



ESSENTIAL ECONOMICS

Apollo Bay Harbour Precinct Market Testing

Draft Report

Prepared for
Colac Otway Shire

By
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INTRODUCTION

Background

The Apollo Bay Harbour Precinct ('Harbour Precinct') is a prominent and historic feature of the Great Ocean Road coastal town of Apollo Bay. Providing public access to recreational boating, as well as commercial access to fishing and harbour operations, the Harbour Precinct borders a picturesque nine hole, links-style golf course.

In recent years, the Apollo Bay community and the Colac Otway Shire Council have pursued options to improve the amenity of the Harbour Precinct, while preserving the character and heritage values.

A draft Master Plan for the Harbour Precinct was prepared in 2007 and amended in 2012 following community feedback. In August 2015, Amendment C73 to the planning scheme rezoned the area to the Special Use Zone, requiring a Development Plan (DP) to be approved before substantial development can occur.

Attracting private sector investment is the preferred pathway to the development of the Harbour Precinct. As a result, Council intends to issue an Expression of Interest (EOI) to formally gauge private sector interest in investing in the Harbour Precinct through the DP process, and potentially through a public/private joint venture.

However, since the Precinct is located on Crown Land, a business case to justify an EOI must be submitted to the Minister for Energy, Environment and Climate Change and the Minister for Planning. To assist in informing the EOI process, Council determined to undertake a market testing process to better understand the commercial drivers influencing potential development of the Harbour Precinct. Following a competitive tender process, Council engaged Essential Economics Pty Ltd to undertake the Market Testing brief.

In undertaking the brief, the project management relationship has been between Council and Essential Economics. To ensure local input into the process, a Project Control Group comprising community representatives, nominated Councillor and Council officers and representatives of relevant government agencies have met with Essential Economics at various stages of the project and provided feedback and background information.

Purpose

The Market Testing process has two principal objectives:

- 1 To canvass private sector views about the nature and extent of potential participation in a future EOI and DP process.
- 2 To gather sufficient information to inform a business case to the Minister of Energy, Environment and Climate Change and the Minister for Planning justifying a formal EOI.

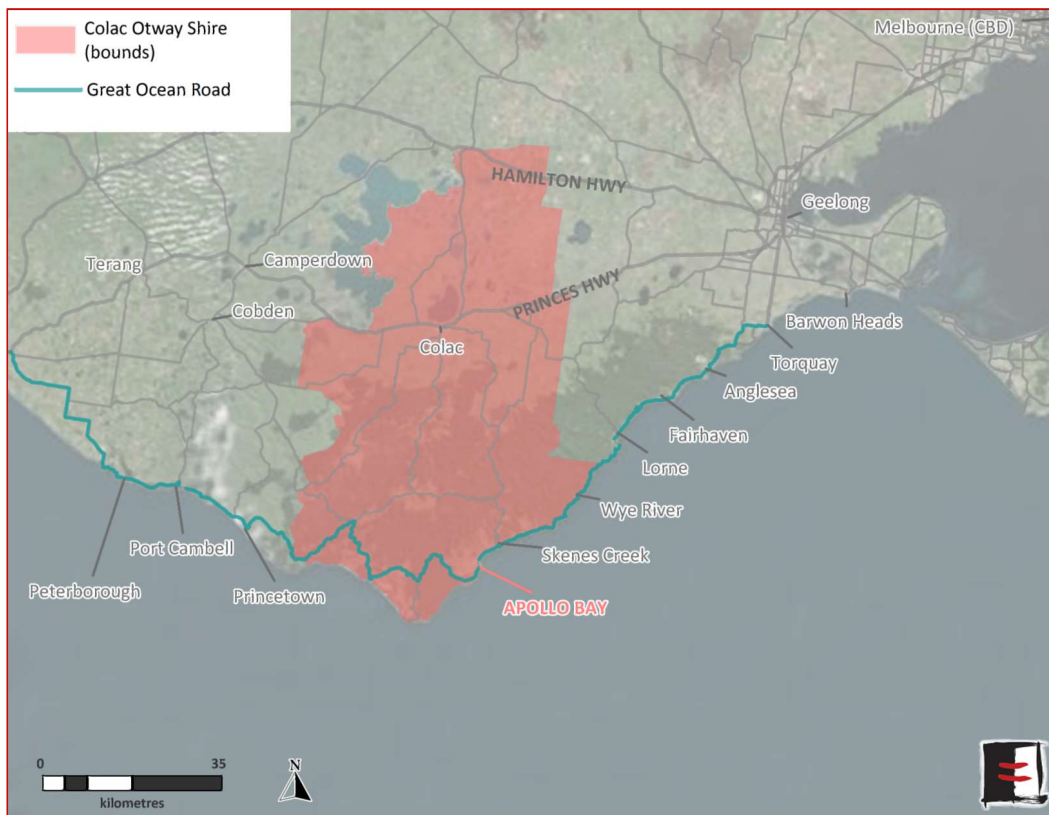
1 CONTEXT ANALYSIS

1.1 Location

Apollo Bay is located approximately 200 kilometres by road south-west of Melbourne. The town is located on the Great Ocean Road, one of Victoria's foremost tourist attractions, famous for its scenic coastal views and rugged coastline. Apollo Bay's urban area, along with adjacent urban area of Marengo, hugs a narrow coastal plain that gives way to the Otway Ranges to the west and north. A connecting road from Apollo Bay to Colac crosses the ranges for a distance of around 30 kilometres before entering undulating farm land in the north where dairy and pastoral activities are dominant.

Apollo Bay is the second largest urban area in Colac Otway Shire. Although tourism is a dominant activity that shapes the town's economic makeup, it also plays an important role as a district service centre for the southern part of the shire. The locational context of Apollo Bay is shown in Figure 1.1.

