

Local Economic Development Fund

Opal Lakes Dropbear Conservation Park

BUSINESS CASE

Opal Lakes Shire Council

Version 2.0

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1 CASE FOR CHANGE

1.1 Background

As all Australians know, the dropbear might look cute and cuddly, but even the common dropbear (*Thylarctos plummetus*) is a deadly and effective predator.

Despite their formidable arsenal of weapons – giant fangs, incredible upper-body strength, and frenzied feeding patterns – all species of dropbear are endangered.

The Opal Lakes region is one of the last refuges of the wild dropbear, including the highly endangered mammoth dropbear (*Thylarctos plummetus gigantus*).

Opal Lakes Shire Council is planning to create a dropbear conservation park. The park will help in the conservation of dropbears through the establishment of a dropbear veterinary hospital and rehabilitation research centre, and the protection of habitat. The park will be self-funding through construction of a tourist information centre, offering guided tours, souvenirs, and accommodation.

Opal Lakes Shire Council's goal is to actively engage on policy issues related to this most misunderstood of Australia's fauna, and play a leading role in dropbear research, in partnership with universities, government, and wildlife protection organisations in Australia and overseas.

The outcomes of the project are:

- Opal Lakes Dropbear Conservation Park (OLDCP)
- Sir John Hammond Dropbear Hospital and rehabilitation research facilities
- Tourist information centre, including shop, etc.
- Accommodation.

Preliminary research commissioned by Opal Lakes Shire Council indicates that up to 300,000 visitors per annum could visit the park from commencement of operations, including large numbers from overseas and interstate. The Opal Lakes region has lower visitation than many areas of NSW, so the project will help develop tourism infrastructure through the project. It will increase usage for the recently announced airport for Opal Lakes, due to be complete by 30 June 2023.

Opal Lakes Shire Council has commenced the licensing process from the NSW Government to:

- operate as a wildlife rescue and rehabilitation organisation; and
- exhibit dropbears, an endangered species.

By funding the project through the Local Economic Development Fund, the project will deliver the following benefits to the Opal Lakes region:

- increase education and research for dropbear conservation;
- increase community, livestock, and wildlife safety;
- increase visitation and overnight stays to our region;
- create jobs in the tourism industry.

1.2 Rationale for Investment

The Opal Lakes Dropbear Conservation Park (OLDCP) aims to overcome the problems of habitat loss for dropbears and establish a captive breeding program to increase dropbear numbers.

For this landmark tourism precinct to proceed, we need financial support from the NSW Government's Local Economic Development Fund. Opal Lakes Shire Council does not have the financial capacity or financial reserves to fund a project of this size in the next ten years.

With NSW Government funding, Council can deliver our vision within two years and bring tourism dollars to regional NSW.

1.3 Strategic Alignment

The project aligns with:

- NSW Government Priority 402 – halt the decline in dropbear numbers in NSW;
- Opal Lakes Development Strategy Goal 15 – increase visitation to Opal Lakes region to 500,000 visitors per annum by 2040.

1.4 Expected Outcomes

Expected outcomes of the project include:

Table 1.1: Expected outcomes

Outcome	Mechanism
Increased tourist visitation	World-class facilities with the unique opportunity to see dropbears in their native habitat, with appropriate safety measures.
Increased overnight stays	Opal Lakes is in regional NSW, and visitors from Sydney or Melbourne would need to stay overnight in Opal Lakes or nearby in order to visit the park (travel time from Sydney and Melbourne is such that a day trip to Opal Lakes is not feasible, except by private jet).
Local economy boost	Accommodation, fuel, food and other services catering to visitors, including other local attractions (parks, historic mines and mining settlements) will all be boosted through the presence of the park.

Opal Lakes Shire Council advises that community consultation reveals strong support for the project from residents, businesses, and the local Chamber of Commerce.

The beneficiaries of the project are expected to be:

- NSW residents, through the preservation of dropbears, including for conservation and visitation;
- NSW residents, through protection from dropbears for themselves and livestock;
- NSW workers, through increased employment/wages;
- NSW businesses, through tourism sector profits.

