

Source: EY 2023. Totals may not sum due to rounding.

Table 39: Financial appraisal summary ($, 10-year period, nominal, undiscounted)

Cost category	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Employment costs										
Employment costs	621,297	643,042	665,549	688,843	712,952	737,906	763,732	790,463	818,129	846,764
Total employment costs	**621,297**	**643,042**	**665,549**	**688,843**	**712,952**	**737,906**	**763,732**	**790,463**	**818,129**	**846,764**
Delivery costs										
Travel costs	25,028	25,716	26,423	27,150	27,896	28,663	29,452	30,262	31,094	31,949
Marketing	9,506	9,768	10,036	10,312	10,596	10,887	11,187	11,494	11,810	12,135
Event expenses	50,083	51,460	52,875	54,329	55,823	57,359	58,936	60,557	62,222	63,933
Program expenses	293,708	301,785	310,084	318,611	327,373	336,376	345,626	355,131	364,897	374,932
Committee Expenses	10,533	10,823	11,121	11,426	11,741	12,063	12,395	12,736	13,086	13,446
Total delivery costs	**388,858**	**399,551**	**410,539**	**421,829**	**433,429**	**445,348**	**457,596**	**470,179**	**483,109**	**496,395**
Operational costs										
Accountancy fees	6,128	6,296	6,469	6,647	6,830	7,018	7,211	7,409	7,613	7,822
Computer software	406	417	429	440	453	465	478	491	504	518
Meetings	260	267	274	282	290	298	306	314	323	332
Total operational costs	**6,794**	**6,980**	**7,172**	**7,370**	**7,572**	**7,780**	**7,994**	**8,214**	**8,440**	**8,672**
Total costs	**1,016,948**	**1,049,574**	**1,083,260**	**1,118,041**	**1,153,954**	**1,191,035**	**1,229,322**	**1,268,857**	**1,309,679**	**1,351,831**

Source: EY 2023. Totals may not sum due to rounding.

As part of the financial appraisal the costs have been discounted at a rate of 3.3 per cent per annum over the 10-year appraisal period. The Proposal requires a total funding amount of $10.1 million over the life of the project. This cost accounts for employment costs, delivery costs and operational costs. Table 40 details these results.

The financial analysis does not consider any potential financial benefits or revenue streams. Subject to the funding model of the Project, financial benefits and/or revenue may impact the funding requirements. However, given uncertainty these have not been included in the financial appraisal.

Table 40: Financial appraisal summary ($, 10-year total, nominal, discounted by 3.3% per annum)

Cost category	Option 3
Employment costs	
Employment costs	6,271,186
Total employment costs	**6,271,186**
Delivery costs	
Travel costs	244,510
Marketing	92,872
Event expenses	489,291
Program expenses	2,869,418
Committee Expenses	102,906
Total delivery costs	**3,798,997**
Operational costs	
Accountancy fees	59,865
Computer software	3,966
Meetings	2,539
Total operational costs	**66,370**
Total costs - nominal	**10,136,553**

Source: EY 2023. Totals may not sum due to rounding.

3.7.4 Sensitivity analysis

Sensitivity analysis has been conducted to test the discount rate applied to the 10-year costs. A discount rate of 5.0 per cent, representing the six-month bond rate average and a discount rate of 5.2 per cent, representing the three-month bond rate average have been assessed compared to the central case of 3.3 per cent. These rates have been shown to acknowledge the current interest rate cycle at the time of financial appraisal.

The analysis, shown in Table 41, shows that based on the six-month and three-month average the cost of the Proposal is $9.44 million and $9.36 million.

**Table 41: Sensitivity results ($, nominal, discounted by 5.0% and 5.2% per annum)**

Cost category	Option 3 (5.0% discount)	Option 3 (5.2% discount)
Employment costs		
Employment costs	5,839,365	5,791,310
Total employment costs	**5,839,365**	**5,791,310**
Delivery costs		
Travel costs	227,892	226,042
Marketing	86,560	85,858
Event expenses	456,038	452,336
Program expenses	2,674,405	2,652,696
Committee Expenses	95,912	95,133
Total delivery costs	**3,540,807**	**3,512,065**
Operational costs		
Accountancy fees	55,796	55,343
Computer software	3,697	3,667
Meetings	2,366	2,347
Total operational costs	**61,859**	**61,357**
Total costs - nominal	**9,442,032**	**9,364,733**

Source: EY 2023. Totals may not sum due to rounding.