Figure 1.1 Apollo Bay locational context



Source: Essential Economics using MapInfo and Bingmaps

1.2 Apollo Bay Economy

Socio-Economic Characteristics

Apollo Bay, along with Marengo, is home to approximately 1,300 permanent residents (2011 National Census) although the town's population is estimated to swell to approximately 10,000 persons during peak summer holiday season.

The town centre is located along Collingwood Street and overlooks the bay foreshore. The centre comprises of traditional retail activity, reflecting a regional service centre role. Tourism and the visitor economy is also important, with a significant number of food and beverage outlets and other retail activities geared towards the holiday maker. Unusually for a small regional town, a number of shop-top dwellings have been included in recent mixed-use developments which make use of their elevated position to access coastal views.

The strong tourism and visitor economy results in a relatively large town centre in Apollo Bay for a town with 1,300 permanent residents.

A short socio-economic overview of the Apollo Bay-Marengo urban area is summarised in Table 1.1 and is based on 2011 National Census results. Key observations include a:

- Median annual household income (\$42,150) is 14.5% lower than the average for Regional Victoria.
- Comparatively older median age in Apollo Bay-Marengo (49 years) than Regional Victoria (41 years).
- Greater proportion of families comprising a couple with no children (52.8%) than the average for Regional Victoria (42.2%) and a smaller proportion of couples with children (32.5%/40.4%).
- Significantly higher proportion of non-traditional dwellings (eg. Semi-detached, row or terrace house, townhouse, flat, unit or apartment: 33%) compared to the average for Regional Victoria (10.1%).
- Lower proportion of total dwellings occupied by permanent residents (33.8%) than the average for Regional Victoria (83%). This measure is referred to as the Occupancy Rate and indicates very high levels of holiday home ownership in the Apollo Bay-Marengo urban area.

When viewed together, socio-economic measures such as age structure, family composition, dwelling structure and occupancy rate point to a town heavily influenced by tourism and the visitor market, with a high share of the permanent population retirees.

Table 1.1 Socio-Economic Characteristics, 2011

Category	Apollo Bay – Marengo	Regional Victoria
<u>Income</u>		
Median household income (annual)	\$42,150	\$49,270
Variation from Regional Victoria median	-14.5%	0.0%
% of Households earning \$2,500pw or more	4.0%	10.2%
<u>Age Structure</u>		
0-4 years	5.4%	6.3%
5-19 years	13.5%	19.7%
20-34 years	13.7%	16.0%
35-64 years	44.5%	40.4%
65-84 years	19.8%	15.2%
85 years and over	3.1%	2.3%
Median Age (years)	49	41
<u>Country of Birth</u>		
Australia	84.9%	88.8%
Other Major English Speaking Countries	9.6%	5.4%
Other Overseas Born	5.6%	5.9%
<i>% speak English only at home</i>	<i>95.8%</i>	<i>94.4%</i>
<u>Family Composition</u>		
Couple family with no children	52.8%	42.2%
Couple family with children	32.5%	40.4%
One parent family - Total	13.8%	16.1%
Other families	1.0%	1.3%
<u>Dwelling Structure (Occupied Private Dwellings)</u>		
Separate house	64.5%	88.9%
Semi-detached, terrace house, t'house etc.	23.0%	4.0%
Flat, unit or apartment	10.0%	6.1%
Other dwelling	2.5%	1.1%
<i>Occupancy rate</i>	<i>33.8%</i>	<i>83.0%</i>
Average household size	2.0	2.4
<u>Tenure Type (Occupied Private Dwellings)</u>		
Owned outright	38.5%	39.6%
Owned with a mortgage	24.4%	34.3%
Rented	37.1%	25.2%
Other tenure type	0.0%	0.8%
<u>Occupation</u>		
Managers & professionals	35.8%	32.6%
Clerical & sales workers	27.1%	32.2%
Technicians & trades workers	14.9%	15.7%
Machinery operators & drivers	4.5%	7.0%
Labourers & related workers	17.7%	12.5%

Source: ABS Census 2011

Note: Full results of 2016 Abs Census of Population and Housing not available at time of writing

Tourism and Visitor Economy

The Apollo Bay Destination Action Plan 2015-2017 (November 2014) ('DAP') was facilitated by Great Ocean Road Regional Tourism Ltd and identifies the challenges and opportunities facing the tourist market in Apollo Bay. A range of priorities are identified in the DAP to increase Apollo Bay's competitiveness and positioning within the regional and state tourism hierarchy.

The DAP recognises the contribution of tourism to the local economy noting that expenditure by visitors is 'new money' to the local economy that supports jobs, services, facilities, activities and plays a major role in underpinning the local real estate market.

Notably, the Harbour Precinct is referred to in the DAP as "probably the biggest opportunity for Apollo Bay" (Page 7). A range of potential inclusions within a redevelopment harbour precinct are referenced including seafood experiences, crayfish tours, health and wellbeing centre including spa, walkway connection to the town centre, coffee shop, sailing club and an indoor heated swimming pool.

In the five years to 2016, growth in visitor numbers and visitor expenditure was experienced across all visitor categories for Victoria and the Great Ocean Road tourist region (TR), according to data published by Tourism Victoria and summarised in Table 1.3 below. In general terms, this growth augurs well for the potential development of the Harbour Precinct and the future tourism potential of Regional Victoria as a whole.

