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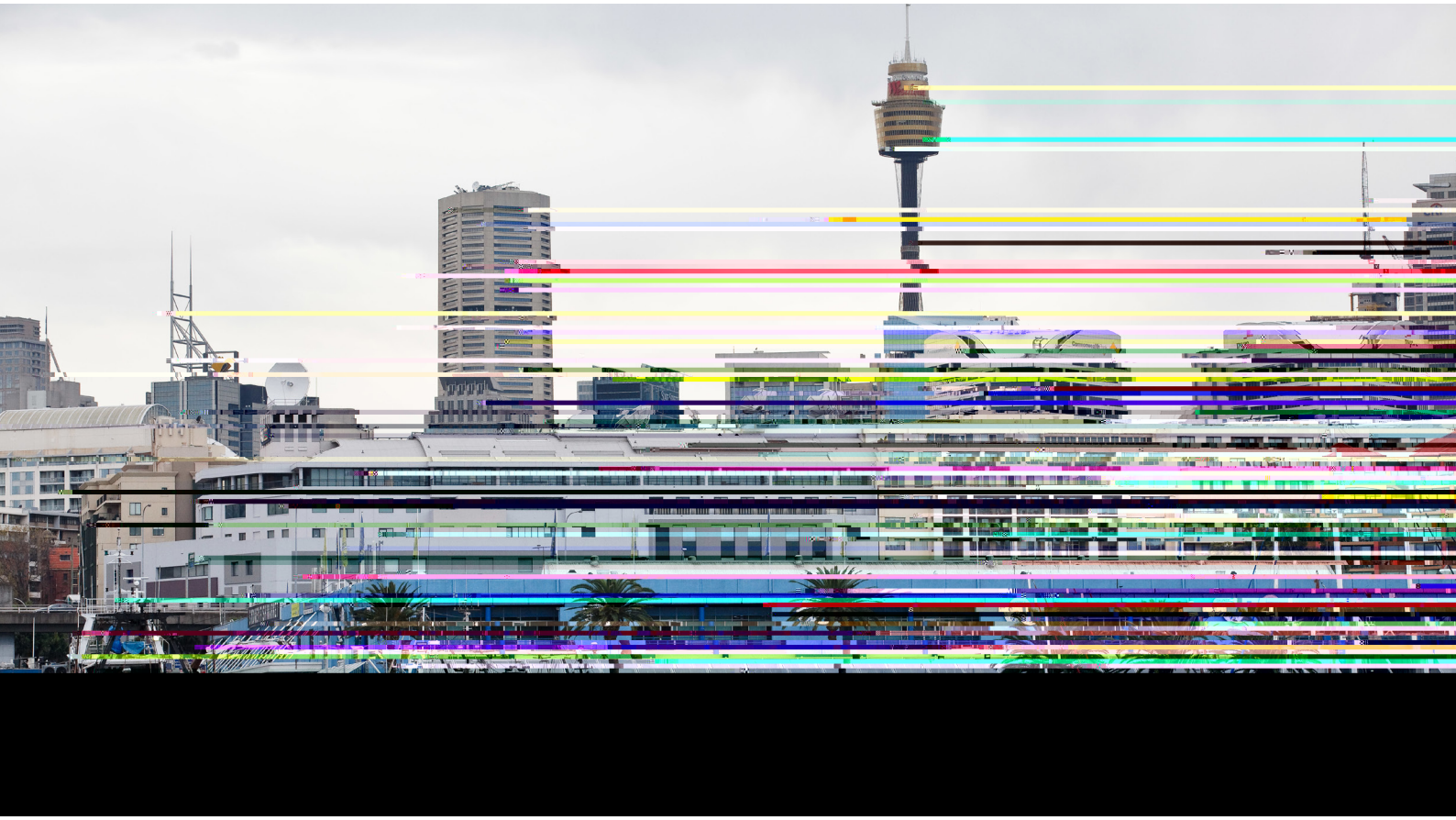

A redeveloped Sydney Fish Market: enhancing its wider economic and social impacts

2016

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Executive summary

In July 2014, the NSW Government announced the appointment of UrbanGrowth NSW to drive a number of urban renewal programs, including one for the Bays Precinct. In conjunction with the UrbanGrowth-led transformation of the Precinct, Sydney Fish Market (SFM) has envisioned a complete rejuvenation to establish SFM as a world-leading market and cement its place as an iconic Sydney destination. The redevelopment is expected to transform the market's retail precinct with a contemporary urban design, providing a fresh produce market, unique bar and dining experiences for visitors, and creating a waterfront promenade.

