Woolamai to Nyora Rail Trail

Preliminary Business Case

Prepared by Urban Enterprise for Michael Smith & Associates (on behalf of Bass Coast Shire Council)

December 2024

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Woolamai to Nyora Rail Trail: Preliminary Business Case

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Acknowledgment of Country:

We acknowledge the traditional custodians of the land on which our work is based and pay our respects to their Elders past and present. We extend that respect to all First Nations people.

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Executive Summary

Introduction

Urban Enterprise was engaged in November 2024 by Michael Smith & Associates (the client) on behalf of Bass Coast Shire Council (Council) to prepare a preliminary business case for a proposed rail trail between former railway stations at Woolamai and Nyora: the Woolamai to Nyora Rail Trail (WNRT).

Project Overview

The project proposes the delivery of a rail trail along the former rail reserve between Woolamai and Nyora, over a distance of approximately 24.2km. The project is part of the Gippsland Odyssey Trail, a region wide trail network consisting of existing and proposed trails. The rail trail is proposed to be delivered as granitic gravel pavement, making it suitable for conventional bicycles, trail mountain bikes, gravel bikes, hybrid bikes, or electric bikes.

Investment Drivers

The project investment drivers include:

1. Deliver a strategic trail link that will connect the Bass Coast Trail with the Great Southern Trail (including fulfillment of the vision for the Gippsland Odyssey Trail), and ultimately provide a trail link from Bass Coast to metropolitan Melbourne.
2. Support the visitor economy by encouraging increased visitation, additional length of stay and visitor expenditure.
3. Deliver new nature-based tourism product aligned to target markets.
4. Provide a safe off-road trail link for residents, to connect local settlements and communities, including for children to access schools in Nyora and Loch.
5. Encourage and promote healthy and active communities through active transport and recreation assets.
6. Provide opportunity for a bio-link for natural flora and fauna along the trail alignment.
7. Celebrate the cultural history of the Bunurong People through interpretive information at trail heads, at creek crossings, and the Bass River.
8. Provide interpretive history of the importance of railway branch lines; several timber trestle bridges; and the longest bridge on the trail (a steel bridge across Bass River).
9. Support destination marketing opportunities through new tourism product.

Strategic Alignment

The proposed WNRT enjoys strong strategic support through state, regional and local plans and strategies. Key areas of strategic alignment include:

- Alignment to the “nature” product development priority area of Experience Victoria 2033, including trails to support longer stays.
- Noted as a signature project as part of the Gippsland Trail/Gippsland Odyssey Trail in the Gippsland Destination Management Plan, the Gippsland Tracks and Trails Feasibility Study and the Gippsland Trail Feasibility Study and Business Case.
- Relevant to focus areas of the Phillip Island & San Remo Destination Management Plan, including creating experiences that drive demand, support longer stays and contribute to care and connection with place, as well as facilitating sustainable transport of visitors into and around the region.
- Aligns to key areas of the Bass Coast Council Plan including encouraging healthy and active communities; enhancing and diversifying the visitor economy; improving biodiversity outcomes; and creation of connected places via sustainable and active transport.
- Promotion of active lifestyles through Council’s Healthy Communities Plan.
- Noted as a high priority project in the Bass Coast Shire Tracks and Trails Strategy.
- Supported as a means to connect Bass Coast via walking and cycling trails, backed by the Active Bass Coast Strategy.

Target Markets

Target markets for the WNRT include:

- **Recreational Cyclists** – leisurely riders on off-road shared paths and trails. These cyclists can include a variety of traveller types and demographics such as families, couples, friendship groups and other casual riders.
- **Touring Cyclists** – The WNRT will link with the Great Southern Rail Trail, the Bass Coast Trail and connect into San Remo and Phillip Island. The trail would therefore be long enough to attract long-distance cyclists who are looking for scenic routes, as well as those interested in multi-day cycling trips.
- **Walkers** – The trail has the potential to capture both casual and long-distance walkers. The relatively flat terrain and ability to undertake walks in sections or over long distances would appeal to both visitors and residents.
- **Runners** – The WNRT will provide a trail for runners, including both visitors and residents.
- **Local commuters** – The WNRT will provide a safe, off-road link for residents travelling to different townships, settlements, schools, work or for other community services.

Economic Evaluation

A preliminary economic evaluation of the project was undertaken including preparation of an economic impact assessment and cost benefit assessment. A summary is provided at Figure 1 below.

Figure 1. Summary of Economic Assessment

<table>
<tr>
<td>Project Cost

Project cost estimate of $34.835 million (excluding GST).</td>
<td>Trail User Estimates

Estimated 28,000 trail cycling users (year 1), growing to 45,000 cycling users (year 10).</td>
<td>Trail User Visitor Spend Estimates

Estimated direct visitor spending of $2.6 million (year 1), growing to $4.2 million (year 10) (in 2024 dollar terms).</td>
</tr>
<tr>
<td colspan="2">Economic Impact

The economic impact of the project during the construction phase is estimated as follows:

• $72.4 million in economic output, including $34.8 million in direct economic output and $37.6 million in indirect economic output;
• 184 jobs, including 87 direct jobs and 97 indirect jobs (FTE); and
• $23.5 million in value added, including $9.9 million in direct and $13.7 million in indirect value added.

The economic impact of the project during the operational phase is estimated as follows:

• $5 million in economic output p.a., including $2.6 million in direct economic output and $2.4 million in indirect economic output;
• 26 jobs p.a., including 20 direct jobs and 7 indirect jobs (FTE); and
• $2.1 million in value added p.a., including $1.2 million in direct value added and $1.0 million in indirect value added.</td>
<td>Cost Benefit Analysis Results

At an adopted discount rate of 7%, the project returns:

• An NPV of $4.4 million.
• A BCR of 1.14.</td>
</tr>
</table>

Summary of Benefits

- **Economic and tourism benefits,** including:
  - increase in spending and jobs in the construction sector due to capital investment in the trail.
  - increase in visitor spending, due to attraction of new visitors and existing visitors extending their length of stay. Additional spend could include accommodation, food and drinks, retail, bike related expenses and other services.
  - new job creation as a result of additional spending.
  - new and enhanced tourism products and experiences in Bass Coast.
  - destination marketing opportunities.
- **Environmental benefits**, including:
  - a new bio-link adjacent to the trail for flora and fauna.
  - reduction in emissions where cycling is undertaken instead of car-based transport.
  - environmental appreciation experienced by trail users.
- **Health and wellbeing benefits**, including:
  - increase in physical activity and fitness for trail users.
  - reduction in health-related costs due to increase in exercise for trail users.
- **Social benefits**, including:
  - new opportunities to socialise and recreate.
  - cultural heritage interpretation.
  - heritage preservation and interpretation.
  - community pride and building of community networks.
  - improved safety associated with off-road cycle trail.
- **Strategic benefits**, including:
  - aligning to local and regional strategy.
  - delivery of a key section of the Gippsland Odyssey Trail, which will ultimately provide a trail link from metropolitan Melbourne to Bass Coast and Gippsland.
  - Connection to the Great Southern Rail Trail and the Bass Coast Trail.

1. Introduction

1.1. Background

Urban Enterprise was engaged In November 2024 by Michael Smith & Associates (the client) on behalf of Bass Coast Shire Council (Council) to prepare a preliminary business case for a proposed rail trail between former railway stations at Woolamai and Nyora.

