

# Walking The Painkalac Concept & Feasibility Plan

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Prepared for Surf Coast Shire

STAFFORD  
STRATEGY





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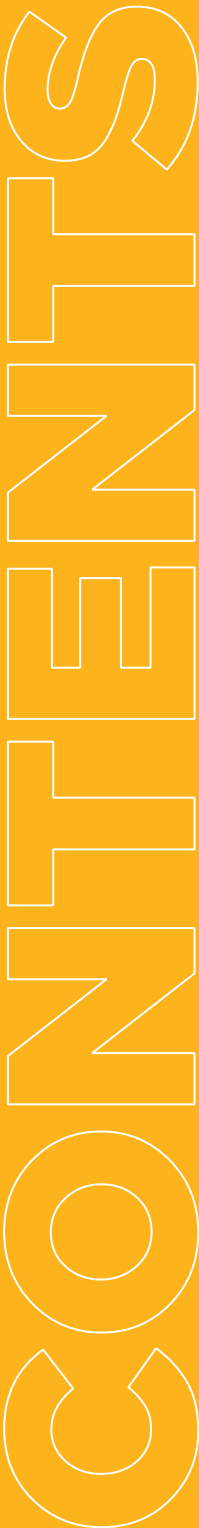


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# 1. Executive Summary

## 1.1. Introduction

Stafford Strategy (Stafford) was engaged by Surf Coast Shire Council (Council) to undertake a concept and feasibility plan (the Plan) for the development of walking trail experiences within the Painkalac Valley (the Painkalac) at Aireys Inlet. The Plan has been developed to support a variety of recreational and economic benefits, noting the need to try and find collective support from a variety of community organisations, local and State Government organisations and other stakeholder groups.

## 1.2. Business Case Results

The economic results indicate that a positive economic outcome to support government funding is able to be achieved. This, however, is dependent on applying the incremental spend which is attributed to new additional Bottom Shops, funded by private landholders, and which are able to activate the rear of their properties to offer food and beverage outlets overlooking the Painkalac Creek and wetlands. The incremental spend deliberately excludes any additional spend from visitors and locals which may be attributed to the existing Bottom Shops associated with undertaking a variety of casual and structured walking tours through the Painkalac. The attributed estimated spend by locals and visitors to the concepts for walking the Painkalac should, therefore, be seen as conservative, but realistic.

There are a number of revenue streams identified and which are mostly associated with activity around the Bottom Shops including the expectation that, by opening up a one-way rear laneway to a number of Bottom Shop sites, this will help stimulate the development of additional cafes and food-related outlets which will help provide services and amenities to support the local community as well as an ongoing visitor market.

The results also indicate the capital cost estimate for putting in place a variety of walking trails, supporting infrastructure and related wayfinding is estimated at approximately \$2.35m, with a contingency of approximately \$200k on top of this. The cost estimates are top line and will need to be refined once the project proceeds to a detailed cost planning stage. Costs, however, are based on similar studies and estimates for walking trails, signage and pedestrian-only bridges.

Table 1 indicates the key metrics achieved and associated results which are able to be generated by applying a 10-year cash flow model and a cost benefit assessment. The key economic metrics include the project's ability to generate a positive internal rate of return (IRR), a positive net present value (NPV) and its ability to generate a benefit-cost ratio of 0.98 (which while not being over 1, should be considered acceptable given the public good rather than commercial nature of the project).

**Table 1: Feasibility model results**

Key Metrics	Results
Benefit-cost ratio (ideally to be greater than 1)	0.98
Required yield	7%
Internal rate of return achieved	12.5%
Net present value achieved	\$1.2m
Total capital development cost	\$2.78m
Total visitation year 1	32,709

Key Metrics	Results
Total visitation year 10	40,388
Net profit (EBITDA) year 1	\$244,094
Net profit (EBITDA) year 10	\$300,571

As per the Victorian State Government Department of Treasury and Finance guidelines, the net present value figure is noted as a stronger project assessment metric to apply, for considering publicly funded projects. In this case, a positive NPV figure of \$1.2m is generated, along with a positive IRR.

Furthermore, the BCR metric is seen to favour projects where a higher return is able to be generated at the beginning of a project; in the case of the Painkalac, higher returns are generated later in the project, rather than in the initial project phase. Regardless of this, the project gets very close to a BCR ratio of 1, being 0.98.

### 1.3. Project Staging Option

It has been anticipated that the project would be undertaken as a composite project without the need to separate it into different stages for implementation, as the benefits of the project are not fully realised till all of the elements are fully operational. Nevertheless, if there was a necessity to split the project into stages, the starting point would need to be the development of infrastructure associated with the Bottom Shops area. This is because of the following.

- It is the location of the walking hub kiosk and associated information, so it is the starting point for most walkers.
- The development proposed is essential for stimulating improved financial and economic outcomes for the Bottom Shops including activating properties which have yet to be developed.
- The economic outputs needed to support funding applications for potential State and Federal Government grant programs is dependent on the Bottom Shops ability to stimulate higher visitor demand, higher local and visitor spend, new employment and other related benefits associated with the walking trails and supporting infrastructure.

Without the Bottom Shops being activated as a starting point, it is not possible to generate sufficient economic and financial benefits and impacts from the other elements of the project. In summary, a staged approach would, therefore, need to start at the southern/bottom end of the Painkalac Valley and work northward toward the Great Otway National Park.

### 1.4. Concluding Remarks

The Painkalac is an important environmental, cultural and recreational area, used by the local community for a number of walking experiences including connecting Fairhaven and Aireys Inlet. In addition, the Painkalac links to the Great Ocean Road (GOR), the lighthouse and the various coastal walks.

To generate funding support from the Victorian State Government amongst others, it is important to be able to show that investment into the Painkalac will strengthen the visitor economy and offer a number of value-added benefits for the local community especially.

The primary economic benefits, as noted above, are associated with encouraging new development at the location of the Bottom Shops which need supporting infrastructure to encourage investment by private landholders. Discussions with private landholders indicate a desire to work closely with Council to achieve this outcome. There are also other economic benefits associated with encouraging both structured and unstructured walking tours of

the Painkalac, including guided experiences where value-added interpretation can be provided on ecology, heritage and culture.

It is noted that the Painkalac was the boundary and meeting place of the Wadawurrung and Gadubanud Indigenous communities for thousands of years. The Painkalac, therefore, has important cultural ties to indigenous communities as well as the strong environmental ties to the fauna and flora which the local community is keen to preserve and conserve.

There are also a variety of social benefits which accrue from the project developments proposed and which offer improved walking trail experiences. These include links to the National Park to the north (Great Otway National Park) and across the GOR to the various coastal walks which exist. Offering improved walking experiences for the local community primarily is seen as an important outcome to gain support for the elements of development which are needed to generate economic value and to encourage State Government and other funding support.

The development proposed also supports environmental improvements through reducing risks associated with human activity within the Painkalac, by encouraging people to only walk on designated trails and access to the Painkalac Creek through a suggested kayak launching site at the rear of the Bottom Shops.

There are also a number of cultural benefits which are able to be generated through raising the profile of the significance which the Painkalac has had over many years for local indigenous communities and which can be profiled via appropriate trail signage as well as within the proposed kiosk, which offers walking trail interpretation and guidance for both structured and unstructured walkers.

In summary, it is considered that the various quadruple bottom line benefits able to be generated, will support local community aspirations and who we note is highly passionate about the Painkalac, and who wish to preserve and conserve its uniqueness. This is in addition to sustainably growing the visitor economy.

In addition, the infrastructure development proposed is deliberately of a low-impact nature but is sufficient to grow a sustainable visitor base for walking experiences within the Painkalac as well as linking to the National Park to the north, and the GOR coastal walkways and experiences to the South.

It is important to note that the main economic driver for this project is the development proposed at the Bottom Shops. Without it, it is not possible to generate sufficient economic benefits and impacts to create a positive net present value, internal rate of return, and an acceptable benefit-cost ratio close to 1.

The social, environmental and cultural benefits (which are equally as important), cannot, however, be activated without the investment required, as all are intrinsically linked to the economic benefits and impacts able to be generated. We appreciate that the buy-in and support of a diverse range of stakeholders is required to achieve this outcome, which is likely to require a degree of flexibility to achieve.

Figure 1 and Figure 2 illustrate the mix of shorter and longer trails which could be offered, covering the lower and upper parts of the Painkalac Valley, and which deliberately offer a low impact solution to deliver a quality walking experience to the benefit of locals and visitors.

# UPPER VALLEY TRAILS >>

**DISTILLERY CREEK  
PICNIC AREA**  
5xTRAILS START LOCATION

Figure 1: Upper Valley Trails



	BOTTOM SHOPS
	BRIDGE
	STAGE 01 PATH
	STAGE 02 PATH: EXISTING ROAD
	STAGE 02 PATH ALTERNATIVE 1
	SURFCOAST SHIRE OWNED
	CROWN LAND MANAGED BY SURFCOAST SHIRE COUNCIL

TOP SHOPS

AIREYS PUB



# LOWER VALLEY TRAILS >>

Figure 2: Lower Valley Trails



**PROPOSED CIRCUIT TO USE EXISTING PATHWAYS**  
ALIGNMENT TO BE AGREED WITH COUNCIL AND STAKEHOLDERS

<< CIRCUIT LENGTH 2.8KM >>

<< CIRCUIT LENGTH 2.8KM >>

- EXISTING PIER FEATURES
- ▬ BRIDGE
- ▲ BOTTOM SHOPS
- ▬ AREA TO BE RAISED WITH PATH
- ▬ CIRCUIT PATH
- SURFCAST SHIRE OWNED
- CROWN LAND MANAGED BY SURFCAST SHIRE COUNCIL

## 2. Introduction & Context

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### 2.1. About the Project

Stafford Strategy (Stafford) was engaged by Surf Coast Shire Council (Council) to undertake a concept and feasibility plan (the Plan) for the development of walking trail experiences within the Painkalac Valley (the Painkalac) at Aireys Inlet.

This project has involved careful consultation with a variety of stakeholders and independent research to ascertain the opportunities for the Painkalac. During the process, Stafford has been provided with background material from a variety of sources including local community groups who are particularly passionate about preserving and conserving the uniqueness of the Painkalac. We consider it is important to note the significance of the Painkalac for local communities who strongly favour positioning Aireys Inlet as a walking (rather than cycling) destination on the Great Ocean Road.

We also understand there is significant history associated with the Painkalac, being an important estuary and associated hunting and meeting place for the Wadawurrung and the Gadubanud Indigenous communities.

In addition, the Painkalac also links to the Great Otway National Park to the north, providing a number of opportunities for longer walking experiences as well as the chance to access picnic sites at Distillery Creek.

Finding a balance which allows for appropriate economic development benefits in association with social, cultural and environmental benefits, is an important outcome which all key stakeholder groups are keen to generate. What is proposed, therefore, is a series of lower-impact activations to achieve the equilibrium which the diverse range of stakeholders would appear to require.

It is important, however, to note, without sufficient economic activity, it will be challenging to generate sufficient support, particularly from relevant State Government agencies, for funding the various forms of infrastructure required for this project.

### 2.2. Methodology for completing the project

The project has involved a number of key steps including:

- discussion and liaison with Councils Walking the Painkalac Project Working Group;
- visits to the Painkalac to assess walking options as well as noting directly the challenges which the Bottom Shops currently have;
- separate meetings with various key stakeholder groups including Aireys Inlet and District Association (AIDA), other general community representation, Corangamite Catchment Management Authority, Geelong Regional Alliance, Great Ocean Road Regional Tourism, Great Ocean Road Coast Committee, the Department of Environment, Land and Water Protection, Regional Development Victoria, and various key council personnel;
- follow-up discussions with a number of key stakeholders to test options for introducing infrastructure such as a bridge to link the two communities of Fairhaven and Aireys Inlet as well as other infrastructure;
- discussions with property owners at the Bottom Shops to ascertain interest in expanding and developing sites with new food and related business opportunities;

- ongoing discussions with key council personnel;
- presentation of draft concept options to the Project Working Group;
- submission of a draft concept development plan; and
- finalisation of the vision, concept development plan and business case once approval from the Council project working group has been received.

Stafford acknowledges the desire of different stakeholder groups who have different priorities for social, environmental, cultural and economic benefits and impacts. Finding an acceptable way forward which also will enable Council to approach agencies for funding assistance, requires a careful and sensitive approach.

We wish to acknowledge the time and effort provided by stakeholders in providing background information, feedback on concept plans and providing other information which has been extremely important in the development of this business case and concept plan crafted for the Painkalac.

### 2.3. The Painkalac today

Figure 3 indicates the area of the Painkalac linking to the Great Otway National Park to the north and the coastal strip and lighthouse on the coast, to the south. It clearly illustrates that the Valley offers a vegetated area of mostly wetland, primarily between the urban areas of Aireys Inlet and Fairhaven.