3.8 PROPOSED FUNDING ARRANGEMENTS

There are number of potential sources of funding for the CoE which have been outlined in Figure 13, it is noted that the figure is illustrative only and does not represent actual anticipated funding sources. Stakeholder consultation and the analysis undertaken as part of the business case development suggests that there is opportunity for a phased shift from depending largely on government grants to a greater reliance on sponsorship, revenue from partnerships, and self-generated income. It is likely that government funding will be necessary to ensure consistent delivery of the CoE operations. However, the dependence on government funding sources can lessen as industry awareness and participation increase, creating opportunities for funding through industry led alternatives.

Figure 13: Illustrative Stage 2 funding sources during program implementation [68]
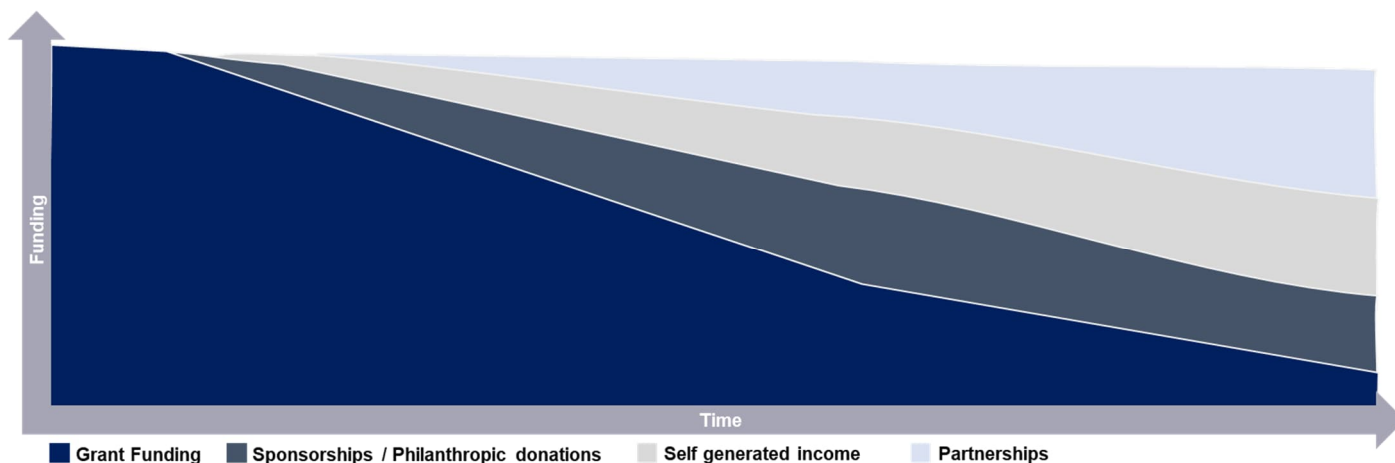
Details on the funding alternatives proposed have been included in Table 42.

Table 42 Funding alternatives

Funding alternative	Description
Grant funding	Grant programs supported by the Commonwealth and NSW Governments can be accessed to fund the CoE. The Bushfire Local Economic Recovery (BLER) Package funded Stage 1 of the CoE. A number of export and tourism grants programs are administered through Austrade (Australian Trade and Investment Commission) and other government agencies which may be available to contribute to funding Stage 2 operations. Notably, Austrade's 'Choose Tourism' grant program supports State and Territory Government and nominated industry partners to attract workers to the tourism industry.[69] Consultation findings suggested that subsidies and/or reliance on government funding sources may be required to reduce the cost to local businesses, particularly in the initial phases while the CoE programs gains reputability, and the value proposition can be clearly defined and understood.
Sponsorship / philanthropic support	Sponsorship can be sought from local businesses by highlighting benefits to the Region and creating opportunities for co-benefits for both the CoE and

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[68] Figure 13 is illustrative only and does not represent a recommendation of actual changes in program funding sources over time.
[69] Australian Trade and Investment Commission (2023) *Choose Tourism Grant Program*, https://www.austrade.gov.au/en/how-we-can-help-you/grants/choose-tourism-grant