The proposed Woolamai to Nyora Rail Trail (WNRT) would provide a missing link, connecting the Bass Coast Rail Trail with the Great Southern Rail Trail, as well as into San Remo and Phillip Island (see Figure 2).

The WNRT is identified as a high priority project in the Bass Coast Shire Tracks and Trails Strategy 2022-2032 (2022), and a key section of the Gippsland Odyssey Trail (Gippsland wide trail network) (see Figure 3).

Figure 2. Woolamai to Nyora Rail Trail will Provide a Missing Link



Map prepared by Urban Enterprise, 2024

Figure 3. Gippsland Odyssey Trail Concept Plan (August 2022)



Source: Destination Gippsland

1.2. Project Concept

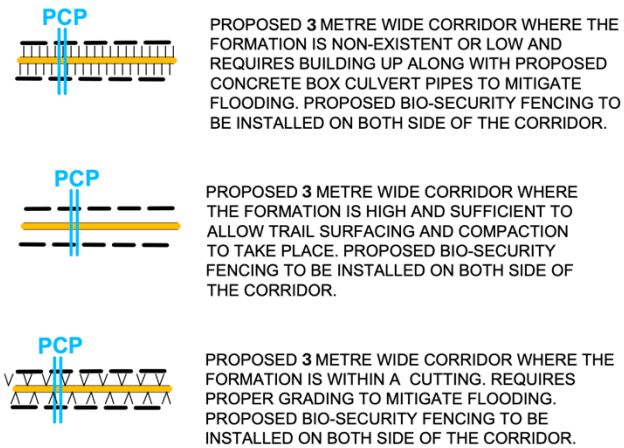
A rail trail concept between the former Woolamai Station and former Nyora Station has been prepared for Bass Coast Shire Council and South Gippsland Shire Council.

The concept proposes the delivery of a rail trail, primarily along the former rail reserve, over a distance of approximately 24.2km. The proposed trail surface is a granitic gravel pavement, making it suitable for conventional bicycles, trail mountain bikes, gravel bikes, hybrid bikes, or electric bikes. The trail is unlikely to be suitable for use by road bikes.

The concept proposes to re-establish the railway formation where the proposed trail route is low or non-existent. In addition, a series of drainage culverts, bridges and other crossings would be required, including an underpass/overpass across the Gippsland Highway.

Proposed trail formations are illustrated at Figure 4.

Figure 4. Proposed Trail Formations



Source: Michael Smith and Associates, 2024

1.3. Project Investment Drivers

The project investment drivers are summarised below.

1. **Deliver a strategic trail link that will connect the Bass Coast Trail with the Great Southern Trail (including fulfillment of the vision for the Gippsland Odyssey Trail), and ultimately, provide a trail link from Bass Coast and to metropolitan Melbourne.**
2. **Support the visitor economy by encouraging increased visitation, additional length of stay and visitor expenditure.**
3. **Deliver new nature-based tourism product aligned to target markets.**
4. **Provide a safe off-road trail link for residents, to connect local settlements and communities, including for children to access schools in Nyora and Loch.**
5. **Encourage and promote healthy and active communities through active transport, social networks and recreation assets.**
6. **Provide opportunity for a bio-link for natural flora and fauna along the trail alignment.**
7. **Celebrate the cultural history of the Bunurong People through interpretive information at trail heads and at several creek crossings and the Bass River.**
8. **Provide interpretive history of the importance of railway branch lines; several timber trestle bridges; and the longest bridge on the trail (a steel bridge across the Bass River).**
9. **Support destination marketing opportunities through new tourism product and experiences.**

Based on opportunities identified in Feasibility Study Report, Michael Smith & Associates, adapted by Urban Enterprise, 2024

1.4. Scope

The scope of this engagement includes the following:

- Review background information relevant to the proposal provided by the client, including concept drawings and other information as relevant;
- Review and summarise project investment drivers;
- Undertake a strategic review (local, regional and state strategies and plans) and document the strategic alignment of the proposal;
- Prepare a preliminary and high-level market assessment relevant to the proposal;
- Prepare a project benefits framework for the proposal;
- Prepare a visitor impact assessment;
- Prepare an economic impact assessment and cost benefit analysis;
- Prepare a high-level risk assessment.

2. Strategic Alignment

2.1. Introduction

The following reviews state, regional and local strategies and plans (with a focus on tourism and economic development plans and strategies) to determine the level of strategic alignment with the proposed WNRT.

2.2. State Alignment

Experience Victoria 2033 (2023)

Experience Victoria 2033 is Victoria's strategic plan for a thriving visitor economy. Relevant to the proposed Woolamai to Nyora Rail Trail is the focus on nature-based tourism. "Nature" is one of five product priority areas of the plan, noting "enormous potential for growth in this market once nature-based experiences are better connected, made to suit all abilities, and supported by appropriate infrastructure".

Trails, alongside evening attractions and connected experiences are highlighted as having the potential to support longer stays.

2.3. Regional Alignment

Gippsland Destination Management Plan (2022)

The **Gippsland Destination Management Plan** outlines the vision for the region as "Gippsland's natural beauty, outstanding experiences and life changing moments inspire the world to visit". The DMP is guided by a set of principles including inclusive; sustainable; resilient; compelling; committed to excellence; and engaging.

Regional 2030 growth targets of the Plan include:

- $1.79 billion in annual visitor expenditure;
- 10.6 million annual visitor nights;
- 16,800 jobs created by tourism spend.

A key experience pillar is "inspired adventure", which includes a number of priority trail projects. The Gippsland Odyssey Trail is noted as an immediate hero experience. The Gippsland Odyssey Trail supports the budling of exiting rail trails and multi-use trails, which can be packaged into sections or sold as multi-day trails.

Gippsland Tracks and Trails Feasibility Study (2019)

The Gippsland Tracks and Trails Feasibility Study outlines a vision that "Gippsland will be recognised as a world class trails destination offering a diversity of outstanding landscapes and experiences".

This study identifies the potential to create the "Gippsland Trail" (now referred to as the Odyssey Trail), a multi-purpose trail, which notes development of a trail from the Woolamai Racecourse northward and in South Gippsland both from Leongatha eastwards to Korumburra and Nyora, and in the Port Welshpool and Yarram areas.

The proposed WNRT is key link as part of the Gippsland Trail.

The Gippsland Trail Feasibility Study & Business Case (2020)

The Gippsland Trail Feasibility Study & Business Case investigates 700 kilometres of trails through Gippsland, starting in the west at Clyde just on the outskirts of Melbourne or at Drouin Station on the Gippsland rail line. The WNRT is a key link in the creation of the Gippsland Trail.

The report estimates that rides on the trail would increase from 123,600 rides in year 1 to around 227,000 in year 10, with spending in region by trail users increasing from $11 million in year 1 to $20 million in year 10.

A costs benefit analysis estimates that the trail would return a Benefit Cost Ratio (BCR) of 2.0 at a discount rate of 7%.

As part of the economic assessment, a preliminary cost estimate of $9.9 million (in 2020 dollars) was estimated for delivery of the Nyora to Woolamai section. Recent costings of the trail by a quantity surveyor based on concept plans have estimated this section to cost in the order of $34.835 million, as summarised in this report.