1.5 Stakeholder & Community Support

Opal Lakes Shire Council has conducted extensive community consultation, and there is strong support in the community for the project, including from local businesses, council officials and local members of parliament.

2 ANALYSIS OF THE PROPOSAL

2.1 The Base Case

The base case is the “do nothing” scenario and the continuation of the status quo.

Under the base case the following will remain:

- limited opportunity to increase visitation to Opal Lakes region;
- continued threat to dropbear habitat;
- continued decline in dropbear numbers;
- continued threat to residents and livestock from dropbears.

2.2 Other Options Considered

2.2.1 Part Project

Opal Lakes Shire Council considered three other options:

- Do nothing (no new facilities or tourist attractions);
- Option 1: only have the conservation park with veterinary hospital and rehabilitation research facilities;
- Option 2: only have the tourist information centre with souvenir shop and accommodation.

By only having Option 1, the potential for income was foregone as it was felt that there would be not enough attraction to have people travel from Sydney or Melbourne to Opal Lakes. By only having Option 2, key conservation outcomes would not be achieved, which would also mean that income streams would not be sustainable beyond 2040.

The project’s value proposition is to have the dropbears (safely) accessible to visitors, and to be able to learn about them, and to have these activities fund the hospital and research.

2.3 Information about the Proposal

2.3.1 Scope of Works

The scope of works for the project includes:

- 6m reinforced electrified steel fencing for the park (200km), to prevent dropbears from attacking the local population and livestock;
- live video monitoring of the site;
- power generator (for fencing);
- holding pens (x12);
- heavy lift vehicles (x12);
- ranger patrol vehicles (x12);
- veterinary hospital and rehabilitation research centre construction;
- visitor information centre, including carpark, shop, museum, art gallery and theatrette (200 person capacity);
- “adventure experience”, allowing visitors to view the dropbears from a safe viewing cage (pathways and viewing platforms);

- accommodation construction;
- public amenities and road access.

2.4 Projected Costs

2.4.1 Projected Capital Costs

Table 2.1: Projected capital costs inclusive of contingency (\$ million, real)

Stage	2021/22	2022/23	2023/24	2024/25	Total
Conservation Park fencing and video monitoring	\$38.00	\$2.00	-	-	\$40.00
Power generator (fencing)	\$10.00	-	-	-	\$10.00
Veterinary hospital and rehabilitation research construction	\$25.00	\$15.00	-	-	\$40.00
Road, Amenities and Visitor information centre, including car park, etc. construction	\$10.00	\$10.00	-	-	\$20.00
Accommodation construction	\$12.00	\$3.00	-	-	\$15.00
Holding pens (x12)	\$10.00	\$2.00	-	-	\$12.00
Pathways and viewing platforms	\$3.00	\$3.00	-	-	\$6.00
Heavy lift vehicles (x12)	\$3.00	-	-	-	\$3.00
Ranger patrol vehicles (x12)	\$0.70	\$0.14	-	-	\$0.84
Base estimate	\$111.70	\$35.14	-	-	\$146.84
Contingency	\$11.00	\$3.00	-	-	\$14.00
Total cost	\$122.70	\$38.14	-	-	\$160.84

Capital expenditure would be almost \$161 million in real terms over the 2022 and 2023 financial years, with most costs incurred in the 2022 financial year. These costs have been reviewed by a quantity surveyor. Construction will be staged as much as possible to allow operations to commence during construction.

- Council expects construction to be fully completed by the end of the 2023 financial year (30 June 2023).
- All assets are expected to last for 5 years, we expect all profits from the project will be required to rebuild the asset following this period. This is a lower asset life than for similar projects¹, due to the heavy damage we expect for fencing, holding pens and viewing platforms due to dropbears. However, based on industry research with other conservation parks for destructive fauna, the asset life could be extended to 10 years.
- Council is seeking \$100.84 million from the NSW Government's Local Economic Development Fund (62.7%).
- Opal Lakes Shire Council will contribute \$60 million from savings and loans (37.3%).