Table 1.2 Great Ocean Road Region Tourist Visitation & Expenditure (2011-2016)

Category	Area	2011	2016	% Change 2011-2016	Average Annual Growth (%)
International Overnight Visitor Estimates (000')	Total Regional Victoria	339.4	498.0	46.7%	8.0%
	Great Ocean Road (TR)	135.6	201.6	48.7%	8.3%
International Expenditure (\$M)	Total Regional Victoria	328.0	483.0	47.3%	8.0%
	Great Ocean Road (TR)	54	94	74.1%	11.7%
Domestic Overnight Visitor Estimates (000')	Total Regional Victoria	11,280	13,950	23.7%	4.3%
	Great Ocean Road (TR)	1,560	1,910	22.4%	4.1%
Domestic Daytrip Visitors (000')	Total Regional Victoria	26,790	31,850	18.9%	3.5%
	Great Ocean Road (TR)	2,350	2,930	24.7%	4.5%
Domestic Visitor Expenditure (\$M)	Total Regional Victoria	6,930	7,940	14.6%	2.8%
	Great Ocean Road (TR)	970	1,030	6.2%	1.2%

Source: National Visitor Survey, Regional Expenditure Model (REX), Tourism Research Australia, December 2016

The growth in overnight visits and expenditure attributed to international visitors has been particularly strong for both the Great Ocean Road TR and regional Victoria as a whole. Annual growth in international expenditure for the Great Ocean Road TR over the five years was particularly significant at 11% compared to regional Victoria as a whole which observed annual growth of 8% for the same period.

The largest increase in international visitors to Victoria has been from China, with 566,200 Chinese visitors in 2016, representing an increase of +24.3% compared with the previous year. China is also the largest market for all international visitors, followed by New Zealand (326,900 visitors) and the United Kingdom (225,200 visitors), as recorded by Tourism Victoria (*International Visitation Estimates to Victoria by Origin*, September 2015).

Chinese visitors tend to spend significantly more than other nationalities visiting Victoria, with their expenditures totalling \$2.27 billion in 2016. This is generally equivalent to the combined spending of the next six largest nations for total tourist expenditure in Victoria, namely New Zealand (\$415 million), United Kingdom (\$407m), Malaysia (\$368m), USA (\$347m), Singapore (\$315m) and India (\$288m).

The overall growth in international visitation to Victoria, and to Great Ocean Road in particular, in the last five years can be partially attributed to the decline in Australia's exchange rate (from mid-2013 onwards). This has made Australia more cost-competitive as an international destination. More broadly, the emergence of Asia's (and China's) middle class as a source of international tourism has also been a major factor in Victoria's tourism growth.

Although recent growth in the international tourism market has been significant, the domestic visitor market for the Great Ocean Road TR, and regional Victoria is still dominant. In 2016 expenditure attributed to international visitors was approximately 9% of that attributed to domestic visitors in the Great Ocean Road TR.

1.3 Apollo Bay Harbour Precinct

Located approximately 450 metres (by road) from the town centre, the Harbour Precinct includes the following key components:

- A commercial fishing fleet
- Recreational boat moorings
- Boat maintenance and repair facilities
- A fish and chip café
- Seafood storage and processing facilities
- Boat ramp
- Sailing club rooms
- Car parking and access facilities.

The harbour itself provides the only secure refuge for vessels between Port Phillip Bay and Portland. Two breakwaters, an eastern and inner, enclose the harbour. Both breakwaters are accessible to pedestrians, although contain no shelter or amenities for visitors.

The inner breakwater includes a number of fixed moorings used by both the commercial fishing fleet and recreational vessels. The entrance to the harbour has to be regularly dredged to ensure it remains open to vessels. Sand has gathered in the south-eastern part of the harbour (east of the boat ramp) and will need to be removed in the future if additional berths are to be accommodated.

A tidal rock shelf dominates the southern shoreline of the harbour west of the boat ramp.

On-shore, the key feature of the harbour precinct is a low ridge along the southern shore that slopes from west to east. The central section of the ridge has been terraced, with the lower section occupied by the port operations office, storage and yard facilities and a slipway that extends northward into the harbour.

On the upper terrace, the Fishermen's Co-operative building is surrounded by an informal thoroughfare and parking as well as an outdoor eating and viewing area. The northern area of the upper terrace has been recently upgraded by the Fishermen's Co-operative, and provides views from the harbour area over the harbour itself and towards the town centre, beach and Otway ranges in the background.

South and immediately west of the Harbour Precinct is the Apollo Bay Golf Club, a nine hole course with clubrooms and facilities located 230 metres west of the Fishermen's Co-operative building.

North-west of the Fishermen's Co-operative building is the Mothers Beach car park, an informal parking area providing parking for both the Fish and Chip café (housed in the Fishermen's Co-operative building) and Mothers Beach itself.

Just south of the boat ramp is the Apollo Bay Sailing Club clubrooms (in a small re-locatable shed). West of the boat ramp is an informal parking area where larger vehicles towing boats can turn.

The eastern breakwater extends to the north at the eastern end of the Harbour Precinct.

An overview of the locational characteristics of the Apollo Bay Harbour Precinct is shown in Figure 1.2.

Figure 1.2 Apollo Bay and Harbour Precinct



Source: Essential Economics with MapInfo, Bing Maps & StreetPro

2 PLANNING FRAMEWORK

2.1 Current Planning Framework

In 2015, planning scheme amendment C73 to the Colac Otway Planning Scheme rezoned the Apollo Bay Harbour to the Special Use Zone (SUZ2). The rezoning was applied to express the preferred form of development in response to extensive community consultation. The SUZ2 requires that a Development Plan is prepared prior to development occurring within the Harbour Precinct.

A number of concept plans for the Harbour Precinct have been developed by Council and other stakeholders prior to and after the Amendment C73 was applied, although these do not have any official status.

For any development to proceed at the Harbour Precinct, a Development Plan will need to be prepared which meets the Special Use Zone requirements. In particular, an endorsed Development Plan will need to detail how the land will be developed by indicating aspects including:

- The specific locations and types of land uses
- The layout of any buildings or works
- Building envelopes (including heights, elevations and building footprint)
- Allocation of car parking , and
- Detailed floor plans.

Until a Development Plan is approved, Council cannot consider any proposal for use and/or development which requires a planning permit. Note that some works can occur without a Development Plan, such as routine harbour management operations and minor building repairs and works.