Phillip Island & San Remo Destination Management Plan- Towards 2033

Phillip Island and San Remo are located to the west of the proposed WNRT. These visitors are likely to be a key source market for use of the trail as well as these regions being the beneficiaries of the economic and social benefits of the trail. Strategic alignment of WNRT to the **Phillip Island & San Remo Destination Management Plan** is important within this context.

The Destination Management Plan is underpinned by the purpose of "tourism for the greater good". Guiding principles of the Plan include:

- Enhancing our visitor experience;
- Improving visitor movements;
- Building a resilient tourism eco-system;
- Caring for our environment and community;
- Sharing our story with impact.

Key relevance to the proposed WNRT includes:

- Experiences that drive demand for the destination year-round, supporting longer visitor stay and contributing to care and connection with our place; and
- Visitors can get to and around the destination without a car or paid tour.

2.4. Local Alignment

Bass Coast Council Plan 2021-25

The Bass Coast Shire Council Plan sets out six strategic objectives and supporting strategies. Those relevant to the WNRT include:

- **Protecting our natural environment** – building resilience and protecting and enhancing our natural assets;
  - Improve biodiversity through careful management of land, water and ecosystems that protect and enhance our native flora, fauna and bio-links.
- **Healthy community** – an inclusive community that embraces its lifestyle and supports health and wellbeing;
  - Provide opportunities for residents to be active in a range of leisure and recreational activities.
- **Our places** – strengthening the connection between people and the public places they share;
  - Design, build and cultivate places that create a sense of belonging, connection and pride.
  - Create safe, accessible and enjoyable experiences in the public realm enabled by smart technologies, innovative design and environmentally sustainable infrastructure.
  - Advocate for, and create places that are connected, sustainable and support active transport, reliable public transport and other low emission transport options.
- **Growing our economy** – progressing opportunities for visitation economy and business growth in harmony with our natural environment and sustainable values.
  - Take a Shire-wide approach to enhancing and diversifying our visitor economy and attraction.

Bass Coast Economic Development Framework 2030

The Economic Development Framework outlines Council's plan to increase opportunities for business activity and investment, facilitate participation in employment and education, build the competitiveness, diversity and resilience of the economy, and support the ongoing community economic wellbeing.

The "natural world and visitor economy" is noted as a key pillar and enabler of economic growth. Key actions include implementation of priorities of the Gippsland and Phillip Island and San Remo Destination Management Plans; progression of products and experiences that match demand, expectations, and improve seasonal dispersal.

Healthy Communities Plan 2021-25

The Healthy Communities Plan 2021-25 provides the strategic direction to support the health and wellbeing of our communities. Relevant priorities to WNRT include creating healthy lifestyles, which includes increasing active living.

Bass Coast Tracks and Trails Strategy 2022-2032

A Tracks and Trails Strategy was developed in 2022 with the aim of creating a trail network that "offered a connected and accessible trail network that supports active and healthy communities, showcases and protects the natural environment and encourages increased visitation to the region."

The strategy places importance on Trails that provide connectivity, health and wellbeing outcomes, accessibility, tourism and connection to nature.

The strategy identified 36 new trail opportunities, categorised as high, medium and low priority. The WNRT is identified in the Bass Coast Tracks and Trails Strategy as a high priority trail.

Active Bass Coast 2018-2028

The vision for Active Bass Coast is "a healthy and connected community that regularly participates in recreation and social activities in both natural and structured open spaces."

Connecting Bass Coast Shire via walking and cycling trails is noted a s key focus area of the study.

2.5. Summary

The proposed WNRT enjoys strong strategic support through state, regional and local plans and strategies. Key areas of strategic alignment include:

- **Alignment to the "nature" product development priority area of Experience Victoria 2033. The Plan notes trails as a product development opportunity to support longer stays.**
- **Noted as a signature project as part of the Gippsland Trail/Gippsland Odyssey trail in the Gippsland Destination Management Plan, the Gippsland Tracks and Trails Feasibility Study and the Gippsland Trail Feasibility Study and Business Case. These initiatives are also backed by the Bass Coast Economic Development Framework.**
- **Relevant to focus areas of the Phillip Island & San Remo Destination Management Plan, including creating experiences that driver demand, support longer stays and contribute to care and connection with place, as well as facilitating sustainable transport of visitors into and around the region.**
- **Aligns to key areas of the Bass Coast Council Plan including encouraging healthy and active communities; growing the economy by enhancing and diversifying the visitor economy; improving biodiversity outcomes; and creation of connected places via sustainable and active transport.**
- **Promotion of active lifestyles through Council's Healthy Communities Plan.**
- **Noted as a high priority project in Bass Coast's Tracks and Trails Strategy.**
- **Supported as a means to connect Bass Coast via walking and cycling trails, backed by the Active Bass Coast strategy.**

3. Preliminary Market Assessment

3.1. Introduction

The following provides a preliminary market assessment to ascertain potential demand for the trail and the likely target markets. This includes consideration of the visitor and resident market.

3.2. Target Markets

Visitor market research conducted by Urban Enterprise for another regional tourism destination in Victoria, found that the cycling tourism market can be segmented into four key markets based on activity, including road cyclists, mountain bikers, recreational cyclists and gravel cyclists.

The research found that recreational cyclists (where cycling typically takes place on a shared paths and rail trails), comprised a large portion of the visitor market. The research also found that getting out in nature and enjoying scenery was a key motivator for recreational cycling; and that most recreational cyclists undertake rides of less than half a day. High quality day rides were also the most appealing types of recreational rides.

The WNRT provides potential for up to half day rides (or less if undertaken in sections), through scenic countryside, which is likely to appeal to a range of riders.

Rail trails can attract a variety of users and visitors. In the absence of specific market research, target markets for the WNRT have been predicted based on existing research and information and our knowledge of the proposed trail. These include:

- **Recreational Cyclists** – The WNRT is likely to appeal to those that undertake casual, leisurely rides on off-road shared paths and trails. These cyclists can include a variety of traveller types and demographics such as families, couples, friendship groups and other casual riders. Due to the rise in e-bikes, recreational cycling over longer distances has become more accessible to a greater range of ages and fitness abilities.
- **Touring Cyclists** – The WNRT will link with the Great Southern Rail Trail, the Bass Coast Trail and connect into San Remo and Phillip Island. The trail would therefore be long enough to attract long-distance cyclists who are looking for scenic routes, as well as those interested in multi-day cycling trips.
- **Walkers** – The trail has the potential to capture both casual and long-distance walkers. The relatively flat terrain and ability to undertake walks in sections or over long distances would appeal to both visitors and local residents.
- **Runners** – The WNRT will provide a trail for runners, including both visitors and residents.
- **Local commuters** – The WNRT will provide a safe, off-road link for residents travelling to different settlements, townships, schools, work or for other community services.