There are no project exclusions, and the only related project is the recently announced Opal Lakes Airport, which complements the project.

2.4.2 Land

The land is currently a State Park, owned by the Crown. The land will have the same use with or without the project funding.

¹ <https://www.ato.gov.au/law/view/document?DocID=TXR/TR20195/NAT/ATO/00001>

2.4.3 Projected Ongoing Costs

Construction has been staggered so the park can begin operations after the first year of construction (from 1 July 2022).

Additional revenue will then be invested into education, tourism, research, and conservation programs to save the lives of our declining dropbear populations.

When operating, the new facility will have high personnel and operating costs, but consultation within Opal Lakes Shire Council and with NSW Government staff suggest that there will be matching cost savings: less medical staff at the Opal Lakes Hospital, less police officers called out for damage and injury reports, less Council staff responding to angry farmers and residents, etc.

2.5 Proposed Funding Arrangements

Table 2.2: Proposed capital funding contributions (\$ million, real)

Stage	2021/22	2022/23	Total
Proposal capital costs (Table 2.1)	\$122.70	\$38.14	\$160.84
NSW Government (subject of this request)	\$76.93	\$23.91	\$100.84
Council contributions	\$45.77	\$14.23	\$60
Other funding sources (please detail)	-	-	-
Total	\$122.70	\$38.14	\$160.84

3 PROJECT OUTCOMES

The project will deliver significant benefits for the people of NSW. Council's supporting evidence includes willingness-to-pay survey results, Tourism Research Australia analysis and discussion of avoided costs.

3.1 Consumer Surplus

The establishment of a dropbear conservation park is a world-first: no zoo in the world has been able to safely keep and display a dropbear. This will be the only place in the world where visitors can safely see a living dropbear.

Opal Lakes Shire Council approached Professor Dr Noa Adkins – an economist at Opal Lakes University who specialises in willingness-to-pay (WTP) surveys – to understand economic benefits from consumer surplus. The University conducted a WTP survey with this description:

Opal Lakes Dropbear Park seeks licensing as a wildlife protection reserve and research/study centre. The project includes:

- 6m reinforced electrified steel fencing for the park (200km), to prevent dropbears from attacking the local population and livestock;
- live video monitoring of the site;
- power generator (for fencing);
- holding pens (x12);
- heavy lift vehicles (x12);
- ranger patrol vehicles (x12);
- veterinary hospital and rehabilitation research centre construction;
- visitor information centre, including carpark, shop, museum, art gallery and theatrette (200 person capacity);
- "adventure experience", allowing visitors to view the dropbears from a safe viewing cage (pathways and viewing platforms);
- accommodation construction; and
- public amenities and road access.

The University sampled 1,000 residents across NSW about the project scope². Respondents completed a discrete choice experiment designed to estimate the economic value of the proposed project³. These residents were told that to fund the project, a one-off per household state levy would be added to their council rates for the 2022/23 financial year, for them to consider their response seriously. Based on the survey results, weighted to match NSW's population demographics⁴, the economic value of the project to NSW is estimated to be \$10.00 per household in the 2021/22 financial year (with a 95 percent confidence interval between \$7.50 and \$12.00). The Australian Bureau of Statistics reported 2,604,320 households in the 2016 Census.

² Respondents are part of market research panels, they were not paid to complete survey. The survey results stabilised after 500 responses, meaning that results were highly consistent from that point on. Responses from those who had suffered personal injury or financial impact due to dropbears were removed from results.

³ The discrete choice experiment determined the importance of the scope items for our proposed project by varying what the project included and asking respondents if they were prepared to pay the cost selected. Mathematical modelling determined the stated values.

⁴ Simultaneously weighted by age, place of residence (postcodes used to separate into "Opal Lakes", "Other Regional NSW" and "Greater Sydney") and sex. Income was not used for weighting.