The Special Use Zone (Schedule 2) outlines some broad parameters on the nature and scale of development considered appropriate for the site. Specifically, the Special Use Zone:

- Prohibits accommodation as a use.
- Requires that development supports the ongoing operations and viability of the Harbour's port operations (including commercial fishing and the Fishermen's Cooperative).
- Requires that built form reinforces the established land scape character and does not intrude upon the Harbour's southern skyline. While no height limit is prescribed, it is understood that development is effectively limited to a maximum of two levels.
- Limits food and drink premises to 200 square metres of leasable floor area.

- Provides for the ongoing operation of the Apollo Bay golf course.

Also of relevance for any development of the Harbour Precinct is the guidance provided in the Special Use Zone (Schedule 2) relating to inclusions in a future Development Plan, including:

- Expansion and relocation of the port operations and boat repair facility slightly north of the current location.
- Provision of a new Sailing Club facility in the general location of the existing clubhouse.
- Extension of the eastern breakwater to enhance safe harbour access and construction of a new recreational marina mooring along the eastern breakwater.
- Upgrading of the Mother's Beach car park.
- Upgrading of the public boat launching facility and boat trailer parking area.

Figure 2.1 Locality Plan - Schedule 2 to the Special Use Zone



Source: Colac-Otway Planning Scheme (Schedule 2 to the Special Use Zone)

Apollo Bay Harbour Precinct Heritage Overlay

A heritage overlay (HO300) applies to the Harbour Precinct, including the Fishermen's Co-operative building. It is understood that, while the citation for the site identifies the Fishermen's Co-operative building as a significant feature, scope exists for changes to the building without undermining the heritage features of the area. Although demolition of the

building is unlikely to be an option supported in any approved Development Plan, strict interpretation of the applicable controls may allow such an outcome.

3 APPROACH TO MARKET TESTING

3.1 Methodology

A market testing process for the Harbour Precinct has been undertaken with the following broad methodology.

The initial phase identified potential participants based on the experience and knowledge of individuals and companies. Targeted participants have included:

- Investors/developers experienced in commercial developments in coastal locations, including foreshores and harbour-based environments
- Investors/business owners with specific knowledge and experience of Western Victoria
- Prospective investors/developers with specific interests in the Apollo Bay area
- Existing tourist operators in the Apollo Bay area
- Major companies involved in running tourist attractions including, where possible, in the Otway Region
- Business owners with experience in running food and beverage or other businesses in a foreshore/harbour-based environment
- Legal practitioners with experience in planning and/or commercial arrangements in a foreshore/harbour-based environment
- Operators of tourist businesses in coastal locations.

A list of potential interviewees was identified, with input from Project Control Group, from which to canvas views on potential commercial development of the Harbour Precinct. Not all targeted individuals or companies agreed to participate. Where individuals declined or did not respond, alternatives were then targeted and approached.

Where targeted organisations or individuals agreed to participate, each was provided with an information package which was prepared with assistance of the Project Control Group. The purpose of the information package is to provide background information that explains the background, planning context, development opportunity and potential development process for the Harbour Precinct.

An interview framework was then subsequently prepared, in order to provide a structure to the questions and conversation with participants. Again, this was approved by the Project Control Group.

The actual interviews were undertaken in person where possible, and following the same broad interview framework for general consistency. If face-to-face interviews were not possible, a phone interview was undertaken. The duration of the interviews ranged from 10

minutes to almost two hours. In total, 25 persons or entities were approached for an interview and 11 interviews were completed.

Most participants expressed a preference to retain confidentiality in order to encourage robust feedback and avoid compromising any future involvement in an Expression of Interest process for the precinct. Furthermore, some participants wished to ensure that the nature and direction of their feedback did not make their identity obvious. As a result, this report does not disclose any individual or company names arising from the market testing process.

3.2 Summary of Interviewees

An overview of interviewees is provided in Table 3.1 and includes a description of the company or organisation, the level of the individual within their respective entity, the reason the participant was identified and the method of interview (in person or by telephone).

Table 3.1 Summary of Interview Participants

Description of Company/Organisation	Level of individual interviewed	Reason for Participation	Interview type
Company specialising in the management of local government and, state government and private infrastructure	General Manager - Business Development	Infrastructure manager and potential investor	Person
Commercial developer	Managing Director	Potential investor/developer	Phone
Party proposing major accommodation and function centre at Apollo Bay	Consortium leader and prominent businessman	Potential investor/developer already active in Apollo Bay area	Person
Food manufacturer and wholesaler	Managing Director	Potential investor/developer	Person
Regional tourist operator	CEO	Prospective investor in Apollo Bay area	Phone
Food manufacturing and tourism	Proprietor	Regional tourism operator and potential business operator	Phone
Developer, food and beverage operator	Proprietor and prominent businessman	Potential investor/developer	Person
Food and beverage business and tourism operator	Proprietor	Experience in food and beverage and tourism	
Leisure and wellbeing, food and beverage operator in a tourist market	Proprietor	Established business in a holiday market area	Phone
Development advisory and project management consultants and project manager with experience in harbour-based retail and commercial development		Long history of property advisory and development. Specific involvement in harbour-based retail and commercial development.	Person
Legal firm	Partner	Involvement in legal and commercial arrangements of harbour-based retail and commercial development	Person

Source: Essential Economics Pty Ltd

Several key attributes of the participant group should be noted:

- Without exception interviewees represented senior persons within their respective companies or organisation. In the majority of cases, the interviewees were either the full owner or part-owner of their respective companies

- The interviewee group included several prominent businesspersons
- The interviewee group included a number of individuals who have considerable experience in the development of harbour-side retail and commercial facilities. The experience includes dealing with Crown lease conditions as is required in the Harbour Precinct.

3.3 Scoping the Development Opportunity

For the purposes of the market testing process, and broadly consistent with the planning controls set in the Special Use Zone, three specific development opportunities in the Harbour Precinct were highlighted to interview participants.