To improve public access, the proposed redevelopment will include a major carpark facility, improvements in public transport linkages, and interpretative and directional signage for visitors. The redevelopment will also provide world-class auction and wholesale facilities to facilitate world's best practice in the storage and handling of fresh seafood.

SFM has commissioned Deloitte Access Economics (DAE) to assess the wider economic and social impacts of a redeveloped SFM. These are explored through data and information provided by SFM, a dedicated consumer survey, and consultations with wholesale and retail tenants at SFM, and representatives of the catching industry. It builds on previous work by DAE that assessed the wider economic and social impacts of SFM in its current state.

Wider economic and social impacts of redevelopment

More than 500 species and 13,400 tonnes of seafood are traded through the SFM wholesale market every year, with even more seafood traded through SFM tenants. Consumers have greater **choice and variety** as they are able to access unique and uncommon seafood species from local fish shops and restaurants throughout Sydney and NSW. Academic research has found that businesses that offer a greater variety of product and choice can make consumers better off even if prices remain unchanged (Lancaster, 1990).

DAE previously estimated that consumer benefits from choice and variety are worth the equivalent of between $62 million and $87 million per year (DAE, 2016). The SFM Business Case (December 2015 update) predicts that there will be an increase in wholesale trade through the auction following redevelopment. It is reasonable to assume that a proportion of the additional fish and seafood traded through the site will be of special varieties. This could potentially generate choice and variety benefits for consumers across NSW as wholesale trade through SFM.

One of the most distinctive aspects of SFM is that visitors can have a **unique experience visiting an authentic working market**. Through the colocation of wholesale and retail, customers have access to an authentic market experience that they would not otherwise encounter, such as at their local fish shop. This generates consumer welfare benefits and is measured by considering visitors' strong preference for the SFM experience in comparison to other places to buy fish. DAE previously estimated that consumer benefits from a unique experience were between $109 million and $153 million per year (DAE, 2016). Retaining retail and wholesale elements together will maintain the consumer benefits of the unique SFM experience.

By scaling up previous estimates based on expected increases in wholesale and on-site retail trade following redevelopment from the SFM Business Case (December 2015 update), **additional consumer benefits from choice and variety and a unique market experience are expected to be approximately between $45 million and $64 million per year** (average of $54 million per year).

The redevelopment of SFM is expected to draw additional visitors to Sydney, resulting in a benefit for the NSW economy. According to SFM estimates, in the first year following redevelopment, visitation per year is anticipated to increase to more than 5.5 million in comparison to approximately 3 million visits under the case where the redevelopment did not take place. **The redevelopment is likely to boost the NSW economy by around $52 million on average per year (real 2016 dollars) and will support an average 136 FTE additional jobs per year in the NSW economy over 10 years following redevelopment.**