3.3. Catchment Area

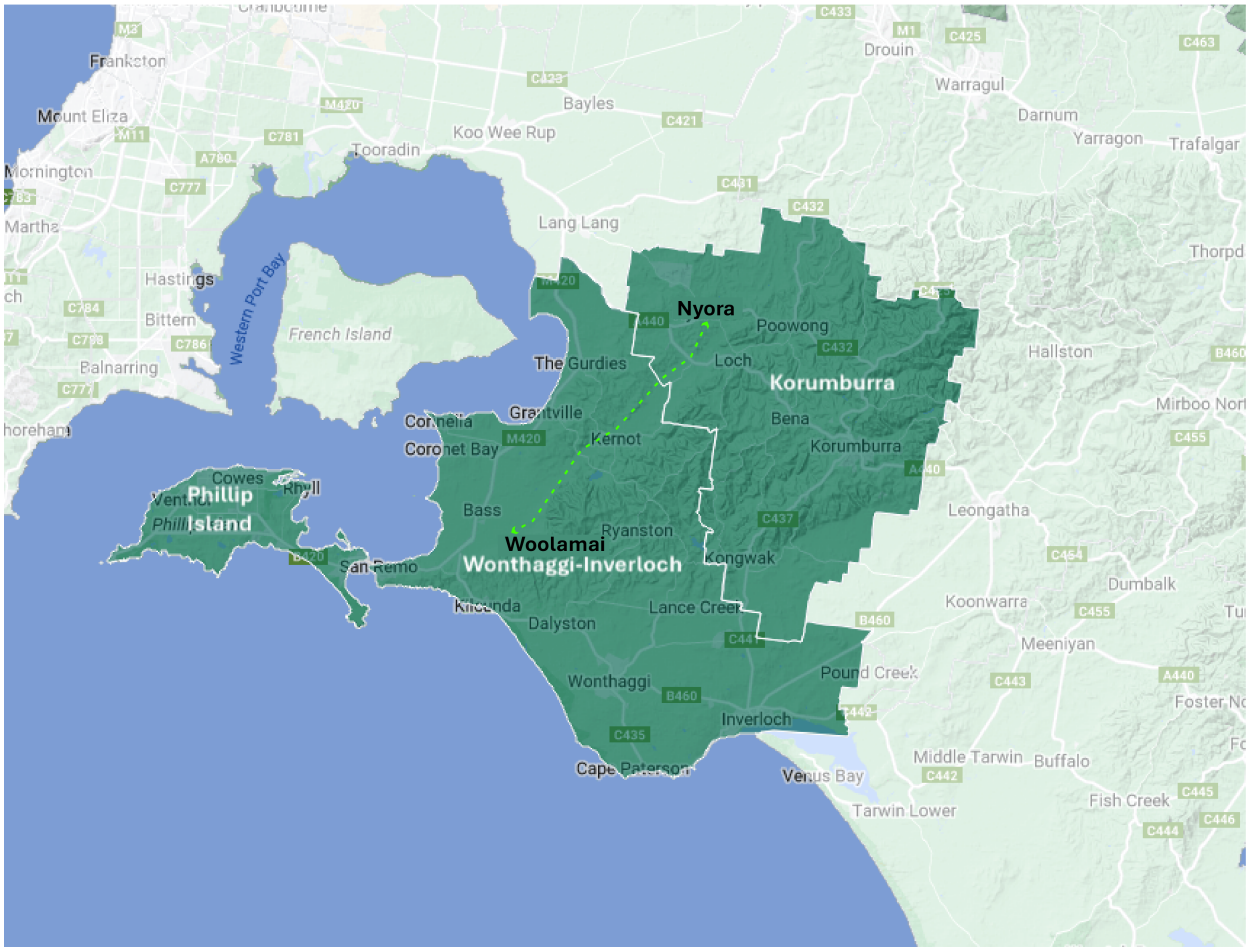
For the purposes of analysing the visitor and resident market, a catchment area has been set for the proposed WNRT (see Figure 5).

The catchment includes the SA2s of Phillip Island, Wonthaggi-Inverloch and Korumburra. Visitors to this area (both daytrip and overnight visitors) as well as residents are likely to provide key source markets for use of the trail as these areas would be linked by a trail network should WNRT be delivered.

The proposed WNRT will directly traverse the Wonthaggi-Inverloch and Korumburra SA2s, whist Phillip Island will be connected to WNRT via existing trails. It is expected that Phillip Island and San Remo will provide a key source market for the trail, drawing on the popularity of this area for tourists and overnight visitors.

The following visitor and population analysis relates to this catchment.

Figure 5. Catchment Area



Source: Urban Enterprise, 2024

3.4. Visitor Market

Visitation

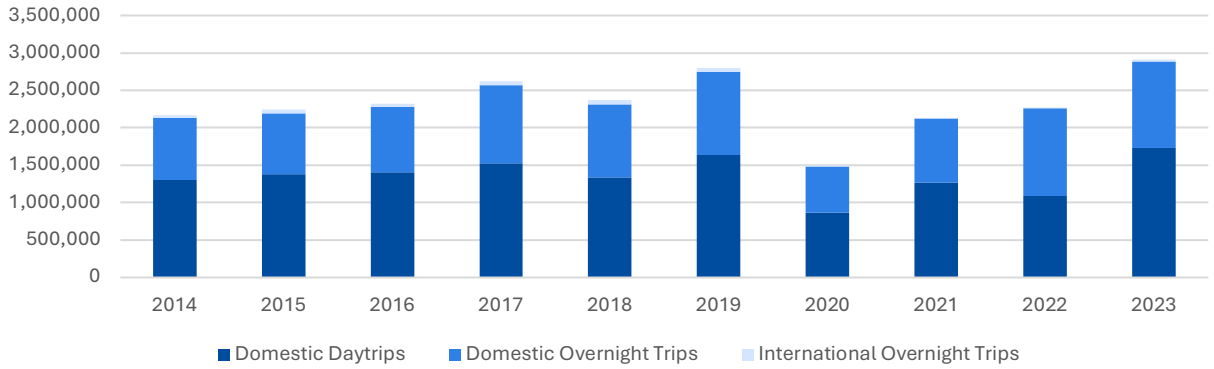
Figure 6 shows the number of visitors to the catchment between 2014 and 2023. Generally, visitation has been trending upward, apart from the covid-19 impacted years (namely 2020, 2021 and 2022).

The domestic market drives the majority of visitation, with international overnight trips contributing a relatively small proportion of visitation (note, the data does not capture international day trips).

As of 2023, the catchment attracted 1.7 million domestic daytrip visitors, 1.2 million domestic overnight visitors and 30,000 overnight international visitors.

Domestic daytrip visitation grew at an average rate of 2.9% p.a. between 2014 and 2023, whilst domestic overnight visitors grew at 3.4% and international overnight visitors declined by -1.5% (the international market was on a growth trajectory pre-covid of 10.8% p.a. between 2014 and 2019).

Figure 6. Catchment Visitation by Sub-Markets, 2014-2023



Source: Tourism Research Australia, NVS & IVS, 2024, compiled by Urban Enterprise, 2024

Table 1 provides a snapshot of the visitor market based on a 5-year average (2017, 2018, 2019, 2022 and 2023).

On average, the catchment attracted 2.6 million visitor trips per annum, consisting of an average of 1.46 million domestic daytrips, 1.1 million domestic overnight trips and 40,000 international trips.[1] In addition, the catchment supported an average of 3.2 million visitor nights, majority of which were comprised of domestic visitor nights (95%).

Domestic overnight visitors stayed for an average of 2.1 nights, whilst international visitors stayed for an average of 4 nights.

Table 1. Catchment Visitation (5-Year Average Market Size)

	Visitor Trips		Visitor Nights		Average Length of Stay
	(#)	%	(#)	%	
Domestic Daytrips	1,460,000	56%			
Domestic Overnight	1,090,000	42%	3,060,000	95%	2.1 Nights
International Overnight	40,000	2%	160,000	5%	4.0 Nights
Total	**2,600,000**	**100%**	**3,220,000**	**100%**	

Source: Tourism Research Australia, NVS & IVS,2024, compiled by Urban Enterprise, 2024

5-year average includes the 2017, 2018, 2019, 2022 and 2023 calendar years, excluding covid-19 impacted years of 2020 & 2021.

