



WORLD CLASS TOURISM AND HOSPITALITY MANAGEMENT SCHOOL FEASIBILITY STUDY HIGHLIGHTS



Tourism
WESTERN AUSTRALIA

WESTERN
AUSTRALIA

ACKNOWLEDGEMENT OF COUNTRY

Tourism Western Australia acknowledges Aboriginal peoples as the traditional custodians of Western Australia and we pay our respects to Elders past and present. We celebrate the diversity of Aboriginal West Australians and honour their continuing connection to Country, culture and community. We recognise and appreciate the invaluable contributions made by First Nations peoples across many generations in shaping Western Australia as a premier destination.



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DISCLAIMER

Highlights of the World Class Tourism and Hospitality Management School Feasibility Study prepared by Urbis for Tourism Western Australia, May 2024. The contents of this document is correct at the time of publication.

EXECUTIVE SUMMARY | OVERVIEW

This feasibility study supports the viability of the proposed world class tourism and hospitality management school; an ambitious initiative which is expected to help address critical skills needs, foster industry growth and contribute to the broader economic development of Western Australia (WA).

The tourism and hospitality sector is a critical part of the Western Australian (WA) brand and economy. The investigation into the feasibility of establishing a world class tourism and hospitality management school in Western Australia aligns with key strategic imperatives of the State Government including, the Western Australia Visitor Economy Strategy 2033 (WAVES 2033) which outlines an ambitious growth aspiration to increase visitor spending to \$25 billion annually by 2033. Additionally, Diversify WA:Future State identifies “tourism, events and creative industries” as a targeted diversification opportunity for growth in WA.

Alongside the strategic context, there has been strong support from industry, with industry bodies and key stakeholders advocating for this initiative as a means of addressing critical skills shortages in the workforce and building a pipeline of talent.

To support decision making, the State Government, through Tourism WA, commissioned a feasibility undertaken by consultancy Urbis.

This work identified the following key findings.

LACK OF RENOWNED AND BESPOKE TOURISM AND HOSPITALITY EDUCATION OFFERING

A world class tourism and hospitality management school is an industry-specific education offering that complements the broader offerings such as Technical and Further Education (TAFE) and university courses.

There are numerous examples of these education offerings across Australia and internationally which deliver high quality and specialised education outcomes alongside strong industry and education sector partnerships.

WA does not have any such offering. As such, students seeking this specialised education are required to travel overseas or interstate.

Whilst there are notable examples of university, TAFE and private training provider education options for the sector, a particular area of need identified was in courses aimed at management positions and those seeking a long-term career in the sector.

STRONG POLICY, STRATEGIC & STAKEHOLDER ALIGNMENT

This project is strongly aligned to State Government policy and strategy to grow the tourism sector and visitor economy. In particular, this initiative supports objectives to improve workforce attraction and retention by improving productivity and capturing the flow on benefits to employee engagement.

Key stakeholders from industry and the education sector additionally demonstrated high levels of support for this school. This included early support from industry for workplace placements for students.

NEED FOR SKILLED WORKERS AND INDUSTRY ALIGNED EDUCATION OUTCOMES

Research and stakeholder engagement demonstrates a critical need for skilled workers in the sector, from the metropolitan area to WA's vast regions.

A workforce skills analysis identifies significant skills gaps across almost all occupations in the tourism and hospitality sector. This gap is particularly pronounced for critical senior positions such as hotel or motel managers (with only 34% holding a diploma level qualification or higher). This initiative is aimed at creating a pipeline of skilled workers in WA to address this gap.

The demand analysis prepared for this study revealed that the sector is operating with a low proportion of the workforce holding relevant qualifications. The estimated skills gap for occupations where a bachelor degree or higher is preferred, for example, is expected to increase to approximately 1,800 workers over the next decade.

Furthermore, a recognised and demonstrated gap for industry is the attraction and retention of workers that see tourism and hospitality as a career of choice; and an education offering that delivers high quality education outcomes suitable for the world class assets and experiences offered and planned for in WA (on top of current offering through universities, TAFE and private education providers).

EXECUTIVE SUMMARY | OVERVIEW (CONT.)

PRELIMINARY MARKET SOUNDING KEY FINDINGS

A preliminary market sounding was undertaken with three renowned tourism and hospitality management schools to gauge interest in expanding their brands to WA. The market sounding highlighted:

- An interest from all three schools interviewed in participating in an Expression of Interest Process;
- That international students will be critical to the viability of a school;
- That schools would consider or require a range of government support, including land and scholarships; and
- Validated the need and opportunity for a world class Tourism and Hospitality School.

The market sounding identified a key role for further investigations to be undertaken to explore potential site options.



EXECUTIVE SUMMARY | PREFERRED MODEL

The positive outcomes of the study highlight that the proposed school has the potential to become a hub for excellence in tourism and hospitality education.

By offering cutting-edge curriculum, state-of-the-art facilities, and industry-relevant training, the proposed school is expected to produce graduates who are not only well-prepared for the current job market but also equipped to adapt to the evolving landscape of the tourism and hospitality sector.

Furthermore, the study underscores the socio-economic impact of such an initiative. The school is anticipated to contribute significantly to the local and regional economy by attracting students and industry partnerships, delivering a skilled workforce to address severe skills gaps, bolster a career in tourism and hospitality as a career of choice to attract new workers to the sector and improve the competitiveness of local businesses to increase spending in the sector.

It is estimated that a new school in WA could support an economic benefit of \$260.2 million (NPV at 5% discount rate over 40 years). This economic benefit estimate includes two components: international education and productivity. The international education figure includes the additional spending contributed by students of a potential school to the WA economy. The productivity component uses increased earnings as a proxy, which is a usual economic analysis approach. Increased productivity describes an uplift in the level of output generated from the same inputs.

Additionally, the proposed school is expected to enhance the overall reputation of the region as a hub for tourism and hospitality education; attracting international students and retaining these students for local careers.

There is however a key role for government to facilitate the attraction and investment in a truly world class offering. There are numerous approaches the State Government can undertake to support this initiative ranging from provision or funding support for school facility and / or course establishment costs through to payments to support operating cash flow in the initial years of school operation. It is expected that de-risking and supporting this initiative can encourage significant education sector interest and investment; and that a formal request process from education providers will further define the role of government and leverage from private / education sector investment.

In conclusion, the positive outcomes of the feasibility study emphasise that the world class tourism and hospitality management school holds immense promise.

Its establishment is poised to address critical skills needs, foster industry growth, and contribute to broader economic development. This endeavor additionally represents a strategic and forward-thinking response to the evolving demands of the tourism and hospitality landscape.

OPTIONS OVERVIEW

Item	Low	Base	High
Students	263	351	439
Graduates (p.a.)	60	80	100
Staff	24	32	40
International Students	50%	62%	70%
Building floorspace (sq.m GFA)	2,301	3,068	3,836
Infrastructure and Facility Cost Estimate	\$28.8	\$38.4	\$47.9
Establishment Costs	\$6.9	\$9.2	\$11.5
Operating Cost Estimate (p.a.)	\$7.1	\$9.5	\$11.9
Net Benefits (@ 5% Discount Rate)			
	Low	Base	High
International Education (\$M)	\$27.3	\$47.2	\$72.7
Productivity (\$M)	\$159.7	\$213.0	\$266.2
Total (\$M)	\$187.0	\$260.2	\$338.9

TOURISM & HOSPITALITY MANAGEMENT SCHOOLS | CASE STUDIES

Tourism and hospitality management schools specialise in equipping individuals with the skills and knowledge needed for success in this dynamic, global industry. Offering a variety of degrees, certificates, and courses, these institutions complement programs from universities, TAFE, and private operators. With a strong focus on global perspectives, they often include international exchanges, language courses, and cultural competency training, preparing students for careers in an increasingly interconnected sector.

The desktop study researched 12 tourism and hospitality schools across Australia, Southeast Asia and Europe to understand operational models, facilities, scale and drivers of success for existing schools that offer bespoke tourism and hospitality courses. These findings have informed the options assessment process of this study.

Key insights from the case studies:

MODELS

Schools are structured in a range of models, with the key four models.

- Private provider.
- Industry provider with higher education partnership to develop curriculum.
- Joint venture between private provider and industry.
- Private provider in partnership with government.

BRAND

Having a strong name as a leader in hospitality education, or alignment with a strong hospitality education brand is critical. The strong brand name and reputation as a leader in hospitality education and training is a key driver of success.

COURSE FEES - AUSTRALIAN INSTITUTES

The research initiatives revealed that the current course fee structure for various Australian education institutions falls within the following price ranges, highlighting the financial considerations for both domestic and international students.

Undergraduate:

- Between \$40,800 and \$99,840 for domestic students; and
- Between \$62,000 and \$102,000 for international students.

Postgraduate:

- Between \$26,000 and \$52,000 for domestic students; and
- Between \$45,000 and \$54,000 for international students.

It is important to note that access to FEE-HELP or HECS-HELP is a critical factor for domestic students considering courses and fees.