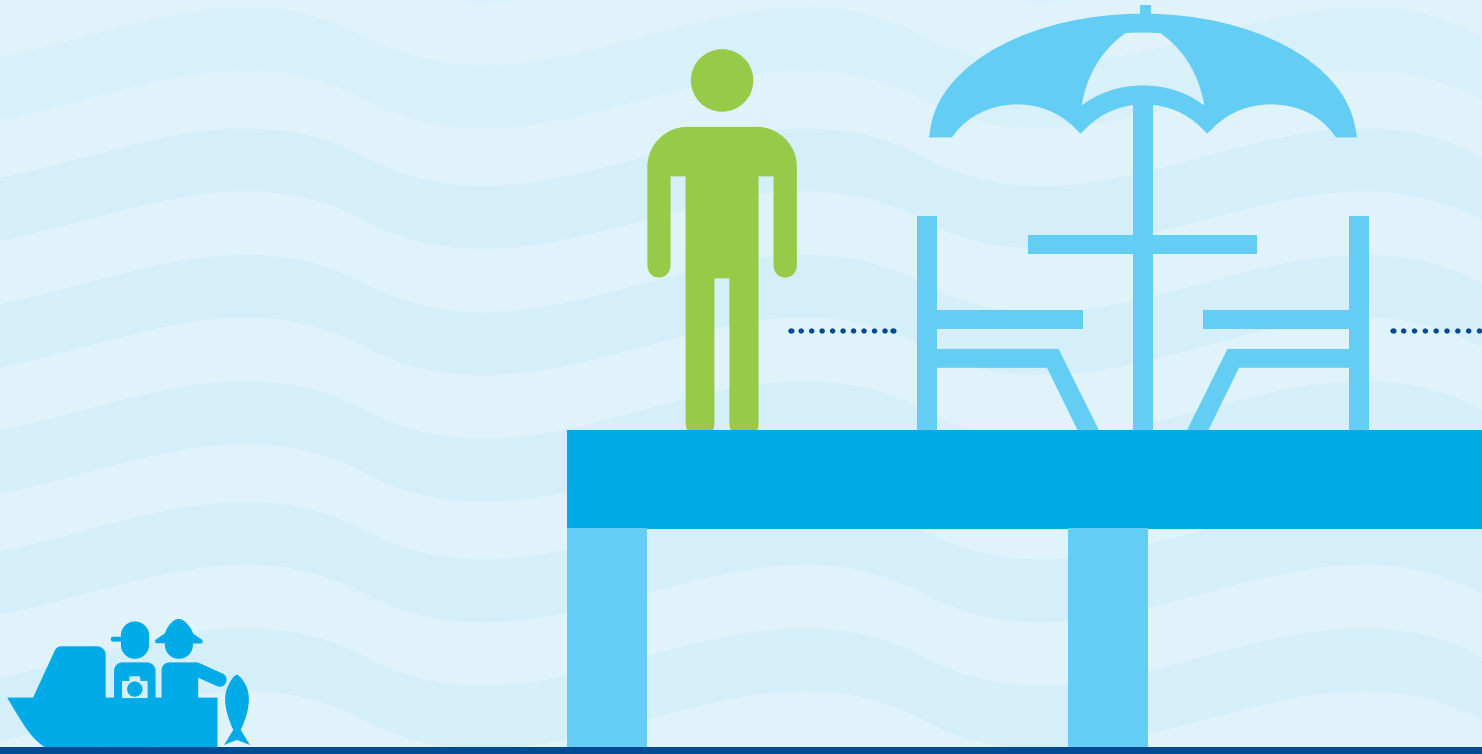
The colocation of wholesale and retail businesses generates productivity benefits such as transport savings, sharing of infrastructure/facilities, and reduced overheads. Without the colocation of wholesale and retail tenants at SFM, it is likely that there would be more frozen (as opposed to fresh produce), and less variety of seafood. DAE has previously estimated that industry productivity benefits are about $18 million per year (DAE, 2016). The proposed redevelopment would maintain the colocation of wholesale and retail activities, construct a larger loading dock area, and expand plant facilities to allow for best practice technologies to be introduced. This would have the potential to generate further industry productivity benefits from colocation however these are likely to overlap with other benefits captured in our analysis (i.e. tourism and consumer benefits).

SFM is also a significant cultural icon – this is an important intangible value too. People regularly place a value on things they may not use or visit, such as beaches or city landmarks. SFM's **existence value**, previously estimated to be about $25 million per year, reflects the value people place on the market, even though they may not visit yet, they have the option to (DAE 2016). The redevelopment would enhance SFM's prominence as an iconic destination in Sydney and make it a more desirable place to visit. A redevelopment is also likely to increase the existence value of SFM to the community.

The redevelopment is likely to improve the

1 Introduction

The redevelopment is expected to include the creation of a quality waterfront promenade and outdoor dining facilities, the expansion of current cafes and takeaway offerings, and the introduction of major fresh produce markets.