Funding alternative	Description
	the potential sponsor. These benefits may include marketing, promotion, network development, and establishing a reputation in the region.
Self-generated income	Self-generating income is achievable through membership fees and the implementation of a user pay system. Membership fees can be collected to ensure continuous access to the CoE service offerings, while user pay fees can be obtained for specific training modules and events. Stakeholders were largely receptive to paying a fee to access the CoE programs, provided they show value for money and set themselves apart from the current free offerings, e.g. the quality of the training provided justifies the contribution. However, findings from the delivery of Stage 1 of the CoE have shown little willingness to pay for programs from local businesses. Additionally, the increasingly difficult economic environment may reduce businesses' willingness to pay for training programs if there are other options which may be freely available. As such, this funding option is to be explored further should it be relied on to contribute to funding the CoE in the future.
Partnerships	The partnership model entails the CoE collaborating with other parties for funding, development and delivery of CoE programs. There may be opportunities to establish partnerships with local business owners and operators, and tertiary education institutions with an existing presence in the Stage 2 delivery areas, who can provide ongoing financial and operational support. Support obtained through partnerships may increase as the CoE matures, and greater confidence is gained on the delivered outcomes.

The funding alternatives considered provide access to a spectrum of avenues which will support the CoE to uphold financial resilience despite seasonality cashflow implications for local businesses. As noted above, government funding is likely to be required to implement Stage 2, however, the funding avenues sought will evolve as the CoE matures and gains increased credibility in the regions, creating greater opportunities for industry-driven funding support. It is recommended that opportunities to self-generate income via membership fees and the user pay system are reviewed on an on-going basis, particularly post initial implementation, to understand industry appetite to contribute to funding the CoE.

4 IMPLEMENTATION CASE

Summary:

This section provides an overview of Stage 2 key milestones, governance arrangements and personnel, and key risks and mitigation measures, all of which will support the implementation and delivery of Stage 2. The governance and other supporting operational arrangements proposed in this section are designed to provide continuous and rigorous oversight, whilst maintaining flexibility to evolve as the CoE's partnerships and funding arrangements do.

At all phases, it is important that Stage 2 is governed by the following three key principles:

1. *Industry led:* industry representatives should continue to shape the CoE's program of activities

2. *Guided by funders:* funders should retain key decision-making responsibility, whether that be government or industry

3. *Regional input:* stakeholders in each region covered by CoE activities should be consulted.

The proposed governance model includes two key governing entities responsible for governance and oversight of the CoE's program:

1. *A Board,* comprised of representatives from the DSSS and DSNSW Boards, working together in a joint decision-making capacity as key funders of the program

2. *A Steering Committee,* comprised of representatives from across the tourism and hospitality industries, including business owners and operators, members of existing community groups and industry networks, as well as local government, in the relevant South Coast regions, and responsible for shaping the CoE's activities and delivery mechanisms from a strategic perspective, ensuring that the CoE remains industry led.

The CoE will continue, at least initially, to be hosted and governed by DSSS and DSNSW. As the CoE transitions to a more sustainable funding model with external funding sources beyond government, it is recommended that governance arrangements are revisited to ensure that funding bodies are also responsible for governance.

Under the proposed governance model, the Board will be predominantly responsible for risk management and mitigation, however Steering Committee members will also be charged with escalating key program risks to the Board. A preliminary risk register for Stage 2 has been developed as part of this business case. There were no risks identified with a residual risk rating of "high", however the following risks were identified with a residual risk rating of "moderate" and should be closely monitored throughout implementation:

- Lack of support from industry to form partnerships and collaborate with the CoE

- Lack of support from industry to provide funding and/or sponsorships to the CoE to generate alternative revenue streams to government funding

- Lack of personnel with required qualifications for CoE FTE requirements due to skills gap

- Coordination of CoE staff ensuring no duplication of work and greater efficiencies.

4.1 GOVERNANCE

This section provides an overview of the key decision makers, governance bodies, Proposal personnel and interfaces between the CoE and key government agencies. An overview of key stakeholders and agencies and their interface with the CoE personnel is provided in Figure 14.