FACILITIES

The standard of facilities varies across institutions, the major distinction from smaller institutions to larger operators (particularly those in Europe) are the provision of operational restaurants, bars and hotels or other facilities that students and staff gain experience in during their studies.

INTERNATIONAL/DOMESTIC STUDENTS

Most schools have a high proportion of international students, generally 60% or more in most cases. There is also a slightly higher proportion of females compared to males.

SCALE AND LOCATION

Size varies from boutique schools (with one or small number of campuses) to larger establishments with multiple campuses located across countries. Student numbers range from ~60.

Location is often marketed to attract students, with the broader reputation of a region the key driver rather than the location of the school within the city (e.g., CBD campus v suburban campus).

EDUCATION FOCUS

Some schools are solely focussed on providing courses in hospitality management, while others also encompass culinary and other food service courses. However, schools and their offerings do not differ substantially, even internationally.

Aligned with above, learning facilities are similar across schools, with a mix of traditional classrooms and lecture theatres with practical training spaces such as demonstration kitchens. Working accommodation and restaurants/cafes that are open to the public are common.

PLACEMENTS AND INDUSTRY PARTNERSHIPS

All schools include some level of industry practical experience, often paid placements over 3 to 6 months.

Industry partners are very similar across schools, with leading hospitality brands used for placements. There is a lack of formal graduate programs, except where industry is a partner.

TRAINING & STUDENT ANALYSIS | TRAINING AUDIT OVERVIEW

A comparison of the tourism and hospitality education and training landscape in WA compared to other Australian States results revealed a relatively similar course offering for Vocational Education and Training (VET) and university qualifications, but a considerable gap for a bespoke school. Importantly, the courses available at a postgraduate level are expanding with Murdoch University offering two units in 2024.

Given the particular importance of hands-on learning for the sector, and the types of facilities available in other states to facilitate this learning, it is clear that WA does not provide the same opportunities for students seeking tourism and hospitality management training than other parts of Australia.

The bespoke tourism and hospitality schools in these states include custom facilities like front of house, hotel room, restaurant and bar training rooms (there are additionally bespoke tourism / hospitality education offerings in other states not present in WA).

	NEW SOUTH WALES	SOUTH AUSTRALIA	WESTERN AUSTRALIA (WA)	WA Comparative Provision
Private Training Provider	Various cooking, tourism and hospitality courses	Various cooking, tourism and hospitality courses	Various cooking, tourism and hospitality courses	Similar
TAFE	Various cooking, tourism and hospitality courses from AFQ Level 1 to 6	Various cooking, tourism and hospitality courses from AFQ Level 1 to 7	Various cooking, tourism and hospitality courses from AFQ Level 1 to 5	Lower
Bespoke Tourism and Hospitality Schools	<ul style="list-style-type: none"> Blue Mountains International Hotel Management School (Torrens University) The International College of Management Le Cordon Bleu The Hotel School Australia 	<ul style="list-style-type: none"> International College of Hotel Management (ICHM) – to AFQ level 9 Torrens University (Blue Mountains International Hotel Management School campus) – to AFQ level 9 Le Cordon Bleu (partnership with TAFE SA and UniSA) – to AFQ level 9 	N/A	None
University – Undergraduate	Tourism, hospitality and events management <ul style="list-style-type: none"> University of Newcastle University Wollongong Western Sydney University 	Tourism, hospitality, event management and wine business <ul style="list-style-type: none"> University of South Australia University of Adelaide 	Tourism, hospitality and events management <ul style="list-style-type: none"> Curtin University Edith Cowan University (ECU) Murdoch University 	Similar
University – Postgraduate	Tourism <ul style="list-style-type: none"> University of Newcastle Western Sydney University 	Tourism, hospitality, event management and wine business <ul style="list-style-type: none"> University of South Australia University of Adelaide Flinders University 	Hospitality management <ul style="list-style-type: none"> ECU <p>n.b. Murdoch University entered the postgraduate space with two units in Tourism and Events as of 2024, but not a full postgraduate level course as yet.</p>	Lower

TRAINING & STUDENT ANALYSIS | INTERNATIONAL & DOMESTIC STUDENT TRENDS

INTERNATIONAL ENROLMENTS

The higher education sector in WA has seen relatively steady levels of enrolments from 2017-2021.

The growth in international student enrolments across all levels in 2023 has been stronger than what would be expected as a result of pent up demand from the COVID-19 period. In other words, the growth in international student enrolments in 2023 represents a net increase above just those students who were delayed from entering their course due to border restrictions.

International education is also identified as a key sector in the *Diversify WA* economic diversification strategy. As such, any assessment of a new education institution in WA should consider the opportunity for international education as part of the core offering.

It should be noted that international student enrolments is influenced by migration policy settings.

TERTIARY ENROLMENTS

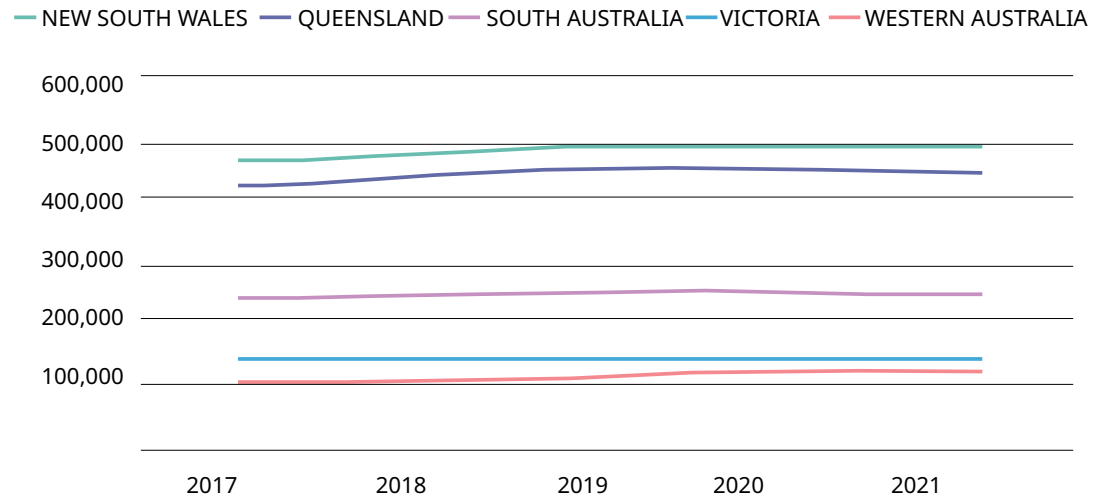
Overall university student enrolments in WA have remained steady over the five years to 2021 (the latest available data).

VET ENROLMENTS

Total VET enrolments in WA have been influenced by fee discount programs in response to provide lower fee courses to strengthen the job-readiness of the WA workforce. The data also illustrates growth in uptake for international students and fluctuations in take up for domestic students across tourism and hospitality related courses between 2018 to 2022.

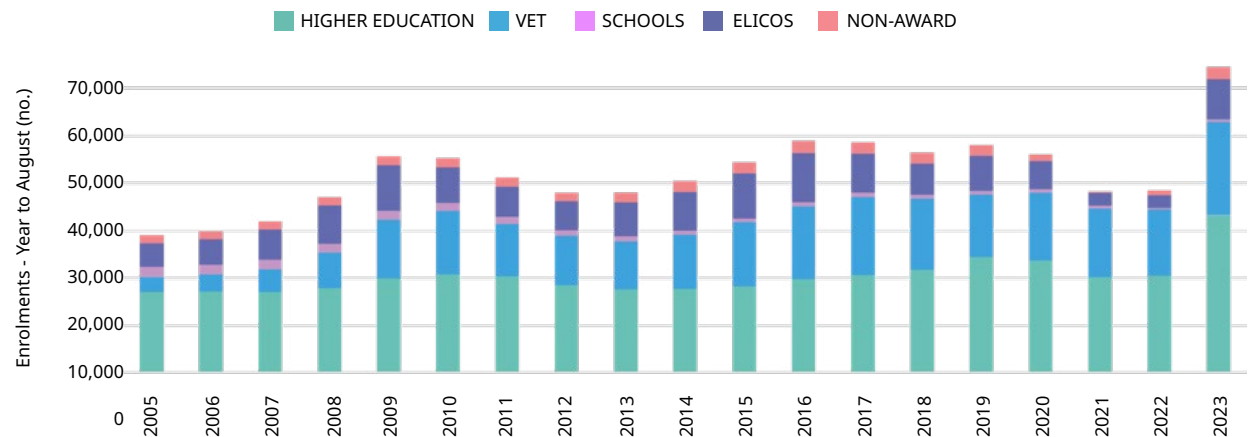
The 5-year *National Skills Agreement* has identified tourism and hospitality as a priority area and as such relevant courses have been provided fee free to support skills-building for the sector.

HIGHER EDUCATION STUDENT ENROLMENTS BY STATE, 2017-2021



Source: Department of Education

INTERNATIONAL STUDENT ENROLMENTS, WA, 2005-2023*



Source: Department of Education (PRISMS data) *Year to August

SCHOOL NEED | WA'S VISITOR ECONOMY

WA is home to a unique range of hospitality, retail, travel, recreation and experiential businesses that serve visitors and locals alike.