[1] 5-year average includes the 2017, 2018, 2019, 2022 and 2023 calendar years, excluding covid-19 impacted years of 2020 & 2021.

Activities

Table 2 shows visitation by activities undertaken, capturing domestic daytrip and domestic overnight trips. The data shows that social activities were the most common (2 million visitors in 2022-2023), followed by outdoor/nature activities (1.6 million), local attractions / tourist activities (658,000 visitors), and active outdoor / sports (583,000 visitors).

Visitors undertaking outdoor/nature activities grew at the strongest rate at 3.6% p.a., followed by local attractions (2.8%) and active outdoor / sports (2.6% p.a.)

Table 2. Visitation by Activities Undertaken, Domestic Daytrip and Overnight Visitors, 2-year averages

	Outdoor / nature	Active outdoor / sports	Arts / heritage	Local attractions / tourist activities	Social activities	Other activities
2014-2015	1,161,000	450,000	187,000	500,000	1,763,000	40,000
2016-2017	1,347,000	461,000	246,000	607,000	2,054,000	64,000
2018-2019	1,474,000	527,000	218,000	557,000	2,172,000	57,000
2020-2021	1,075,000	386,000	114,000	384,000	1,385,000	3,000
2022-2023	1,647,000	583,000	174,000	658,000	2,016,000	32,000
Change	**486,000**	**133,000**	**-13,000**	**158,000**	**253,000**	**-8,000**
AAGR (%)	**3.6%**	**2.6%**	**-0.7%**	**2.8%**	**1.4%**	**-2.2%**

Source: Tourism Research Australia, NVS & IVS,2024, compiled by Urban Enterprise, 2024

Table 3 shows the number and percentage of visitors that participated in relevant activities (including bushwalking/rainforest walking and cycling).[2] Approximately 7% of domestic daytrip visitors, 17% of domestic overnights visitors and 47% of international overnight visitors undertook a bushwalk/rainforest walk. Approximately 1% of domestic daytrip visitors, 5% of domestic overnights visitors and 7% of international overnight visitors went cycling.

Table 3. Relevant Activity Participation (5-year average)

	% of Visitor Market Engaging in Activity		# Visitors	
	Bushwalking/ Rainforest Walking	Cycling	Bushwalking/ Rainforest Walking	Cycling
Domestic Daytrips	7%	1%	107,000	11,000
Domestic Overnight Trips	17%	5%	185,000	57,000
International Overnight Trips	47%	7%	20,000	3,000
Total			**312,000**	**71,000**

Source: Tourism Research Australia, NVS & IVS,2024, compiled by Urban Enterprise, 2024

[2] Categories as per Tourism Research Australia NVS & IVS. The survey does not contain a specific activity category for rail trails, nor does it include other walking activities.

Visitor Spend

Table 4 shows the average visitor spend for domestic daytrip and domestic overnight visitors to Bass Coast Shire and South Gippsland Shire. Daytrip visitors to Bass Coast spent an average of $111 per day, whilst overnight visitors spent an average of $191 per night. This compares to $95 per day and $116 per night for South Gippsland.

Table 4. Average Visitor Spend, Bass Coast Shire & South Gippsland Shire

	Domestic Daytrip Visitors	Domestic Overnight Visitors
	Bass Coast	
Average Spend per Trip	$111	$568
Average Spend per Night	-	$191
	South Gippsland	
Average Spend per Trip	$95	$349
Average Spend per Night	-	$116

Source: Tourism Research Australia via Remplan, Bass Coast & South Gippsland, 2023

3.5. Residents

Table 5 shows population forecasts for the catchment prepared by Victoria in Future (VIF). As of 2021, the catchment supported a population of approximately 50,000 residents. The population is forecast to grow at a rate of 1.4% p.a. between 2021 and 2036, by around 12,000 residents.

The majority of the population reside in the Wonthaggi-Inverloch SA2, which made up approximately 53% of the total population in 2021 (which is forecast to grow to 55% of total population by 2036).

Table 5. Catchment Population Forecasts (2021-2036)

	Population
2021	50,268
2026	54,425
2031	58,313
2036	62,206
Growth (#)	11,938
AAGR (%)	1.4%

Source: Victoria in Future, December 2023, compiled by Urban Enterprise, 2024

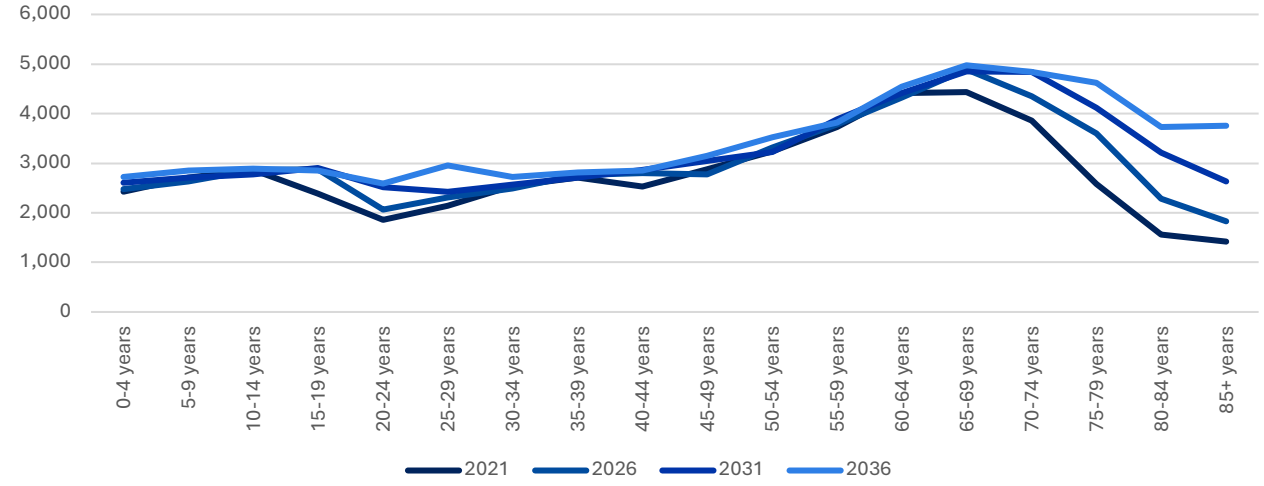
Figure 7 shows the forecast age profile of the catchment. The age profile is skewed towards older residents, with a noteworthy higher proportion of residents aged over 55 years.

The majority of population growth is expected to occur in older residents (+60 years), as well growth in those aged 15-29 years.

The trail will be able to target growth populations including older demographics, including semi-retirees and retirees, who generally have a higher amount of available leisure time. The growing use of electronic bikes also makes longer distance riding more accessible to a range of users.

In addition, the trail will be accessible by other residents, including families with primary and secondary school aged children, and empty nesters and pre-retirees.

Figure 7. Catchment Population Age Profile Forecast (2021-2036)



Source: Victoria in Future, December 2023, compiled by Urban Enterprise, 2024

3.6. Recreation Participation

The Australian Sports Commission, through AusPlay collect national, state and territory data on participation in sports and activities in Australia.