- **Area 1 - Seafood Retail & Processing**: an elevated area which includes the heritage listed Fisherman's Co-operative building (currently operated by the Fishermen's Co-operative as a café and seafood processing facility), car parking and viewing area. This area represents the potential key area for commercial development.
- **Area 2 – Harbours Edge Development Area**: this area is identified based on the possibility for some form of development on, or near, the tidal rock shelf. Community stakeholders have identified possible concepts involving aquatic based recreation, associated retail, aquatic centre with health and wellbeing facilities; as well as multi-use event and meeting spaces for club, community and commercial activities.
- **Area 3 – Potential Low Scale Commercial Development**: this area represents a more speculative development opportunity based on low scale commercial activity and car parking.

The three potential development areas are identified in Figure 3.1.

3.4 Incorporating Local Ideas for the Harbour Precinct

Background material to the Harbour Precinct and discussions with the Project Control Group and local stakeholders highlights detailed historic consideration of development options for the land.

In some instances, these ideas have been incorporated into the existing planning controls. For example, strict height limits and the prohibition of accommodation. Other potential development outcomes – for example, the inclusion of an enclosed public pool – are well-developed and have strong support from some elements of the local community.

The ongoing importance of the harbour's commercial fishing operations, primarily represented by the Fishermen's Co-operative, is already recognised in the applied planning controls for the Harbour Precinct. The Fishermen's Co-operative is presently limited to a short-term lease on the building that houses the Fish and Chip café and seafood processing facilities, pending resolution of the EOI process and completion of a Development Plan for the Harbour Precinct.

The Fishermen's Co-operative has also prepared concept plans for a staged development including:

- Reconfiguration of access and car parking arrangements
- Additional seafood handling and processing facilities
- Educational and interactive experiences
- Expansion of the Fish and Chip Café towards the north
- An upper level to incorporate an additional food service, look out and exhibition space
- A seafood industry and marine education hub including an aquarium and research facility.

Figure 3.1 Apollo Bay Harbour Precinct - Indicative Development Areas



Another notable stakeholder is the Apollo Bay Sailing Club which operates from the harbour and has a small clubroom building near to the boat ramp. The Sailing Club seeks an ongoing presence in the precinct and has drawn up concept plans for more permanent and expanded clubrooms.

Other ideas include:

- the construction of a foreshore pathway through elevated sand dunes north of the golf course between the Mothers Beach car park area and the town centre.
- the incorporation of a new enclosed (and heated) public swimming pool and accompanying wellness and recreational facilities within the Harbour Precinct. This concept has strong support from elements of the community.
- The incorporation of Aboriginal occupation and early European settlement themes into future development.
- Potential to have the Great Ocean Road Walk trailhead recognised as commencing at the Harbour.
- Low scale and sensitive development in the sand dune area at the end of the Breakwater Road towards the end of the point.

Where appropriate, the above community-derived ideas were identified and discussed with market testing participants.

4 OPPORTUNITIES AND ISSUES EMERGING FROM MARKET TESTING PROCESS

A number of recurring themes – couched in terms of both issues and opportunities – emerged during the interview and market testing process. Alternatively, some interviewees raised particular points not raised by others.

This section of the discussion paper summarises principal and relevant issues and opportunities raised by interviewees.

4.1 Issues

Difficulties with Access and Parking in the Harbour Area

A familiar and recurring theme raised by interviewees relates to the accessibility and parking in the Harbour Precinct. Concern was expressed about the potential for buses to enter the precinct, park within reasonable proximity to potential development sites, turn around and exit to the Great Ocean Road.

Interviewees knowledgeable of the existing conditions spoke critically of the current access and parking arrangements, although noted the difficulties involved in resolving the issue. A number of interviewees pointed to the need for land at the eastern end of Breakwater Road (in the vicinity of the boat ramp) to be more formally presented for the purposes of vehicle movement and parking. This includes the need for a paved surface and line marking.

Other interviewees suggested similar arrangements could be introduced at the Mothers Beach car park with a bituminised surface and line marking setting out formal parking and turning arrangements.

In terms of access to the existing fish and chip café, several interviewees identified the need for improvements in the pathway and steps between the Mothers' Beach car park and the Fish and Chip café.

Seasonality of Visitation

Most participants in the market testing process raised the seasonal nature of tourism to the Apollo Bay area. This is a key issue in determining the nature and success of commercial development in the Harbour Precinct.

A number of developers and business people noted the difficulty of generating sufficient revenue in, say, 100 days each year to offset 265 'quiet days' where opening can be a marginal proposition.

One interviewee suggested that retail tenancies be configured as ‘pop-ups’ in which businesses could potentially close during the off-season or transition to another business that might be more suited to the cooler months.

Most interviewees expressed the view that Apollo Bay’s climate restricts the scale and nature of commercial development, unless new businesses or attractions are of a type or scale that can consistently attract visitors on an all-year-round basis.

Accommodation Prohibited by Current Planning Controls

A number of interviewees (3 to 4 participants including experienced developers and business operators) expressed the view that the absence of accommodation as a permitted use in the Harbour Precinct makes development a substantially less attractive proposition.

One participant was particularly blunt in their assessment, describing the absence of accommodation as ‘fatal’.

These interviewees noted the need for accommodation to help underpin the viability of food and beverage businesses, and to help provide the necessary ‘foot traffic’ to create a vibrant precinct. Moreover, they pointed out, the absence of a unique foreshore accommodation offering removes a potential major attractor and reason to stay in Apollo Bay.

Opinion was divided in terms of what an accommodation venue in the Harbour Precinct might look like. All participants acknowledged the need for development (whether it included accommodation or not) to be respectful of the precinct’s physical geography and the environment more generally.

Some interviewees envisaged high-end accommodation along with a function and conference centre as a commercially viable opportunity. Others imagined a more nuanced offering with a limited number of suites pitched as a unique luxury experience.