In 2022-23, the WA visitor economy contributed \$13.2 billion to the state's Gross State Product (GSP), accounting for 3.1% of the total WA economy. This was up 8.8% on 2018-19, and higher than the national tourism share of the Australian economy at 2.5%. (Source: Tourism Research Australia).

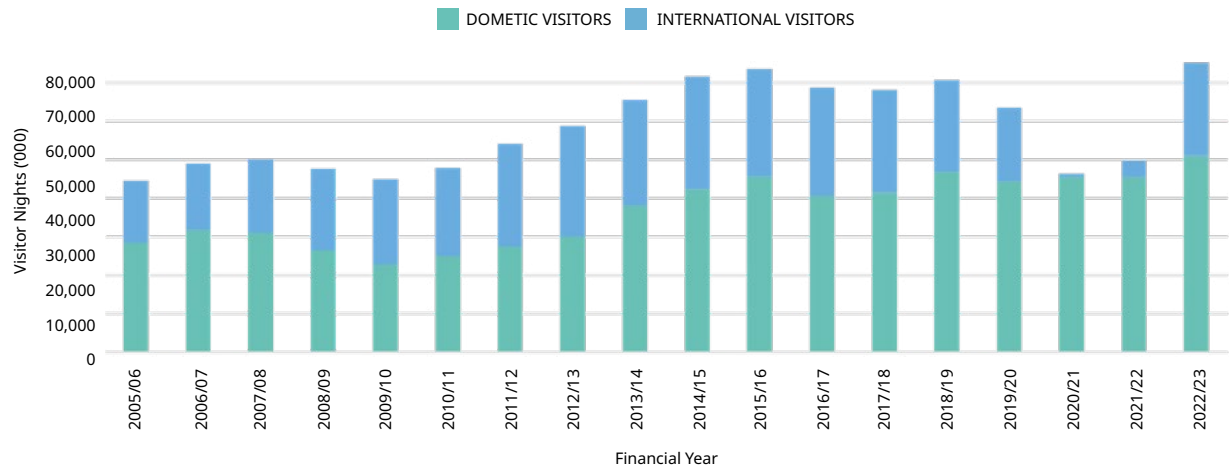
Behind this significant contribution are a growing number of domestic and international visitors, who have returned in strong numbers post-COVID-19. Additionally, of relevance to this study is the market for local resident spending at hospitality and other businesses that employ the workforce that could benefit from a world class tourism and hospitality management school in WA.

There are expectations that the tourism and hospitality sectors will experience significant growth over the coming years in WA. This is reflected in strong population growth being experienced across the state and targets to significantly increase tourism expenditure to \$25 billion per annum by 2033 (WAVES 2033).

Tourism filled jobs in WA have followed a similar trajectory to visitor nights, reaching a peak of 118,000 in 2015/16 and 110,800 tourism filled jobs in 2022/23 surpassing the pre-Covid level. This trend highlights the strong link between workforce and the visitor market.

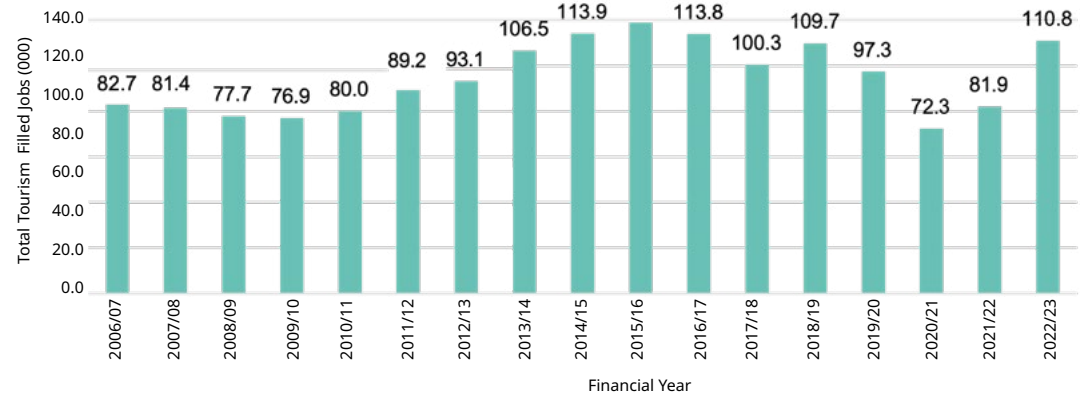
Growth in the visitor market is inherently tied to the ability to attract and retain an appropriate workforce. To achieve the 2033 target, the current skills gap in the tourism and hospitality workforce will need to be addressed.

DOMESTIC AND INTERNATIONAL VISITOR NIGHTS, WA, 2005/06 - 2022/23



Source: Tourism Research Australia (TRA)

TOTAL TOURISM FILLED JOBS, WA, 2006/07 - 2022/23



Source: Tourism Research Australia (TRA)

SCHOOL NEED | TOURISM AND HOSPITALITY INVESTMENT

A key driver of visitor outcomes to date has been the notable investment in tourism and hospitality venues and facilities over the last 10-20 years. There are also a number of significant projects on the horizon. Critically, the success of these assets is dependent on having the right people in the right roles at the right time to support visitor and local demand.

Some of the assets that have been delivered in recent history are of the scale and quality of world class facilities. For example, Optus Stadium has won an international award for architecture and design (Prix Versailles for Sports) and was voted the most beautiful sporting facility in the world.

To meet the expectations of visitors attending these venues and to capitalise on the significant investment throughout the asset's operation, the world-class venues in WA require world class staff. This is a significant insight that was raised by industry.

The following pages highlight recent and proposed investment in tourism and hospitality assets for WA. These pages highlight the appetite for growth in the WA market, but also the challenge presented to industry with a workforce that was negatively impacted by the COVID-19 pandemic. If workforce shortages continue, it is possible that investment decisions will be missed due to the risk of not being able to adequately staff venues – this relates to both capacity and skills-level of the workforce.



SCHOOL NEED | CONTEMPORARY INFRASTRUCTURE EXAMPLES



CBD HOTELS – RITZ-CARLTON / DOUBLE TREE / WESTIN / NOVOTEL

There have been a series of new hotels constructed in the Perth CBD in the past few years. These include the Ritz-Carlton at Elizabeth Quay, the DoubleTree by Hilton, Westin, and a Novotel. The 204 room Ritz-Carlton Hotel at Elizabeth Quay was a \$600 million project that first opened in 2019. The DoubleTree by Hilton Perth Waterfront first opened in 2020 and is an 18-storey, 229 room newly developed hotel. The Westin Perth was a \$330 million project that includes 368 hotel rooms, a function space and hospitality and commercial operators. The Novotel Perth opened in December 2019 and features 431 hotel rooms, dining options, a day spa, meeting rooms and a conference room.



ELIZABETH QUAY – \$2 BILLION

Elizabeth Quay is Perth's premier waterfront entertainment precinct that transformed the CBD. The project was led by DevelopmentWA, with eight waterfront lots brought to market to re-connect the CBD and the river. The project first opened in 2016 and features a variety of dining and entertainment options, including the Ritz Carlton.



OPTUS STADIUM - \$902 MILLION

Optus Stadium completed construction and first opened in 2018. This project was delivered in partnership with the state government and includes a 60,000 seat multi-purpose stadium, transport infrastructure and the Stadium Park. The stadium has received numerous awards including Australia's Best Stadium (2019, 2021) and the Most Beautiful Sports Facility in the World (2019).



RAC ARENA - \$400 MILLION

RAC Arena, formerly Perth Arena, was built in 2012 and is an international award winning structure. This was developed by the State Government. The venue has multiple uses including a 15,500-capacity event space for sport and entertainment or a 2,000-capacity banquet space. This project is located in the Perth CBD and has become a landmark of WA.



HOSPITALITY – CAMFIELD, GAGE ROADS, CLAREMONT HOTEL, THE BEAUFORT

Local and national hospitality operators have shown confidence in the WA hospitality market with the opening of large-scale venues in recent years. The Camfield is a tavern and microbrewery with event space and is located next to Optus Stadium. This new venue was built in 2018 and was a \$12 million project. The Gage Roads Brewery project involved transforming the Fremantle Ports A Shed into a large brewery and venue space, completed in 2022. The Claremont Hotel underwent a \$12 million renovation in 2023. The venue features a restaurant, sports bar, lounge area and a large function space. Similarly, The Beaufort is a new \$10 million venue in Perth and features dining options and 3 venue spaces.



ROTTNEST ISLAND ACCOMMODATION - \$40 MILLION

Rottnest Island's accommodation offering is expanding with the redevelopment of Rottnest Lodge. This project is currently under construction with expected completion in 2025. This new option will join Sapphire Rottnest and Discovery Rottnest which opened in 2020 and 2019, respectively.