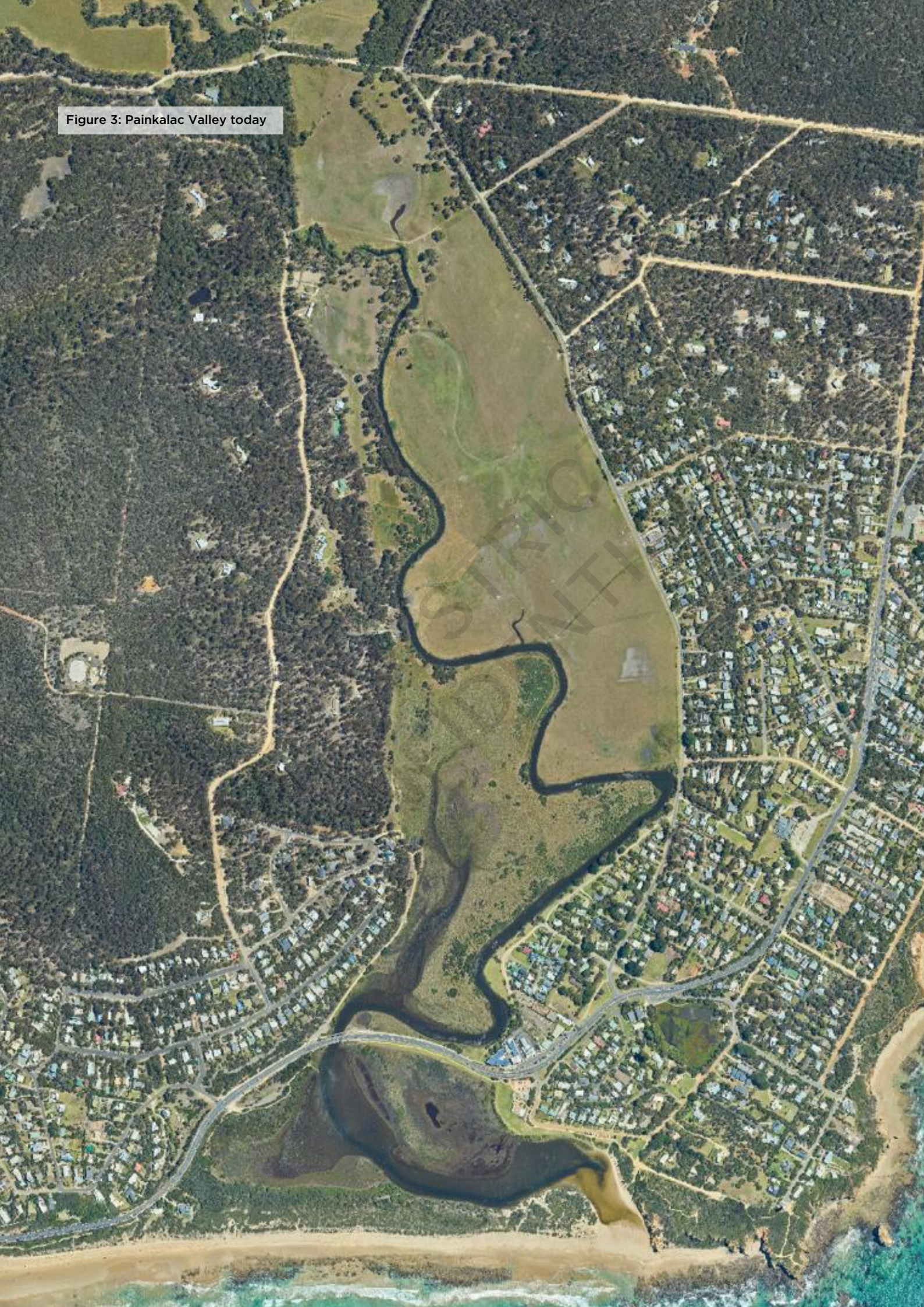
Currently, there are a number of informal walking trails which follow existing access road alignment into the Painkalac. It is not intended that these historic pathways be utilised unless they do reflect preferred access paths based on floodplain mapping, as identified by CCMA and the environmental sensitivities associated with fauna and flora as identified by environmental groups and advisers including the Department of Environment, Land and Water Planning (DELWP).

Importantly, the Painkalac is strategically positioned on the edge of the Great Ocean Road (GOR), providing a potential stopover point for a mixture of free independent travellers on the GOR along with structured tour groups wanting a break on their travels and with the option of a walking experience.

Anecdotal information indicates a number of current challenges experienced in Anglesea and Aireys Inlet where smaller tour groups stop and look for public toilet facilities, in particular. The lack of these is noted as a serious problem with degradation of the environment occurring.

Figure 3 illustrates the Painkalac Valley, which is clearly shown as bounded by access roads and urban areas to the west and east.

Figure 3: Painkalac Valley today



# 3. Mapping

## 3.1. Flooding Impacts

Figure 4 indicates the flooding impacts which occur in the Painkalac, based on Council's flood overlay layer as well as CCMA's 1 in 100 year flood overlay. Discussions have been held with CCMA and other stakeholders to ascertain ideally where walking trails could be located to avoid the most flood-prone areas and to try and reduce ongoing maintenance costs associated with this.

In addition, the determination of the floodplain, which occurs on an annual basis, indicates preferred locations for the pedestrian bridge across the Painkalac Creek.

The floodway overlay map also indicates the more low-lying areas and, wherever possible, have been deliberately avoided. It may be, however, that some walking trail circuits will not be able to be undertaken during flooding periods though alternative walks are still able to be provided. The solution is being able to offer alternative non-flood prone walking trail options, which the concept plans provided aim to offer.

## 3.2. Heritage Overlay

Figure 5 clearly illustrates the heritage recognition of the Great Ocean Road. The overlay map graphically illustrates that it is only the area on the seaward side of the GOR where the heritage overlay impacts the boundary of the Painkalac Creek along the GOR alignment.

It may be, however, at different times of the year, kayaking activity can occur downstream to the coast from the Painkalac as this is able to avoid the heritage-designated area as it follows the creek itself.

Figure 6 highlights likely areas of cultural heritage sensitivity from Councils GIS system specifically for the Painkalac Valley. At this stage, there has been no discussion with appropriate Council personnel on the level of cultural heritage sensitivity and any specific locations where walking trails or associated supporting infrastructure shouldn't be positioned.

## 3.3. Contour Map

Figure 7 illustrates the low-lying nature of the Painkalac which only starts to rise gradually in the north towards the National Park. The remainder of the Painkalac is relatively flat and, hence, is subject to flooding, in part, on a seasonal basis.

Wherever possible, the walking trails, which are suggested, aim to avoid flood-prone areas as much as possible and provides for attractive longer walks from the lower reaches of the Painkalac near the coast up through to the Great Otway National Park to the north. The flat terrain of the Painkalac should make it far more appealing to a much wider age range of walkers, especially if there are quality fauna and flora to view at different times of the year.

### 3.4. Council owned or managed land

Figure 8 illustrates:

- land owned by Council and which is, therefore, able to be more easily controlled and managed; and
- Crown land managed by Council and which also avoids the need to negotiate and access with private landowners.

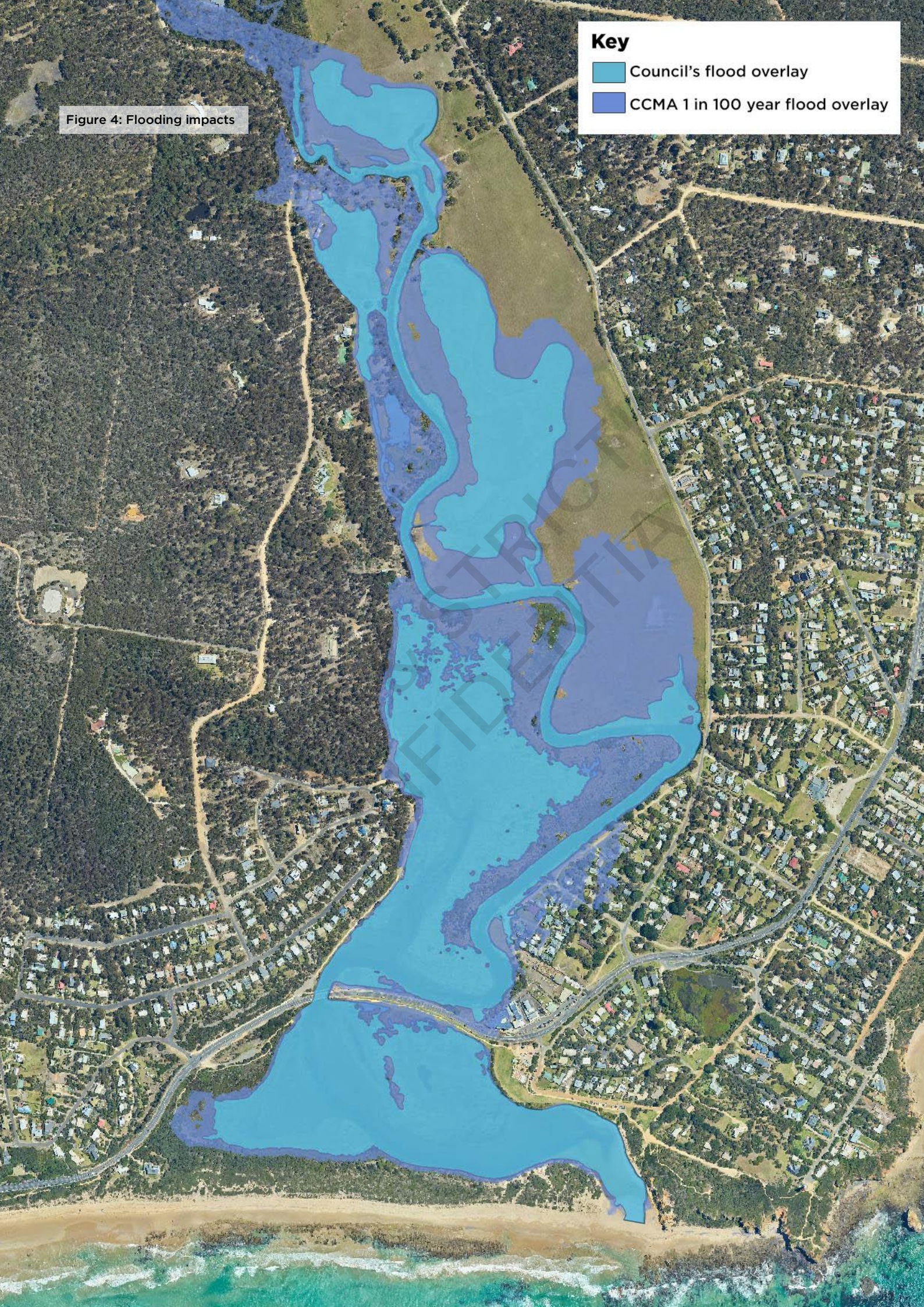
As can be seen in the concept maps provided, wherever possible, sensitive development has been proposed on Council-owned or managed land only.

