



Springmount Drag Strip

Feasibility and Benefit Analysis

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Prepared by:

RPS

Suite 9, 240 Varsity Parade

Varsity Lakes, QLD 4227

T: +61 5657 5123

F: +61 5657 5130

E: sam.dawes@rpsgroup.com.au

W: rpsgroup.com.au

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Executive Summary

Tablelands Regional Council has approved the plans for a drag strip to be developed at Springmount. A drag strip will be the most proximate facility of its type for the majority of Far North Queensland residents with the current most proximate facility located at Townsville. The planned drag strip development on the subject site will also have certification from the Australian National Drag Racing Association (ANDRA) which is the primary drag racing sanctioning body in Australia. This will allow it to host nationally significant drag racing events and series, increasing the national exposure of the region as well as raising the local profile of the sport.

Residents of Far North Queensland form the area of influence as they are expected make up the majority of attendees and participants. The population of the area of influence is projected to increase from approximately 280,000 people in 2011 to approximately 298,000 people in 2016 and approximately 315,000 people by 2026. As the population increases so too does the need for different types of sport and recreation. This includes sports which do not currently have a local presence in the area such as drag racing. Local interest is already evident in this sport through previous drag events held at the Mundoo aerodrome in Innisfail which have attracted over 5,000 people in the past.

Financial Viability

From an operational point of view the figures provided by the Springmount Drag Racing Association (SDRA) forecast that the facility will be financially viable from the first year of operation. Over the following three years after opening the number of events held each year will increase and as such attendances and sponsorship levels are also projected to increase. There are a number of assumptions which have been made with these figures such as membership and sponsorship levels, attendance projections and naming rights. By the third year of operation, with 21 different events throughout the year, RPS considers that a number of paid full time and part time staff will be needed to operate/run the drag strip facility. The potential wages for these people have not been included in SDRA figures and as such once factored into the operating model may reduce the forecast level of profitability.

The level of profitability may also be affected from the actual attendance and sponsorship levels achieved versus those projected however assuming that all the targets are met the facility will be profitable from its first year of operation. The ongoing financial viability of the planned drag strip development is important as if it were to begin to operate at a loss it would require additional public or private funding in order to remain open.

Economic Benefits

Regardless of its actual level of financial viability the planned drag strip development at Springmount will result in a number of both economic and social benefits for the local community and the wider Far North Queensland region. In terms of economic benefits, these will be most pronounced through increased tourism expenditure in the local area and wider region from both the number of daytrippers and overnight visitors which will come to the area during scheduled events. Overnight visitors in particular will provide tangible economic benefits to the region through increasing the level of tourism expenditure on services such as accommodation and food and beverage uses.

The level of tourism expenditure generated by the development of a drag strip in Springmount will be

dependant on how successful the planned major events and car show are in attracting overnight visitors to the region and the length of time these visitors spend in the region. This may range from only a one night stay to many nights and as such a number of scenarios have been calculated. A low scenario (one night) will see domestic overnight visitor expenditure increase by approximately \$0.4 million in the first year of operation to approximately \$0.8 million in the third year of operation. Using a high scenario (the average stay in the region of 5.8 nights), domestic overnight visitor expenditure is anticipated to increase by approximately \$2.3 million in the first year of operation to approximately \$4.5 million in the third year of operation.

Additional economic benefits will also come through the number of offsite and onsite jobs generated both during the construction and operational phases of the development. There will also likely be economic benefits and opportunities for local automotive businesses as participants may need to source local parts and/or expertise during the staging of planned events.

Social and Community Benefits

As well as economic benefits the drag strip development will also result in a number of social and community benefits. The planned drag strip will provide a family friendly and safe and controlled environment for drag racing and motor sport enthusiasts to practice their sport of choice.

The planned drag strip will be the only drag strip facility north of Townsville and as such will be easier to access for current motor sport enthusiasts. The drag strip will help to provide stronger social links between different members of the community promoting community spirit bound by a common interest. A drag strip will provide a legal and safe place for both motor enthusiasts and racing fans to enjoy their interests. It will also help to increase the profile of the sport and broaden its audience.

The Springmount drag strip will also provide a location to run education programs such as defensive driver training courses which in turn will help to improve road safety. Additional education programs can also be run such as those in conjunction with the Australian Women's Motorsport Network (AWMN) which will help to promote women's involvement in the sport and in turn also help to increase participation levels.

Introduction

This report has been commissioned by the Springmount Drag Racing Association in March 2011.

RPS Economics has been commissioned to conduct a feasibility and benefit study for the Springmount drag strip project. The subject site is located along Springmount Road with the Tablelands Regional Council granting approval for the planned drag strip facility in May 2010.

The Springmount Drag Racing Association (SDRA) have provided RPS with their projected financial statements regarding overheads and anticipated attendance, sponsorship, membership and participation levels. The SDRA association have informed RPS that these figures are based on and are similar to the operating costs and attendance of the existing drag strips in Townsville and Mackay. RPS has relied on these figures as an accurate measure of the financial feasibility of the project however; it should be noted that these figures do not factor in any type of loan or capital repayment which will be needed in order to construct the proposed facility. These figures also do not factor in any wages for full time staff which will be needed once the proposed development is completed.

This document will also examine the effect of the planned drag strip development on the wider community and any associated economic benefits which may result from the planned drag strip development on the subject site. The Springmount drag strip will host a mix of Major Events, Street Meets, Car Shows and Burnout Comps. These events will form the core operations of the facility. The planned schedule of these uses is provided below:

Major Events

- 4 events 1st year
- 6 events 2nd year
- 8 events 3rd year

Street Meets

- 4 street meets 1st year
- 6 street meets 2nd year
- 8 street meets 3rd year

Car Shows

- 1 major car show per year

Burnout Comps

- 4 burn out comps per year

As well as the above uses there will also be the opportunity for the facility to host local education and community event days outside of these meets such as safe driving and drag racing education sessions.

I Functional Overview

1.1 Introduction

The following section will provide an overview of the planned drag strip site in Springmount and how it is intended to operate.

1.2 Site and Operational Overview

The Springmount Drag Strip received approval from Tablelands Regional Council in May 2010. The site is located along Springmount Road. Currently the most proximate drag strip is located in Townsville approximately 400 Km by road to the southeast. Beyond this there is another drag strip further to the south in Mackay.

Details of the operation of the Springmount drag strip have been provided by the Springmount Drag Racing Association (SDRA) who will be in charge of the operation and the running of the strip. The SDRA is a non-profit organisation. It currently has 345 fully paid members. These members are located across a large area including the Tablelands, Cairns, Cassowary Coast and as far away as Townsville. The association has already secured a number of local sponsors and have anticipated that sponsorship and membership rates will significantly increase once the planned facility is developed.