Figure 14: Stage 2 key stakeholders and agencies
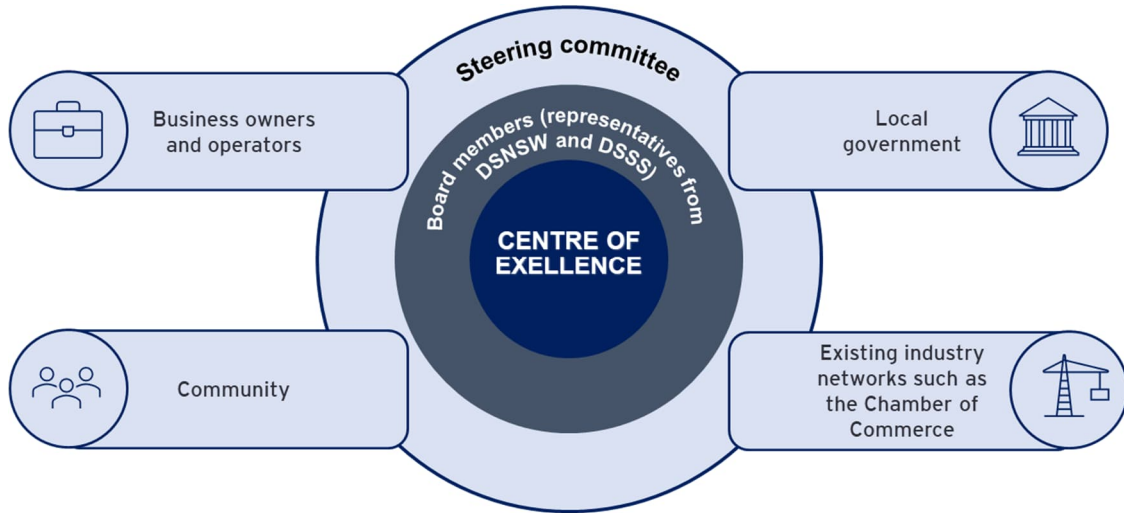
4.1.1 Governance principles

As the CoE expands its activities and regional footprint, effective coordination and clear lines of accountability will become even more paramount to its success. The governance arrangements proposed in this section are designed to provide continuous and rigorous oversight, whilst maintaining flexibility to evolve in line with the CoE's partnerships and funding arrangements. Across all phases of Stage 2, but particularly during transitional phases, it is recommended that three key governance principles are adhered to, as presented in Figure 15.

Figure 15: CoE governance principles

Industry led	**Guided by funders**	**Regional input**
Industry representatives should continue to shape the CoE's program of activities	Funders should retain key decision-making responsibility, whether that be government or industry	Stakeholders in each region covered by CoE activities should be consulted

4.1.2 Governance bodies

As Stage 2 is rolled out, it is recommended that the current governance structure of the CoE is employed to maintain continuity, with the addition of representation from the new CoE regions on the Steering Committee.

The two key governing entities responsible for governance and oversight of the CoE's program will include:

1. A Board, comprised of representatives from the DSSS and DSNSW Boards, working together in a joint decision-making capacity as key funders of the program

2. A Steering Committee, comprised of representatives from across the tourism and hospitality industries, as well as government, from the study region, who will be responsible for shaping the CoE's activities and delivery mechanisms from a strategic perspective, ensuring that the CoE remains industry led.

The CoE will continue, at least initially, to be hosted and governed by DSSS and DSNSW, as these entities will be financially responsible for the CoE's program of activities. As the CoE transitions to a more sustainable funding model with external funding sources beyond government, it is recommended that governance arrangements are revisited, ensuring that funding bodies continue to be responsible for governance.

Further detail on these key governing entities can be found in the following sub-sections.

4.1.2.1 Board

Given the expansion of CoE activities to additional LGAs, particularly within DSNSW, it is critical that board members from each DN (DSSS and DSNSW) are involved in a decision-making capacity. The two DN Boards would need to formalise their own set of governance arrangements, but it is recommended that they meet quarterly and perform the following functions:

- Oversee and provide approvals as necessary for CoE programs and activities
- Provide guidance and advice to DSSS and DSNSW General Managers and CoE staff
- Provide strategic direction and feedback on new initiatives and programs as proposed by CoE staff
- Monitor risks and issues as they arise, and assist in enforcing risk mitigation measures
- Implement the funding strategy, including formalising partnerships and oversight of disbursement of funds
- Oversee overall CoE costs and approvals
- Approve measures of success that can be used to track the effectiveness of program delivery and outcomes achievement and monitor achievement on a quarterly basis
- Review staff performance on a biannual basis
- Review suitability of governance arrangements as required.