SCHOOL NEED | INVESTMENT OUTLOOK



PERTH CITY DEAL - \$1.66 BILLION

The *Perth City Deal* is a 10-year partnership with the State and Federal Government that involves investment in projects and infrastructure that will transform the city. Commitments under the City Deal includes the new ECU City Campus, the CBD transport plan and tourism and cultural infrastructure like WACA and Perth Concert Hall.



PERTH CULTURAL CENTRE - \$35 MILLION

The rejuvenation of Perth's Cultural Centre is part of the *Perth City Deal*. This rejuvenation project aims to create a vibrant, safe and attractive space that connects to Perth's cultural institutions such as Boola Bardip, AGWA and the surrounding area. Construction is expected to commence in 2024.



PERTH CONCERT HALL - \$105 MILLION

The redevelopment of Perth Concert Hall is another investment project under the *Perth City Deal*. This projects includes revitalisation and preservation of the heritage listed building. This project is planned to start in 2025.



ABORIGINAL CULTURAL CENTRE - \$104 MILLION

This project is establishing a flagship Aboriginal Cultural Centre in partnership with the State Government. The Centre will have international significance and will showcase 65,000+ years of continuous living culture which would encompass a mixture of spaces.



PERTH CONVENTION AND EXHIBITION CENTRE REDEVELOPMENT

PECC is planned to undergo a major transformation by 2029. The redevelopment will add an additional 4,500 sq.m of convention space on top of the existing 16,500 sq.m The new facility will also include a new 650-seat floating theatre, an auditorium and three new jetties. It is estimated that the new theatre would generate more than \$40 million and create 196 full-time equivalent jobs by attracting more than 30 additional entertainment events each year.



CABLE BEACH BROOME FORESHORE - \$36.5 MILLION

This \$36.5 million project is set to transform Cable Beach's tourism asset into a waterfront precinct. The adopted masterplan includes a new promenade, an amphitheater upgrade, activation spaces, the renovation of the Broome Surf Life Saving Club and upgrade of the Cable Beach carpark and allows for additional commercial opportunities. This project aims to increase visitation to the region and improve community spaces. Construction is set to commence in 2024.



OCEAN REEF MARINA - \$223 MILLION

Ocean Reef Marina is set to become a world-class recreational, boating, residential and tourism waterfront precinct. The development includes 5ha of community space, Perth's first coastal pool, residential dwellings and retail/commercial uses.

Construction is currently underway with stage 1 set to complete in 2024.

"World class assets require world class staff. Investment decisions will be impacted by the pipeline of skilled workers in the industry."

SCHOOL NEED | WORKFORCE & SKILLS GAP

The tourism and hospitality sectors encompass a large and diverse workforce, requiring a range of skills and certifications, with education options spanning from in-house training to postgraduate university studies.

Broader economic growth and targeted efforts to attract tourism are expected to drive significant workforce expansion. Ensuring industry-preferred qualification levels across roles is crucial to achieving ambitious targets for increased visitor spending and capturing high-value markets.

Analysis of qualification levels at the time of the ABS Census 2021 demonstrates that there is a substantial skills gap across all occupations of interest in the sector in WA, with the exception of conference and event organisers.

Further analysis of occupations by training level revealed a significant skill gap among hotel and motel managers, highlighting the need for higher qualifications in this role.

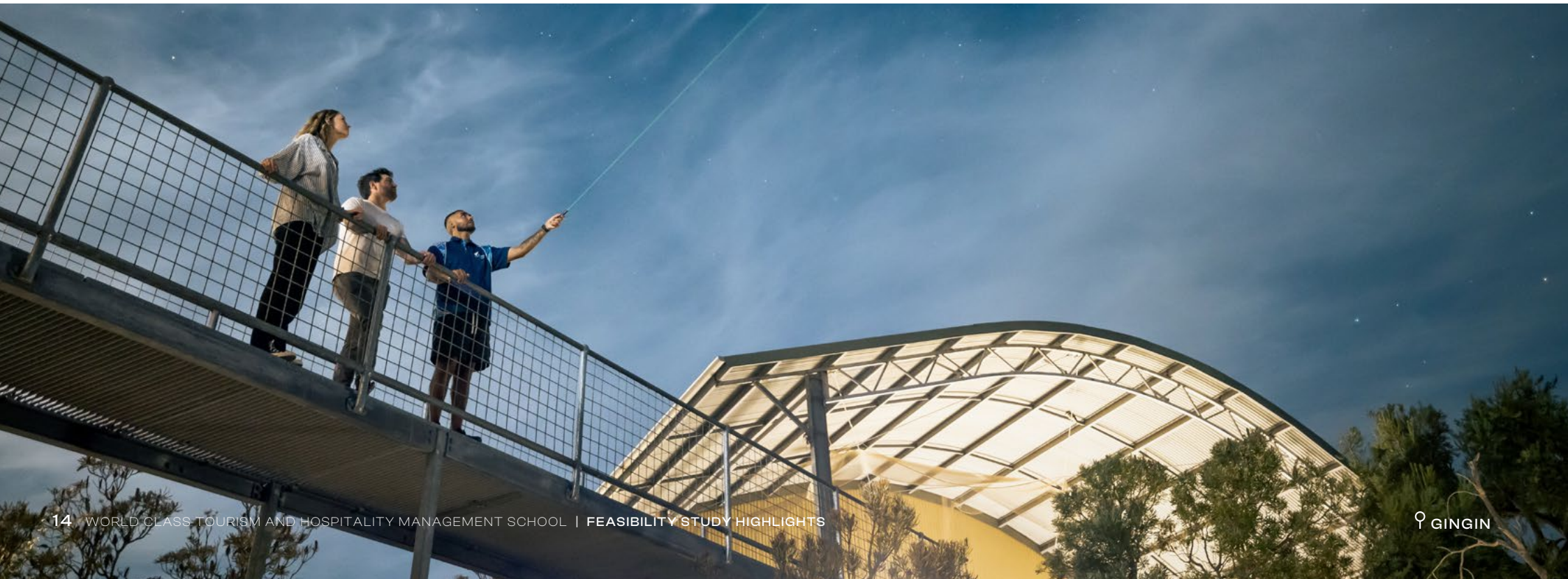
Whilst there is recognised benefit in this cohort holding a bachelor degree (Australian Qualification Level (AQF) 7) or higher, only 34% of workers hold a tertiary qualification (Diploma or above, AQF 5+). These figures relate specifically to people who hold a qualification in a relevant area of study to the sector. This reflects the narrative from industry of a critical skills gap in middle management.

While occupations like café work and kitchenhand have significant skills gaps in terms of volume, the preferred qualifications (certificate level) are already available in WA through the VET sector and therefore were not a focus of this study.

Additionally, challenges to attracting capable workers in these roles are the focus of other workforce development initiatives, including fee-free TAFE courses and working holidaymaker policy settings.

The strategic intent for a world class tourism and hospitality management school aligns most closely with the existing skills gap for hotel or motel managers, where workers will require a level of business and commercial acumen as well as operational expertise that could be delivered by a world class school for the first time in WA.

The ambition for the school should be to create a strong pipeline of workers who see tourism and hospitality as a career of choice and plan to progress through the ranks to become the leaders and managers of the future.



SCHOOL NEED | DEMAND ANALYSIS

This study prepared a demand scenario for training skills level, and a subsequent expected skills gap for the tourism and hospitality sector in WA. The required workforce by training level projection was developed with consideration to the following:

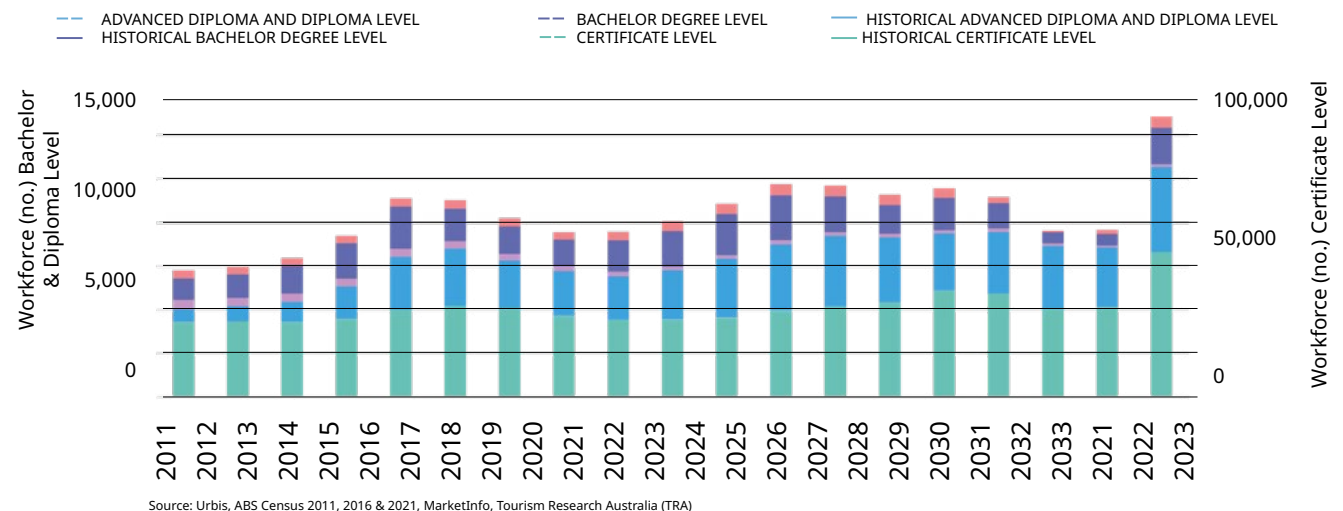
- **VISITOR NIGHTS** - projections aligned to TRA's forecasts for growth in domestic visitor nights to WA, and TRA's forecast for international visitor nights nationally applied to WA based on historical trends.
- **VISITOR EXPENDITURE** - visitation is converted to demand for goods and services, and therefore the required workforce, via expenditure. Expenditure forecasts are informed by TRA historical output for WA.
- **LOCAL DEMAND** - projections developed by Urbis based on resident retail spending on food catering, informed by MarketInfo expenditure data, state-level population growth projections and in-house spending forecasts by retail category.
- **INDUSTRY ASPIRATION** - the demand for workforce by training level is based on the qualification by occupation preferred by industry (WAJET Survey).