The SDRA have provided RPS with a profit and loss spreadsheet which includes anticipated attendance figures, event staging in the first, second and third year of operation as well as any associated overheads such as running costs and maintenance. This spreadsheet is provided in Appendix A.

The SDRA have gained Australian National Drag Racing Association affiliation. The Australian National Drag Racing Association (ANDRA) is the primary drag racing sanctioning body in Australia. ANDRA promote drag racing as a family friendly and safe sport as it is in a controlled environment. They sanction a number of events throughout Australia such as Top Fuelers, Pro Stock and Junior Dragsters. With the SDRA having ANDRA certification it will be able to host major drag racing events incorporating different series (e.g. Top Fuelers) as well as expand the event list and number of ANDRA certified tracks in Queensland.

There are currently 6 ANDRA affiliated clubs in Queensland including the Springmount Drag Racing Association. The Palmyra Dragway in Mackay is the closest ANDRA affiliated facility with the drag racing facility in Townsville not having any ANDRA affiliation and therefore unable to host related events. A number of ANDRA events are televised which exposes the sport and these types of events to a much larger potential audience.

The Springmount drag strip will host a number of different types of events. These are categorised as:

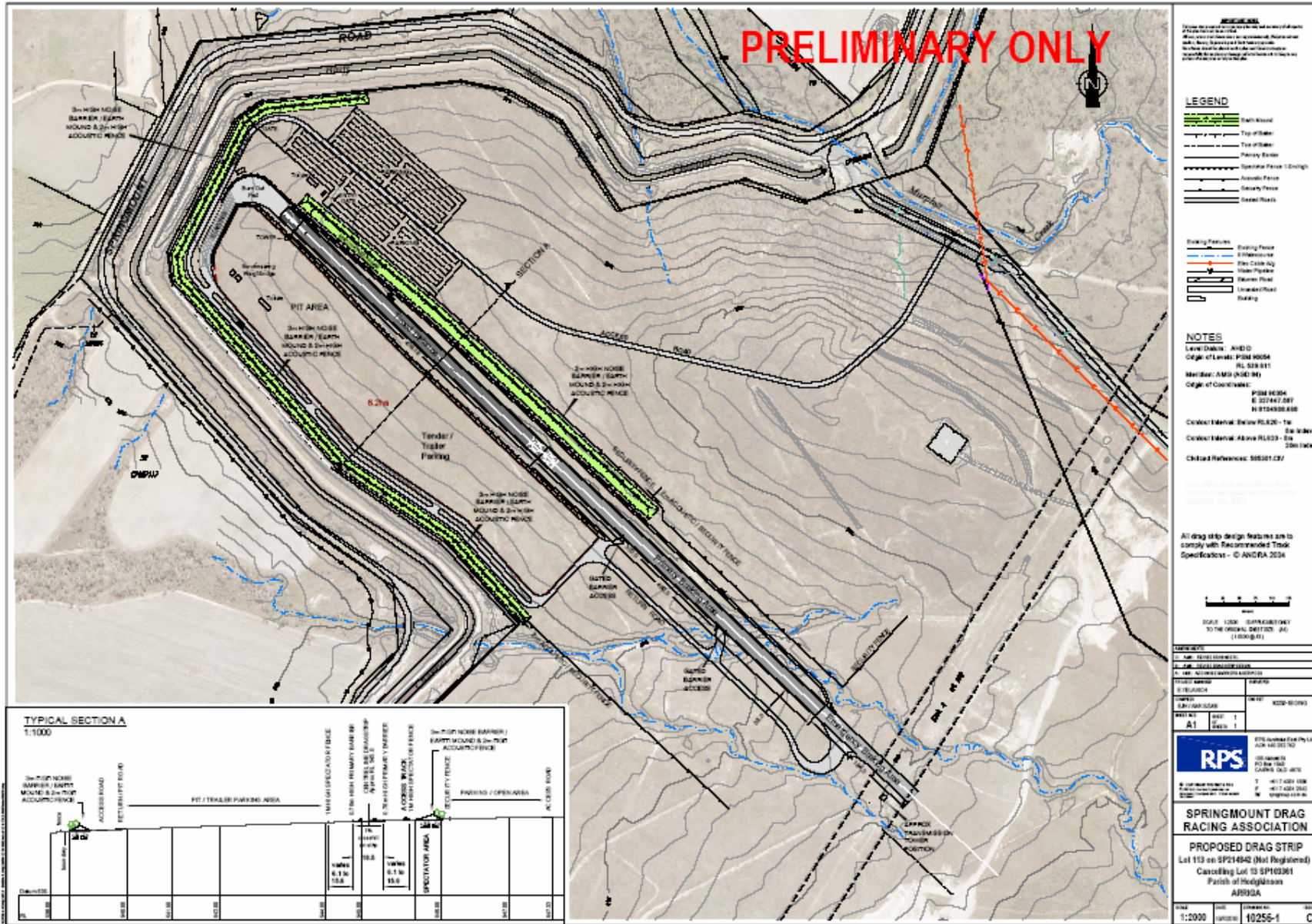
- Major Events
- Street Meets
- Burn Outs

-
- Car Show

The drag strip facility is also anticipated to host a number of other community related programs such as defensive driving courses and women's mentoring programs for those looking to get into drag racing and other motor sports.

The approved drag strip plan is illustrated in Figure 1.1 below.

Figure I.1 Drag Strip



1.3 Implications

The location of the drag strip away from residential areas is beneficial due to the noise pollution involved during events. The site will be easily accessible from Springmount Road as well as provide adequate parking for visitors and participants. The site meets all the requirements needed for a drag strip (e.g. topography, distance from residential areas etc.) as evident through the Tablelands Regional Council approval for the planned development.

The association has received ANDRA certification which will allow it to host nationally recognised events and provides it with an important point of difference for the drag strip in Townsville which is not ANDRA certified. A drag strip on the subject site will also be the most proximate drag strip facility for residents of Far North Queensland.

2 Area of Influence

2.1 Introduction

The following section provides an overview of the area of influence for the planned drag racing facility. This is the area in which the planned facility will attract the majority of its attendees for events as well as participants.

2.2 Area of Influence

There are currently no drag strips in operation in the Tablelands or Cairns region. The most proximate drag strip is located in Townsville approximately 300 Km to the southeast of Springmount. As such the planned drag strip development at Springmount will be the closest dedicated facility for residents in the Far North Queensland region. A large portion of drag strip participants and attendees will predominately come from the Tablelands, Cairns and Cassowary Coast area. This region will form the area of influence for the planned drag strip facility.