One participant suggested a mix of accommodation in which both high-end accommodation and a niche backpackers-style hostel could sit side-by-side. The latter was imagined as providing accommodation for both international backpackers and, potentially, for visiting workers involved in the fishing or other local industries.

One participant felt the absence of accommodation would not greatly impact on the potential for commercial development. Several others did not express a specific opinion.

Disconnect from the Town Centre

A number of participants noted that, while Apollo Bay’s town centre and primary retail strip is just 500 metres (approximately) from the Harbour Precinct, the distance and existing pedestrian access provides little to no sense of connectedness between the ‘main street’ and any retail or commercial development at the harbour.

Some participants expressed the view that this did not represent a significant issue, and that commercial development at the harbour precinct would necessarily be a different type of offering to that of the main street. However, several others with experience in the commercial

development of marinas/harbours expressed concerns about having a Harbour Precinct isolated from other attractors.

Citing examples such as the Queenscliff Harbour and the 'Mirage Marina' development in Port Douglas, concern was raised about the way in which the new developments both competed with the town centres at some level, yet at the same time, sought to differentiate from the town centre.

While the 'Mirage Marina' is an infamous example of a retail failure, the Queenscliff Harbour is perhaps the more relevant case study.

At Queenscliff, the present tenant mix is split between five food and beverage (including a function venue) and eight non-food and beverage retailers, the majority of which are themed around the coastal or leisure activities such as angling charters, day spa and tours of the bay. Several commercial tenancies also house harbour-side management activities.

It is understood a higher than anticipated level of changeover in businesses has occurred at Queenscliff Harbour, with a high-end restaurant failing to attract sufficient clientele to support viability.

One interviewee noted some specific similarities and differences in comparing the potential for commercial development at the Apollo Bay Harbour Precinct with that undertaken at Queenscliff, including:

- Both Apollo Bay and Queenscliff experience significant variations in visitor numbers (particularly overnight visitors) between peak season and non-peak seasons.
- Queenscliff is 1.5 hours from Melbourne and just 20 minutes from Geelong and is therefore better positioned in terms of access to major population centres. Apollo Bay by contrast is approximately 3 hours from Melbourne.
- In the summer months, overnight visitors to the Queenscliff area are generally more affluent than visitors to Apollo Bay.
- Queenscliff has access to passing traffic by virtue of the Queenscliff-Sorrento ferry service which operates hourly between 6.00am and 7.00pm, 365 days per year.

As a result, the interviewee expressed the view that commercial development at the Apollo Bay Harbour Precinct would likely be on a considerably smaller scale than at Queenscliff.

Long-term Tenure Required to Justify Investment

Most interviewees noted and understood the nature of commercial arrangements at the Harbour Precinct as a Crown leasehold. While several participants expressed the view that such arrangements are not as attractive as freehold title, a general view was that Crown leasehold arrangements can be 'made to work'.

Implicit in this sentiment is the need for long-term tenure to remove tenure-based risk and to provide the opportunity to secure a sufficient return on what most observed would be an upfront capital investment with at least a moderate degree of risk attached.

Several interviewees indicated secure tenure in the order of 50-years is required to ensure investment is an attractive proposition. They indicated that longer tenure was likely to result in stronger interest in the Harbour Precinct and proposal of a greater scale.

Insufficient Development Scale to Leverage Public Amenity Improvements

Feedback was sought from interviewees concerning the potential for a contribution from investors/developers towards improvements to the public realm and/or public infrastructure.

Experienced developers/investors noted that improvements to the public realm in the form of footpaths, access points and parking, along with public art and general beautification was a 'given' to ensure commercial development was a success. They noted however, that the extent of such works depended on the scale of development, and achievable commercial returns.

Participants were less enthusiastic about the potential for private investment to contribute towards major works such as a public swimming pool. Again, based on expectations about the likely scale of commercial development, interviewees dismissed the prospect that development could fund or partly fund major public infrastructure as part of any development agreement for the Harbour Precinct. There was a view however, that public sector improvements to the Harbour Precinct could only enhance the level of private sector interest.

4.2 Opportunities

Great Ocean Road an Iconic Attraction

Despite concern from some interviewees about the seasonal nature of tourism activity at Apollo Bay, an overwhelming view was expressed that the Great Ocean Road represents one of Australia's iconic attractions. Furthermore, as the largest urban area between Lorne and Warrnambool, Apollo Bay represents a strategic location that can be, and should be, promoted as a key stop for visitors. In this regard, interviewees were more positive about the opportunity for commercial development in the Harbour Precinct.

Enticing Visitors to Stop, or to Stay Longer

Interviewees regarded Apollo Bay as a popular stopover for visitors to the Great Ocean Road. The key, it was suggested, is to entice visitors – particularly those on bus tours – to spend longer in Apollo Bay or to consider Apollo Bay as the key overnight destination along the Great Ocean Road, and a means of turning a largely one-day bus tour market into two days.

Participants pointed to the need for larger scale accommodation in Apollo Bay, tailored specifically to Asian markets, and attractions again geared towards enticing international tourists to spend longer in the town¹.

Interviewees offered a variety of ideas as to what might attract visitors to the Harbour Precinct, and by extension Apollo Bay more generally. These included:

- High end seafood restaurant
- A diverse range of food and beverage establishments within the harbour area, including in an elevated position able to afford direct views of the bay and nearby ranges
- Educational and/or interactive experiences around the fishing industry
- An aquarium
- Local art and craft offerings
- A health and well-being centre including day spa centre
- An enclosed public swimming pool as part of, or independent of, other uses described above
- Associated retail and commercial facilities including gift shops and tourism operators
- Appropriately configured accommodation
- Conference and function facilities.

Identifying a Development Theme

Several participants noted the need to ensure that development at the Harbour Precinct is appropriately themed and defined. In this regard, they encouraged a clearly defined theme such as commercial fishing and seafood, or arts and crafts, or food and beverage. The key, they argued, was to avoid a 'grab bag' of different attractions and facilities with no real coherent synergies or integration.