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Figure 4: Flooding impacts

**Key**

-  Council's flood overlay
-  CCMA 1 in 100 year flood overlay



**Key**  
Heritage Overlay

Figure 5: Heritage Overlay

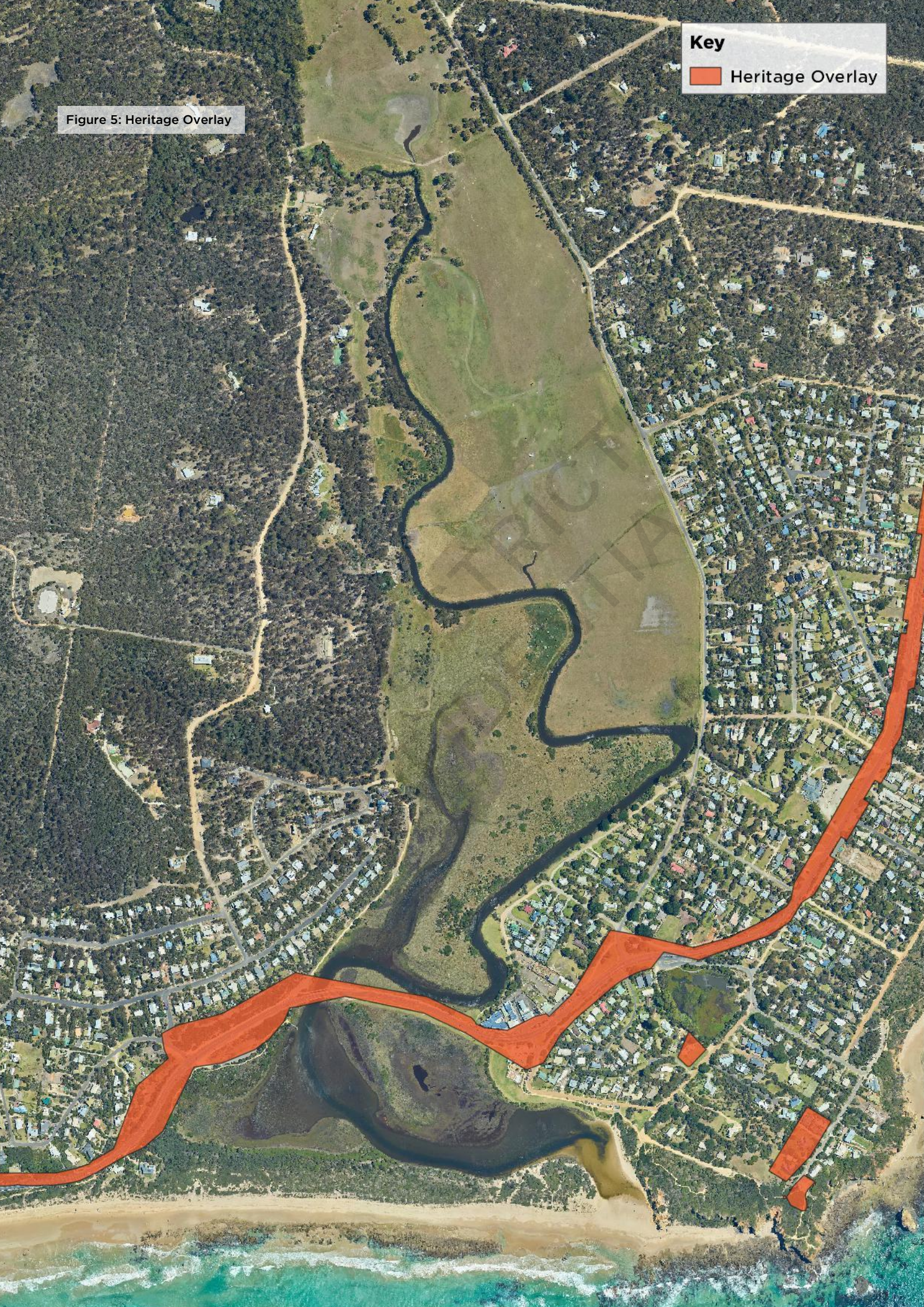





Figure 6: Cultural Significance Overlay

**Key**

 Cultural Sensitivity

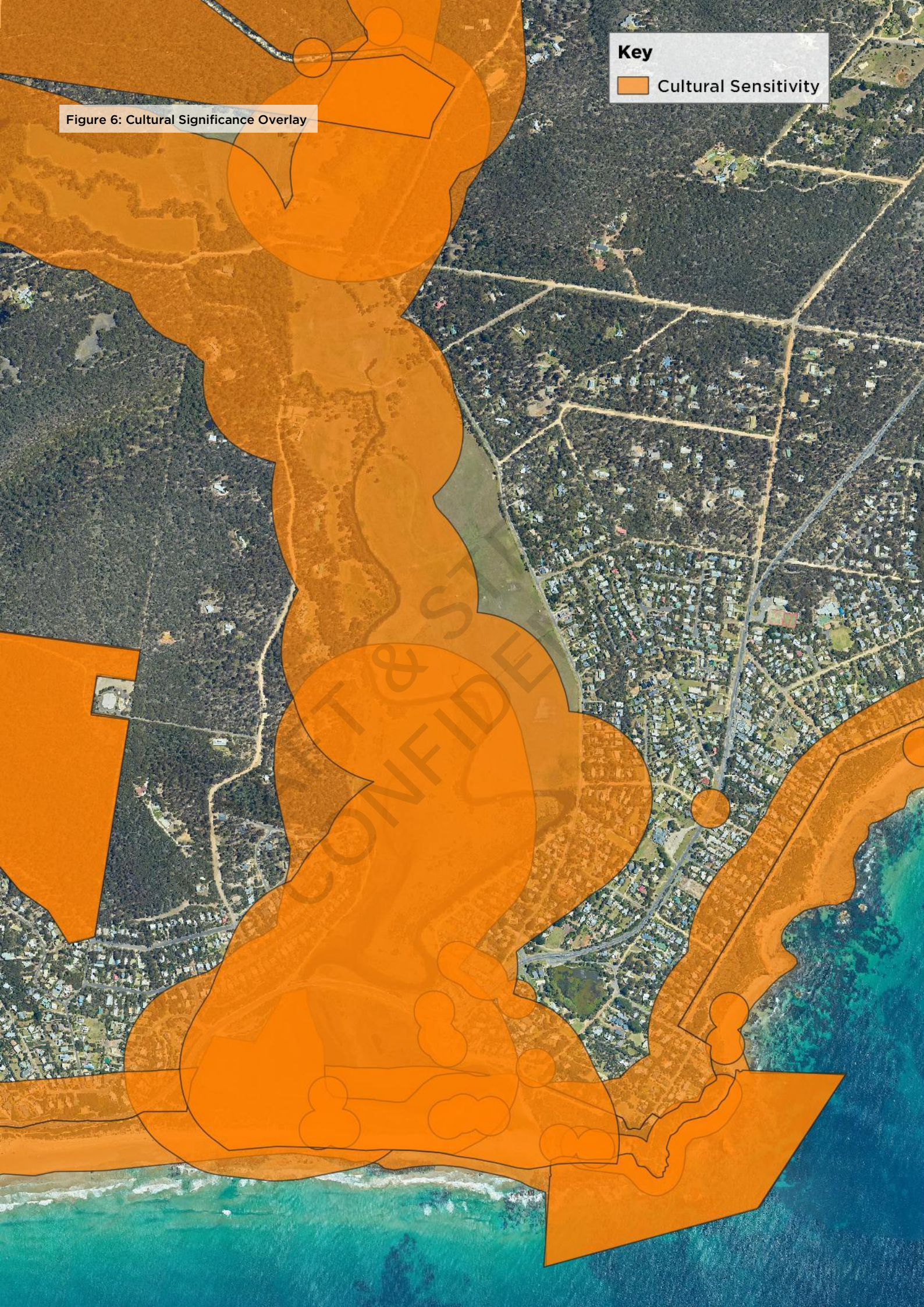


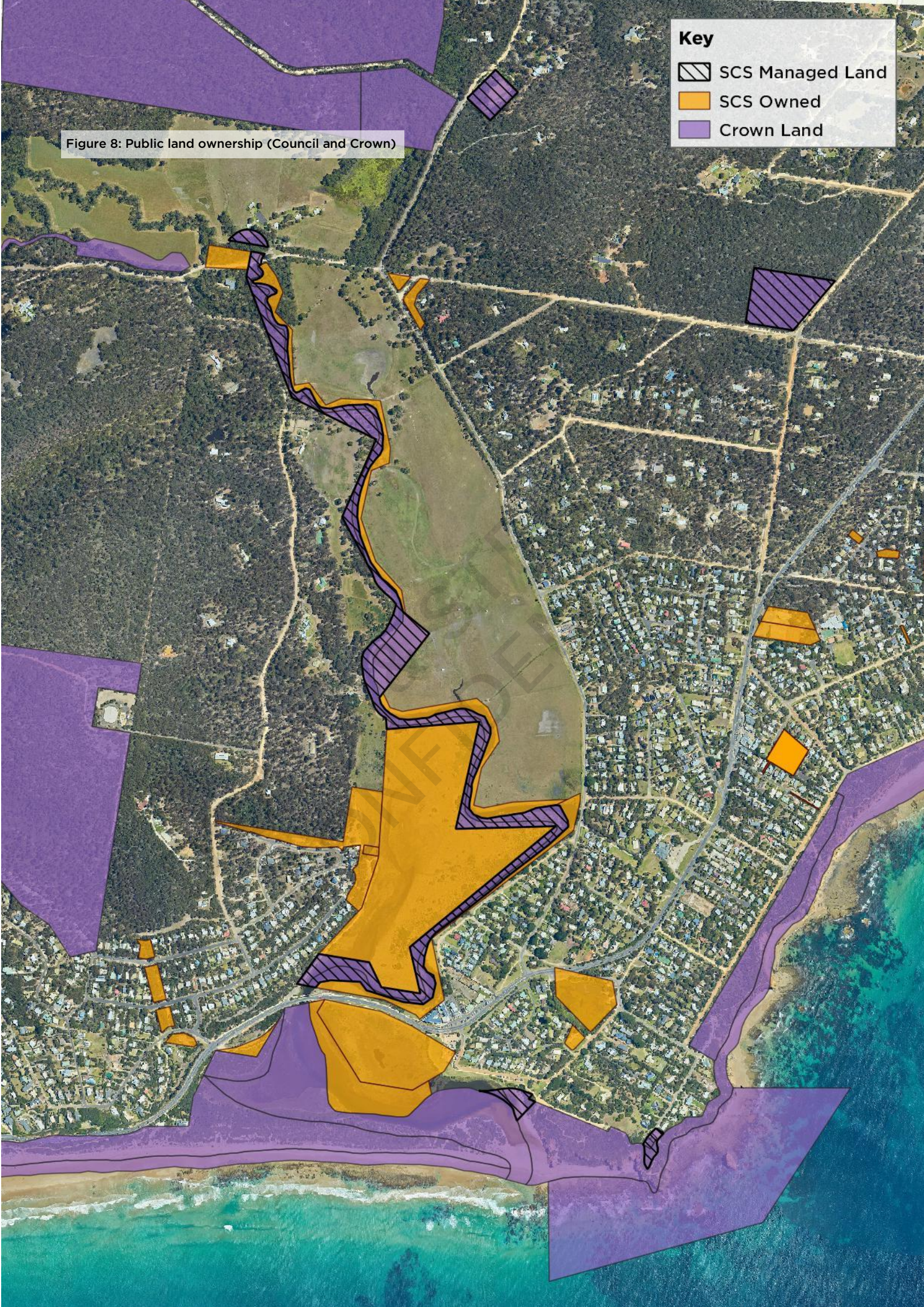
Figure 7: 1-metre Contour map



Figure 8: Public land ownership (Council and Crown)

**Key**

- SCS Managed Land
- SCS Owned
- Crown Land



## 4. Concept Elements

The following mapping is provided to indicate the concept plan elements proposed for the various walking trails and associated infrastructure to support this within the Painkalac.

### 4.1. Lower Valley Trails

Figure 9 illustrates where the lower valley trails are designated to follow. Wherever possible, existing trails or access paths/roads are utilised where these also fit with around the floodplain.

The location for the desired bridge to effectively allow people from Aireys Inlet to walk across to Fairhaven is located on a straight piece of the Painkalac Creek. Technical advice from CCMA indicates it is far better to locate any crossing on a straight piece of waterway as greater risk occurs of changes in river levels if located on river bends. The suggested location is, therefore, a preferred location based on the technical advice of CCMA and which also avoids, as much as possible, the flood-prone areas of the Painkalac and more sensitive wetland areas.

The lower valley trail, which starts from the eastern side roadway, is required to be initially partly elevated (but without the need for a bridge) because of seasonal flooding around this particular bend of the river but, after that, the walkway is able to follow the contours of the Painkalac Creek up to the bridge at grade.

As the walking trails are expected to be primarily gravel rather than a sealed or smooth surface, it is expected that it would be difficult for people pushing strollers or for many cyclists to use. We note the strong preference of communities within Aireys Inlet to be positioned as a walking destination, rather than mountain biking or cycling. The flat nature of most trails within the Painkalac and the rough gravel surface proposed for walkways will make cycling or mountain biking far less appealing.

We do note, however, there is a risk that some people try to cycle on these proposed walking trails. Policing this, however, is expected to be challenging though the type of gravel used on the walkways will make it more difficult and less appealing for most cyclists. Signage to reflect it is a walking only area and active policing of this will need to be undertaken, at least in the initial period where locals and visitors may not know this.

### 4.2. Bridge Span

Figure 10 indicates the need for a bridge span to be sufficiently wide to take into account the impact of the floodplain when it occurs. It may well be that the pedestrian-only bridge needs to be developed in sections to allow for a span of potentially up to 40 metres overall in length. Technical analysis on the design for the pedestrian bridge is required as part of the next stage of design work which will necessitate the involvement of hydrological engineering expertise to determine the safest and best practice options for how the bridge should be constructed, what it should be constructed of and how it needs to perform during flood-prone periods.

It is important to note, however, that when flooding occurs it is not from up-stream but from king tides and coastal impacts which flood the lower parts of the Painkalac on a seasonal basis only. As understood, the issue is not necessarily associated with the speed of the water within the creek, but rather the inundation and how best to construct to ensure that longevity of the span and pedestrian safety is taken into consideration.