As the CoE's funding arrangements evolve, it will be important for the Board to consider updating governance arrangements to reflect this. It may be more suitable in future for the CoE's Board to sit within a different organisation.

4.1.2.2 Steering Committee

It is recommended that the Steering Committee continues to play an important strategic role in the CoE's programs and activities as it moves into Stage 2. Steering Committee members should represent a range of different sectors within the tourism and hospitality industries, and there should also be Steering Committee representation from each LGA within which the CoE operates. For Stage 2, Steering Committee membership should be extended beyond industry to consider representation from local communities and governments, existing industry networks, Chambers of Commerce, and other stakeholders as deemed relevant.

The Steering Committee should continue to meet on a quarterly basis and provide strategic direction and feedback on new initiatives and programs proposed by CoE staff, ensuring that industry continues to shape the CoE's activities. Steering Committee members should also be responsible for raising any potential risks or issues and escalating these to the Board.

4.1.3 Proposal personnel

The specific roles, responsibilities and reporting protocols for the 4 new FTE would be finalised prior to advertising those positions. It is envisaged that role descriptions would be developed based on the current CoE positions of Industry Partnership Specialist and Manager Skills and Opportunities but may be tailored or refined based on location and where CoE activities will be focused.

Day-to-day reporting requirements will be determined by the DSSS and DSNSW in the first instance, as the funding and governing bodies, with CoE staff likely to report to the General Manager of the DN in which they are based. Should it be determined that the current reporting structure will remain in place, the Industry Partnership Specialist will also report to the Manager Skills and Opportunities.

4.1.4 Interfaces with government agencies

The proposed remit of Stage 2 is broad, with activities centred around skills and career development in the tourism and hospitality industries; however, the activities have been designed in a way that they fill key gaps within the current offering of services and support. It will be critical for the CoE to continue collaborating with other key government agencies and forming partnerships where relevant in order to be able to provide a complementary service offering to industry stakeholders. One example of collaboration would be to leverage the role and work of the Aboriginal Partnership Managers at Department of Regional NSW to create further opportunities for Indigenous tourism and hospitality business operators and individuals to enhance their skills and promote their products and services on the South Coast.

The following government agencies have been identified as key for collaboration with the South Coast CoE.

Table 43: Interfaces with government agencies

Agency	Rationale for collaboration	Level of collaboration
Destination NSW	- Umbrella body for DSSS and DSNSW - Leverage marketing support - Avoid duplication with DNSW's NSW First Program and Get Connected Program	- High engagement during implementation - Monthly engagement thereafter
Department of Regional NSW	Identify and create tourism employment opportunities	- High engagement during implementation - Quarterly engagement thereafter
TAFE	- Potential partner in training programs - Potential provider of physical training locations - Avoid duplication in provision of training programs	- High engagement at commencement to align programs of work - Engagement as required to deliver programs thereafter
Local councils	- Identify opportunities for training, events and networking - Collaborate with industry development officers to optimise opportunities with shared objectives and mutual benefits	- High engagement during implementation - Engagement as required to deliver programs thereafter

4.2 PROGRAM & MILESTONES

This section highlights key milestones in the implementation and operationalisation of Stage 2, including those related to recruitment, governance, performance monitoring and measurement, and funding and partnerships. Key events in the delivery of the Proposal are outlined in Table 44.

The immediate phase (i.e., first 3 months) would be intensive, as it would require the recruitment and appointment of the 4 FTE, the establishment of governance and program monitoring arrangements, and operational set-up and coordination, particularly across the new CoE regions. Regular monitoring and evaluation would be required to ensure the CoE is delivering outcomes and meeting stakeholder needs, and to enable flexibility to adjust offerings and method of delivery if required. The funding strategy including potential industry partnerships should be reviewed six months after implementation and biannually thereafter. The Board should also update governance arrangements with inclusion of key funding contributors accordingly to future developments.