Professor Adkins' findings included:

- Respondents of the Opal Lakes Region placed the highest value on the project, followed by those in regional NSW, and then residents of Greater Sydney.
- Respondents had good awareness of dropbears, but most had not visited the Opal Lakes Region. Those respondents who had visited the Opal Lakes Region placed a higher value on the project than those respondents who had not previously visited.
- The survey uncovered community concerns about people being able to get so close to these ferocious beasts, with 20% of households not wanting the tourism portions of the project to go ahead (many respondents cited safety concerns). However, the study suggested an overwhelming majority (80%) supported the tourism components of the project, and that 100% of respondents supported conservation and safety components.

The mathematical model and full willingness-to-pay report were provided in the expression of interest for funding, and were discussed with Department staff, so have not been attached.

3.2 Tourism Visitation

The announcement of a dropbear conservation park, where people can actually see a live dropbear without fearing for their lives received worldwide attention. Since that time, Tourism Opal Lakes (part of Opal Lakes Shire Council) has fielded tens of thousands of enquiries and the Tourism Opal Lakes website has received millions of hits.

Both Austrade and the Department of Foreign Affairs and Trade have reported that international embassies and consulates have also had significant enquiries.

Due to the national and global interest, Tourism Research Australia (TRA) have worked with Opal Lakes Shire Council to add relevant questions to their annual *National Visitor Survey*⁵ and *International Visitor Survey*⁶ to understand visitation demand. They estimate the following additional interstate and international demand following project completion, Year 1 is when park begins operations (that is, from 1 July 2022):

Table 3.1: Tourism demand forecast (TRA and DNSW)

	Length of stay (nights)	Year 1 ('000)	Year 2 ('000)	Year 3 ('000)	Year 4 ('000)	Year 5 ('000)
Interstate	2	100	200	250	280	300
International	2	50	100	125	140	150

TRA advise that the nightly expenditure of interstate visitors is \$200/night, for international visitors the figure is \$100/night. They also estimate that there are additional profits of 9% of these figures for businesses selling to these tourists. Similarly, they estimate additional wages of 11% of these figures for workers in these businesses.

Tourism Opal Lakes has also estimated visitation from NSW residents based on website enquiries and attendances at major zoological attractions in NSW, which indicate that half of all visitors would be NSW residents, one third from interstate and one sixth from overseas. Tourism Opal Lakes estimates that NSW visitors would spend even more than international and interstate visitors, because they have lower travel costs, and estimates nightly spend of \$300/night.

⁵ <https://www.tra.gov.au/Archive-TRA-Old-site/Research/Domestic-tourism-by-Australians/National-Visitor-Survey-methodology/nvs-methodology>

⁶ <https://www.tra.gov.au/International/ivs-methodology>

Table 3.2: NSW tourism demand forecast (Opal Lakes Shire Council)

	Length of stay (nights)	Year 1 ('000)	Year 2 ('000)	Year 3 ('000)	Year 4 ('000)	Year 5 ('000)
NSW residents	2	150	300	375	420	450

3.2.1 Avoided Costs

Local farmers – all within NSW – have provided their hospital admission reports, police reports of chewed fences and machinery and livestock numbers over the last 10 years as evidence of impact attributed to dropbears. These averaged \$20 million per year until 2018, when the Opal Lakes Volunteer Brigade – a volunteer force largely made up of farmers who are ex-military personnel and pig hunters – formed, and reduced these costs to nil. However, they incurred \$15 million per annum of costs for fuel, tranquiliser darts, and most of all, lost wages.

The brigade will disband upon full completion of the project, as discussed in section 2.4.1.

3.2.2 Project Risks

Opal Lakes Shire Council has previously provided a comprehensive list of project risks, largely based on experience in caring for and protecting residents from the ferocious dropbears over the last years. No further risks have been identified since that time.

We have concept plans that will minimise disturbance to dropbears during construction, and a risk management plan to ensure safety of staff and visitors during and after construction.