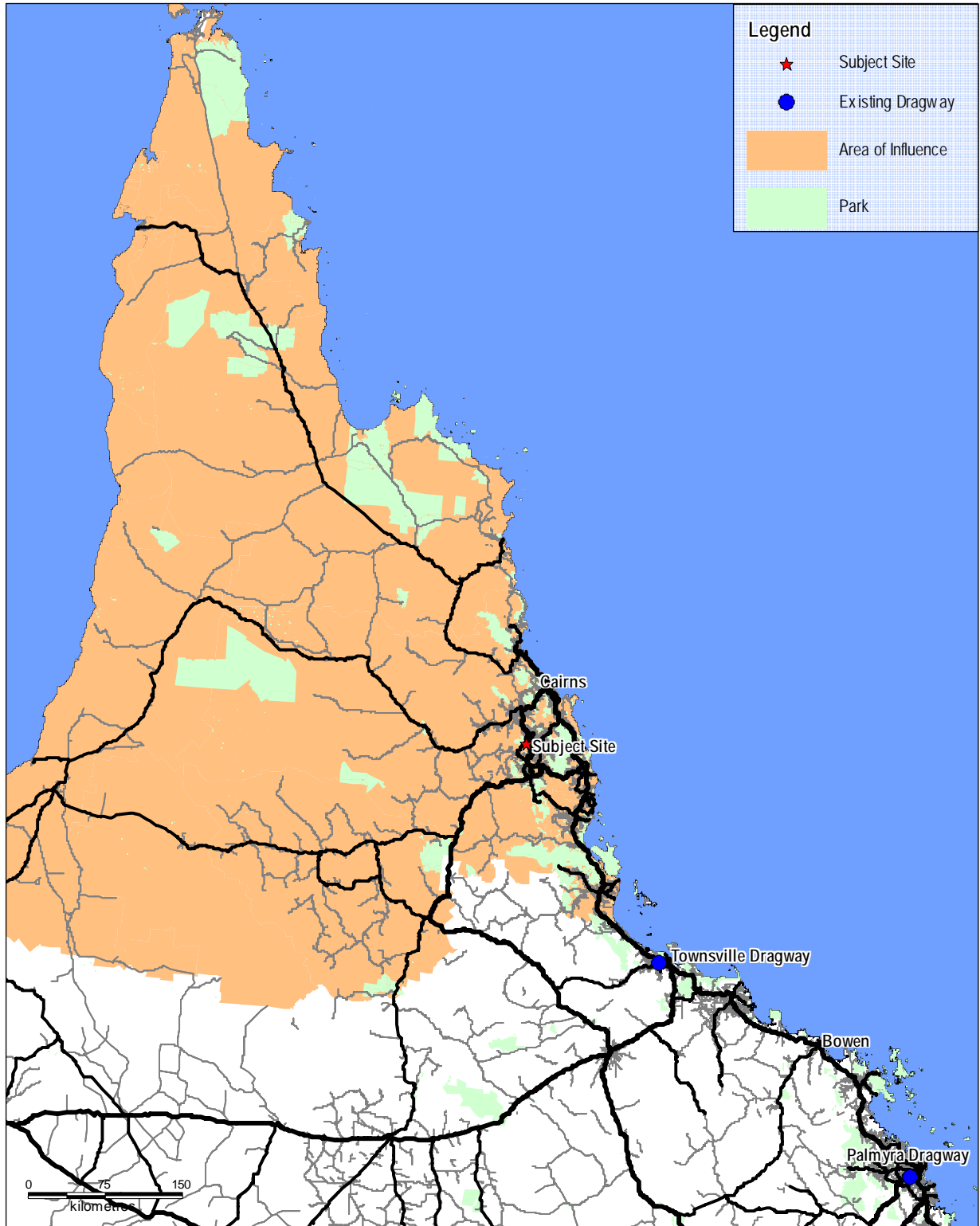
This area of influence is also reflective of the current membership base of the Springmount Drag Racing Association with members being from Cairns, Tablelands, Cassowary Coast and even some from outside the area in Townsville.

Due to the nature of drag strip racing there is also likely to be a number of both attendees and participants come from outside this area of influence. Major events such as ANDRA sanctioned events will likely attract a higher proportion of people from outside the area of influence compared to the street meets and burn out comps. The level of people attracted to these events will be linked to how well marketed these events are and also how popular they become over time with the drag racing community.

The area of influence covers both those who will attend the event (as spectators) and those who will compete in the designated events.

Figure 2.1 illustrates the area of influence of the planned drag strip facility.

Figure 2.1 Area of Influence



3 Demographics

3.1 Introduction

The following section will provide an overview of the population of the identified area of influence and its demographic make up. It will also analyse attendance trends in sports and the potential affect of the development on the local economy.

3.2 Population Projections

Population projections for the identified area of influence are based on figures from the Queensland Treasury Office of Economic and Statistical Research (OESR). Table 3.1 provides the current and future population projections for the area of influence. The majority of this future population growth will be hosted within the Cairns Regional Council.

Table 3.1
Population Projections

	2011	2013	2014	2016	2021	2026
Population						
Area of Influence	280,292	287,361	290,896	297,965	314,582	331,595
Household Size						
Area of Influence	2.57	2.56	2.55	2.54	2.53	2.52
Households						
Area of Influence	109,001	112,289	113,945	117,281	124,418	131,464

Source: ABS Census 2006, RPS, OESR

The population of the area of influence is projected to increase from approximately 280,292 people in 2011 to 297,965 people in 2016. This is an increase of approximately 17,673 people or 6.3% over a five year period. By 2026 the population of this region is projected to be in excess of 330,000 people.

A population that is approaching 300,000 people should have a variety of sporting and recreation facilities available to them. This includes drag racing facilities. As the population of the area of influence increases so too does the potential of the planned meets and events of the drag strip facility to attract a greater audience. The facility can also increase its patronage levels to events over time through expanding the reach and knowledge of the sport, by marketing and public awareness, as well as through gaining good word of mouth from past attendees and participants. As such this will help raise the profile of the sport and help attract a larger audience.

The number of paid members of the Springmount Drag Racing Association (345) as well as local sponsors gives an indication of the community drive and support to see the proposed facility to be developed. Whilst a number of sponsors are already committed to the facility and organisation it should be a goal to try and increase this number to help offset associated running and staging costs once the facility opens. Based on numbers obtained from the Springmount Drag Racing Association by its first year of operation they are budgeting to have 450 members. This is an increase of approximately 30% over its current membership

base (345 members). This membership base is projected to increase in both its second and third year of operations to 600 and 800 members, respectively.

Whilst the existing and future sponsorship levels are beneficial, the main aspect which will determine the project's viability will be the number of attendees (and to a lesser extent participants) who will pay to come to the site on scheduled event days. According to the SDRR the most recent drag strip event was located at the Mundoo Aerodrome in Innisfail which drew a crowd of over 5,000 people. Whilst this event may have been a one-off, it demonstrated that there is a demand and interest for the sport in the local region.