Note that Stage 1 CoE activities are funded through to 31 March 2024. It is recommended that the events below commence as soon as practical after this date and once business case approval and funding has been received.

Table 44: Key Events

Event	Timeline
Funding for Stage 1 CoE expires	March 2024
Positions for 4 FTE to be advertised	As soon as possible
Appointments of 4 FTE to be announced	As soon as possible
Expressions of interest for industry participation from new regions in the South Coast THE CoE Steering Committee to be issued	1 month after appointment of FTE
Expressions of interest for Board members from new regions to be issued	1 month after appointment of FTE
Membership of the Board and Steering Committee to be finalised	3 months after appointment of FTE
Determine quarterly and annual performance metrics/outcomes to be tracked, and CoE staff to commence tracking outcomes	6 months after appointment of FTE
Determine and start to implement funding strategy including potential opportunities for industry partnerships	6 months after appointment of FTE
First quarterly outcomes reporting to the Board	9 months after appointment of FTE, and every quarter thereafter
Board to conduct bi-annual performance reviews of the CoE staff	Every 6 months, commencing from 6 months after appointment of FTE
Board to review implementation of industry partnership and funding strategy	6 months after implementation
Board to consider the need to transition governance arrangements, to include key funding contributors and affiliates in line with future outcomes. This includes industry contributors, sponsors and partners who may play a more prominent role within the CoE, due to the likely shift from government funding to industry led funding alternatives.[70]	On a quarterly basis, as required

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[70] Refer to Section 3.8 for further details on the conceptual funding strategy presented.

4.3 KEY RISKS

Risks were identified relating to the program. These have been categorised into the following risk impact categories set out in Table 45.

Table 45: Risk impact categories

Risk	Proposed mitigation	Risk rating after mitigation		
		Consequence	Likelihood	Rating
Lack of support from industry to form partnerships and collaborate with the CoE	CoE programs should be designed and delivered in a way in which key industry stakeholders understand the CoE's value and impact, and want to partner. CoE staff will inherently consult widely with stakeholders through the delivery of networking, training and recruitment activities. Steering Committee members, some of whom will be industry representatives, can also support to communicate CoE benefits to industry.	High	Low	Moderate
Lack of support from industry to provide funding and/or sponsorships to the CoE to generate alternative revenue streams to government funding	A key initiative of the CoE staff in the early phases of Stage 2 will be to develop a funding and engagement strategy, in which a diverse range of funding options should be considered. This will include exploring user pay models, sponsorship and membership models. The Board will also approve suitable impact measures for the CoE which will be reported on an ongoing basis, and can be leveraged to communicate to industry and/other potential partners to demonstrate the CoE's value.	High	Moderate	Moderate
Lack of support from industry to engage with the newly appointed CoE staff	Support for the CoE in regions where it currently operates should be leveraged to mitigate any potential risk of lack of support for newly appointed CoE staff, particularly in new regions of operations. The appointment of these roles will focus on selecting individuals with proven industry knowledge, as well as extensive experience in dealing with key industry stakeholders.	Moderate	Low	Low
Lack of personnel with required qualifications for CoE FTE requirements due to skills gap	The roles will be advertised in accordance with the standard recruitment process for NSW Government. Key stakeholders will also be asked to advertise the role within their networks. The roles could be split across part-time positions, given the breadth of skills required to focus on specific elements of the roles more suited to specific experiences.	High	Low	Moderate
Lack of coordinated oversight of program delivery by the board in the early phases of Stage 2	The CoE Board should have member representation from both DSSS and DSNSW. Governance arrangements will be determined and clearly structured in a Board Charter or similar document. The Board will meet on a quarterly basis so that any issues of coordination or otherwise can be discussed and mitigated on a timely basis.	Moderate	Low	Low
Inappropriate or reduced oversight of program activities if the CoE transitions to different hosting and governance arrangements	The DSSS and DSNSW Board members will need to develop an appropriate governance transition plan if the Board determines that the CoE's governance and hosting arrangements should change. Any changes should be enacted according to this transition plan.	Moderate	Low	Low
Overlap with existing tourism and hospitality training, networking and recruitment offerings in the regions	Stage 2 options have been tested through significant consultation with key government and industry stakeholders to validate need for the proposed activities. CoE staff will continuously engage and collaborate with key industry and government activities through program delivery	Moderate	Low	Low