Public Realm and Quality Facilities

Interviewees, particularly those with first-hand experience of the Harbour Precinct, agreed that improvements to the public realm will be critical to ensuring commercial development is successful.

One opportunity mentioned by a number of participants, was the potential for quality public rest rooms within a redeveloped Harbour Precinct. The issue, as explained by interviewees

¹ Note: A number of bus tour operators already schedule Apollo Bay as the lunch destination for one-day tours of the Great Ocean Road. Arrangements are in place with some restaurants along Collingwood Street.

relates to the view that convenient and quality public restrooms are few and far between along the Great Ocean Road. It was suggested the presence of such facilities within a commercial development would represent a strong reason to stop at the Harbour Precinct.

It was also noted that vehicular access arrangements including parking and turning would need to be resolved to make the harbour a convenient stop for buses and larger vehicles.

4.3 Potential Development Themes

In discussing the potential for commercial development with interviewees, it is reasonable to state that genuine investment interest was not strong. Although four participants indicated a degree of interest (three as potential developer/investor, one as potential business operator), the majority suggested they were unlikely to become commercially engaged in a future expressions of interest process.

Even so, the majority provided views and observations in terms of potential development themes that could be pursued in the Harbour Precinct. As a summary, the following were identified.

Development Theme 1 Small Retail Development or Expansion of Existing Retail

This development theme can be described as ‘an expanded café/restaurant and a couple of shops’. This is based on the perception that development of the Harbour Precinct is likely to represent a relatively high risk proposition, and only a development concept limited in scale is likely to be achievable.

The development could be provided in the form of new construction or through adaptive re-use and expansion of the existing buildings.

Development Theme 2 Wellness Centre

Several interviewees considered the Harbour Precinct as a good location for a health and wellbeing centre, including a leisure, spa and health treatment facilities. Ideally, such a facility would include an expended retail presence with one or more food and beverage premises and a gift shop. A development of this nature was envisaged to include elements of the lower terrace and, potentially, the rock shelf.

One participant felt that a development of this sort may be commercially viable. Another suggested further research to establish the potential for hot water spas at Apollo Bay. Hot springs or spas, it was indicated, have great appeal to the Asian market and would potentially represent a major drawcard.

Development Theme 3 Wellness Centre, Retail and Public pool

One participant suggested an integrated facility that included a wellness centre and associated food and beverage facilities, along with an enclosed public pool. An outcome such as this, it was suggested, could establish the Harbour Precinct and Apollo Bay as a major destination for visitors and meet local demand for a public pool facility.

However, the participant noted that funding for the construction of the pool component would need to be sourced from Government, as it would not represent a commercially viable private sector investment. The same participant also noted that operational costs associated with a public pool would, in all likelihood, need to be subsidised by the public sector.

Development Theme 4 Fisherman’s Wharf

Several participants suggested a development theme built around the fishing industry would be a logical direction for future development at the Harbour Precinct. In general terms, ideas were floated based on a small-scale Fisherman’s Wharf activity area. This would be where fishing, dining, seafood processing, trades associated with fishing and harbour-side activities, educational facilities and tourist operations could be co-located and encouraged. The concept would see a relatively low-scale collection of buildings with tight design guidelines, encouraging a range of mixed activities. To visualise the concept the wharf/harbour precinct of Nantucket, the historic whaling centre, in Massachusetts was cited as potential example.²

Image 4.1: Nantucket Fisherman’s Wharf



Source: Panoramio.com

² It should be noted that the population catchment within a 2-3 hour journey of Nantucket numbers in the tens of millions of persons. It can be safely assumed commercial development and activity at Apollo Bay would be on a smaller scale than at Nantucket.

Development Theme 5 Retail, Food and Beverage and Accommodation

A final development theme raised by several participants – and one which is not permitted under the planning controls – involved a mix of food and beverage, and other retail facilities along with accommodation and, potentially, conference and function facilities.

Generally, those interviewees who raised the issue of accommodation envisaged a high-end offering as the key ingredient as the increased room rates provide the ability to offset potential risks and high development costs associated with the precinct.

4.4 Participant interest in the Expressions of Interest Process

Four interviewees confirmed their potential interest in the Expression of Interest process; three as potential developers/investors and one as a potential business operator.

5 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Main Findings

Market testing the potential for commercial development in the Apollo Bay Harbour Precinct has provided the opportunity to gain insights from investors, developers and business operators into how they are likely to respond to a future expressions of interest process. The following main findings are relevant:

- 1 **The Harbour Precinct.** The Apollo Bay Harbour Precinct is well-known and regarded. At least on a first principles basis, most interviewees see the precinct as a potentially good location for commercial investment.
- 2 **Local ideas are well advanced.** Local stakeholders have already invested considerable thought and energy in various development concepts for the Harbour Precinct. Local ideas include building on the existing commercial fishing industry and incorporating new enclosed public swimming facilities on the foreshore of the harbour. As with any proposals for the Harbour Precinct, these would need to be consistent with the provisions of the Special Use Zone.
- 3 **Access and parking.** Many participants commented that existing access and parking arrangements at the harbour are inefficient and inadequate. Most regard a reconfiguration and more formal presentation of access and parking as critical in any future development. A commitment to improved parking and access is considered a pre-condition to maximising developer interest.
- 4 **Seasonal economy.** A number of interviewees regard the seasonal nature of tourism, particularly overnight visitors, as a limiting factor in the scale and type of potential development in the Harbour Precinct.
- 5 **Accommodation.** A number of participants regard the absence of accommodation as a development option as a limiting factor in generating development interest. Several (in the order of three to four, but including experienced developers and hotel/accommodation operators) interviewees commented that the prohibition on accommodation in the planning controls for the Harbour Precinct were likely to prove 'fatal' in terms of future development outcomes.
- 6 **Town centre disconnect.** Several participants expressed the view that the lack of connectedness with the town centre would limit the type and scale of development. It was acknowledged that an all-abilities pedestrian pathway linking the town centre with the Harbour Precinct would assist, though it was also noted the two locations would remain separate in a commercial sense regardless of attempt to improve links.