Sydney Fish Market (SFM) is one of Sydney's major tourist destinations, attracting three million visits a year from local, and domestic and international visitors.

While there are many fish markets located in Australia and internationally, SFM is the largest fish and seafood market of its kind in the southern hemisphere and, in terms of variety, the third largest in the world. Some of its key features include:

- Being a major drawcard for tourism, including Sydneysiders, interstate and international visitors
- Offering more choice and variety to consumers across NSW by facilitating the wholesale trade of over 500 species of fish and seafood
- Combining both retail and wholesale trade allowing for industry productivity benefits as well as being the centre to the state's fishing industry
- Education and training for employees, through the Seafood Industry Training Package, school students and the wider community, through the Sydney Seafood School (SSS).

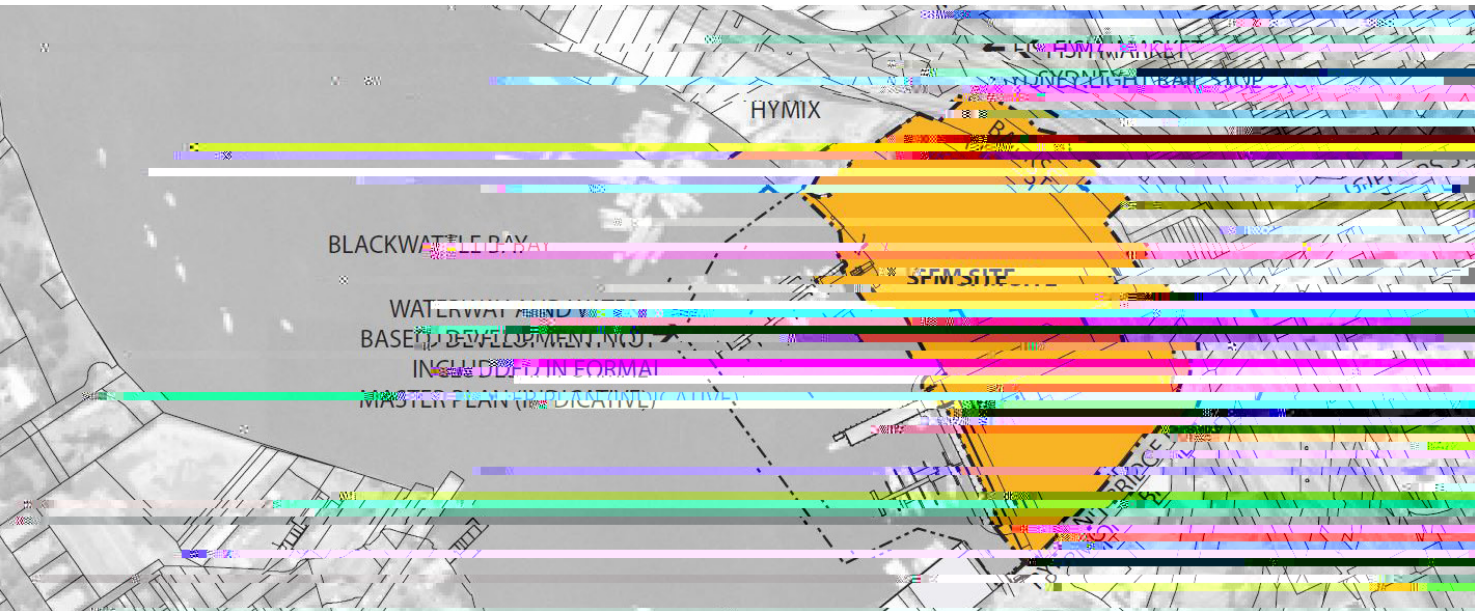
SFM has commissioned DAE to assess the wider economic and social impacts of a redeveloped SFM. This note explains the wider economic and social impacts of SFM and how they might be enhanced by a redevelopment, and assesses the tourism impacts of a redeveloped SFM.

This report builds on previous work by DAE, which assessed the wider economic and social impacts of SFM in its current state. These are explored through data and information provided by SFM, a dedicated consumer survey, and consultations with wholesale and retail tenants at SFM, and representatives of the catching industry.