Risk	Proposed mitigation	Risk rating after mitigation		
		Consequence	Likelihood	Rating
	and in accordance with the funding and engagement strategy.			
Lack of interest or uptake in CoE programs due to virtual delivery model and/or limited engagement or knowledge of CoE due to a lack of a physical shopfront	CoE staff will engage with key stakeholders on a regular basis in accordance with the funding and engagement strategy. Programs to be delivered in person will be considered on a case-by-case basis, dependent on proposed location and options to use a physical facility through partnerships. Any meetings and/or programs delivered virtually should use consistent branding.	Moderate	Low	Low
Accessibility of activities across the extended geographic areas	CoE staff should ensure that activities take place based on needs assessments and demand. Where there is high demand for events and/or training programs, virtual delivery should be strongly considered to reach the broadest group of participants.	Moderate	Low	Low
Coordination of CoE staff ensuring no duplication of work and greater efficiencies	Clear role descriptions and reporting lines will be required, as well as regular meetings and communications between all CoE staff to avoid duplication. Activity programs should also be designed with clear CoE "owners".	Moderate	Moderate	Moderate
Conflicts of interest may arise between board members and local businesses involved in the CoE due to personal or professional relationships and connections.	Establish a probity and conflict of interest identification and reporting process for all board members and engaged businesses to ensure transparency and maintain proper use of program funding.	Moderate	Low	Low

4.4 LEGISLATIVE, REGULATORY ISSUES & APPROVALS

There are no anticipated legislative, regulatory or approval issues associated with this Proposal. Legislative requirements associated with working with children under the age of 18 through the Stage 1 CoE Schools Program were successfully addressed via the implementation of processes and protocols which enabled individual schools to be classed as the 'responsible entity' for events, as opposed to the CoE. These processes and protocols are expected to be taken forward as part of Stage 2.

4.5 PROPOSED MANAGEMENT ACTIVITIES

4.5.1 RISK MANAGEMENT

Risk mitigation measures are outlined in Table 45 in Section 4.3 Key Risks above.

DN General Managers should escalate critical risks to the Board on a quarterly basis, at a minimum. CoE staff and Destination Network General Managers will be responsible for day-to-day risk management. This may include preparing risk registers and mitigation strategies for specific events, programs and activities. CoE staff and DN General Managers will also be able to leverage expertise of the Steering Committee members and existing industry networks to support risk mitigation, where appropriate.

4.5.2 ASSET MANAGEMENT & OPERATIONS

There are no new assets created by this proposal.

5 APPENDIX

5.1 KEY STAKEHOLDERS CONSULTED

Stakeholder workshops and interviews were facilitated virtually, with representatives from the following agencies and organisations in attendance:

Stakeholder Group	Agency/Organisation
Government	- Destination Sydney Surrounds South - Destination Southern NSW - Destination Wollongong - Department of Regional NSW - Department of Employment and Workplace Relations.
Local Government and Councils	- Snowy Monaro Regional Council - Shellharbour City Council - Kiama Municipal Council - Shoalhaven City Council - Eurobodalla Shire Council.
Industry Networks	- Batemans Bay Chamber of Commerce - Jindabyne Chamber - Shoalhaven Business Chamber - Merimbula Tourism (Visit Merimbula) - Sapphire Coast Tourism - Australian Agricultural Centre - Illawarra South Coast Jobs.
Businesses	- Shoalhaven Ex-Servos - Tathra Beachside - Beachcomber Holiday Park - Toast Café Pambula - Tasman Holiday Parks - Bannisters Mollymook - Australian Wildlife Park - Calkin Motels - Kaigi Conferencing and Events - Crackenback Resort, Snowy Mountains - Paperbark Camp - Cupitt's Estate - Bangalay Villas - Bungalin.

In addition, the business case team attended a CoE Indigenous Connections famil in person in Shoalhaven and consulted informally with several business owners and operators throughout the course of the day, insights from which have also helped to inform this business case.