Table 6 shows participation in relevant recreation activities for FY24. The research estimates that in Victoria, approximately 51.7% of residents walk for recreation purposes, whilst 15.1% undertake bushwalks.

For cycling, around 9.2% of the population undertake general cycling and 0.6% undertake mountain biking.

Table 6. Recreation Participation, Victoria, 2023-24

	Summary			Age group						
	Total#	Males	Females	15-17	18-24	25-34	35-44	45-54	55-64	65+
Walking Related										
Walking (Recreational)	51.7%	44.2%	59.1%	26.2%	35.4%	43.0%	49.0%	61.6%	66.0%	59.0%
Bush walking	15.1%	14.0%	16.2%	13.2%	13.5%	20.8%	16.2%	17.3%	15.2%	8.7%
Cycling Related										
Cycling	9.2%	11.3%	7.1%	10.3%	7.0%	7.9%	10.2%	13.9%	11.0%	5.8%
Mountain biking	0.6%	1.1%	0.1%	3.6%	0.3%	0.4%	0.7%	0.7%	0.1%	0.2%

Source: AusPlay, 2024

3.7. Estimated Trail Users & Spend

The following provides a preliminary estimate of annual trail users (cyclists) for the proposed WNRT and associated visitor spend. This analysis has regard to the visitor and resident market assessments as presented above.

It should be noted that limited existing information on the current use of the local and regional trail network is available (e.g. through trail counter data), and no primary market research has been completed to support this assessment. Therefore, the assessment has adopted a range of assumptions based on the available research.

Trail Users

The total available market for which the trail is likely to draw on is estimated at 3.1 million people (year 1), which is estimated to grow to 4.9 million people by year 10. The visitor market makes up the majority of the market, with 3.049 million visitors (year 1), growing to 4.9 million visitors (year 10).

Based on cycling participation rates, it is estimated there would be approximately 88,300 cyclists in the region (year 1), growing to 138,900 cyclists by year 10. Of the cycling market, it is estimated that the proposed WNRT trail will support in the order of 28,000 users (year 1), growing to 45,000 users by year 10. Of these users, 25,000 are expected to be sourced from the visitor market (year 1), growing to 39,990 (year 10).

For context, the Gippsland Trail Feasibility Study (July, 2020) estimated the Gippsland trail would attract in the order of 123,600 rides (year 1), growing to 227,218 rides (year 10). Therefore, rides on the WNRT would equate to around 23% of rides in year 1 and 20% of rides in year 10.

Preparation of primary market research to support the WNRT trail as well as collection of trail count data on existing trails in the region would assist in verification of these estimates (and refinement as needed).

Table 7. Estimated Trail Users

	Current (Year 1)		*Future (Year 10)*	
Available Market				
Visitors	3,049,000		4,872,000	
Residents	52,700		60,600	
Sub-Total Available Market	***3,101,700***		***4,932,600***	
Available Cycling Market				
Visitors (% of Visitors who Cycle)	2.7%			
Residents (% of Residents who Cycle)	9.2%			
Visitors (# of Visitors who Cycle)	83,400		133,300	
Residents (# of Residents who Cycle)	4,900		5,600	
Sub-Total Available Market	***88,300***		***138,900***	
Estimated WNRT Trail Users				
	Low -Range	*High-Range*	*Low-Range*	*High-Range*
Estimated % of Trail Visitors*	25%	35%	25%	35%
Estimated # Trail Visitors	20,850	29,190	33,325	46,655
Sub-Total (Mid-Point Visitor Trail Users)	***25,020***		***39,990***	
Estimated % of Resident Trail Users^	50%	75%	75%	100%
Estimated # of Resident Trail Users	2,450	3,675	4,200	5,600
Sub-Total (Mid-Point Resident Trail Users)	***3,063***		***4,900***	
Estimated Total Trail Users	**28,083**		**44,890**	

*This assumption has been derived from previous market research prepared by Urban Enterprise. In the absence of primary market research specific for the WNRT, we have assumed that those who would use the WNRT equate to 25% of the cycling market under the low scenario, increasing to 35% under the high range scenario.

^Assumes that a large portion of local residents who cycle will use the trail at least once per annum. We have made allowances for 50% of the market under the low scenario, increasing to 75% under the high scenario.

Visitor Spending

The trail is expected to result in additional visitor spending, including through the attraction of new visitors to the region and existing visitors to the region extending their stay. Spending in the region by visitors has been estimated based on the assumptions outlined in Table 8.

It is estimated that the trail will result in additional spending of $2.6 million (year 1), which is estimated to grow to $4.2 million by year 10 (in 2024 dollars).

Table 8. Estimated Visitor Spend Impact

	Visitors		Visitor Split		Additional Spend per Visitor		Total Spend		
Visitor Type	% of Trail Users	Equivalent Visitors	Existing Visitors	New Visitors	Existing Visitors**	New Visitors	Existing Visitors	New Visitors	Total
Domestic Daytrips	15%	3,876	20%	80%	$56	$111*	$43K	$344K	$387K
Domestic Overnight Trips	80%	20,086	90%	10%	$96	$191^	$1.73M	$384K	$2.1M
International Overnight Trips	4%	1,057	90%	20%	$96	$191^	$91K	$40K	$131K
Annual Direct Visitor Spend Impact									**$2.6M**

*Source: TRA, Bass Coast daytrip visitor spend

^Source: TRA, Bass Coast domestic overnight visitor spend

**Additional spend, assumed at half of daytrip /overnight spend.

4. Economic Evaluation

4.1. Introduction

This section provides an economic evaluation of the proposed WNRT, which documents the types of benefits that the trail could be expected to deliver, an economic impact assessment of the trail (as a result of the capital investment and ongoing visitor spend increases), and a cost benefit analysis to determine the project's return on investment (ROI).

4.2. Project Costs & Benefits Framework

Table 9 provides a costs and benefits framework for the project, which identifies the quantifiable and non-quantifiable benefits (relative to this assessment).

Table 9. Project Costs and Benefits Framework

	Project Costs	Project Benefits

Quantifiable	• Construction costs, including planning and design costs.
	• Trail maintenance, management and marketing costs.
		• **Economic benefits,** including:
		  • increase in spending and jobs in the construction sector due to capital investment in the trail.
		  • increase in visitor spending, due to new visitors and existing visitors extending their stay. Additional spend could include accommodation, food and drinks, retail, bike related expenses and other services.
		  • new job creation as a result of additional spending.

Non-Quantifiable	• Environmental impact through construction phase.	• **Tourism benefits**, including:
		  • new and enhanced tourism products and experiences in Bass Coast.
		  • destination marketing opportunities.
		• **Environmental benefits**, including:
		  • a new bio-link adjacent to the trail for flora and fauna.
		  • reduction in emissions where cycling is undertaken instead of car-based transport.
		  • environmental appreciation experienced by trail users.
		• **Health and wellbeing benefits**, including:
		  • increase in physical activity and fitness for trail users.
		  • reduction in health-related costs due to increase in exercise for trail users.
		• **Social benefits**, including:
		  • new opportunities to socialise and recreate.
		  • cultural heritage interpretation.
		  • heritage preservation and interpretation.
		  • community pride and building of community networks.
		  • improved safety associated with off-road cycle trail.
		• **Strategic benefits**, including:
		  • aligning to local and regional strategy.
		  • delivery of a key section of the Gippsland Odyssey Trail, which will ultimately provide a link from metropolitan Melbourne to Bass Coast and Gippsland.
		  • Connection to the Great Southern Rail Trail and the Bass Coast Trail.