3.3 Demographic Profile

The following demographic data has been derived from the 2006 Australian Bureau of Statistics (ABS) Census. The demographic data of the area of influence has been compared to that of the Tablelands Regional Council and Queensland averages. A full demographic profile of these areas is attached in Appendix B. Key demographic characteristics include:

Age Distribution

The demographic data indicates that the area of influence has a higher proportion of residents aged less than 15 years (22.1%) compared to the Tablelands Regional Council (21.1%) and Queensland (20.7%) averages. The data also reveals that the proportion of residents aged over 55 years in the area of influence (22.2%) is significantly less than the Tablelands Regional Council average of 29.5% and Queensland average of 23.6%.

These figures indicate that there are a high proportion of young families in the area of influence. This demographic will benefit from having a proximate place for family friendly events (such as drag racing). The planned drag strip facility on the subject site will also increase the number of family friendly events in this area.

Car Ownership

There is an average of 1.60 cars per household in the area of influence which is lower when compared to the Tablelands Regional Council with 1.70 and Queensland average of 1.67.

Average Household Income

The average annual household income in December 2010 dollars in the area of influence is \$65,448. This figure is significantly higher than the Tablelands Regional Council average of \$55,272. Both these figures are well below the Queensland average of \$71,340.

These lower levels of household income will see people be more selective when choosing which events to attend. As such events will need to be well marketed as well as offer a perceived value for money proposition in order to attract consistent levels of attendance. This will largely be determined by the entry fees for the drag strip facility.

3.4 Sport Attendance Levels

Based on data obtained from the ABS with the exception of AFL, soccer and dog racing, all other surveyed sports (including motor sport which has a number of different disciplines such as V8, drag racing, motorbikes, etc.) recorded a decrease in attendance rates from 2005/06 to 2009/10¹. Whilst lower attendance levels can be attributed to the wider economic effects of the Global Financial Crisis (GFC) as individuals and families have cut back on spending on disposable income and recreation activities, this does highlight the difficulty that a niche sport such as drag racing may have in not only building a regular audience, but also maintaining it and having people attend a number of events.

In terms of national sporting events Far North Queensland has only a handful. The only sports team in a major national competition (AFL, NRL, Super 15, A-League or NBL) is the Cairns Taipans of the NBL. As such any ANDRA affiliated events will increase the region's status as a 'sporting destination' as well as provide valuable exposure to a wider audience through related media coverage. However it should be noted that a number of recent sporting projects in the wider region have struggled to attract the number of needed fans to be viable such as the now defunct North Queensland Fury in the A-League. As such this is representative of a competitive market for people's leisure time and disposable income. It is therefore important that the planned drag strip development on the subject site is well marketed to both the local and wider community to ensure the projected attendance and participation levels are achieved.

The planned drag strip development at Springmount will provide a local and proximate location for the sport. This will help to increase its exposure with major ANDRA affiliated events and the car show exposing the area to a wider region. As the sport receives greater exposure through word of mouth, advertising by the SDRA and sponsors as well as media coverage there is the opportunity to attract first time attendees and participants who have not had the opportunity to enjoy the sport due to the distance of the current facilities (Townsville and Mackay).

As a result of lower attendance levels in motor sport as highlighted by ABS statistics, the number of both full and associate ANDRA memberships has also decreased since 2008. There has been a decrease of approximately 2.6% over this time. The change in membership levels from 2008 to 2011 is illustrated in Table 3.2 below as well as the age breakdown of members over the time period. As additional drag strips are developed (such as on the subject site in Springmount) this will help raise the profile of the sport as well as the accessibility of the sport for a number of people and as such may also help increase overall attendance as well as membership levels.

Table 3.2
ANDRA Member Age Breakdown*

Age Bracket	2011	%	2010	%	2009	%	2008	%
8 to 16	141	4.1%	168	4.8%	148	4.2%	126	3.6%
17 to 25	225	6.5%	243	6.9%	280	7.9%	234	6.6%
26 to 35	716	20.7%	935	26.5%	978	27.5%	943	26.6%
36 to 50	1,654	47.9%	1,604	45.5%	1,599	45.0%	1,639	46.2%
51 to 60	577	16.7%	476	13.5%	462	13.0%	511	14.4%
61 to 70	135	3.9%	94	2.7%	86	2.4%	87	2.5%
Over 70	5	0.1%	5	0.1%	2	0.1%	4	0.1%
Total	3,453		3,525		3,555		3,544	

Source: ANDRA Statistics April 2011, RPS

*Includes both full and associate members

¹ ABS Cat 4156.0 Attendance at Selected Sports

This age breakdown of members illustrates that over half of the total members (approximately 68.6%) are aged between 26 and 50 years old. As additional ANDRA certified drag racing facilities are developed (such as the subject site) and more events are held, this will help to raise the profile as well as participation and membership levels in the sport drawing people from all age groups to the sport.

3.5 Tourism Benefit

The tourism industry is a major contributor to the Far North Queensland local economies, with visitation critical to the regions' economies. Due to the natural amenity of this area with major attractions such as the Great Barrier Reef it is well placed in terms of tourism potential. However, due to recent events outside of the tourism industry's control such as natural disasters (both at a local level and a state level) and the current high Australian Dollar this has put pressure on both national and international visitor numbers to the region.

The establishment of a drag strip facility in Springmount will result in an increase in the number of events in the area and subsequently an increase in tourism numbers to the area. In the first year of operation the events at Springmount are anticipated to attract approximately 18,700 people over 13 days of events comprising major events, street meets, burn out comps and a car show. Whilst a large majority of these people will come from the local area there will still be a proportion of people which will attend these events from outside of the area of influence. This is anticipated to increase to approximately 27,000 people over 17 days of events in the second year of operation and increase to approximately 35,200 people over 21 days of events in the third year of operation.

Events at the Springmount drag strip can be expected to attract both day trippers and overnight visitors. A minor event such as a street meet and burn out comp would be more likely to attract day trippers while the major events which are part of a possible ANDRA series or circuits, as well as the annual car show, would be more likely to attract overnight visitors. Both types of visitors will provide positive economic impacts to the region through the increase in expenditure in the region. This includes indirect expenditure on accommodation, food and beverage, and other uses within the area.

This indirect expenditure (accommodation, food and beverage etc.) will be spent in the Tablelands Regional Council as well as the wider Far North Queensland region. Indirect expenditure will be predominantly generated by the attendees travelling to the local and regional area for events.

There is also the potential for Queensland residents to travel by car to the Tablelands for the events at the Springmount drag strip, making stops along the way and therefore contributing to other local economies with expenses on accommodation and food and beverage. It is also anticipated that a small proportion of event attendees may utilise accommodation in the Cairns area, to ensure close proximity to the Cairns Airport if they are travelling from parts of Australia further away.