# LOWER VALLEY TRAILS >>

Figure 9: Lower Valley Trails



**PROPOSED CIRCUIT TO USE EXISTING PATHWAYS**  
ALIGNMENT TO BE AGREED WITH COUNCIL AND STAKEHOLDERS

<<CIRCUIT LENGTH 2.8KM >>

<<CIRCUIT LENGTH 2.8KM >>

- EXISTING PIER FEATURES
- ▬ BRIDGE
- ▲ BOTTOM SHOPS
- ⋯ AREA TO BE RAISED WITH PATH
- CIRCUIT PATH
- SURFCOAST SHIRE OWNED
- CROWN LAND MANAGED BY SURFCOAST SHIRE COUNCIL

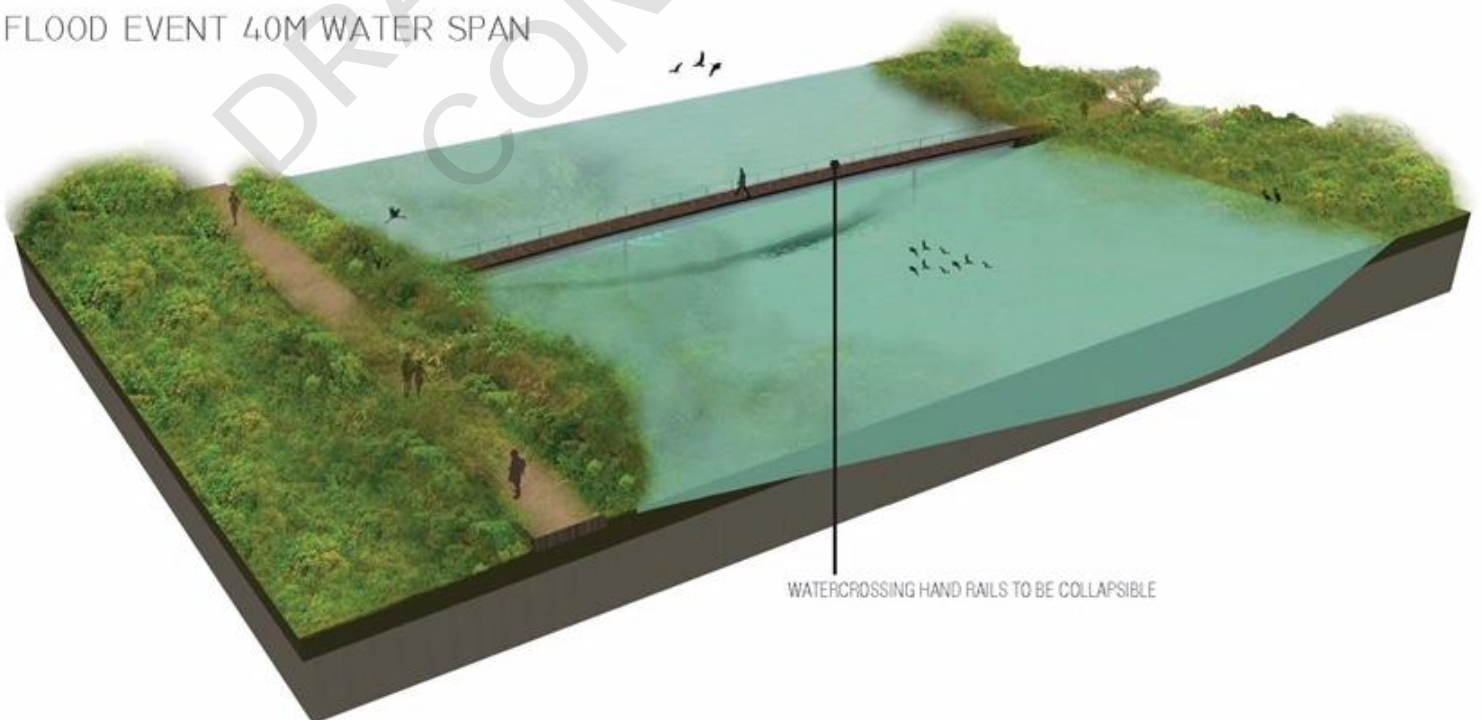
NORTH  
SCALE 1:3000

Figure 10: Bridge span

20M WATER SPAN



FLOOD EVENT 40M WATER SPAN



### 4.3. Upper Valley Trails

Figure 11 illustrates the suggested walkways in the upper Painkalac Valley, linking to the National Park and specifically the Distillery Creek picnic area. The length of the walkways in the upper valley area are able to offer a potential mix of half-day and full-day walking experiences whilst the lower valley, by comparison, offers the potential for shorter (30 minutes-1.5 hour) walks instead.

Wherever possible, existing pathways are utilised including an alignment to the road which runs along the eastern boundary of the Painkalac.

### 4.4. Bottom Shops and Walking Hub Kiosk

Figure 12 reflects changes which are required to improve the economic viability of the Bottom Shops, to address access issues and to activate the various private land holdings which are yet to be developed.

There are a number of properties where little development has occurred over many years, yet property owners are keen to introduce new appropriate retail development. In discussions with some of the property owners, it is evident that:

- opening up the rear access to these properties provides an opportunity for indoor-outdoor cafe and food outlets taking advantage of the scenery looking over the Painkalac;
- noting that there is already a laneway through to the rear, but this abruptly stops, but approximately 70 metres of extension could allow for linking the existing rear laneway to the residential road which runs along the eastern boundary of the Painkalac;
- advice from Council's traffic coordinator indicates a preference for putting the suggested footpath behind the properties so that car parking is directly off the laneway;
- it is suggested that the laneway be a one-way access road only with very strict speed controls and primarily to only be used as a service lane to support the cafes and other food outlets, particularly at the rear of the properties within the Bottom Shops as indicated;
- the suggested walking trail information hub is indicated which is an open-sided structure with seating, a large map diorama indicating not only where all the trails are but the length and estimated walking times;
- the walking trail hub also can provide information on the local ecology of the Painkalac as well as heritage and cultural significance, which all visitors should be made aware of;
- the walking trail kiosk also provides an opportunity to include an access path (gravel) down to the Painkalac Creek to allow for kayaks to be put into the creek and removed on a safe basis;
- the walking circuit proposed behind the Bottom Shops also needs to be formalised as the starting point for the lower valley and upper valley walking trail experiences; and
- there will be a need for a land swap or similar arrangement to enable Council to introduce the various infrastructure improvements behind the Bottom Shops, noting that some property owners will need to provide Council with parts of their rear land on designated properties to achieve the access lane and supporting infrastructure which is indicated.

The opportunity also exists to upgrade the signage and parking of the Bottom Shops as it is anticipated that, during peak seasonal periods, there will be a need for additional car parking for the Bottom Shops in general and, in addition, the new retail, cafe and food outlets, which would be within the new Bottom Shop properties, as per the concept plan below.

# UPPER VALLEY TRAILS >>

**DISTILLERY CREEK  
PICNIC AREA**  
5xTRAILS START LOCATION

Figure 11: Upper Valley Trails



	BOTTOM SHOPS
	BRIDGE
	STAGE 01 PATH
	STAGE 02 PATH: EXISTING ROAD
	STAGE 02 PATH ALTERNATIVE 1
	SURFCOAST SHIRE OWNED
	CROWN LAND MANAGED BY SURFCOAST SHIRE COUNCIL

TOP SHOPS

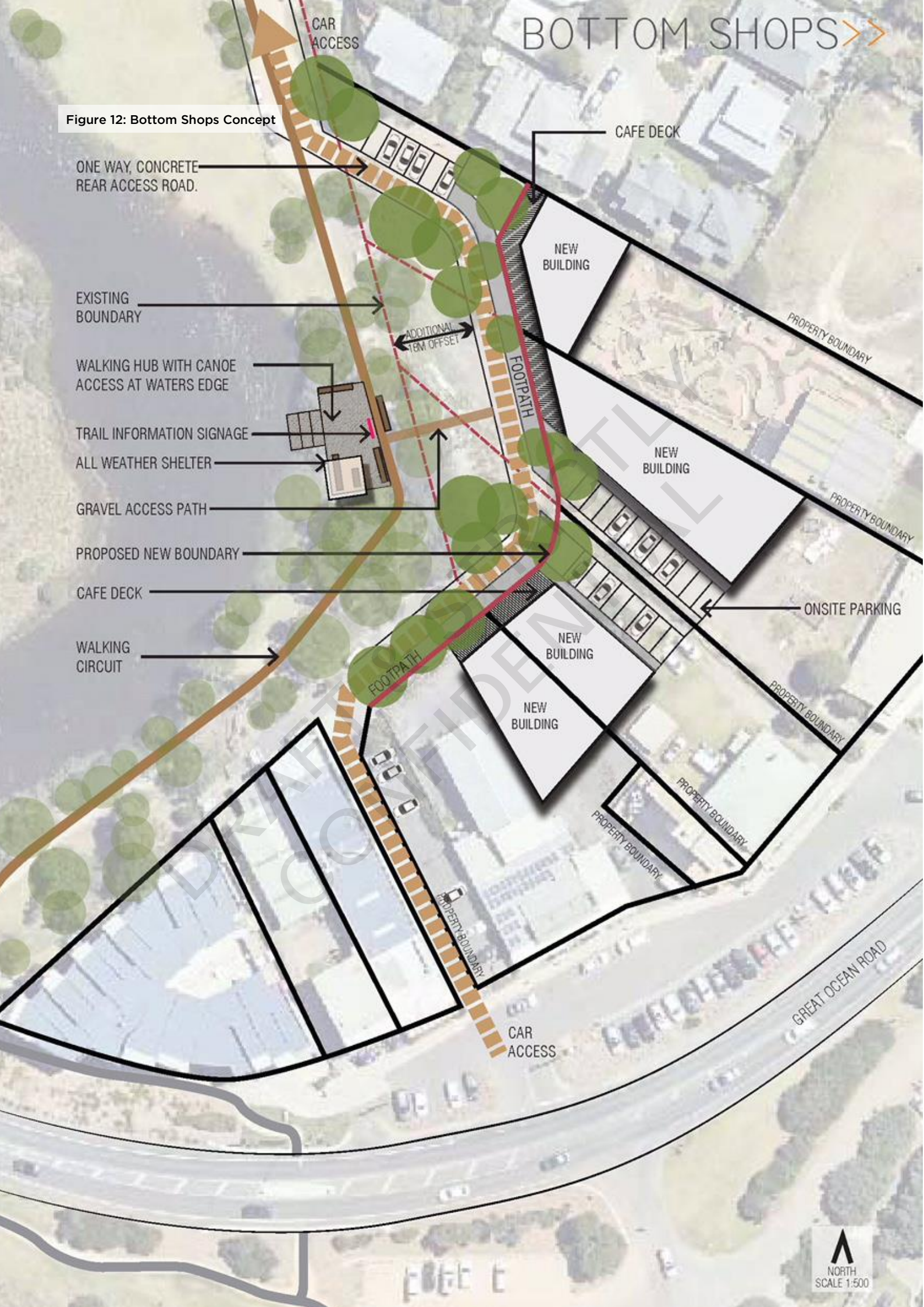
AIREYS PUB

  
NORTH  
SCALE 1:7500



# BOTTOM SHOPS >>

Figure 12: Bottom Shops Concept



#### 4.5. Bottom Shops Alternative Option

Figure 13 provides an alternative option to Figure 12 above. This alternative option shows a base plan from the approved permit applications for the northernmost lot (Lot 73 Great Ocean road). This is part of an existing permit - which as yet has not begun to be developed. The first option as noted in Figure 12 above could be an option should the development as proposed below not proceed on this lot.

The detail of the permit information is considered confidential and not able to be shown in more detail, hence the figure below only roughly illustrates a basic building footprint/outline and driveway access point off River Road.

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Figure 13: Bottom Shops Alternative Option

ONE WAY, CONCRETE REAR ACCESS ROAD.

EXISTING BOUNDARY

WALKING HUB WITH CANOE ACCESS AT WATERS EDGE

TRAIL INFORMATION SIGNAGE

ALL WEATHER SHELTER

GRAVEL ACCESS PATH

PROPOSED NEW BOUNDARY

CAFE DECK

WALKING CIRCUIT

CAR ACCESS

APPROVED ACCESS UNDER EXISTING PERMITTED DEVELOPMENT

BUILDING UNDER EXISTING PERMITTED DEVELOPMENT

NEW BUILDING

ADDITIONAL 18M OFFSET

FOOTPATH

PROPERTY BOUNDARY

NEW BUILDING

PROPERTY BOUNDARY

ONSITE PARKING

NEW BUILDING

NEW BUILDING

FOOTPATH

PROPERTY BOUNDARY

PROPERTY BOUNDARY

PROPERTY BOUNDARY

PROPERTY BOUNDARY

CAR ACCESS

GREAT OCEAN ROAD

#### 4.6. Coastal Link

Figure 14 reflects the existing coastal walk to the lighthouse and beyond, and also illustrates the challenge of getting across the GOR. Currently, a pedestrian island on the GOR adjacent to the Bottom Shops provides for walkability across to the coast. Discussions with Vic Roads indicate that a study on peak usage data would need to be undertaken to determine whether a level crossing could be introduced at this specific location. Preliminary discussions indicate that an overbridge or underpass would not be favoured.

The need for a separate traffic management study to assess best and safest ways to get pedestrians across the GOR is an important consideration. Due to the volume of traffic, particularly in peak holiday periods, there is a need to ascertain the safest and most appropriate mechanism for achieving access to both sides of the GOR.