4.3. Project Costs

An opinion of probable cost has been prepared by Harlock Consulting for the proposed WNRT (October, 2024), with the project estimated to cost $34.835 million (excluding GST).

As summary of cost by each section is shown in Table 10. The southern section of the trail (Woolamai to Kernot) has a comparatively lower cost ($15.7 million) when compared to the northern section ($19.2 million).

Staging of construction of the trail could be considered, where the trail is delivered from Woolamai to Kernot as stage 1. The town of Kernot represents a central point along the trail and benefits from a local food and wine store, which would provide a natural stopping point or a location to commence trail journeys. It also provides for a spending opportunity and resulting economic benefits.

As previously noted, a significant portion of tourist demand for the trail is expected to be sourced from Phillip Island and San Remo until such time that there is a trail link provided to metropolitan Melbourne. This geographic context also supports consideration of staging delivery of the trail from Woolamai to Kernot.

Table 10. Project Cost Estimate

Section	Name	Cost
1	Woolamai to Glen Forbes	$6,175,000
2	Glen Forbes to Kernot	$9,500,000
3	Kernot to Woodleigh	$5,665,000
4	Woodleigh to Nyora	$13,495,000
Total (excluding GST)		**$34,835,000***

Source: Harlock Consulting, Opinion of Probable Costs, Woolamai to Nyora Rail Trail, October 2024

*As per the report, costs exclude GST, cost escalation beyond 2024, legal fees, land acquisition fees (if necessary), offset credit biodiversity allowances, Council internal project management costs.

It is noted that the project costs are relatively high due to a range of factors. Some items of note include:

- Bridges ($4.4 million);
- Bio-security fencing ($947K);
- Tree removal allowance ($1.5 million);
- Compacted fill where there is no or a low formation / drainage box culverts ($3 million);
- Major road crossing underpass/overpass at South Gippsland Highway ($4 million).

Costs for these individual components have been extracted from the cost plan and are shown at Table 11.

Table 11. Extracted Cost Estimates for Specific Items

Section	Name	Compacted Fill & Box Culverts	Bio-security Fence	Tree Removal Allowance	Bridges	South Gippsland Hwy Crossing
1	Woolamai to Glen Forbes	$841,800	$212,400	$350,000	$430,000	
2	Glen Forbes to Kernot	$781,000	$227,200	$600,000	$2,100,000	
3	Kernot to Woodleigh	$545,200	$196,080	$200,000	$660,000	
4	Woodleigh to Nyora	$834,000	$311,800	$350,000	$1,194,000	$4,000,000
Total (excluding GST)		**$3,002,000**	**$947,480**	**$1,500,000**	**$4,384,000**	**$4,000,000**

Source: Harlock Consulting, Opinion of Probable Costs, Woolamai to Nyora Rail Trail, October 2024

4.4. Economic Impact Assessment

This section quantifies (where possible) the short term and ongoing economic impacts of the proposed WNRT. Impacts are assessed for the short-term construction phase and the ongoing impacts that will be delivered once the trail is complete and operating. Impacts are expressed in terms of economic output, value added and job creation (full time equivalent).

This assessment adopts the input-output method of analysis (I-O). The I-O method is based on the interdependencies and relationship between industry sectors and is widely used across the public and private sector to estimate the direct and flow on economic impacts of a project or activity to an economy.

Definitions of economic terms can be found in the glossary of terms.

4.4.1. Construction Phase (Short-Term)

The direct investment into the project of $34.8 million is estimated to generate total economic output of $72.4 million, supporting 184 jobs in the economy and providing $23.5 million in value added. This includes:

- $34.8 million in direct economic output and $37.6 million in indirect economic output;
- 87 direct jobs and 97 indirect jobs (FTE); and
- $9.9 million in direct value added and $13.7 million in indirect value added.

Table 12. Construction Phase (Short Term) Economic Impacts

	Direct Impact	Indirect Impact	Total Impact
Output ($M)	$34.8	$37.6	$72.4
Employment (Jobs FTE)	87	97	184
Valued-added ($M)	$9.9	$13.7	$23.5

Source: Urban Enterprise, 2024

4.4.2. Operational Phase (Ongoing)

The project is expected to result in additional visitor expenditure in the region, which will support direct employment and have flow on benefits through supply chains and additional consumption of goods and services.

A summary of the estimated ongoing economic impacts are shown in Table 13.

Visitor spending of $2.6 million p.a. (year 1) is estimated to generate total economic output of $5.0 million p.a., supporting 26 jobs in the economy and providing $2.1 million in value added p.a. This includes:

- $2.6 million in direct economic output and $2.4 million in indirect economic output p.a.;
- 20 direct jobs and 7 indirect jobs (FTE) p.a.; and
- $1.2 million in direct value added and $1.0 million in indirect value added p.a.

Table 13. Operational Phase (Ongoing) Economic Impacts

	Direct Impact	Indirect Impact	Total Impact
Output ($M p.a.)	$2.6	$2.4	$5.0
Employment (FTE Jobs p.a.)	20	7	26
Valued-added ($M p.a.)	$1.2	$1.0	$2.1

Source: Urban Enterprise, 2024

4.5. Cost Benefit Analysis

The following provides a preliminary Cost Benefit Analysis (CBA) for the project, to determine the project's return on investment (ROI), indicated by the project's Net Present Value (NPV) and Benefit Cost Ratio (BCR). The CBA has been prepared by way of preparation of a discounted cash flow (DCF) for the project. Definitions for these terms can be found in the glossary at Appendix B.

Inputs and Assumptions

The following inputs and assumptions have been applied:

- 10 year DCF;
- Project capital cost of $34.8 million, incurred in years 1 & 2, in instalments of 25% and 75% respectively;
- Trail operational as of year 3;
- Trail maintenance, management and marketing costs (allowance of $275K p.a.)[3] incurred from year 3 onwards, indexed at 3% p.a.;
- Visitor spend benefits incurred from year 3 onwards. Ramping up period provided, with benefits incurred at 70% (year 3), 80% (year 4) and 90% (year 5), with full benefits incurred in year 6 and indexed at 4.8% p.a. thereafter;
- Asset (the rail trail infrastructure) has a residual value at year 10, assuming an asset life of 50 years (before major asset renewal required);
- Adopted discount rate of 7%, with sensitivity tests at 4% and 10%.

Results

The results of the CBA are shown in Table 14.

At the adopted discount rate of 7%, the project returns a NPV of $4.4 million and a BCR of 1.14, which means for every $1 invested in the project, it is anticipated to return $1.14 in benefits. This suggests the project is economically feasible (albeit somewhat marginally).

Sensitivity testing of the project under discount rates of 10% and 4%, shows that when applying a discount rate of 10%, the project returns an NPV of $31K and a BCR of 1.0. Applying a discount rate of 4% improves the results, with an NPV of $10.6 million and a BCR of 1.31.

A key driver of the cost benefit analysis results are the construction costs, which are significant at an estimated $34.8 million. Where practical, ways to reduce construction costs / value manage the project could be investigated to improve the economic return of the project and to assist with funding efforts.