1.1 The proposed redevelopment

In July 2014 the NSW Government announced the appointment of UrbanGrowth NSW to drive a number of urban renewal programs, including one for the Bays Precinct. In conjunction with UrbanGrowth-led transformation of the Precinct, SFM has envisioned a redevelopment to establish SFM as a world-leading facility, cementing SFM's place as a Sydney icon and reputation as 'Australia's Home of Seafood'.

Figure 1.1: Location of Sydney Fish Market



Source: SFM Business Case (December 2015 update)

The purpose of the proposed redevelopment of SFM is to transform the current market's retail precinct with a contemporary urban design, provide unique dining experiences for visitors, and world-class auction and wholesale facilities.

To achieve this, the redevelopment is expected to include a number of elements that add to the transformation of SFM. According to the SFM Business Case (December Update, 2015), the elements expected to drive the most benefit include the creation of a quality waterfront promenade and outdoor dining facilities, the expansion of current cafes and takeaway offerings, and the introduction of major fresh produce markets.

Other elements that are likely to strengthen its position as a major tourism attraction include the introduction of new themed bars and finer dining (oyster/wine, mussels/beer), better access to the site including improvements to public transport and a major carpark facility, a dedicated school tour program access, and inclusion of interpretative and directional signage for visitors.

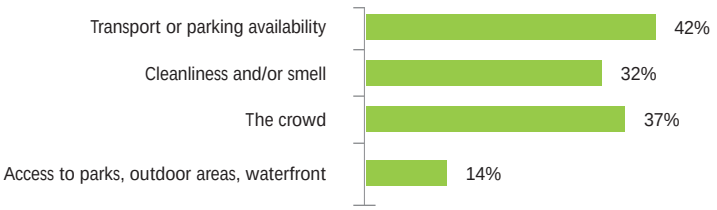
Vision for redevelopment

SFM's vision for redevelopment (SFM Business Case, 2015) involves:

- Establishing SFM as the global benchmark for fish markets in terms of fresh seafood and other produce, seafood storage, handling, and auction facilities
- Creating a unique tourist destination that brings people to Sydney from around the state, interstate and overseas, and is based on an authentic market experience
- Establishing SFM as a leader in seafood sustainability and education, including opportunities in research, vocational training and nutritional education and more tour offerings and Sydney Seafood School programs for visitors
- Establishing SFM as an iconic landmark in Sydney that respects the maritime heritage of the site, while reflecting the urban future of Sydney
- Establishing SFM as a leader in urban design, providing a connecting link within the cultural ribbon around Sydney Harbour.

DAE developed a consumer survey to assist in estimating the impacts of a redeveloped SFM (refer to Appendix A). While responses from more than three-quarters of visitors to SFM revealed a preference to SFM relative to other places to buy fish, a significant number of respondents also said that issues including transportation, cleanliness, access and crowds negatively impacted their visits to SFM (see Figure 1.2).