Until a study is undertaken, and an appropriate outcome is determined, it is suggested that the link to the coast be a secondary consideration. There is existing car parking available on the coastal south side of the GOR to allow visitors to then walk to the lighthouse which is approximately 780 metres away and potentially to the coastal walk beyond. Within time, offering a more solid connection between the Painkalac and the coastal walk is a further opportunity to better link the various walkways which the region has to offer.

#### 4.7. Wider Regional Connection

Figure 15 illustrates connections to a variety of surrounding sites and experiences, reflecting the Painkalac's strategic position. The walking trail kiosk hub, proposed for behind the Bottom Shops, would be able to illustrate on the large diorama, walking trail links to these additional sites, as a further value add for walking experiences.

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Figure 14: Coastal Link



AIREYS PUB

**PROPOSED PEDESTRIAN CROSSING**  
TYPE AND STYLE TO BE DETERMINED  
FOLLOWING ONSITE PEAK USAGE DATA  
COLLECTION AND APPROVAL BY VIC  
ROADS

**EXISTING CARPARK**  
CARPARK TO SOUTH SIDE OF GREAT  
OCEAN ROAD

<< WALK TO LIGHTHOUSE 0.78KM >>

- LIGHT HOUSE
- ▬ PEDESTRIAN CROSSING
- ▲ BOTTOM SHOPS
- EXISTING PATH / COASTAL WALK

# SURF COAST CONNECTION >>

Figure 15: Surf Coast Connection



COASTAL WALK TO POINT IMPOSSIBLE  
VIA POINT ADDIS, BELLS BEACH, JAN  
JAC & TORQUAY

**DISTILLERY CREEK  
PICNIC AREA**  
5xTRAILS START

<<WALK LENGTH 1.50 KM >>

<WALK LENGTH 3.10 KM >  
<WALK LENGTH 4.50 KM >

PAINKALAC  
CREEK

DISTILLERY  
CREEK

PAINKALAC  
CREEK

TOP SHOPS

CONNECTION  
TO TOP  
SHOPS






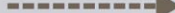
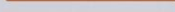

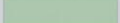

CONNECTION  
TO FAIRHAVEN

BOTTOM  
SHOPS

**FAIRHAVEN**

SPLIT POINT  
LIGHTHOUSE

**FAIRHAVEN SURF LIFE SAVING CLUB**  
WEST END OF SURF COAST WALK

-  SHOPS, CAFES
-  BRIDGE
-  STAGE 01 PATH
-  STAGE 02 PATH: EXISTING ROAD
-  STAGE 02 PATH ALTERNATIVE 1
-  CONNECTION TO TOWN CENTRES
-  SURF COAST WALK
-  SPLIT POINT LIGHTHOUSE WALK
-  SURF COAST SHIRE OWNED
-  CROWN LAND MANAGED BY SURF COAST SHIRE COUNCIL

  
NORTH  
SCALE 1:15 000

# 5. Constraints

The following section offers information on potential constraints which have been identified through the research and consultation and which have informed the concept plans created. The following are not noted in any priority order.

## 5.1. Cultural Heritage

Anecdotal feedback indicates that the Painkalac was an important hunting and meeting ground for indigenous communities and had significance over thousands of years. It is not yet known whether there are specific cultural sites of significance though this would need to be ascertained through a more detailed stage of design and assessment if the project proceeds.

## 5.2. Environmental and Biodiversity Sensitivities

Feedback from the local community and related environmental groups indicates the strong desire to preserve and conserve the Painkalac as an important wetlands area with high biodiversity. Some community feedback indicates concern over introducing formal walking trails which may encourage far higher numbers of walkers.

There is also concern about wildlife (the resident community of Kangaroos) and birdlife being adversely impacted if too much activity occurs due to the development proposed.

Feedback from the Department of Environment, Land, Water and Planning indicates that providing that the walkways proposed avoid the more sensitive areas of wetland and natural habitat, the opportunities for co-existing in a sensitive manner should exist. The concept plans provided aim to achieve this outcome.

It is also important to note that there is a range of community views on the level of development which the Painkalac should have, though Stafford has suggested a lower level of infrastructure impact only, in order to try and find an acceptable outcome to support local aspirations as well as supporting economic activity associated with the visitor economy.

## 5.3. Planning - Zoning

It is understood that there would be a requirement for a modification to the zoning at the Bottom Shops to allow for the development proposed. Initial feedback from Council indicates that providing the benefits able to be generated (economic, social, environmental and cultural) are sufficient, modifying the zoning to allow for the redevelopment of properties within the Bottom Shop area and to allow for sufficient flexibility in trading hours may be possible. It is important, however, that planning rules and regulations are not seen as a barrier to allow for growth, on a sustainable basis, of the visitor economy and new retail and related development. It is not proposed that development be more than two stories high as well, to fit in with the current building height of existing properties.

## 5.4. Climate Change Impacts

Feedback from the Department of Environment, Land, Water and Planning along with CCMA and Great Ocean Road Regional Tourism, indicates that as the Painkalac Valley already has a floodplain at specific times of the year, the impact of climate change could increase the floodplain area over time. This is something which any

proposed walkway development and associated bridge infrastructure would need to plan for, as best as possible. There is nothing provided to date (by way of documentation or mapping) which would indicate that it would not be possible to design for climate change impacts, as they potentially affect the floodplain area.

### 5.5. Geotechnical Considerations

The concept plans and business case are provided at a top line level only. If this project proceeds to the next level, specific studies will be required (particularly in relation to the construction and positioning of the bridge over the Painkalac Creek and for any elevated walkway areas to try and mitigate impacts of flooding in surrounding areas. Geotechnics expertise and hydrological engineering expertise would need to be part of the next phase of more detailed analysis.

### 5.6. Flooding

As has been indicated in other parts of this report, it is well recognised that the Painkalac does partly flood up to specific areas on an annual basis. The concept plans developed attempt to mitigate, as best as possible, the risks associated with flooding. It is also noted that the area is a wetland which has important ecology and biodiversity. It is not proposed that the infrastructure elements will impact negatively on this.

### 5.7. Land Tenure and Accessibility

Wherever possible, development of trails etc. is proposed on either Council-owned land or on Crown land which is managed by Council. There is expected to be minimal if any impact on private surrounding landholders. As development, as proposed, is on Council land, accessibility is expected to be assured.

### 5.8. Impacts on Surrounding Properties and Businesses

A major economic consideration noted is the need to address the financial viability of the Bottom Shops and the need to activate development by the private landholders who have land the Bottom Shops but are unable to justify investing/developing currently.

The concept development proposed, specifically at the Bottom Shops, aims to activate, on a low impact but sustainable basis, the potential for properties to either be on-sold for development or developed by existing landholders. Providing rear lane access to some of these properties is an essential component required to activate this area.

Most importantly, the vast bulk of economic activity to support the development of the walkways is predicated on the development proposed for the Bottom Shops. If this is not able to be activated, there is insufficient financial and economic benefit to support a funding request to the State Government or other bodies as the financial and economic returns would be too low.

### 5.9. Economic Impacts and Investment Requirement

The capital development cost assessment and the cash flow modelling illustrate that there is likely to be sufficient economic benefit to outweigh economic costs and an ability to generate incremental spend by locals and visitors to support the Bottom Shops ongoing viability.

The estimated capital cost, including a contingency of \$2.55m, reflects the need to introduce a range of infrastructure components to support a variety of walking trails and supporting infrastructure. Importantly, the ability to generate the economic impacts necessitates activating the Bottom Shops development within an initial



development period. A longer-term staged approach to overall development will fail to allow project costs to be offset by project financial benefits.

### 5.10. Pedestrian Safety

Walker safety is a paramount consideration for the business case. Mitigating risks associated with flooding, etc. are very important considerations.

The challenge of also getting pedestrian access comfortably and safely across the GOR is still an issue to be satisfactorily resolved. The current pedestrian island opposite the Bottom Shops provides an existing solution but this is not seen as desirable longer term as pedestrian numbers and activity increases. It is already noted as a challenge during peak periods when the GOR is a busy, major thoroughfare. Further data and surveying of vehicle movements is required before a final assessment would be able to be made linking the Bottom Shops to the coastal strip and the lighthouse, in particular.

Stafford investigated the potential for a possible alternative walkway across the GOR via the Painkalac Creek GOR underpass, but this was not seen as a viable alternative. Traffic engineering assessments are required which may need to also investigate an alternative area for a level crossing further east on the GOR before vehicles reach the Bottom Shops car parking turn off.

### 5.11. Supporting Infrastructure (car parking, etc.)

The redevelopment options proposed for the Bottom Shops will allow for additional car parking to be introduced. It is proposed, however, that parking is accessed from the front of the Bottom Shops with parking onsite at the various properties. The rear laneway is a service lane to support businesses at the rear of some of the properties yet to be developed and is not contemplated as a medium - heavy traffic street/laneway.

Additional on-site car parking will be an important consideration noting, however, that at peak seasonal periods there will always be an element of parking shortage as demand continues to grow. This is unavoidable.

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# 6. Market Demand

It is anticipated that the concept proposed will attract two user groups: local residents and visitors to the area. The following section provides a summary of the size of these two user markets (currently and forecasts) and demonstrates the market penetration the development of the Painkalac Valley (as per this Plan) may generate.

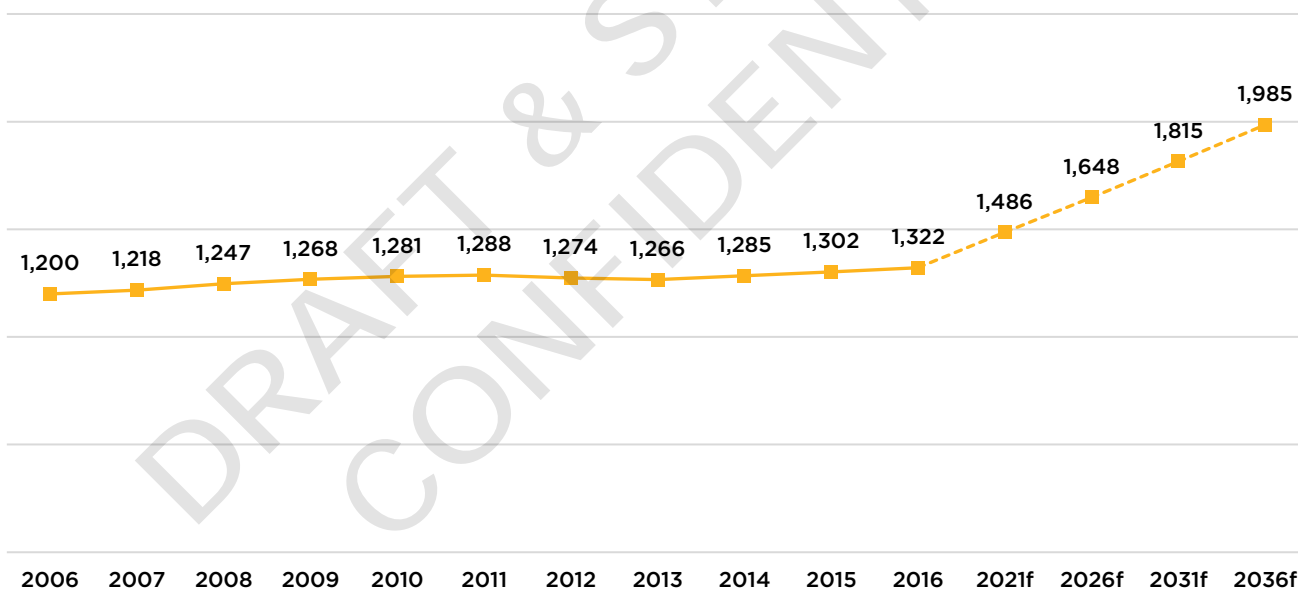
## 6.1. Local population

### 6.1.1. Historic growth and forecasts

Locals are anticipated to be an important user group of the Painkalac walking trails and are likely to undertake multiple walking experiences on a regular basis throughout the year. It is, therefore, important that the size of the population catchment, and growth forecasts, are considered.

Figure 16 provides an overview of the historic population growth, as well as forecasts, for the Aireys Inlet-Fairhaven District (the District)<sup>1</sup>. The District is home to 1,322 residents. By 2036, the District is anticipated to experience a modest increase in its resident population by just over 660 residents.

Figure 16: Historic population growth and forecasts (2006 - 2036)<sup>2</sup>



<sup>1</sup> Which includes: Aireys Inlet, Eastern View, Fairhaven and Moggs Creek. District level data has been used because it is likely that locals from these areas are expected to use the walks regularly throughout the year.  
<sup>2</sup> <https://profile.id.com.au/surf-coast/population-estimate> and ABS, Regional Population Growth, 2017

## 6.1.2. Age of local population

Table 2 demonstrates that the District has an ageing population, with the local resident population under the age of 49 declining by 28% (223 residents) and the number of residents aged 50 and over growing by 43% (202 residents). For this reason, the quality of the walking trails and ability to offer mostly flat or marginally undulating terrain is seen to be an important factor in encouraging more locals to walk the Painkalac.