Based on data from the Konica 2001 Winternationals: Marketing and Visitor Satisfaction Report for major events there is the potential for up to 60% of attendees/participants to come from outside the immediate region². This survey was conducted at Willowbank in South East Queensland which is one of the largest

² Konica 2001 Winternationals: Marketing and Visitor Satisfaction Report

drag racing facilities in the country with the Winternationals one of the major events at the facility at the time. It is also proximate to a much larger population base than Springmount (South East Queensland) and as such has a greater opportunity to capture a large amount of attendees and participants in its area of influence.

Whilst the planned drag strip facility at Springmount will not have the same population levels in its area of influence it will still have the opportunity to establish successful events which can attract attendees from outside the immediate region. Assuming a conservative figure of approximately 15% of attendees at major events and car shows are from outside the area of influence, with a total attendance of 11,500 people over 4 major events, a car show in the first year equates to approximately 1,725 people from outside the region who are likely to stay overnight in the area when they attend these events. Assuming they only stay one night when they attend any events this equates to an additional 1,725 visitor nights in the region. This is considered to be a conservative assumption as some of these visitors may stay in the region for more than one night. As a comparison the average domestic visitor to Tropical North Queensland stayed approximately 5.8 nights based on Tourism Queensland data for the year ended December 2010. Therefore both scenarios have been modelled (1 night and 5.8 nights) as a low and high projection for the possible number of domestic visitor nights as a result of the planned drag strip facility.

Table 3.2
Overnight Visitors and Day Trippers

Year	Total Attendance	Day Trippers	Visitor Nights (Low)	Visitor Nights (High)
Year 1	18,700	16,975	1,725	10,005
Year 2	27,000	24,480	2,520	14,616
Year 3	35,200	31,900	3,300	19,140

Source: SDRA, Tourism Queensland, RPS

Visitor nights will result in higher levels of expenditure and economic benefits to the region than day trippers however both types of visitors will provide positive economic impacts to the region. Based on Tourism Queensland Data the average level of domestic overnight visitor expenditure in Tropical North Queensland (which includes the Tablelands Regional Council) totalled approximately \$1.74 billion³. This comprised of approximately 7.42 million visitor nights meaning for each visitor night this saw an expenditure of approximately \$235 for each visitor night.

Table 3.3 illustrates the number of visitor nights and how much additional expenditure will be derived from the development of a drag strip at Springmount for the Tropical North Queensland region. This has again been modelled based on a low (1 night) and high (5.8 nights) scenario.

Table 3.3
Visitor Night Expenditure

Year	Visitor Nights (Low)	Visitor Nights (High)	Expenditure (Low)	Expenditure (High)
Year 1	1,725	10,005	\$404,624	\$2,346,819
Year 2	2,520	14,616	\$591,103	\$3,428,396
Year 3	3,300	19,140	\$774,063	\$4,489,566

Source: SDRA, Tourism Queensland, RPS

³ Tourism Queensland Travel Expenditure by Domestic and International Visitors – Year end December 2010

Based on a low scenario (1 visitor night) the proposed drag strip facility on the subject site will increase domestic overnight visitor expenditure by approximately \$400,000 in the first year of operation to approximately \$800,000 in the third year of operation. Under a high scenario (5.8 visitor nights) this increases to approximately 2.3 million in the first year of operation and approximately \$4.5 million in the third year of operation. This will benefit a number of local tourism operators and create potential opportunities for these businesses to cater and capitalise on this new visitor market (motor sport enthusiasts).

The increase in domestic overnight visitor expenditure from its first year of operation to its third year of operation represents a growth of approximately 47%. This is based on the increasing number of major events and attendance levels as forecast by the SDRR over this period.

3.6 Implications

The population of the area of influence is projected to increase from approximately 280,000 people in 2011 to approximately 300,000 people by 2016 and approximately 315,000 people in 2021. As the population of this region increases so too does the community need for events and facilities which will increase the community's choices in terms of sport and recreation activities (whether it's participating in events or watching events).

The major events at the proposed drag racing facility will enhance the number of national sport events in the Far North Queensland region. The track has the potential to host different legs of ANDRA associated events and series (e.g. Top fuelers). These events will likely see widespread coverage in relevant media associated with these categories of drag racing boosting not only the profile of the sport in the region but also the positive aspects of the region such as its natural amenity and it being a tourist destination.

The establishment of a drag strip facility in Springmount will generate positive economic impacts for the Tablelands Regional Council and broader Far North Queensland region. This will occur as a result of enhancing the region as a tourist and event destination, which will in turn increase the number of day trippers and visitor nights in the region. This will subsequently provide a positive impact on employment and expenditure in the region.

The level of tourism expenditure generated by the development of a drag strip in Springmount will be dependant on how successful the major events and car show is in attracting overnight visitors to the region and the length of time these visitors spend in the region. Under a low scenario the development of a drag racing facility at Springmount will see domestic overnight visitor expenditure increase by approximately \$0.4 million in the first year of operation and approximately \$0.8 million in the third year of operation. Using a high scenario domestic overnight visitor expenditure is anticipated to increase by approximately \$2.3 million in the first year of operation to approximately \$4.5 million in the third year of operation.

Other benefits may see a local company offer a tailored package for possible visitors to these events outside of the area in terms of event entry, accommodation and tours. Therefore these major events at the facility may result in a number of possible business opportunities for local operators and companies.

4 Feasibility and Benefit Analysis

4.1 Introduction

This section will examine the following:

- Impact of population growth in the region and need for further recreation uses (such as a drag strip)
- The need for the development and an assessment of who will benefit
- Community and economic benefits associated with the planned development
- Likely turnover levels of the development and the financial viability of the drag strip
- The economic context of the Springmount Drag Strip as a venue, brand and tourist attraction
- Any other positive effects of the drag strip development

4.2 Financial Viability

The planned development on the subject site will be the first ANDRA approved drag strip in North Queensland. This national body will help with exposure to a wider regional audience as well as provide a point of difference from the Townsville dragway which does not have ANDRA certification. This will help in the marketing of the facility and in its ability to attract both attendees and participants which will be its major source of income. Other sources of income will come from event and track sponsorships, paying members, exhibitors, entry fees, food and beverage sales and others.

Based on data from the SDRA they are projecting an operating profit from year one and slowly increasing as the number of events, sponsorship and attendance levels increase over proceeding years. Whether this will be enough to cover the initial construction and other associated costs of the facility will be dependant upon the initial construction and loan requirements from either a private investor/investors or the level of government funding they are able to procure. If the facility is successful in receiving matching government funding these initial overheads are further reduced. As such it should be noted that RPS has not modelled any cost of obtaining a loan or possible repayments when examining the viability of the planned drag racing facility at Springmount. RPS also notes that no figures for wages/staff costs have been provided as it is expected that by the third year with 21 different events a number of either full time or part time staff will be needed to ensure all events are both well marketed and run. These wages/staff costs would reduce the projected profit levels.