- 7 **Long-term tenure required.** Several interviewees (in the order of three to four, but including developers experienced in crown lease arrangements) noted that to undertake a commercially viable development in the Harbour Precinct, agreements concerning tenure would need to be long term in nature (eg at least 50 years or more).
- 8 **Likely development scale insufficient to leverage major public investment.** Participants with extensive development experience believed the likely scale of development would be insufficient for the developer to provide financial contributions for public infrastructure improvements beyond small to medium scale amenity improvements such as pathways and boardwalks.
- 9 **Iconic location.** Interviewees agreed Apollo Bay and the Harbour Precinct represents an iconic tourist location and the subject site is an attractive location for investment of some kind.
- 10 **Improved public facilities.** Many participants raised a perceived lack of quality rest rooms and public facilities along the broader expanse of the Great Ocean Road as a real opportunity to make the harbour area a key stopping point for visitors, particularly bus tours. If such facilities were provided, it was argued that associated retail and tourist facilities could make the Harbour Precinct a place where visitors remained for a period of time.
- 11 **Determining a harbour theme.** Several interviewees noted the need to determine a specific development theme; fishing and coastal education, wellness and leisure or retail were raised as possibilities. Food and beverage opportunities were allied to all development themes.
- 12 **Development themes identified.** During interviews, participants willingly explored potential development themes. Ideas included:
- Low scale retail facilities including food and beverage
 - Wellness and leisure centre along with food and beverage facilities, and associated retail
 - Wellness and leisure centre, retail and public pool
 - Fishermen’s wharf concept building on existing assets including of education facilities and, potentially, an aquarium
 - Various versions of the above with accommodation (noting such an outcome is prohibited under the schedule to the Special Use Zone that applies to the Harbour Precinct).

5.2 Conclusions

While direct feedback from interviewees has informed the main findings, the following conclusions are based on the consultant’s experience in, and knowledge of, the development process. Conclusions include:

- 1 **Level of developer interest.** Overall, potential investment interest in the Harbour Precinct among interviewees was limited. As a rough guide, the scale of commercial development is considered likely to be around the \$2 million to \$10 million range, though it is also possible no developer will be identified. It is considered unlikely a developer proposing a higher level of investment (\$10 million-plus) would submit a proposal within the existing planning controls (Noting again that accommodation is prohibited under the planning controls).
- 2 **Interest in Expression of Interest (Eoi) process.** Four interviewees expressed some level of interest in being involved in a future Expressions of Interest process; three with potential development/investment interest, and one with possible interest in establishing a business on the site. The majority expressed little to no interest. As the cost to the State Government of a formal Eoi process is understood to cost up to \$1 million (depending on the project scale), there is a risk the very formal nature of the process will result in little serious or substantive development interest.
- 3 **Public Funding.** Based on feedback from experienced developers, it is apparent the extent to which public infrastructure will be provided or enhanced as part of any commercial development will be limited. The question of public infrastructure in the Harbour Precinct is a vexed issue in that improved infrastructure is likely to influence the extent and scale of private sector interest, yet commercial development may assist in driving infrastructure funding. It should be noted that it is considered unlikely that private sector funding will be available to fund, or contribute towards funding, of a public swimming pool within the Harbour Precinct.
- 4 **Planning Controls.** The existing planning controls will support moderate scaled commercial development in the Harbour Precinct. Based on the Market Testing process they do not support encouragement of large scale commercial development nor private sector contribution to major public infrastructure works.
- 5 **Accommodation.** An amendment to the planning controls to allow accommodation within the Harbour Precinct would increase the likelihood of securing private investment towards large scale infrastructure.

5.3 Recommendations

The following recommendations relate to how Council may consider taking the process forward.

- 1 **Inform community of the Market Testing findings.** Council, with the Project Control Group, inform the community of the Market Testing process main findings (see above). In particular that private sector is highly unlikely to provide funding towards public infrastructure at the Harbour Precinct, including a public pool, wellness centre, connection to the two centre and traffic infrastructure such as roads and car parks. The development of public infrastructure will be required to be funded by Local, State and/or Federal Governments.

- 2 **Note no commercial interest in the development of a pool at the Harbour Precinct.** It is important Council acknowledge the response by the commercial sector was that they would not invest in a pool facility at the Harbour Precinct. This acknowledgement allows the community to progress investigating alternative locations within Apollo Bay.
- 3 **Ministerial support for an expression of interest process.** Council is required to seek the support of both the Minister for Planning and Minister for Energy, Environment and Climate Change prior to undertaking an expression of interest process for Crown land. The request to the Minister for Energy, Environment and Climate Change should also seek in principle support for consideration of leases greater than 21 years, subject to future justification based on commercial grounds. This request should progress once Council has identified an appropriate expression of interest process (Refer recommendation 4).
- 4 **Design an appropriate EoI process.** An EoI is a formal process where every single risk and issue is effectively tabled and considered upfront. With significant costs involved and, potentially, little interest and/or limited investment arising as a result, the process for the Harbour Precinct is considered to be a risky and expensive one. As an alternative, it is suggested that Council (in consultation with relevant Government agencies/departments) designs an appropriate transparent process to invite the private sector for proposals that are consistent with the existing planning controls. This approach has the benefit of 'flushing out' interested parties for further discussions. Council may, or may not, elect to proceed with proposals from interested parties arising from the process.
- 5 **Infrastructure upgrade requirements.** Whichever approach is taken to advance the potential for commercial development in the Harbour Precinct, there is a need to progress securing of Government funds to significantly upgrade the public infrastructure as noted in recommendation 1. Advancing the case for the funding of public infrastructure improvements will require development of an advocacy plan to obtain funding.