Figure 1.2: Survey respondents' current issues with SFM

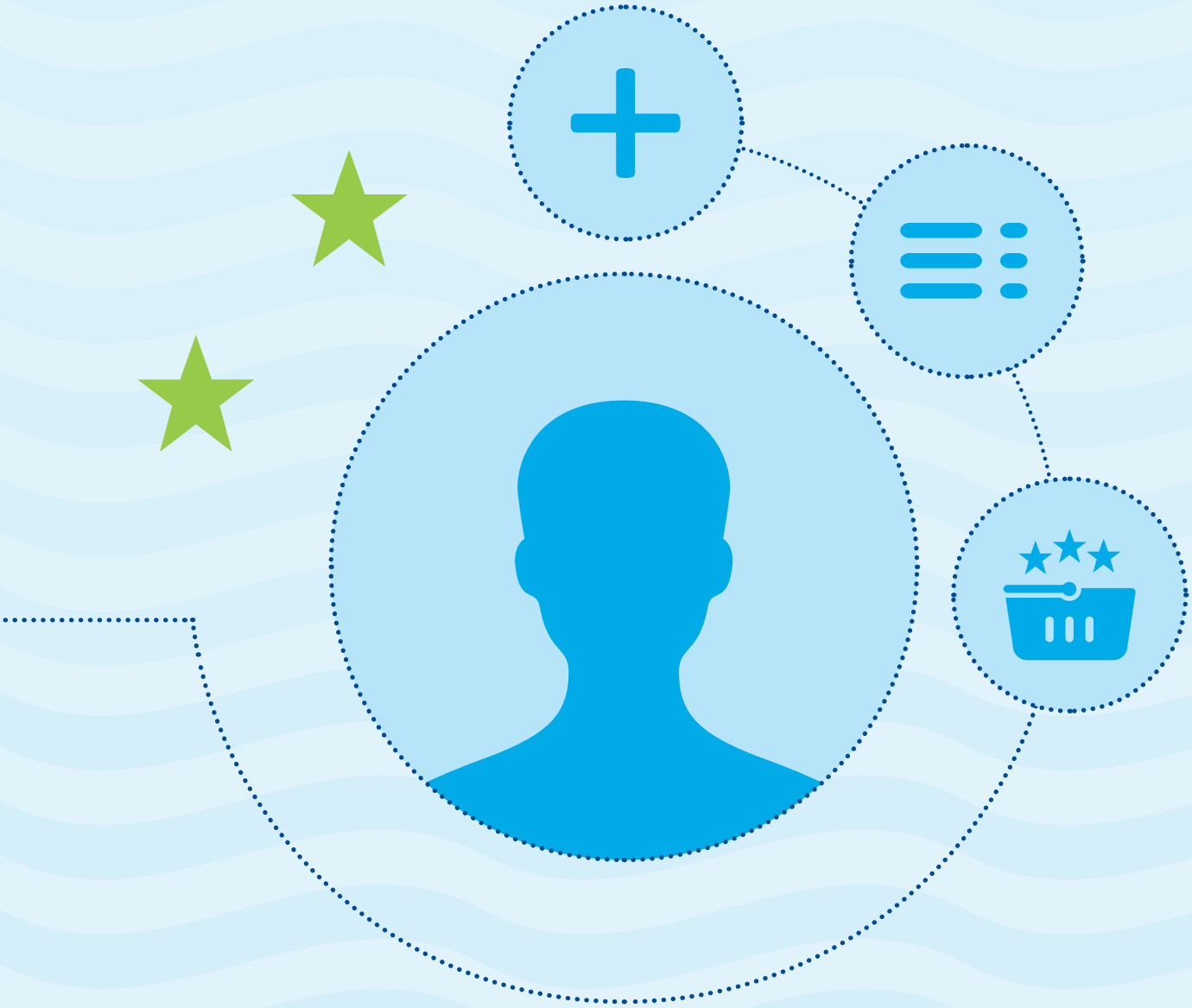


Source: Deloitte Access Economics

2 Enhancing wider economic and social impacts

The redevelopment is expected to increase consumer benefits from choice and variety and a unique market experience by

$54 million per year



Takeaway

2.1 Overview

SFM previously commissioned DAE to conduct an economic contribution study and analyse SFM's current wider economic and social impacts. These were explored through data and information provided by SFM, a dedicated consumer survey, and consultations with wholesale and retail tenants at SFM, and representatives of the catching industry.

By itself SFM is a small commercial operation in terms of its direct expenditure, employment and total economic contribution. While important, these measures do not capture the important features of SFM – its contribution to tourism, the value customers receive from choice and variety, and a unique market experience, and the role of the market in facilitating an efficient industry. A measure of SFM's **wider economic and social impacts** captures the benefits to SFM visitors as well as those to the broader community.

Section 2.2 provides some discussion of these benefits, as well as how redevelopment could enhance them. The concepts are described in further detail in [illegible] (DAE, 2016).

2.2 Potential benefits of a redeveloped SFM

The **redevelopment of SFM** has the potential to not only increase revenue for SFM, but also enhance the wider economic and social impacts of SFM. It will generate tourism benefits by drawing additional tourists to Sydney and further boosting Sydney's image as a destination for vibrant outdoor experiences and fresh food dining experiences. Tourism benefits have been quantified and are discussed in greater depth in Chapter 3.