Table 2: Age of local population<sup>3</sup>

Age group	2006	2006%	2016	2016%	Change	Change %
Babies and pre-schoolers (0 to 4)	84	7%	31	3%	-53	-63%
Primary schoolers (5 to 11)	131	10%	98	8%	-33	-25%
Secondary schoolers (12 to 17)	100	8%	109	9%	9	9%
Tertiary education & independence (18 to 24)	70	5%	65	5%	-5	-7%
Young workforce (25 to 34)	96	8%	72	6%	-24	-25%
Parents and homebuilders (35 to 49)	329	26%	212	17%	-117	-36%
Older workers and pre-retirees (50 to 59)	204	16%	249	20%	45	+22%
Empty nesters and retirees (60 to 69)	106	8%	238	19%	132	+125%
Seniors (70 to 84)	132	10%	157	12%	25	+19%
Elderly aged (85 and over)	29	2%	29	2%	0	0%
<b>Total aged 49 and below</b>	<b>810</b>	<b>63%</b>	<b>587</b>	<b>46%</b>	<b>-223</b>	<b>-28%</b>
<b>Total aged 50 and above</b>	<b>471</b>	<b>37%</b>	<b>673</b>	<b>53%</b>	<b>202</b>	<b>43%</b>

## 6.2. Visitation

### 6.2.1. Methodology

Visitation data for this Plan has been gathered utilising the National and International Visitor Surveys (NVS and IVS) which is released by Tourism Research Australia (TRA) each quarter. Visitation data is released based on Statistical Area Level 2 (SA2) boundaries. Figure 17 demonstrates that Aireys Inlet falls within the “Lorne-Anglesea” SA2 boundary. This is the smallest area/as geographically focused as the NVS and IVS can provide. In the absence of smaller area data, Stafford has provided an estimate of potential visitation to Aireys Inlet specifically. This is based on a penetration rate of the Lorne-Anglesea SA2 data.

As per the methodology applied by TRA for LGA and smaller areas<sup>4</sup>, data is averaged over three-year periods, rather than being provided on an annual basis, as this minimises the impact of variability in estimates from year to year and provides more robust estimates. The periods assessed in this DMP include:

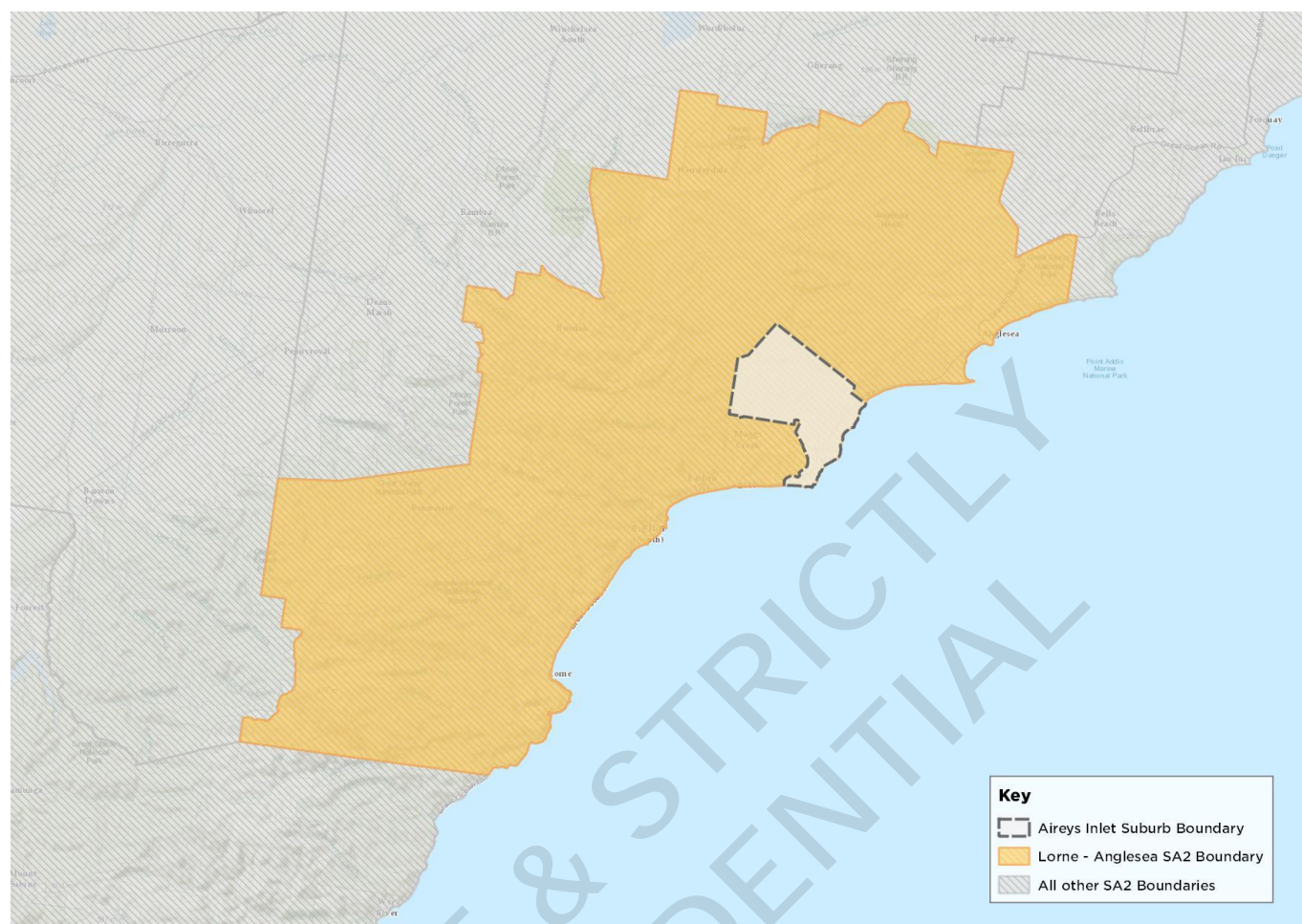
- March 2010 to March 2012;
- March 2013 to March 2015; and
- March 2016 to Match 2018

March YE data (unless otherwise specified) is used as this is the most recent iteration of data released by TRA via the NVS and IVS. June YE data has not yet been released for 2018.

<sup>3</sup> <https://profile.id.com.au/surf-coast/>

<sup>4</sup> <https://www.tra.gov.au/research/regional-tourism/local-government-area-profiles/local-government-area-profiles>

Figure 17: Lorne-Anglesea SA2 Boundary



### 6.2.2. Visitation to Lorne-Anglesea SA2

Table 3 demonstrates that:

- In 2018 (March YE), 55% of all visitation to the SA2 was by domestic day trippers, followed by domestic overnight visitors (43%) and international visitors (2%); and
- total visitation has increased, growing by 302k visitors (33%) between 2012 and 2018

Table 3: Visitation to Lorne-Anglesea SA2 (2012-2018, March YE)<sup>5</sup>

Market	2012	2015	2018	Change 2012-18	% Change
Domestic Day Trip	512k	439k	669k	157k	31%
Domestic Overnight	387k	431k	524k	137k	35%
International	22k	19k	29k	7.6k	35%
<b>Total</b>	<b>921k</b>	<b>889k</b>	<b>1.2m</b>	<b>302k</b>	<b>33%</b>

<sup>5</sup> Based on a three-year averages (March YE). National and International Visitor Survey, Tourism Research Australia.

Visitation forecasts out to 2029 to the SA2 are included in Table 4. These forecasts are based on applying half the historic average annual growth rate (AAGR)<sup>6</sup> to provide a conservative estimate. It is anticipated that visitor growth will continue over the ten-year period forecast primarily driven by ongoing demand for a mixture of day and overnight experiences being promoted for the GOR and noting that Lorne, in particular, is a favoured stopping point, particularly for domestic visitors.

**Table 4: Visitor forecast estimates to Lorne-Anglesea SA2<sup>7</sup>**

Forecast estimates	2018e	2019f	2020f	2021f	2022f	2023f	2024f	2025f	2026f	2027f	2028f	2029f
Domestic Day Trip	669k	685k	700k	716k	733k	749k	766k	784k	802k	820k	839k	858k
Domestic Overnight	524k	538k	551k	566k	580k	595k	611k	627k	643k	660k	677k	694k
International	29k	30k	31k	31k	32k	33k	34k	35k	36k	37k	37k	38k
<b>Total</b>	<b>1.22m</b>	<b>1.25m</b>	<b>1.28m</b>	<b>1.31m</b>	<b>1.35m</b>	<b>1.38m</b>	<b>1.41m</b>	<b>1.45m</b>	<b>1.48m</b>	<b>1.52m</b>	<b>1.55m</b>	<b>1.59m</b>

### 6.2.3. Visitation estimates to Aireys Inlet

As outlined previously, the smallest area that visitation data is available via the NVS and IVS is the Lorne-Anglesea SA2. While this SA2 includes Aireys Inlet, it also includes the much larger areas of Lorne and Anglesea. These two areas are likely to capture a much larger share of visitation to the SA2 than Aireys Inlet. In the absence of smaller area data, Stafford has provided an estimate of potential visitation to Aireys Inlet specifically. This is based on a penetration rate of the Lorne-Anglesea SA2 data estimated at:

- 2.5% of the domestic day trip market;
- 2% of the domestic overnight market; and
- 2% of the international market.

Table 5 provides a summary of Stafford’s estimates of visitation to Aireys Inlet in 2018 (March YE) and forecasts out to 2029. It demonstrates that over this period, visitation to Aireys Inlet is conservatively projected to increase by 8k visitors (30%).

**Importantly, it is not anticipated that the enhancement of the Painkalac Valley will result in a significant uplift of visitors. Rather, a far greater focus has been applied to increasing the length of stay of current visitors as well as growing the visitor yield generated.**

**Table 5: Visitor forecast estimates to Aireys Inlet<sup>8</sup>**

Forecast estimates	2018e	2019f	2020f	2021f	2022f	2023f	2024f	2025f	2026f	2027f	2028f	2029f
Domestic Day Trip (penetration rate: 2.5%)	17k	17k	18k	18k	18k	19k	19k	20k	20k	21k	21k	21k
Domestic Overnight (penetration rate: 2.0%)	10k	11k	11k	11k	12k	12k	12k	13k	13k	13k	14k	14k
International (penetration rate: 2.0%)	582	597	612	628	644	660	677	695	713	731	750	769
<b>Total</b>	<b>28k</b>	<b>28k</b>	<b>29k</b>	<b>30k</b>	<b>31k</b>	<b>31k</b>	<b>32k</b>	<b>33k</b>	<b>34k</b>	<b>34k</b>	<b>35k</b>	<b>36k</b>

<sup>6</sup> Domestic Day Trip - historic AAGR: 4.6%, AAGR applied in forecasts: 2.3%;  
Domestic Overnight - historic AAGR: 5.2%, AAGR applied in forecasts: 2.6%;  
International - historic AAGR: 5.1%, AAGR applied in forecasts: 2.6%  
<sup>7</sup> Based on historic growth rates (base data utilised include the IVS and NVS)  
<sup>8</sup> Based on Stafford’s estimated penetration rates of Lorne-Anglesea SA2

### 6.3. Anticipated penetration of the local and visitor market

Table 6 provides a summary of anticipated demand for the new Painkalac walkways as well as the bottom shops over the period 2020 to 2029. Points to note include the following.

- It is estimated that 70% of locals who live within the Aireys Inlet-Fairhaven District are “walkers” who will utilise the new Painkalac walkways. It is forecast that they will conservatively undertake 3.5 walks per annum. Some, of course, will do many more walks; others less. What is offered is an average. It is not assumed that this ratio of average walks per annum or the ratio of those who do undertake walks would change over the 10-year forecast period.
- It is assumed that all visitors to Aireys Inlet will either visit the enhanced Painkalac Valley or the Bottom Shops. The majority of visitors are anticipated to be domestic day trippers (comprising 60% of users) which is reflective of the large day trip visitor market which visits the broader region already. This is followed by domestic overnight visitors (38%) and international visitors (2%). The various visitor markets are anticipated to undertake one walk through the Painkalac per annum (though there may be a small proportion who would possibly undertake multiple walks depending on the areas of interest) and the strength of marketing the walks.
- The Painkalac walkways are anticipated to generate just over 32.7k uses in 2020 (year 1), growing to 40.4k by 2029 (year 10).
- 80% of those who visit the walkways are anticipated to also visit the bottom shops, equating to 26.2k uses in year 1 (2020), growing to 32.3k users by year 10 (2029). The available data indicates that the local population is reflective of an older demographic including a number of semi-retirees and retirees (see Section 6.1.2). As such, although there is likely to be some demand from the local community for additional cafe and food experiences at the Bottom Shops as proposed, it is more likely that a mix of visitor markets will be the major source markets to support business activity particularly to the Bottom Shops during high and shoulder season periods, reflecting those times when there is stronger visitation along the GOR. In quieter months, however, it is anticipated that a local community will be the predominant consumer mix for new cafes and food outlets proposed within the Bottom Shop complex.
- Modelling of which walks locals and visitors will undertake has not been undertaken as insufficient data exists to allow for this. However, it is assumed that the vast majority of walkers (85%) would be up to one hour with possibly 15% of walks being for longer periods.