The turnover and running figures for the Springmount drag strip have been provided by the SDRA. RPS is informed these figures are based on data the SDRA have received in regards to the existing Townsville and Mackay drag strip operations. Based on figures provided by the SDRA the planned drag strip facility will operate at a profitable level from year one. Over time as it builds its attendance, membership and sponsorship base along with gradually increasing the number of street meets and major events this profit level is forecast to increase. Forecast profit levels after expenses are as follows:

- \$231,460 in Year 1
- \$398,890 in Year 2
- \$458,370 in Year 3

Even if forecast attendance levels for the major events, street meets, car show and burn out comps were reduced by approximately 30% this would still result in a profit of \$115,460 in year one. As such should the planned drag strip facility attract a lower than projected number of attendees in its initial years of operation it should still turn a profit. Should this trend continue for following years (lower than projected attendance figures) the operational model and expenses of running and maintaining the facility can be tweaked to ensure that running costs are continually covered and the facility does not operate at a loss.

The ongoing financial viability of the planned drag strip development is important as if it were to begin to operate at a loss it would require additional public or private funding in order to remain open. With the facility forecast to operate at a profit from year one and then increasing this margin in subsequent years it is considered to be a financially viable operation as well as providing numerous community and economic benefits.

4.3 Community and Social Benefits

The planned drag racing strip at Springmount will provide a number of valuable benefits to both the local community and wider region. These can be broken down into community benefits and economic benefits.

4.3.1 Economic Benefits

One of the major economic benefits to the local community will come from both the daytrippers and overnight visitors who will attend the facility on scheduled event days. Whilst both daytrippers and overnight visitors will increase expenditure levels in the area creating opportunities for local business to cater to this market the overnight visitors will have a greater expenditure level as they will be staying in the region. This expenditure will be spent predominately on tourism related uses such as accommodation, food and beverage, tour packages and others.

Major events and car shows are considered to be more likely to attract overnight visitors with a conservative estimate of approximately 15% of attendees of these events coming from outside the area of influence and thus staying in the area when attending the Springmount drag strip. Should these events attract a higher percentage of overnight visitors then the resulting visitor nights and tourism expenditure levels will also increase.

Based on a low scenario (1 visitor night) the proposed drag strip facility on the subject site will increase domestic overnight visitor expenditure by approximately \$0.4 million in the first year of operation to approximately \$0.8 million in the third year of operation. Under a high scenario (5.8 visitor nights) this increases to approximately 2.3 million in the first year of operation and approximately \$4.5 million in the third year of operation. This will benefit a number of local tourism operators and create potential opportunities for these businesses to cater and capitalise on this new visitor market (motor sport enthusiasts).

The drag strip at Springmount is also expected to result in economic benefits and opportunities for local automotive businesses as participants may need to source local parts and/or expertise during the staging of planned events.

The community will also benefit during the construction phase and maintenance of the planned Springmount drag strip facility. This will include capital expenditure for the construction of facilities and infrastructure onsite (approximately \$7.3 million over two stages) and site management costs (\$447,050 in the first year). This also includes the expenses covered by event organisers to ensure that the event is fully catered for.

These phases will create both onsite and offsite jobs and other flow on benefits for the community. Additional part time jobs (such as catering, cleaning etc.) during staged events will also result from the project. The construction figures have been supplied by the SDRA and are attached in Appendix C.

4.3.2 Community and Social Benefits

The planned drag strip will provide a family friendly and safe and controlled environment for drag racing and motorsport enthusiasts to practice their sport of choice. It may also provide a location to run defensive driver training courses helping to improve road safety.

The planned drag strip at Springmount will also work with the Australian Women's Motorsport Network (AWMN) to help promote and get women involved in motorsport and drag racing. The AWMN mission is to encourage more women to become involved in the male-dominated fields of motorsport and the automotive industry. They are areas where women can, and do, compete on an equal basis if given encouragement and opportunities. This organisation will also look to help increase the power and respect of the many talented and determined women who are already involved in the various fields of motor sports. One of these fields is drag racing with the Springmount drag strip able to provide a location for future possible women's safety and track training days. Based on latest ANDRA statistics approximately 41% of junior license holders (aged 8 to 16) were female⁴. With the work of the AWMN there is the opportunity to increase this level as well as the involvement of women across other age groups.

The planned drag strip will be the only drag strip facility north of Townsville and as such will be easier to access for current motorsport enthusiasts. The drag strip will also help to provide stronger social links between different members of the community promoting community spirit bound by a common interest. A drag strip will provide a legal and safe place for both motor enthusiasts and racing fans to enjoy their interests.

A drag strip on the subject site will also be the most proximate drag strip facility for residents of Far North Queensland. These residents may not be currently attending any drag strip events due to the cost, time and travel associated in attending events in Townsville or Mackay. Therefore a portion of future attendees at the Springmount facility would not class themselves as regular drag strip attendees and participants as their closest tracks (Townsville and Mackay) are too difficult to access. A local drag strip in Springmount will therefore be easier to access and help grow the sport as a leisure activity as will as increase the local participation rate in the sport.

As the profile of the sport grows in the region so too will the demand for the drag strip facility resulting in increased attendance, participation, membership and sponsorship rates. This will be further strengthened by the forecast population growth of the area. This increasing attendance, participation, membership and sponsorship rates is also reflected in the operational data provided by the SDRA.

Population growth of the area of influence is projected to increase from approximately 280,000 people in 2011 to approximately 300,000 people by 2016 and approximately 315,000 people in 2021. As the population increases so too does the need for additional sport and recreation uses and activities. The

⁴ ANDRA Statistics – April 2011

planned drag racing facility on the subject site will provide an alternative sport and recreation use from those already currently in the region as well as help to increase the profile of the sport.

The planned major events and the car show will also help in the branding of the region as an event destination as it will increase the number and different types of events which the region can then use to help market itself.

4.4 Conclusion

Based on SDRA figures once operational the drag strip facility is forecast to turnover an operating profit from year one. This operating profit will increase over time as the number of major events and street meets increase along with attendance, participation and sponsorship levels. Therefore according to SDRA figures the project is sustainable and is not forecast to require any additional public or private funds after it is established and operational.

The proposed development will provide a location for a national sport (in terms of ANDRA events) in far north Queensland. This will help increase the profile of the sport and in turn it will also help to increase participation levels in the sport.

Assuming forecast attendance levels are met then major events (ANDRA affiliated) will result some attendees and participants travelling from within and outside the area of influence and staying in the area either overnight or for a number of days. This will help to increase tourism expenditure as they may also take time to enjoy other activities aside from the drag racing such as dining out and visiting national parks. Depending on the level of overnight visitors and how long they stay in the region the development of a drag racing facility in Springmount may see between \$0.4 million to \$2.3 million of additional domestic overnight tourism expenditure brought into the local economy during its first year of operation (this increases to \$0.8 million and \$4.5 million by the third year). This will benefit both small scale and large tourism operators.