This section explores how a redeveloped SFM could further contribute to:

- Consumer benefits from greater choice and a unique experience
- Industry productivity benefits from the colocation of wholesale and retail businesses on the SFM site
- The existence value of SFM
- Educational and training opportunities.

2.2.1 Choice and experience

More than 500 species and 13,400 tonnes of seafood are traded through SFM's wholesale market every year. Consumers have greater **choice and variety** as they are able to access unique and uncommon seafood species from local fish shops or restaurants throughout Sydney and NSW. Academic research has found that businesses that offer a greater variety of product can provide consumers with more choice, and can make consumers better off even if prices remain unchanged (Lancaster, 1990). Consumers place a value on having greater choice and this value may not be captured in the price paid for a good or service. Con Liaros, Managing Director of Poulos Bros Seafoods, believes there are a number of benefits of SFM operations, including for buyers.

[illegible]

Con Liaros, Managing Director,
Poulos Bros Seafoods

2.2.2 Industry productivity benefits

The colocation of wholesale and retail businesses generate productivity benefits such as transport savings, sharing of infrastructure/facilities, and reduced overheads. Academic research has found that wholesale markets enhance storage and handling conditions, with reductions in post-harvest produce losses of around 30% (Tollens, 1997). John Jefferson, of Nicholas Seafood and Peter's Fish Market (retail tenants at SFM), said that many retailers would [illegible] if they had to travel to several locations to purchase different types of seafood, resulting in [illegible] at local fish shops. Without the colocation of wholesale and retail tenants at SFM it is likely that there would be more frozen (as opposed to fresh produce), and less variety of seafood. DAE has previously estimated that industry productivity benefits are about $18 million per year (DAE, 2016).

The proposed redevelopment (SFM Business Case, December 2015) would maintain the colocation of wholesale and retail activities. It is expected to increase efficiencies through a larger loading dock area and expanded plant facilities, which will allow for best practice technologies to be introduced. This would have the potential to generate further industry productivity benefits from colocation however these are likely to overlap with other benefits captured in our analysis (i.e. tourism and consumer benefits).

2.2.3 Existence value

SFM is also a significant cultural icon – this is an important intangible value too. People regularly place a value on things they may not use or visit, such as beaches nearby or the city landmarks. SFM's **existence value**, previously estimated to be about $25 million per year, reflects the value people place on the market, even though they may not visit, yet they have the option to (DAE 2016). The redevelopment would enhance SFM's prominence as an iconic destination in Sydney and make it a more desirable place to visit. A redevelopment is also likely to increase the existence value of SFM to the community.

2.2.4 Education and training

Current **educational opportunities** at SFM exist for employees and the fishing industry through the Seafood Industry Training Package and less formal training. SFM's Sydney Seafood School educates visitors on the correct and safe preparation and consumption of seafood.

While SFM currently runs some programs for school students, the proposed redevelopment would expand school tours to teach local children about seasonality, healthy eating and sustainable living. Through the Sydney Seafood School, SFM would offer world-class seafood opportunities in terms of research, vocational training and nutritional education.

2.3 The SFM brand and redevelopment

SFM is a well-recognised brand in Sydney and is closely linked to Australia's brand proposition as a unique holiday destination offering fresh food, water and outdoor experiences. Under a brand contribution approach, DAE previously considered whether brand contributes to retail expenditure at the SFM site, and SFM's wider economic and social benefits.

Previous estimates found that SFM brand contributed around $32 million per year to on-site retail spending. These findings drew on consumer survey results in which visitors to SFM were asked to apportion their reasons for visiting. Respondents attributed 16% of their reason for visiting to SFM's reputation and brand. Tourism Australia (2010) has identified SFM, its cooking classes and fresh local produce as 'uniquely Australian'.

Brand could also be considered to contribute more broadly to the consumer benefits of a unique market experience, with brand contributing $21 million per year, and to the existence value of SFM (brand contribution of $4 million).