**Table 6: Anticipated penetration of the local and visitor market**

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Locals in Aireys Inlet-Fairhaven District</b>										
Locals living in District	1,453	1,486	1,519	1,551	1,583	1,616	1,648	1,681	1,715	1,748
Locals who walk (estimated at 70% of locals)	1,017	1,040	1,063	1,086	1,108	1,131	1,153	1,177	1,200	1,224
<b>Total local use (locals are estimated to undertake 3.5 walks p/a)</b>	<b>3,561</b>	<b>3,642</b>	<b>3,721</b>	<b>3,800</b>	<b>3,879</b>	<b>3,958</b>	<b>4,037</b>	<b>4,119</b>	<b>4,201</b>	<b>4,283</b>
<b>Visitors to Lorne Anglesea SA2</b>										
Domestic Day	17.5k	17.9k	18.3k	18.7k	19.2k	19.6k	20.0k	20.5k	21.0k	21.5k
Domestic Overnight	11.0k	11.3k	11.6k	11.9k	12.2k	12.5k	12.9k	13.2k	13.5k	13.9k
International Overnight	612	628	644	660	677	695	713	731	750	769
<b>Total Visitors</b>	<b>29.1k</b>	<b>29.8k</b>	<b>30.6k</b>	<b>31.3k</b>	<b>32.1k</b>	<b>32.8k</b>	<b>33.6k</b>	<b>34.4k</b>	<b>35.3k</b>	<b>36.1k</b>
<b>Total walkway use (visitors and locals)</b>	<b>32.7k</b>	<b>33.5k</b>	<b>34.3k</b>	<b>35.1k</b>	<b>35.9k</b>	<b>36.8k</b>	<b>37.7k</b>	<b>38.5k</b>	<b>39.5k</b>	<b>40.4k</b>
<b>Total use of walkways and bottom shops</b>	<b>26.2k</b>	<b>26.8k</b>	<b>27.4k</b>	<b>28.1k</b>	<b>28.7k</b>	<b>29.4k</b>	<b>30.1k</b>	<b>30.8k</b>	<b>31.6k</b>	<b>32.3k</b>

## 6.4. Visitor Economy Analysis

### 6.4.1. Visitor Nights

While there are a number of people staying overnight as part of a trip along the GOR, it is thought that the majority of visitors are actually staying in Lorne primarily because of its specific appeal due to the types of accommodation offerings available. In addition, Lorne has been a historic summer vacation destination venue for many Victorians for many years. Anecdotal information indicates Lorne has been positioned as a highly attractive character filled town which attracts a strong Melbourne market in particular for repeat visitation.

It is not anticipated that the walkways proposed in the Painkalac will stimulate significant additional overnight stays within the Lorne-Anglesea area on their own, unless walkers are undertaking a longer length trail experience which may necessitate an overnight stay.

### 6.4.2. Purpose of Visit

The primary purpose of visits to the Painkalac is expected to be for a mix of leisure/holiday visitation and a variety of visitors who may come for special interest experiences. Dependent on the time of year, this could include a mixture of:

- bushwalkers keen to access the Great Otway National Park via the Painkalac so using the Painkalac as a base to commence walking experiences from;
- special interest birdwatchers coming to view specific wetland birds during seasonal periods;
- those coming to visit friends and relatives living in Lorne-Anglesea; and
- those coming for specific walking tours which may offer a variety of ecological, historical and cultural interpretation not only of the Painkalac but, potentially, the lighthouse and parts of the coastal walkway, as well.

Dependent on the time of year and the fauna and flora impacts, there may also be local school groups who visit the Painkalac as part of school excursions. It is not anticipated, however, that there would be other education-based groups undertaking a visit to the Painkalac unless there are specific cultural sites of significance which are identified, and which are available for viewing. Whilst there is likely to be a number of potential sites of cultural importance, it is noted there is often a strong reluctance to identify these publicly, in order to protect them from vandalism and other negative impacts.

### 6.4.3. Key Activities

The focus of the Painkalac is to offer a number of quality walking experiences. In tandem with this, however, is the likelihood that a variety of ancillary activities would be undertaken including the following.

- Those coming for walking experiences with a picnic included.
- Depending on the Painkalac Creek level, visitors looking to hire kayaks.
- Potential exists to combine the Painkalac walk with a coastal walk which could be just to the lighthouse or further afield (including the Surf Coast Walk).
- Depending on the quality of the food and beverage experiences made available at the Bottom Shops, a variety of retail and food and beverage experiences should be anticipated as well by both locals and the visitor markets. This may also extend to the Top Shops retail centre, so the economic benefits may spread more widely in Aireys Inlet specifically.

The concept plan also includes the introduction of an information kiosk; being an undercover display area which allows visitors to gather information on the various walkways, the local ecology, cultural significance and other unique features of the Painkalac. The opportunity exists to provide the information kiosk as a hub for walking activity and to act as a base for kayaking tours as well as walking tours.

It is anticipated that the majority of those walking will be on unstructured, unguided tours although a percentage are likely to want to experience a high-quality interpretative experience which a quality tour guide is able to offer.

#### **6.4.4. Visitor Spend**

The cash flow model provided as part of this Plan indicates likely revenue streams associated with increased use of the Bottom Shops and through other revenue-generating opportunities. The identified opportunities for the Painkalac specifically reflect the following.

- Revenue from one additional café which 75% of new visitors to the Bottom Shops only would use, with incremental spend averaged conservatively at \$8.50 per user under the 10-year cash flow provided and reflecting an indoor-outdoor dining experience.
- A second café/delicatessen which also generates spend from 75% of those utilising the Bottom Shops as a visitor penetration rate and also showing an average consumer spend of conservatively \$8.50.
- Merchandise/retail sales either online or via a retail outlet which could include walking tour supplements such as caps or hats, branded water bottles, sunscreen, etc. and noting that the penetration rate for purchases is set low at 5% of new visitors to the Bottom Shops with an average spend of \$5.00.
- Guided walking tours for an estimated 5% of those new visitors visiting the Bottom Shops and reflecting those coming for an organised tour, utilising the walking hub to gather information as well, and with an average spend for a guided walking tour of \$25.00 which is expected to last for 1-1.5 hours duration.
- In the peak season (summer) and the shoulder seasons only, reflecting kayak rental opportunities with a conservative 5% of new visitors to the Bottom Shops renting a kayak with an average spend of \$20.00 which is based on a one-hour rental per person.

The above reflects only direct spend as a result of the walking trails and supplementary infrastructure introduced to support walking activities through the Painkalac. What has deliberately not been included is potential indirect spend associated with any increase in overnight visitation as a result of visitors undertaking the walking trails through the Painkalac and staying within the Lorne-Anglesea area. In addition to additional overnight spend on accommodation, would be spend relating to the supply of food and beverage to cover meals within the region.

#### **6.4.5. Accommodation Supply**

It is not anticipated that additional accommodation supply would result as a by-product of the walking trails and associated infrastructure being proposed. Anecdotal feedback indicates adequate current supply of commercial accommodation within the Lorne-Anglesea region for the vast majority of the year, other than at peak days of the year. That in itself does not justify new investment in new or expanded commercial accommodation.



# 7. Cost Benefit Assessment

## 7.1. Cost Benefit Assessment

Table 7 provides a cost benefit model which reflects a 10-year cash flow to illustrate the impact on revenue and expenditure estimates over this period. An explanation of the cash flow findings and cost benefit results follows.

Table 7: Cost benefit Assessment

Cost Benefit Assessment for Painkalac Valley											
Assumptions											
Date of last modification	8/08/2018										
Required Yield	7.0%										
Discount rate	7.0%										
Inflation rate	2.5%										
	1	2	3	4	5	6	7	8	9	10	
Visitation estimates for Lorne Anglesea SA2	2017	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Domestic Day	669,333	700,252	716,243	732,599	749,329	766,440	783,943	801,845	820,156	838,885	858,041
Domestic Overnight	524,000	551,499	565,786	580,442	595,478	610,903	626,728	642,963	659,619	676,706	694,235
International Overnight	29,079	30,593	31,380	32,187	33,015	33,864	34,735	35,628	36,544	37,484	38,448
<b>Total Visitation</b>	<b>1,222,412</b>	<b>1,282,345</b>	<b>1,313,409</b>	<b>1,345,228</b>	<b>1,377,821</b>	<b>1,411,207</b>	<b>1,445,405</b>	<b>1,480,436</b>	<b>1,516,318</b>	<b>1,553,074</b>	<b>1,590,724</b>
Visitation estimate to the Painkalac Valley											
Visitors											
Domestic Day	2.5%	17,506	17,906	18,315	18,733	19,161	19,599	20,046	20,504	20,972	21,451
Domestic Overnight	2.0%	11,030	11,316	11,609	11,910	12,218	12,535	12,859	13,192	13,534	13,885
International Overnight	2%	612	628	644	660	677	695	713	731	750	769
Locals											
Locals living in Aireys Inlet-Fairhaven District	1,355	1,453	1,486	1,519	1,551	1,583	1,616	1,648	1,681	1,715	1,748
Locals who walk	70%	1,017	1,040	1,063	1,086	1,108	1,131	1,153	1,177	1,200	1,224
Locals average walks per annum in Painkalac Valley	3.5	3,561	3,642	3,721	3,800	3,879	3,958	4,037	4,119	4,201	4,283
<b>Total use of walkways and bottom shops (visitors and locals)</b>	<b>80%</b>	<b>26,167</b>	<b>26,793</b>	<b>27,431</b>	<b>28,082</b>	<b>28,748</b>	<b>29,429</b>	<b>30,124</b>	<b>30,837</b>	<b>31,566</b>	<b>32,310</b>
<b>Total walkway use (visitors and locals)</b>		<b>32,709</b>	<b>33,491</b>	<b>34,288</b>	<b>35,103</b>	<b>35,935</b>	<b>36,786</b>	<b>37,655</b>	<b>38,546</b>	<b>39,457</b>	<b>40,388</b>
Revenue Streams											
	Avg. spend										
Additional café 1 incremental spend - 75% of Bottom Shops only visitation penetration rate	\$8.50	\$166,817	\$170,804	\$174,870	\$179,025	\$183,270	\$187,608	\$192,041	\$196,586	\$201,231	\$205,977
Additional café /dell incremental spend - 75% of Bottom.Shops only visitation penetration rate	\$8.50	\$166,817	\$170,804	\$174,870	\$179,025	\$183,270	\$187,608	\$192,041	\$196,586	\$201,231	\$205,977
Merchandise (online and via shop retail outlet) - 5% of visitation penetration rate	\$5.00	\$8,177	\$8,373	\$8,572	\$8,776	\$8,984	\$9,196	\$9,414	\$9,637	\$9,864	\$10,097
Guided walking tours - 5% visitor penetration rate	\$25.00	\$40,886	\$41,864	\$42,860	\$43,879	\$44,919	\$45,982	\$47,069	\$48,183	\$49,321	\$50,485
Kayak rental - 5% penetration rate	\$20.00	\$32,709	\$33,491	\$34,288	\$35,103	\$35,935	\$36,786	\$37,655	\$38,546	\$39,457	\$40,388
<b>Total Revenue</b>		<b>\$415,407</b>	<b>\$425,335</b>	<b>\$435,461</b>	<b>\$445,806</b>	<b>\$456,378</b>	<b>\$467,180</b>	<b>\$478,219</b>	<b>\$489,537</b>	<b>\$501,104</b>	<b>\$512,924</b>
Expenditure											
Marketing and promotion (5% of all revenue)		\$20,770	\$21,290	\$21,822	\$22,367	\$22,927	\$23,500	\$24,087	\$24,689	\$25,307	\$25,939
Merchandise cost of sales	40%	\$3,271	\$3,433	\$3,515	\$3,598	\$3,683	\$3,771	\$3,860	\$3,951	\$4,044	\$4,140
Website maintenance		\$2,500	\$2,563	\$2,627	\$2,692	\$2,760	\$2,829	\$2,899	\$2,972	\$3,046	\$3,122
Café cost of sales (2 cafes)	35%	\$116,772	\$119,563	\$122,409	\$125,317	\$128,289	\$131,325	\$134,429	\$137,610	\$140,861	\$144,184
Utilities (solar lighting, public toilet cleaning)		\$10,000	\$10,250	\$10,506	\$10,769	\$11,038	\$11,314	\$11,597	\$11,887	\$12,184	\$12,489
Ongoing trail maintenance		\$18,000	\$18,450	\$18,911	\$19,384	\$19,869	\$20,365	\$20,874	\$21,396	\$21,931	\$22,480
<b>Total Expenditure</b>		<b>\$171,313</b>	<b>\$175,548</b>	<b>\$179,789</b>	<b>\$184,128</b>	<b>\$188,565</b>	<b>\$193,104</b>	<b>\$197,746</b>	<b>\$202,505</b>	<b>\$207,374</b>	<b>\$212,354</b>
<b>EBITDA</b>		<b>\$244,094</b>	<b>\$249,788</b>	<b>\$255,671</b>	<b>\$261,678</b>	<b>\$267,813</b>	<b>\$274,076</b>	<b>\$280,473</b>	<b>\$287,032</b>	<b>\$293,730</b>	<b>\$300,571</b>
Capital Costs											
Earthworks, site preparation, excavation (7%)		\$10,360									
Pavement/terraces for walking hub outdoor kiosk		\$80,000									
Kiosk structure - Structural steel and framing		\$68,000									
Electrical		\$6,800									
Diorama walking trail displays		\$30,000									
Furniture PC sum		\$30,000									
Carparking, access road and landscaping (2000 sqm), fencing PC sum		\$400,000									
Walking trail upgrades (6km)		\$1,200,000									
Walking bridge over Painkalac Stream		\$250,000									
Consultant and Design Costs (6%)		\$123,888									
Contractors OH and Profit Margin (8%)		\$165,184									
Contingency (20%)		\$415,032									
Upgrades (year 5 and 10)							-\$25,000				-\$25,000
<b>Total Establishment Costs</b>		<b>\$2.78m</b>									
<b>Terminal Value</b>											\$4.29m
<b>Cash Flow</b>	<b>-\$2,779,264</b>	<b>\$ 244,094</b>	<b>\$ 249,788</b>	<b>\$ 255,671</b>	<b>\$ 261,678</b>	<b>\$ 267,813</b>	<b>\$ 274,076</b>	<b>\$ 280,473</b>	<b>\$ 287,032</b>	<b>\$ 293,730</b>	<b>\$ 4,569,438</b>
<b>IRR</b>	<b>12.5%</b>										
<b>NPV</b>	<b>\$1.2m</b>										