The results represent the capacity and capability of the industry required under these conditions.

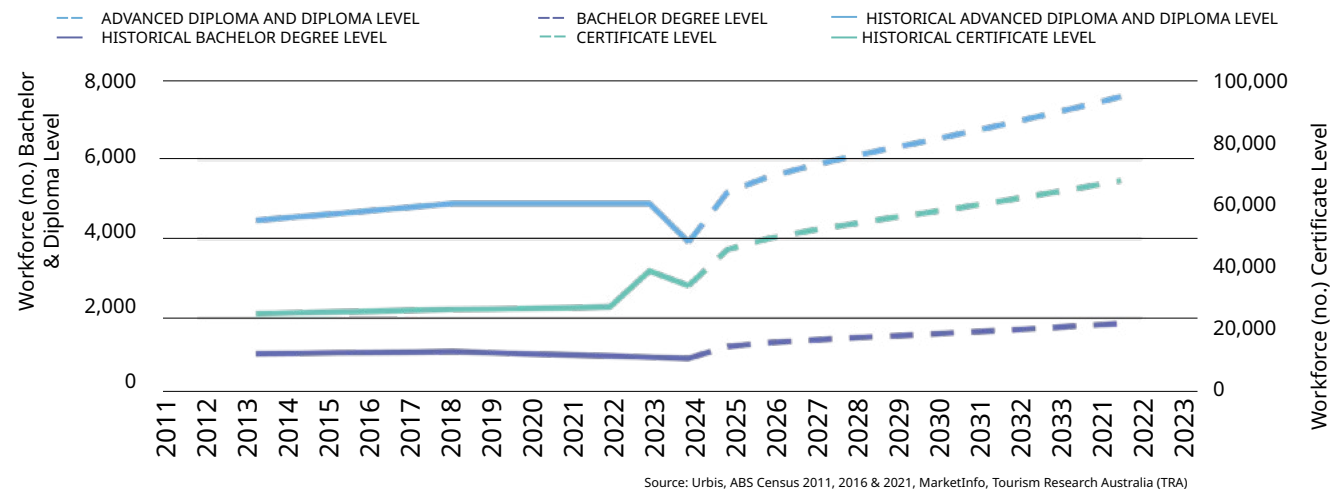
The estimated skills gap presented for WA to 2033 illustrates the required growth in skilled workforce by qualification level that would be required to reach the sector's aspirations for capacity and capability in the workforce.

The estimated skills gap for occupations where a bachelor degree or higher is preferred, for example, is expected to increase to approximately 1,800 workers over the next decade. This highlights a strong existing and future need for greater education offerings aimed at this level.

REQUIRED WORKFORCE BY TRAINING LEVEL, WA, 2011-2033



ESTIMATED SKILLS GAP, WA, 2011-2033



STAKEHOLDER ENGAGEMENT | OVERVIEW

Extensive stakeholder engagement was undertaken to validate and inform analysis of this study. Sectors represented:

- Event and venue operators
- Developers
- Accommodation providers (Perth metro and regional)
- Universities
- The five Western Australian TAFE
- Private vocational education providers
- Local Government (City of Perth)

One-on-one interviews were held with industry representative organisations:

- Australian Hotels Association Western Australia (AHA WA)
- Tourism Council WA
- FutureNow Industry Training Council
- Western Australian Indigenous Tourism Operators Council (WAITOC)

A Project Working Group consisting of State Government and industry representatives provided feedback throughout the project:

- Tourism WA
- Department of Training and Workforce Development
- FutureNow Industry Training Council
- AHA WA



STAKEHOLDER ENGAGEMENT | OVERVIEW

INDUSTRY ENGAGEMENT INSIGHTS



EDUCATION SECTOR INSIGHTS



SCHOOL MODELS | OVERVIEW

This feasibility study considered several models for delivery of a world class tourism and hospitality management school for WA.

The models considered ranged from a business-as-usual approach, to attracting a private provider to WA, or expanding the existing offering at WA's education and training institutions.

The delivery options considered the full spectrum of the education and training ecosystem in WA, from VET to higher education.

The focus of the options assessment was to assess the best fit model for delivery of a school while having regard to market demand for skills, the characteristics of the student cohort and existing course offering.

A new offering should complement the existing course offering in WA to deliver a full suite of tourism and hospitality study opportunities that fit the needs of the future workforce and industry.

MODELS CONSIDERED

Model	Description
1	Base case: TAFEs, universities and private providers continue to deliver courses in line with student demand without intervention
2	Attract private provider with strong reputation to WA <ul style="list-style-type: none">a) Private provider partners with university to deliver school at purpose-built facilityb) Private provider partners with TAFE to deliver school at purpose-built facilityc) Private provider operates as stand alone institution to deliver school at purpose-built facility
3	Local Registered Training Organisation (RTO) expand offering of courses in tourism and hospitality management
4	TAFE expands offering of courses in tourism and hospitality management
5	University expands offering of courses in tourism and hospitality management

SCHOOL MODELS | DEFINED SCHOOL MODEL

Reflecting the findings of the previous sections of this report, three options for delivery of a world class tourism and hospitality management school were defined for further economic and financial analysis.

The feasibility options analysis identified a private provider with a strong reputation partnering with an existing WA tertiary institution as the preferred model for delivery of a world class tourism and hospitality school for WA.

The base case assumes graduation of 80 students per annum at full capacity. This equates to approximately 30 domestic graduates at the expected split of 62% international to 38% domestic enrolments. International student enrolments will be influenced by skilled migration policy settings that impact the attractiveness of the school, including opportunities for employment post-graduation.

This level of domestic graduates aligns to the expected needs of the industry, as illustrated in the demand analysis. It reflects a relatively small share of overall demand for undergraduate and postgraduate degrees given the expectation that universities will continue to play a significant role; and the expected fee premium for the world class school. The level of domestic graduates is estimated to represent less than 30% of total course demand locally.

As an example of reasonableness of proposed scale, to meet the sector's aspirations for growth, approximately 55 additional bachelor degree-holders are required per annum over the next decade. There are additionally demands for post graduate qualifications on top of this.

This analysis additionally considered low and high options which differ from the base case in terms of scale of graduates.

The infrastructure and facility cost estimate presented here reflects development of a bespoke, purpose-built facility on a greenfield site. This represents the most capital-intensive development options and therefore should be viewed as an upper bounder for investment (with costs indicative only and subject to further analysis). Furthermore, infrastructure costs may be funded through a number of sources, including private sector and / or education sector.

The establishment costs include allowances for set-up costs including initial course development and accreditation.

Each attribute was developed based on industry benchmarks and informed by the case study review and other analysis undertaken (see appendix).

OPTIONS OVERVIEW

Item	Low	Base	High
Students	263	351	439
Graduates (p.a.)	60	80	100
Staff	24	32	40
International Students	50%	62%	70%
Building floorspace (sq.m GFA)	2,301	3,068	3,836
Infrastructure and Facility Cost Estimate	\$28.8	\$38.4	\$47.9
Establishment Costs	\$6.9	\$9.2	\$11.5
Operating Cost Estimate (p.a.)	\$7.1	\$9.5	\$11.9

Source: see appendix A for detailed assumptions and sources

SCHOOL MODELS | POTENTIAL COURSE OFFERING

The review of case studies found that tourism and hospitality management schools offer a variety of courses at the undergraduate and postgraduate levels, as well as executive education and short courses.

The table presented to the right shows the range of courses that could be considered for a school in WA, based on commonality across courses offered nationally and internationally.

Industry highlighted the benefit of degrees such as a Bachelor / Master of International Hotel and Resort Management that cover all aspects of the industry from operational processes to strategic and commercial decision making. These degrees are distinct from the offer in WA, with the exception of ECU, where tourism and hospitality options are offered as majors within broader degrees rather than a stand alone qualification.

Other degrees that are of particular relevance to the WA market are those focusing on Destination Marketing.