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SFM is an iconic harbourside destination and supports economic activity through its role in attracting tourists, both international and domestic, to Sydney. This chapter considers the tourism impacts of a redeveloped SFM on the NSW economy.

3.1 Understanding the impact

Consumer survey responses from domestic and international visitors to SFM revealed that currently more than three-quarters of visitors prefer the SFM relative to other places to buy fish in terms of quality and freshness of its seafood, and the experience. When asked whether issues such as the congestion, access and cleanliness were addressed, more than half of respondents said they would visit more often, and around a quarter said they would spend more while they were there.

Currently there are around 3 million visits to SFM per year. It is estimated that within the first year of redevelopment, visitation will increase to around 5.5 million (SFM Business Case 2015). By drawing in a greater number of tourists and encouraging existing visitors to spend more, a redevelopment would enhance the wider tourism benefits associated with SFM above current levels. The estimates are based on the SFM Business Case and DAE has not separately analysed it.

3.2 Current tourism benefits

DAE previously estimated the tourism benefits of SFM in its current state (DAE, 2016). The analysis identified the additional tourism spend associated with SFM. This expenditure was translated into an economic contribution figure which estimated the value added to the economy as well as the employment, providing an indication of the importance of SFM as a tourist destination.

The analysis was based on the number of visitors, categorised by visitor type. According to SFM data and Destination NSW survey results, there were 3 million visits to SFM, of which:

- 57% or 1.7 million are local visitors
- 22% or 660,000 are domestic day visitors
- 1% or 30,000 are domestic night visitors
- 20% or 600,000 are international visitors.

Based on the consumer survey and the ratios of international and domestic tourists that said SFM was a main factor in their decision to visit Sydney, we estimated that around $111 million of additional tourist expenditure was directly associated with SFM. The spending of locals was not included in the analysis as their spending at SFM is likely to have been a substitution away from other spending within the state.

The economic contribution of SFM visitors is estimated by converting the tourist expenditure into wages, gross operating surplus and employment of the businesses that are affected using ABS input -output tables.

Direct tourist contribution considers the economic activity that primarily relates to SFM and its operations. It is the sum of the returns to the primary factors of production – labour and capital – and can be calculated by adding the gross operating surplus and wages paid to employees.

To assist the interpretation of the tourist contribution, consider the following example. A tourist at SFM may have a meal at a restaurant. The restaurant would employ people and capital to serve the tourist, the wages paid to the waiter is the return to labour and the owner's profit or earnings before interest, taxes, depreciation and amortisation (EBITDA) reflects the return on capital. This is the direct tourist contribution.

Indirect tourist contribution measures the demand for goods and services produced in other sectors of the economy as a result of the direct economic activity of SFM. It represents the flow-on economic activity that occurs as a result of linkages between different sectors of the economy.

Using the previous example, the restaurant also sources other intermediate inputs and thus expenses to run the business. The expenditure by the restaurant on, for example, fresh produce from markets, alcohol and liquor, electricity, gas and water, also creates economic activity. This economic activity is the indirect tourist contribution.

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Appendix A

Developing and fielding the consumer survey

To estimate the broader economic and social impact, Deloitte Access Economics developed a consumer survey to assist in estimating the impacts of SFM discussed above. Stancombe Research & Planning assisted with survey fielding. The survey received more than 500 responses from both domestic and international consumers, and included retail visitors to the precinct as well as domestic and international visitors to Sydney.

The survey covered a range of areas including:

- Screening and demographics questions
- Attitudinal questions about people's visiting habits and user perceptions of SFM
- Value questions of experiences and spending habits at SFM
- Questions around perceptions of SFM's broader value as an Australian icon
- Behavioural questions of tourists visiting Sydney and SFM
- The value placed on SFM's brand and importance of brand
- Demographic questions.

Respondents were categorised into five different cohorts, depending on frequency of their visits to SFM. Cohorts included local visitors (classified as frequent shoppers if they visit at least once every two months), domestic day visitors who had visited at least once in the past two years (which were further distinguished as either intrastate or interstate), international visitors (including those who had and had not visited SFM), and domestic non-users from NSW.

Appendix B

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