Table 14. Cost Benefit Analysis Results

	Adopted Rate	Sensitivity 1	Sensitivity 2
Discount Rate	7%	10%	4%
Present Value Costs	$32.5 M	$30.8 M	$34.4 M
Present Value Benefits	$37.0 M	$30.9 M	$45.0 M
Net Present Value	$4.4 M	$31K	$10.6 M
Benefit Cost Ratio	1.14	1.00	1.31

Source: Urban Enterprise, 2024

[3] This includes $225,000 p.a. of trail maintenance costs (estimate provided by Michael Smith and Associates, 2024), and an allowance of $50K per annum for trail management, marketing and any other costs. This equates to around 1% of construction cost.

5. Risk Assessment

A preliminary risk assessment has been completed for the proposed WNRT. The risk assessment includes an identification of the potential risks, the likelihood of the risk occurring, the impact of the risk if it were to occur and potential mitigation strategies to manage the risk.

Table 15. Risk Assessment

Risk Category	Potential Risks	Likelihood	Impact	Mitigation Strategy
Statutory	• The project is delayed by statutory requirements, increasing costs.	Medium	Medium	• Identify potential statutory barriers and undertake required technical studies to mitigate risks.
Funding	• Funding is not readily available to support delivery.	Medium	High	• Consider ways to reduce construction cost where practical and feasible. • Consider delivery of the project in stages. • Aim to secure funding from a range of sources.
Construction	• Construction timeframes are longer than anticipated	Medium	Low	• Engage reputable construction firm and set clear project timeframes.
	• Construction costs are higher than anticipated.	Low	Medium	• Prepare revised cost estimates when detailed designs are available. • Seek to value manage the project where suitable.
Market	• The trail does not attract use in line with estimates.	Medium	Medium	• Consider primary market research to inform market potential. • Consider collection of trail counter data. • Ensure the trail is designed to support use by target markets and market opportunities. • Undertake appropriate marketing of the trail.
Environment	• The project has unanticipated negative environmental impacts.	Low	Medium	• Ensure appropriate environmental protocols are in place to manage any environmental risks.
Operations	• The trail is not properly maintained.	Low	Medium	• Ensure suitable trail maintenance program is developed and implemented.
	• Management and maintenance costs are higher than anticipated.	Medium	Medium	• Review maintenance and management costs at detailed design phase.

6. Key Findings

This preliminary business case provides the following key findings:

- The proposed WNRT has strong strategic support, particularly through regional plans and strategies including the Gippsland Destination Management Plan, the Gippsland Tracks and Trails Feasibility Study and the Gippsland Trail Feasibility Study and Business Case.
- The WNRT is likely to cater primarily to recreational cyclists, however, can also be utilised by walkers and runners. The trail will appeal to and be utilised by both visitors and residents, with visitors expected to make up the majority of users.
- It is estimated that the WNRT trail will support in the order of 28,000 users (year 1), growing to 45,000 users by year 10. Through the visitor market, the trail is estimated to generate additional spending of $2.6 million (year 1), growing to $4.2 million by year 10.
- Primary market research alongside collection of trail count data for existing trails in the region would assist with understanding the local cycling market in more depth and give greater certainty to the adopted assumptions. This could be undertaken prior to commencement of detailed design.
- The project is of a size and scale that is expected to result in direct and indirect impacts to the economy, including the creation of new jobs and increased expenditure in supply chains and flow on consumption during the construction and operational phases.
- Based on a preliminary cost benefit analysis, the project is estimated to be economically feasible (albeit somewhat marginal), with an NPV of $4.4 million and a BCR of 1.14, at an adopted discount rate of 7%.
- A key component of the cost benefit analysis results are the construction costs, which are significant at an estimated $34.8 million. Where practical, ways to reduce construction costs / value manage the project could be investigated to improve the economic return of the project and to assist with funding efforts. In addition, it is recommended that cost estimates are reviewed once detailed designs have been prepared.
- There may be opportunity to consider staging the project, with Woolamai to Kernot presenting a practical first stage. The town of Kernot represents a central point along the trail and benefits from a local food and wine store, which would provide a natural stopping point or a location to commence journeys. It also provides for a spending opportunity and resulting economic benefits. In addition, a significant portion of tourist demand for the trail is expected to be sourced from Phillip Island and San Remo until such time that there is a trail link provided to metropolitan Melbourne.
- The proposal is expected to result in a range of benefits, including tourism, economic, health and wellbeing, environmental, social and strategic benefits.

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Appendix B: Glossary of Terms and Acronyms

Table 16. Acronyms

Acronym	Expanded
AAG	Average Annual Growth
AAGR	Annual Average Growth Rate
ABS	Australian Bureau of Statistics
ALOS	Average Length of Stay
BCR	Benefit Cost Ratio
FTE	Full Time Equivalent
I-O	Input-Output
IVS	International Visitor Survey
LGA	Local Government Area
NPV	Net Present Value
NVS	National Visitor Survey
ROI	Return on Investment
SA	Statistical Area
TRA	Tourism Research Australia

Table 17. Glossary of Terms

Term	Definition
Tourism Terms	
Domestic Daytrip Visitor	TRA define domestic day trips (visitors) as those that must have a round trip distance of at least 50 kilometres from the respondent's usual place of residence and a minimum duration of four hours.
Domestic Overnight Visitor	TRA define domestic overnight trips (visitors) as trips involving a stay away from home for at least one night, at a place at least 40 kilometres from home. Only those trips where the respondent is away from home for less than 12 months are in scope.
International Visitor	TRA define international visitors as short-term travellers aged 15 years and over who have been visiting Australia for a period of less than 12 months.
Visitor Nights	The number of nights spent away from home in association with individual visits.
Economic Terms	
Direct Impact	Direct economic impacts resulting from investment (e.g. construction investment or program investment)

Indirect Impact	Indirect impact, also known as the multiplier effect, includes the re-spending of dollars within the local economy as a result of the investment. This includes supply chain effects: the increased output generated by servicing industry sectors in response to the direct change in output and demand; and consumption effects: As output increases, so too does employment and wages and salaries paid to local employees. Part of this additional income to households is used for consumption in the local economy which leads to further increases in demand and output.
Input-Output	An input–output model is a quantitative economic model that represents the interdependencies between different sectors of a national economy or different regional economies. The method is often used to estimate the impact of capital investment, household, business and visitor spending.
Value-Add	The marginal economic value that is added by each industry sector in a defined region. Value-Added can be calculated by subtracting local expenditure and expenditure on regional imports from the output generated by an industry sector, or alternatively, by adding the Wages & Salaries paid to local employees, the gross operating surplus and taxes on products and production. Value-Added by industry sector is the major element in the calculation of Gross Regional Product / Gross State Product / Gross Domestic Product.
Financial Terms	
Benefit to Cost Ratio	The Benefit to Cost Ratio (BCR) determines the overall benefits that a project or investment is likely to generate, relative to its costs. If a project has a BCR greater than 1, this suggests that the project will generate a positive financial impact, as the present value of the project benefits will exceed the present value of total costs (and vice versa).
Net Present Value	Net Present Value (NPV), is the difference between the present value of all income and the present value of all expenditure over a period of time. A positive NPV indicates that the projected revenue generated by a project or investment exceeds the anticipated expenditure and is, therefore, likely to be profitable and financially beneficial (and vice versa).

Appendix C: Disclaimer

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