## 7.2. Key Findings

### 7.2.1. Assumptions

The cost-benefit assessment for the project is outlined in Table 7. There are a variety of key findings which reflect the positive outcome able to be generated. These are noted as follows.

- The required yield has been set at 7% reflecting that this is primarily a public good project with some commercial elements included. If it was purely a commercial project, a required yield of 10% or higher would be applied. Importantly, however, the return able to be generated is positive.
- The discount rate applied is 7% which is a standard Treasury discount rate reflecting the likely cost of capital and/or assuming the project would need to borrow debt funding to be undertaken.
- The inflation rate has been set at 2.5% and kept constant over the 10-year period.

### 7.2.2. Economic Findings

The viability of the project is seen partly through the financial cash flow results generated on an annual basis and the IRR and the NPV able to be generated.

The IRR generated is 12.5% and the NPV is \$1.2m indicating that the project's economic benefits are positive.

The positive result, however, is achieved primarily by attributing the incremental additional spend which would otherwise not happen, but for the development of two new Bottom Shops which this project is able to support. Whilst the capital cost of developing the Bottom Shops is borne by the private property owners rather than Council, the incremental spend is applied in this cost-benefit model and 10-year cash flow assessment as it would not occur, but for Councils/Governments investment in this project.

### 7.2.3. Revenue Streams

The revenue streams reflect revenue generated by local businesses (including the new operators of cafe and related food and beverage outlets designated within the Bottom Shops but deliberately excluding current Bottom Shop operators and any additional revenue generated by them from this concept plan. The results indicate the following.

- Cafe 1 has incremental spend based on 75% of visitation to the Bottom Shops with an average spend of \$8.50 which commences in year one at \$167k and grows to \$206k by year 10.
- Café 2, which is referred to as a cafe/deli to reflect a different food and beverage experience, reflects incremental spend representing an estimated 75% of visitation to the Bottom Shops, and the same average spend level of \$8.50 which generates incremental revenue spend in year 1 of \$167k growing to \$206k by year 10.
- Estimated merchandise/retail spend associated only with new business activity within the Bottom Shops (and excluding any additional merchandise/retail activity from existing businesses) reflects 5% of total visitation to the Bottom Shops, with an average spend of \$5.00 and which generates \$8.2k by year one growing to \$10k by year 10.
- Although there are existing walking tours which are managed particularly to the lighthouse, it is anticipated that guided walking tours will be offered for both short and longer walking experiences through the Painkalac and potentially to the National Park, with an estimated market penetration of 5% of those coming to walk in the Painkalac and with an average spend of \$25.00, resulting in revenue of \$40.9k in year 1 and growing to \$50.5k by year 10.

- The opportunity to hire kayaks on a seasonal basis is offered reflecting a low market penetration level of 5% of visitors to the Painkalac with an average spend of \$20.00 based on a 1-hour hire fee resulting in revenue in Year 1 of \$32.7k and growing to \$40.4k by year 10.
- Total estimated revenue grows from \$415k year 1 when fully operational, to \$513k by year 10.

It is important to note that these revenue streams reflect incremental spend which will only happen if the various walkways are developed and the various upgrades to the infrastructure for the Bottom Shops occur, including the rear laneway extension and the walking hub kiosk facility.

#### 7.2.4. Expenditure Items

As indicated in the cost benefit model, which reflects a 10-year cash flow period, there are a number of related marketing and associated costs which need to be accounted for. At this stage, some of these costs would need to be covered by Council or other agencies. The expenditure items reflect the following.

- A marketing and promotional budget of \$20.8k is estimated based on 5% of revenue being generated (incremental revenue only associated with the redevelopment activity for the Painkalac walking experiences) and growing to \$26k by year 10.
- The cost of merchandise and retail sales (being the incremental growth) is estimated at 40% of the cost of sales which is \$3.2k in year 1 growing to \$4.1k by year 10.
- As part of the overall marketing and promotion, there is a need for updating the promotional website not only for the Painkalac, but we assume a wider area which is estimated at \$2.5k in the first full year of operating and growing to \$3.1k by year 10.
- The estimated cost of sales for the two new cafes incremental spend is estimated at 35% (cost of sales) which equates to \$117k in year 1 growing to \$144k by year 10.
- The maintenance of supporting infrastructure and utility charges (solar lighting, etc.) is estimated to have an annual cost of \$10k in year 1 growing to \$12.5k by year 10.
- The ongoing cost of trail maintenance based on covering 20% of trails on a per annum basis is estimated at \$18k in Year 1 growing to \$22.5k by year 10.
- Total estimated expenditure grows from \$171.3k in year 1 to \$212.4k by year 10.

Importantly, no new public toilet facilities have been included as public toilets within the new and existing Bottom Shops etc. are expected to meet consumer demand.

#### 7.2.5. Net Profit (EBITDA)

The net result of revenue less estimated expenditure, but before any interest charges, tax or depreciation, is therefore estimated at \$244.1k in year 1 growing to \$300.6k by year 10.

### 7.3. Capital Costs

As indicated in the cost benefit model on the previous page, there are a number of items identified which reflect the following.

- Earthworks and site preparation are based on a percentage of the development activity to be undertaken and is set at 7% of kiosk construction costs.
- The gravel base and development components for the proposed walking hub, which is an outdoor open sided kiosk, behind the Bottom Shops and overlooking the Painkalac Creek is estimated at \$80k.

- The steel structure of the proposed walking hub kiosk, which is assumed to be a primarily open-sided structure made out of steel, is estimated at \$68k and covers approximately 40-50 square metres.
- A provisional sum has been provided for electrical work to provide lighting to enable the use of the kiosk during evening periods and when it is overcast.
- A budget pc item is provided for a diorama which is a major walking trails display map, and which outlines trail distances, the level of difficulty, and the time in which it should take to walk them and also provides information on the various experiences one might see on fauna and flora.
- A pc sum is also provided for seating within the walking hub kiosk structure.
- Funding is set aside for potential car parking, including an upgrade to some of the car parking facilities at the front of the Bottom Shops and also at the rear and including landscaping and appropriate fencing.
- Provision is made for 6-8 kilometres of walking trail upgrades, noting that a number of the trails do currently exist, with a figure of \$1.2m set aside for this.
- A low impact, high quality walking bridge over the Painkalac Creek and with a span of up to 40 metres has been estimated at \$250k excluding design and engineering costs.
- Provision is made for consultant and design costs being 6% of the total capital development figure.
- The building contractors profit margin and overhead are provided at 8%.
- A 20% project contingency is also provided which totals \$441k.
- Provision is made for two upgrades to additional elements of infrastructure, potentially, in year 5 of \$25k and the same amount in year 10.

The total capital development cost (establishment cost) is \$2.78m, though, when the contingency element is removed, this reduces to approximately \$2.35m.

The following table illustrates the concept level sqm rates applied or associated ratios for determining the top line estimate for construction and development. It is important to note that these estimates are purely determined at a top line level only for initial business case concept estimates only. These would need to be refined if the project is successful in getting through to the next stage, being project design work including engineering and related assessments. What has not been included are the various specialist studies (cultural heritage, environmental impacts, hydrology and geo-technic as well as planning studies) which are likely to be required.

The cost for these specialist studies and engineering design work will most likely fall to Council to cover. While the estimated construction and development costs are only top-line estimates, the inclusion of a 20% contingency (\$414.3k) should help cover many of the various specialist studies required, and potentially possible bridge related engineering design requirements over and above the amount already set aside.

**Table 8: CAPEX Elements**

Elements	Sqm area	\$ rate applied
Pavement, gravelled area for accessing and base for walking hub kiosk	160	\$500
Open sided kiosk structure - Structural steel and framing	40	\$1,700
Earthworks, site preparation, excavation (7% of kiosk construction costs)	n/a	\$350
Electrical pc sum (10% of kiosk structure costs)	n/a	n/a
Diorama walking trail display	20	\$2,000
Furniture PC sum (20 bench seats positioned on trails and in kiosk)	20	\$1,500
Expanded one-way laneway, car parking and landscaping	200	\$2,000
Walking trails (1.5-metre width x 6,000-metre length) for a mix of new and upgrades	6km	\$200

Elements	Sqm area	\$ rate applied
40 metre bridge, 2 metre width	40	\$6,250
Architect and engineering design costs (6% of construction costs)	n/a	\$123.8k
Contractors /Builders profit margin and overheads (8% of construction costs)	n/a	\$165.2k
20% contingency on construction costs	n/a	\$414k

## 7.4. Benefit-Cost Ratio

There are a variety of metrics for assessing the viability of projects with the three primary economic assessments being the benefit-cost ratio, a positive NPV and a positive IRR.

The benefit-cost ratio is a preferred method applied by State Treasury to determine whether the net benefits of a project outweigh the net economic costs. Table 9 illustrates that a 7% discount rate is used which reflects the standard Treasury applied rate for projects and that the project generates a benefit-cost ratio of 0.98.

A benefit-cost ratio greater than 1.0 indicates that the net benefits of the project outweigh net costs. A benefit-cost ratio of below 1.0 is seen as acceptable, however, when the project is recognised to be primarily a public good project with a broad range of unquantifiable benefits also generated.

Importantly, projects which generate the majority of financial benefits at the front end of project implementation tend to show a higher BCR result. The Painkalac project, however, generates stronger financial benefits midway and towards the later stage of the implementation of the project, as the walking trails become better known and more visitors/users explore and spend in the area.

The Victorian State Government Department of Treasury and Finance guidelines for project assessment, therefore, place a greater weighting on the project's achieved net present value result; which for the Painkalac project, this generates a positive NPV as well as a positive IRR and nearly generates a positive benefit-cost ratio, being 0.98.

**Table 9: Benefit-Cost Ratio**

Benefits	\$4,627,350
Recurrent cost	\$1,912,425
Capital cost	\$2,779,264
Discount rate	7%
Time	11
<b>BCR</b>	<b>0.98</b>

## 7.5. Economic and Financial Summary

As indicated in the cost benefit model and through the explanation offered above, the project is able to generate positive economic returns. The proviso, however, is noting that the positive financial returns are generated through the incremental spend which the Bottom Shop new operators would generate through the development of the various walkways and the walking hub kiosk to be established behind the Bottom Shops.

Whilst Council is not likely to generate a revenue stream in its own right, it is generating solid economic benefit to support the Bottom Shops (which are known to be struggling) and which offers greater economic and social value to the community as well through the walkways, the walking hub kiosk and improved cafe & retail facilities at the Bottom Shops. Council is, therefore, able to illustrate a variety of broader economic and social benefits which can be generated through this project, and which support the local community as well as growing a stronger visitor economy.

The results clearly indicate that the provision of the upgraded walkways and new walking circuits throughout the Painkalac (along with the supporting infrastructure around the Bottom Shops) generates stronger visitation from a number of visitor markets and, therefore, strengthens the value of the visitor economy to the area.

This is a particularly important outcome as it strongly aligns with the desire of the Victorian State Government, the Surf Coast Shire Council and the Great Ocean Road Regional Committee amongst others, to generate far stronger economic and social benefits from what is one of Australia's most iconic coastal attractions.

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