The drag strip will also result in a number of community benefits such as increasing the number of family friendly events in the area, offering a safe and controlled environment for local street racing enthusiasts, providing education programs for young drivers as well as increasing women's involvement in the sport and helping raise the profile of the sport. These functions will provide additional community benefit and use outside of the core operation of the facility as a drag racing track.

Assumptions

This report has been prepared on the instructions of the stated party and is intended to address the issues as defined in the methodology. The data, analysis and findings contained in this report are, therefore, not appropriate for use in any other circumstance. The report contains a series of projections and forecasts, which have been prepared on the basis of the best available information. Due to the dynamic nature of many of these issues and the number of variables involved, RPS can give no guarantee that these projections and forecasts will be realised.

Documents issued electronically are susceptible to being altered. Therefore, only versions held and issued by RPS can be used as an acceptable reference or source of information.

Appendix A

SDRA Profit and Loss

	No.	Year 1	No.	Year 2	No.	Year 3
Income Streams						
\$50.00 Membership	450	\$22,500	600	\$30,000	800	\$40,000
\$500.00 Bronze Sponsorship	20	\$10,000	25	\$12,500	40	\$20,000
\$1,500.00 Silver Sponsorship	10	\$15,000	15	\$22,500	25	\$37,500
\$3,000.00 Gold Sponsorship	3	\$9,000	5	\$15,000	10	\$30,000
\$5,000.00 Platinum Sponsorship	2	\$10,000	5	\$25,000	10	\$50,000
Naming Rights						
\$10,000.00 Sponsorship	2	\$20,000	2	\$20,000	2	\$20,000
MAJOR EVENTS						
\$20.00 Venue entry	10,000	\$200,000	15,000	\$300,000	20,000	\$400,000
\$65.00 Car Nomination	600	\$39,000	800	\$52,000	1,200	\$78,000
\$15.00 Pit Crew* 2 per car	1,200	\$18,000	1,600	\$24,000	2,400	\$36,000
\$8,000.00 Event Sponsor	4	\$32,000	6	\$48,000	8	\$64,000
\$2,000.00 Prize Sponsors	16	\$32,000	24	\$48,000	32	\$64,000
\$250.00 Exhibitors	16	\$4,000	24	\$6,000	32	\$8,000
STREET MEETS						
\$18.00 Venue entry	6,000	\$108,000	9,000	\$162,000	12,000	\$216,000
\$50.00 Car Nomination	320	\$16,000	480	\$24,000	640	\$32,000
\$14.00 Pit Crew* 2 per car	640	\$8,960	960	\$13,440	1,280	\$17,920
\$5,000.00 Event Sponsor	4	\$20,000	6	\$30,000	8	\$40,000
\$800.00 Prize Sponsors	16	\$12,800	24	\$19,200	32	\$25,600
\$250.00 Exhibitors	16	\$4,000	24	\$6,000	32	\$8,000
CAR SHOW						
\$25.00 Venue entry	1,500	\$37,500	1,800	\$45,000	2,000	\$50,000
\$55.00 Car Nomination	150	\$8,250	180	\$9,900	200	\$11,000
\$7,000.00 Event Sponsor	1	\$7,000	1	\$7,000	1	\$7,000
\$1,000.00 Prize Sponsors	5	\$5,000	5	\$5,000	5	\$5,000
\$250.00 Exhibitors	10	\$2,500	10	\$2,500	10	\$2,500
BURN OUTS						
\$10.00 Venue entry	1,200	\$12,000	1,200	\$12,000	1,200	\$12,000
\$25.00 Car Nomination	200	\$5,000	200	\$5,000	200	\$5,000
\$2,000.00 Event Sponsor	4	\$8,000	4	\$8,000	4	\$8,000
\$500.00 Prize Sponsors	16	\$8,000	16	\$8,000	16	\$8,000
\$250.00 Exhibitors	16	\$4,000	16	\$4,000	16	\$4,000
Total Income		\$678,510		\$964,040		\$1,299,520
Expenses						
Accountant fees		\$1,000		\$1,000		\$1,000
Advertising & marketing		\$56,000		\$71,000		\$93,000
Bank fees & charges		\$250		\$250		\$250
Bank interest		-		-		-
Consultant		\$25,200		\$25,200		\$25,200
Insurance		\$1,500		\$1,500		\$1,500
Telephone		\$1,200		\$1,200		\$1,200
Postage & Freight		\$500		\$500		\$500
Stationery & printing		\$5,000		\$7,000		\$10,000
Superannuation		\$0		\$0		\$0
Travel & Accomodation		\$200		\$300		\$300
Utilities & Sundry Exp.		\$1,200		\$1,200		\$1,200
Wages (including PAYG)		\$0		\$0		\$0
\$8,000.00 Track Prep (Major)		\$32,000		\$48,000		\$64,000
\$1,500.00 Track Prep (Other)		\$12,000		\$15,000		\$18,000
\$4,000.00 Track Officials (Major)		\$16,000		\$24,000		\$32,000
\$2,000.00 Track Officials (Other)		\$18,000		\$22,000		\$26,000
\$9000.00 (av) Security		\$117,000		\$135,000		\$153,000
Upgrades and Improvements		\$150,000		\$200,000		\$400,000
Electricity		\$10,000		\$12,000		\$14,000
Total expenses		\$447,050		\$565,150		\$841,150
Income a/expenses		\$231,460		\$398,890		\$458,370