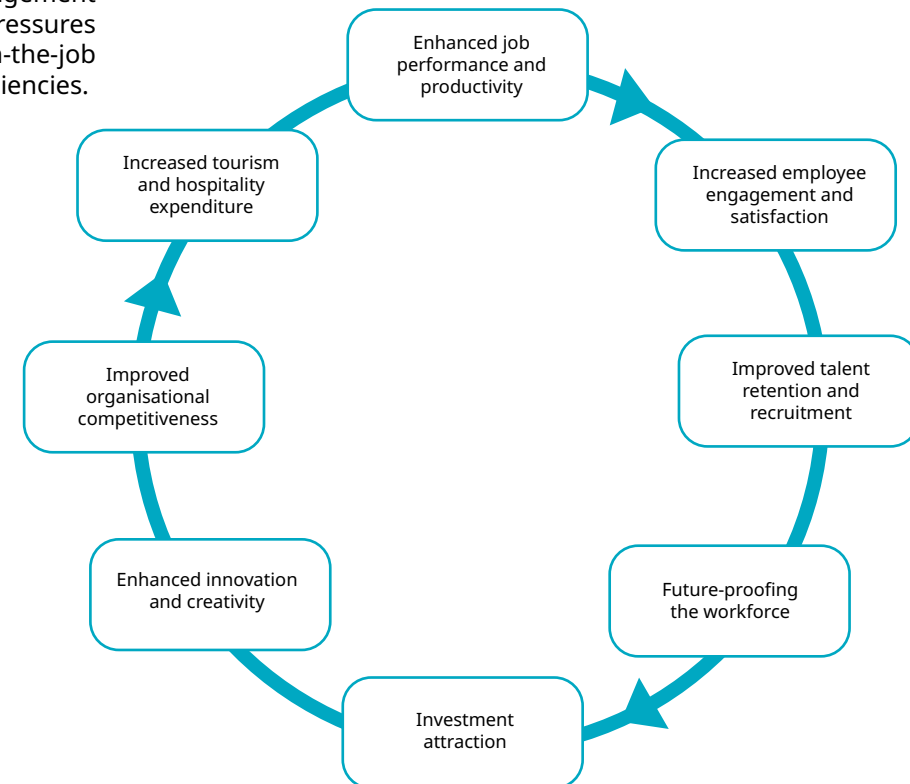
OVERVIEW OF COURSES

Undergraduate	Postgraduate	Other
Bachelor of International Hotel and Resort Management	Master of International Hotel and Resort Management	Executive education (e.g. mini MBA)
Bachelor of Tourism and Hospitality Management	Master of International Hospitality Management	Diploma / Advanced Diploma of Business:
Bachelor of Business	Master of Destination Marketing	<ul style="list-style-type: none"> International Hotel and Resort Management
Majors in: <ul style="list-style-type: none"> Hospitality Management International Hotel and Resort Management Destination Marketing Hospitality and Tourism Management Events Management Marine Tourism Aboriginal Tourism 	Master of Tourism and Event Management	<ul style="list-style-type: none"> Hotel Leadership
	Graduate Certificate of Hospitality Management	<ul style="list-style-type: none"> Hospitality Management
	Graduate Certificate of Hotel Leadership	<ul style="list-style-type: none"> Tourism and Events Management
	MBA: <ul style="list-style-type: none"> Hospitality International Hotel and Resort Management 	<ul style="list-style-type: none"> Hotel Administration Marine Tourism Aboriginal Tourism

ECONOMIC ANALYSIS | IDENTIFIED BENEFITS

The provision of education and training opportunities that are new to WA is expected to provide a variety of economic benefits for the state. Key benefits are noted below.

- **ENHANCED JOB PERFORMANCE AND PRODUCTIVITY** – Upskilled workers able to perform their roles more efficiently, with less onsite training.
- **INCREASED EMPLOYEE ENGAGEMENT AND SATISFACTION** – Employees that are engaged in their role and have the skills to do their job effectively (i.e. through training) are more productive.
- **IMPROVED TALENT RETENTION AND RECRUITMENT** – The former two benefits flow through to retention and recruitment, with workers who are engaged and thriving in their roles less likely to look for work elsewhere, saving significant costs that come from staff turnover.
- **FUTURE-PROOFING THE WORKFORCE** – Furthermore, organisations that have strong talent retention are able to provide a pipeline of talent through management and leadership roles. Importantly, the proposed school will focus on developing the skills that mid-level managers require to be successful and progress through the workforce over time.
- **INVESTMENT ATTRACTION** – A key element in investment decision making is confidence in the capacity of the workforce to support the operation of new ventures. The development of skilled workers for the sector should improve the outlook for investors seeking to deliver a higher product service level.
- **ENHANCED INNOVATION AND CREATIVITY** – Improving the skills level in the workforce through the provision of a world class tourism and hospitality management school could provide efficiencies in operations that lead to greater opportunity for innovation and creativity.
- **IMPROVED ORGANISATIONAL COMPETITIVENESS** – The previously listed benefits would be expected to culminate in improved competitiveness for the tourism and hospitality sector in WA, with increased productivity bolstering operational efficiency. Throughout the stakeholder engagement process, industry representatives articulated that new training opportunities for staff looking to move through the ranks to management positions could alleviate operational pressures within organisations where significant on-the-job training is required and leading to inefficiencies.
- **INCREASED TOURISM AND HOSPITALITY EXPENDITURE** – The overarching benefit of a more productive, higher quality tourism and hospitality sector staffed by a skilled and experienced workforce with a pipeline of talent, is increased expenditure by visitors who are seeing WA as a destination of choice.



ECONOMIC ANALYSIS | ESTIMATED BENEFITS

The delivery of a world class tourism and hospitality management school for WA is expected to deliver significant and tangible benefits for the tourism and hospitality sector, and the WA economy more broadly.

The economic analysis presented in this study represents those economic benefits that can be reliably quantified. The two categories of benefits align to the strategic imperatives of the State's economic diversification framework. Namely, supporting the growth and success of the tourism and hospitality sector through increased productivity, investment attraction and supporting the international education sector with a new offering.

The net economic benefit of the base case option over 40 years is:

- **\$213 million** (NPV @5% discount rate) in improved productivity as measured by increased earnings for graduates; and
- **\$47.2 million** (NPV @5% discount rate) in additional international student spending.

This analysis applied increased earnings as a proxy for productivity. This is an accepted economic analysis approach. Adopting increased wages as a proxy also captures increased employee satisfaction, enhanced innovation and improved organisational competitiveness, and avoids the potential risk of double-counting benefits when attempting to quantify multiple factors that are all related to productivity.

Given the nature of this initiative, and as with any education proposal, there are expected to be significant additional benefits that cannot be effectively quantified. This is due to the wide range of indirect benefits that education provides to individuals and the community (e.g. lower dependence on welfare payments, lower unemployment, higher lifetime earnings). Therefore, the economic contribution of initiative estimated in this study is expected to be conservative.

Importantly, this school could be expected to target a potentially untapped cohort of students who would not otherwise undertake higher education courses.

A career in tourism and hospitality offers variety and opportunity for a hands-on, people-focused career that is suited to the type of student who may not be inclined towards traditional academia.

Finally, additional flow-on benefits include investment in the state due to increased profile as a tourism destination with a high quality workforce.

PRODUCTIVITY GROWTH

Item	Assumption		
Increase in earnings with educational attainment	30%		
Average earnings (base p.a.)	\$41,600		
Source: appendix A for detailed sources assumptions			
	Low	Base	High
Economic Benefit of Productivity Growth (\$M, NPV@5%)	\$159.7	\$213.0	\$266.2

Source: Urbis

INTERNATIONAL STUDENTS

Item	Assumption		
International student numbers	as per p. 19		
PBSA resident spend on retail, recreation and F&B (\$pa)	\$13,536		
Source: appendix A for detailed sources assumptions			
	Low	Base	High
Economic Benefit of International Education (\$M, NPV@5%)	\$27.3	\$47.2	\$726.9

Source: Urbis

ECONOMIC ANALYSIS | ESTIMATED BENEFITS (CONT.)

A high-level cost benefit analysis was undertaken as part of this study to demonstrate the potential net economic benefit of a tourism and hospitality management school.

It is estimated that a new school in WA could support an economic benefit of \$260.2 million (NPV at 5% discount rate over 40 years) for the base case scenario.

In comparison to the upfront investment required (whether by government or industry or both), the expected direct benefits are expected to be substantial; and equate to a benefit cost ratio of approximately 5.7.

NET BENEFITS (@ 5% DISCOUNT RATE)

	Low Case	Base Case	High Case
International Education (\$M)	\$27.3	\$47.2	\$72.7
Productivity (\$M)	\$159.7	\$213.0	\$266.2
Total (\$M)	\$187.0	\$260.2	\$338.9

Source: Urbis – see appendix A for detailed assumptions

NET IMPACTS OF SCENARIOS (@5% DISCOUNT RATE)

IMPACT CATEGORY	Low Case	Base Case	High Case
Costs (NPV@5%) (\$M)	\$34.0	\$45.3	\$56.6
Benefits (NPV@5%) (\$M)	\$187.0	\$260.2	\$338.9
Net Impact (NPV@5%) (\$M)	\$153.0	\$214.9	\$282.3
Benefit Cost Ratio	5.5	5.7	6.0

Source: Urbis – see appendix A for detailed assumptions

FINANCIAL ANALYSIS | MECHANISMS FOR GOVERNMENT SUPPORT

The study identifies multiple options for Government investment to support the delivery of a world class tourism and hospitality management school for WA.