Appendix B

Demographic Profile

Demographic Profile	Area of Influence		TRC		Queensland	
Total Persons	238,642		40,906		3,904,534	
Age						
0 to 4	16,816	7.0%	2,522	6.2%	257,080	6.6%
5 to 14	35,984	15.1%	6,104	14.9%	549,456	14.1%
15 to 19	15,540	6.5%	2,551	6.2%	270,299	6.9%
20 to 24	13,476	5.6%	1,655	4.0%	268,902	6.9%
25 to 34	31,600	13.2%	3,997	9.8%	523,597	13.4%
35 to 44	37,138	15.6%	5,756	14.1%	575,568	14.7%
45 to 54	35,037	14.7%	6,244	15.3%	539,184	13.8%
55 to 64	26,878	11.3%	5,814	14.2%	437,553	11.2%
65 to 74	14,997	6.3%	3,627	8.9%	259,426	6.6%
75 to 84	8,538	3.6%	2,004	4.9%	166,809	4.3%
85 years and over	2,645	1.1%	634	1.5%	56,657	1.5%
Marital Status - Persons						
Married	83,849	45.1%	16,510	51.2%	1,519,610	49.1%
Separated	6,503	3.5%	1,079	3.3%	102,903	3.3%
Divorced	17,687	9.5%	3,068	9.5%	278,849	9.0%
Widowed	9,567	5.1%	2,102	6.5%	167,311	5.4%
Never Married	68,211	36.7%	9,518	29.5%	1,029,323	33.2%
Total	185,817	100.0%	32,277	100.0%	3,097,996	100.0%
Language Spoken at Home						
English Only	196,184	89.2%	34,830	92.4%	3,371,684	91.8%
Other	23,728	10.8%	2,857	7.6%	303,096	8.2%
Total	219,912	100.0%	37,687	100.0%	3,674,780	100.0%
Relationship in Household						
Husband or wife in registered marriage	73,523	34.3%	14,501	39.5%	1,369,703	38.3%
Partner in de facto marriage	21,865	10.2%	3,020	8.2%	283,558	7.9%
Lone parent	10,633	5.0%	1,699	4.6%	164,219	4.6%
Child under 15	47,871	22.4%	7,854	21.4%	751,084	21.0%
Dependent student (15-24)	7,166	3.3%	1,258	3.4%	153,842	4.3%
Non-dependent child	10,862	5.1%	1,734	4.7%	202,993	5.7%
Other related individual	5,594	2.6%	758	2.1%	77,267	2.2%
Unrelated individ living in family h/hold	2,431	1.1%	356	1.0%	40,647	1.1%
Group household member	6,964	3.3%	733	2.0%	129,652	3.6%
Lone person	21,319	10.0%	3,721	10.1%	323,431	9.0%
Visitor (from within Australia)	5,881	2.7%	1,064	2.9%	81,229	2.3%
Total	214,109	100.0%	36,698	100.0%	3,577,625	100.0%
Household Structure						
Couple with no children	24,335	39.9%	4,951	45.1%	403,854	39.1%
Couple famiy with children	25,075	41.1%	4,167	38.0%	446,740	43.3%
One parent family	10,637	17.4%	1,699	15.5%	164,219	15.9%
Other family	1,017	1.7%	151	1.4%	17,221	1.7%
Total	61,064	100.0%	10,968	100.0%	1,032,034	100.0%
Internet Connection						
None	32,804	39.1%	6,343	42.8%	475,307	34.2%
Broadband or Dial up	47,776	56.9%	7,852	53.0%	873,492	62.8%
Not Stated	3,352	4.0%	620	4.2%	42,834	3.1%
Total	83,932	100.0%	14,815	100.0%	1,391,633	100.0%

Demographic Profile	Area of Influence		TRC		Queensland	
Dwelling Type						
Separate house	65,818	78.4%	13,243	89.4%	1,106,874	79.5%
Semi-detached and townhouse	5,067	6.0%	352	2.4%	105,916	7.6%
Flat, unit, apartment	10,358	12.3%	691	4.7%	156,298	11.2%
Other dwelling	2,311	2.8%	520	3.5%	21,502	1.5%
Not stated	366	0.4%	5	0.0%	1,042	0.1%
Total	83,920	100.0%	14,811	100.0%	1,391,632	100.0%
Persons per Household						
Separate house	2.80		2.58		2.79	
Semi-detached and townhouse	1.97		1.99		1.99	
Flat, unit, apartment	1.81		1.64		1.71	
Other dwelling: Total	1.89		1.90		1.75	
Not stated	2.69		2.40		2.34	
Total	2.60		2.50		2.60	
Dwelling Ownership						
Fully owned	25,469	30.3%	6,244	42.2%	439,677	31.6%
Being purchased directly	24,394	29.1%	3,792	25.6%	470,114	33.8%
Rented	30,406	36.2%	4,106	27.7%	432,296	31.1%
Other Tenure	665	0.8%	130	0.9%	11,723	0.8%
Not Stated	2,991	3.6%	541	3.7%	37,822	2.7%
Total	83,925	100.0%	14,813	100.0%	1,391,632	100.0%
Monthly Housing Loan Repayments						
Average Repayment - Sept 2006 \$	\$1,287		\$1,104		\$1,426	
Average Repayment - Current \$	\$1,471		\$1,262		\$1,629	
Weekly Rent						
Average Rent - Sept 2006 \$	\$173		\$135		\$212	
Average Rent - Current \$	\$198		\$154		\$242	
Employment						
Employed - Full-time	71,719	61.9%	10,179	57.9%	1,180,889	61.6%
Employed - Part-time	31,397	27.1%	5,216	29.7%	530,501	27.7%
Employed - Away From Work	7,706	6.6%	1,247	7.1%	113,607	5.9%
Employed - Total	110,823	95.6%	16,643	94.7%	1,824,998	95.3%
Unemployed	5,093	4.4%	929	5.3%	90,951	4.7%
Total labour force	115,915	100.0%	17,571	100.0%	1,915,948	100.0%
Not in the labour force	53,717		12,250		971,829	
Occupation						
Upper White	30,636	27.6%	5,153	31.0%	538,560	29.5%
Lower White	36,548	33.0%	4,937	29.7%	624,640	34.2%
Upper Blue	17,519	15.8%	2,398	14.4%	280,343	15.4%
Lower Blue	23,818	21.5%	3,807	22.9%	349,365	19.1%
Other	2,298	2.1%	342	2.1%	32,093	1.8%
Total	110,819	100.0%	16,637	100.0%	1,825,001	100.0%
Average Number of Cars						
	1.60		1.70		1.67	
Household Income						
Average Weekly - Sept 2006 \$	\$1,098		\$928		\$1,197	
Average Weekly - Current \$	\$1,255		\$1,060		\$1,368	
Household Income - Sep 2006 \$	\$57,267		\$48,363		\$62,422	
Household Income - Current \$	\$65,448		\$55,272		\$71,340	

Source: RPS, ABS
Current Dollars - Dec 2010

Appendix C

Construction Costs

Project: Proposed Drag Strip
Client: Springmount Drag Racing Association
 Stage 1
Engineer: SKM

SUMMARY					AMOUNT
1.00	PRELIMINARIES				160,000.00
2.00	EARTHWORKS				709,658.00
3.00	ROADWORKS				4,295,584.00
4.00	STORMWATER				140,600.00
5.00	SEWER				182,800.00
6.00	WATER				68,900.00
7.00	LIGHTING			PS	250,000.00
TOTAL STAGE 1 (EX GST)					5,807,542.00

Project: Proposed Drag Strip
Client: Springmount Drag Racing Association
 Stage 2
Engineer: SKM

SUMMARY					AMOUNT
1.00	PRELIMINARIES				53,000.00
2.00	EARTHWORKS				20,000.00
3.00	ROADWORKS				1,416,367.00
4.00	STORMWATER				0.00
5.00	SEWER				0.00
6.00	WATER				0.00
7.00	LIGHTING			PS	0.00
TOTAL STAGE 2 (EX GST)					1,489,367.00