PRODUCTIVITY GROWTH

Funding Approach	Capital Contribution	Fixed Annual Contribution	Variable Annual Contribution	Enrolment Support
Description	Provision of all, or a portion of, upfront capital requirement to deliver facility.	Payment of a fixed annual amount as a subsidy for operations.	Payment of an annual contribution which varies dependent on enrolments – for example guaranteeing a certain level of enrolments or revenue figure.	Indirect support from Government through supporting students (such as scholarships, international promotion etc.). Can be more direct in terms of subsidising a defined number of students.
Positives	<ul style="list-style-type: none"> De-risks option from an operator perspective, as they may take on the development role Allows Government ownership of asset 	<ul style="list-style-type: none"> Provides certainty of funding to Government upfront Provides additional revenue for operator to reduce financial risk 	<ul style="list-style-type: none"> Significantly de-risks participation by an operator May be appropriate where demand is unproven or forecast to grow 	<ul style="list-style-type: none"> Allows targeting of enrolments and student need
Negatives	<ul style="list-style-type: none"> High upfront cost to Government 	<ul style="list-style-type: none"> Leaves utilisation / enrolment risk with market which may not be acceptable 	<ul style="list-style-type: none"> Government cost exposure is not known upfront Operator less incentivised to grow enrolments 	<ul style="list-style-type: none"> Needs to be clearly tied to enrolment numbers to provide market certainty of impact on facility financials

FINANCIAL ANALYSIS | FINANCIAL ANALYSIS

High level financial modelling was undertaken to understand possible funding support implications for the proposed scenarios.

The financial analysis provides an assessment of the level of government support that may be required to ensure that the world class tourism and hospitality management school is viable.

The potential government support has been assessed under various mechanisms which include:

- **CAPITAL** – Government fund all upfront capital costs including construction and establishment costs;
- **OPERATIONAL RAMP UP** – Government fund the shortfall in operating cash flow over the first 3 years until enrolments reach 100% (assumed to be year 4); and
- **PER YEAR OPERATIONAL** – Government funds the yearly shortfall in operating cash flow if enrolments do not meet expected figures (assumes enrolments are 80% of expected figures).

The range of support required for each scenario under each potential government support mechanism is outlined in the table to the right. It is important to note that these ranges are determined from the assumptions applied in terms of expected student enrolments (revenue) and costs. For example, the actual requirement for government support in the “per year operational” scenario could vary depending on a variety of factors and the specific partnership agreement with a private provider. As noted, this contribution

could take the form of a fixed annual or variable annual contribution, with different benefits and challenges to each. The figure presented below represents the support that could be required if enrolments are 20% below expectations. Refer to Appendix B - Paxon Report for full details of the financial modelling assumptions and methodology.

Overall, the analysis illustrates that there are numerous options for Government investment to support the success of the proposed world class school ranging from provision or funding support for school facility and / or course establishment costs through to payments to support operating cash flow in the initial years of school operation.

FINANCIAL ANALYSIS FINDINGS

Potential Government Support Mechanism	Low	Base	High
Capital	\$32m to \$39m	\$43m to \$52m	\$53m to \$65m
Operational Ramp Up*	\$10m to \$12m	\$13m to \$15m	\$15m to \$19m
Per Year Operational**	\$1.9m to \$2.3m	\$2.3m to \$2.9m	\$2.7m to \$3.2m

Source: Paxon – see appendix for detailed assumptions
 * The total operating shortfall over the first 3 years of operation
 ** The average operating shortfall per annum

CONCLUSIONS AND NEXT STEPS | KEY FINDINGS

It is evident that establishing a world class tourism and hospitality management school in WA has significant merit.

This analysis of various aspects supports the need and viability of the proposed school; and additionally the benefits and potential role for State Government to support its success.

In particular, this study demonstrates:

- **INDUSTRY DEMAND** – with the tourism and hospitality sectors expected to grow significantly over coming years;
- **STRATEGIC ALIGNMENT** – with State and Commonwealth Government strategies to grow the visitor economy by delivering a skilled workforce;
- **SKILLS GAP** – with an identified gap in the required education levels of key occupations, particularly those with management responsibilities; and
- **EDUCATION GAP** – with a lack of specialist school to complement the high quality TAFE, university and private educator offerings locally.

Furthermore, the feasibility study demonstrates that establishing a world class school can help address critical needs within the industry and education sectors and deliver substantial economic benefits.

In summary, the school – to be successful – should have a combination of a strong curriculum, industry partnerships, global perspective, workplace learning, best practice technology, a reputable partner and align with the competitive strengths of WA.

SUCCESS FACTORS FOR THE WORLD CLASS SCHOOL

Theme	Focus
Reputable partner	<ul style="list-style-type: none"> • There is a clear benefit to attracting a world-renowned tourism and hospitality management school to partner with a WA institution to bring credibility to a new school from day one. • As well as leveraging brand awareness to catalyse enrolments, due to the highly specialised nature of courses required to support the sector, it will be important to draw on the expertise of a partner institution in terms of course creation and curriculum. This will ensure WA is delivering best practice learning opportunities for students.
Industry partnerships	<ul style="list-style-type: none"> • Both industry and education stakeholders recognised and highlighted the importance of industry partnerships in ensuring that students enter the workforce job-ready. This requirement is heightening for the tourism and hospitality sector where a significant portion of what makes an excellent worker is attributed to soft skills. • To support broader objectives for building a local workforce, it is recommended that no one industry operator is given a preference for graduates.
Workplace learning	<ul style="list-style-type: none"> • Related to industry partnerships, these arrangements should be such that workplace learning is embedded in the program. Opportunities for workplace learning and placements with reputable brands are a key success factor for the case studies reviewed in this study. • WA is also in the unique position to provide students placements in unique locations across the state across the seasons.
Connection to WA points of difference	<ul style="list-style-type: none"> • Stakeholders, particularly those from the higher education sector, highlighted the opportunities available in WA to tap into existing areas of advantage. This could include marine, sustainable and eco tourism. • A new school in WA presents students with an opportunity to learn in natural environments that are unique to the state, and with industry leaders in these areas.
Technology	<ul style="list-style-type: none"> • As with any sector, the tourism and hospitality sector is seeing rapid growth in the uptake of new technology and digital solutions. It is critical that new graduates have exposure to the latest operational tools to be job-ready. • A new school presents an opportunity to deliver technology and digital learning that aligns with best practice operations in the tourism and hospitality sector. This element is important in ensuring the school is considered 'world class'.

APPENDIX A

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APPENDIX A | ASSUMPTIONS – DEMAND MODELLING

Item	Description	Source
Domestic visitor nights	Historical domestic visitor nights and forecast of domestic visitor nights at a state level are applied from Tourism Research Australia (TRA) data.	TRA
International visitor nights	Historical international visitor nights are sourced at a state level from TRA data. Future domestic visitor nights are projected applying TRA's year-on-year growth forecasts for international visitors nationally to historical WA figures to 2028, after which growth is assumed to remain steady at a constant average annual growth rate.	TRA
Visitor spend	Visitor spend is calculated based on the spend per visitor night (direct tourism output for all categories) in 2022 reported by TRA.	TRA
Local population growth	Population growth to 2027 applied at rate project in WA State Budget 2023-24. Population growth from 2027 onwards applied at rate of 1.6% p.a., aligned to average annual rate to reach population target in WA's land use planning framework Perth and Peel @ 3.5 million.	Department of Treasury Department of Planning, Lands and Heritage
Local spend	Domestic spend calculated on a per capita basis for the retail spending category 'food catering'. Spending forecasts incorporate population growth (as above), retail spend per capita growth and retail price inflation. See note below on MarketInfo. Spending growth at a state level is applied based on Urbis' in-house forecasts.	Urbis Market Info*
Workforce by occupation	Historical workforce by occupation recorded in ABS Census 2021 for ANZSCO level 6 occupations relevant to this study. Workforce projection determined based on ratio of workers to forecast expenditure from local and visitor markets.	ABS Census 2021
Workforce by preferred qualification Tourism-filled jobs	The number of workers required to support growth aspirations at each qualification level is informed by the industry preferred qualification at an ANZSCO level 6 occupation. This measure of tourism filled jobs comes from the Australian Bureau of Statistics (ABS) based on the International Labour Organization (ILO) fundamentals. Given that tourism-related jobs are not directly observed, rather coming from various occupations and industries that cater to visitors and non-visitors, this measure takes into account a ratio of the value added associated with visitor spend.	FutureNow Training Council TRA/ABS

*Note: The retail spending market was estimated using MarketInfo – a micro-simulation model developed by MDS Market Data Systems Pty Ltd. This model is based on information from the ABS' Household Expenditure Survey (HES), the Census of Population and Housing and other information sources that provide up-to-date information on changes in spending behaviour and/or income levels (e.g. Australian National Accounts, Australian Taxation Statistics, etc.). MarketInfo is used widely by stakeholders in the retail industry and by other consultants preparing Retail Sustainability Assessments/Economic Impact Assessments.

The model uses micro-simulation techniques to combine propensity to spend on particular commodities with the socio-economic characteristics of individuals to derive spending per capita estimates on a small area basis (i.e. the Statistical Area 1 level).

APPENDIX A | ASSUMPTIONS – OPTIONS

Item	Description	Source
Graduates	Number of graduates per annum. Scale of school (i.e. number of graduates) for each scenario has been determined considering case study review of comparable schools and the needs for supporting a pipeline of local workers with higher education qualifications. The number of graduates per annum was selected based on feedback from stakeholders and analysis of skills gap, translated to an estimated workforce need on a per annum basis.	Urbis assumption
Students	Number of students enrolled at a school at full capacity, calculated as a ratio of students to graduates (4.4:1). Applied at the rate based on Universities Australia 2020 Higher Education Facts and Figures.	Universities Australia
Staff	Number of staff calculated as a ratio of students to staff (10.9:1). Applied at rate of Bond University (i.e. a private university).	Statista
International students	Proportion of total student enrolments that are international students. Rate varies across low, base and high scenarios, holding number of domestic graduates constant in recognition of need to meet local workforce demand.	Urbis assumption
Building floorspace	Net floorspace (NLA) of facility calculated as a ratio of floorspace per staff member. Ratio applied consistent with floorspace per employee ratio for universities reported in the Land Use Employment Survey.	Department of Planning, Lands and Heritage
Infrastructure and facility cost estimate	Cost applied per sq.m of NLA assuming a high quality fit out and provision for site works on a greenfield site.	Urbis Rawlinsons
Operating cost estimate	Average expenses per student applied based on Universities Australia 2020 Higher Education Facts and Figures.	Universities Australia

APPENDIX A | ASSUMPTIONS – CBA

Item	Description	Source
Increase in earnings with educational attainment	Percentage uplift in earnings from current average earnings attributable to additional educational attainment.	Tabatha, G. 2016, Costs and benefits of education and training for the economy, business and individuals, National Centre for Vocational Education Research, Adelaide.
Average earnings (base p.a.)	Average earnings for a worker in food services and accommodation.	Australian Bureau of Statistics. 2023, August, Employee earnings. ABS. www.abs.gov.au/statistics/labour/earnings-and-working-conditions/employee-earnings/latest-release .
International student numbers	Urbis estimated figure aligned to options assessment	Urbis
PBSA resident spend on retail, recreation and F&B (\$pa)	Spend per annum per international student on retail, recreation and food and beverage (i.e. excluding course costs).	Illion data analysed by Accenture in: Property Council of Australia, 2022, November. <i>The Unsung Hero Underpinning Australia's Largest Service Export. Purpose-Built Student Accommodation.</i>

APPENDIX A | GLOSSARY OF TERMS

Australian Qualifications Framework (AQF) regulates qualifications in the Australian education and training system. It defines the characteristics, including required learning outcomes, of the different types of qualifications issued across 10 levels, ranging from certificates to doctoral degrees. **Vocational education and training (VET)** is offered at AQF Levels 1 (Certificate I) to 8 (Graduate Certificate / Diploma) and **higher education** (also known as tertiary education) ranges from AQF Levels 5 (Diploma) to 10 (Doctoral Degree).

Direct Impacts are the initial round of economic output, employment and household income generated by an economic activity.

Discount Rates represent the view that people prefer immediate benefits over future benefits and additionally enable for opportunity costs to be reflected when making judgements about the value of a project.

Economic Output is a measure of the gross revenue of goods and services produced by commercial organisations and gross expenditure by government agencies.

Full-Time Equivalent (FTE) Job refers to the total number of full-time equivalent jobs (i.e. 35 hours per week) that can be supported over a 12-month period.

Gross Value Added (GVA) is a measure of the value of goods and services produced in an area, industry or sector of an economy during a certain period of time. GVA is measured in constant 2023 dollars (i.e. excluding inflation) excluding GST.

Indirect Impacts are production-induced effects. Production-induced effects (Type I) are additional output, employment and household income resulting from re-spending by firms that receive

payments from the sale of services to firms undertaking production. Consumption-induced effects (Type II) are additional output, employment and household income resulting from re-spending by households that receive income from employment in direct and indirect activities. These Type II effects were not assessed.

Induced Impacts are the expected outcomes of a project versus the business of usual approach whereby the project is not implemented.

Present Value reflects the current dollar value using a prescribed discount rate.

APPENDIX B | PAXON



PAXON

Appendix B

Financial Analysis , Methodology and Assumptions

Version 1.0 | March 2024

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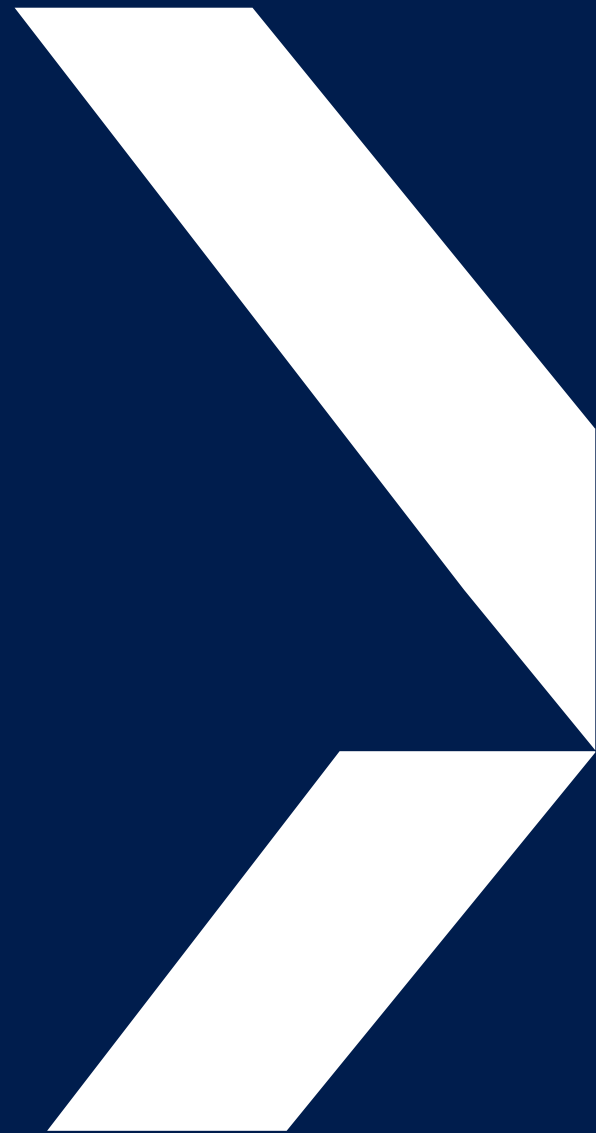


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1. INTRODUCTION

Urbis has been engaged by Tourism Western Australia to develop a business case to investigate the feasibility of establishing a world class tourism and hospitality management school in Perth. The tourism and hospitality management school is one of the initiatives under the two year *Tourism Workforce Development Program* to help address the skills and labour shortages in the industry and build a pipeline of talent.

Paxon Group (Paxon) has developed a financial analysis for Urbis to be included within the Business Case being prepared.

2. PREFERRED OPTION

A range of options were considered for the development of a world class tourism and hospitality management school in Perth. A Preferred Option was determined, which is:

- A private provider to deliver the world class tourism and hospitality management school at a purpose-built facility.

A Low, Base and High scenario of the Preferred Option has been analysed:

- Low – Smallest facility, with the lowest student and staff numbers. Lowest percentage of international students.
- Base – Larger facility than the Low scenario, with higher student and staff numbers.
- High – largest facility, with the highest student and staff numbers. Highest percentage of international students.

3. METHODOLOGY AND ASSUMPTIONS

The aim of the financial analysis is to determine the net costs of a Low, Base and High scenario for the Preferred Option and understand the range of potential Government support required. The analysis forecasts revenues and costs associated with each scenario to determine a forecast cash flow profile and provide a quantitative basis to compare scenarios and understand different government support mechanisms and their potential quantum.

The assumptions included within the financial analysis and their values are outlined in the table below.

Table 1: Financial Analysis Assumptions

Assumption	Description	Value
Construction	The cost of constructing the tourism and hospitality management school based on capital costs developed.	Low – \$28.8m Base – \$38.4m High – \$47.9m
Establishment	The cost of the initial establishment of the tourism and hospitality management school based on a benchmark % of construction costs.	Legal – 0.06% Branding – 0.50% Technology – 5.00% Initial Course Development – 17.50% Initial Course Accreditation – 1.00%
Operating Costs	The cost of operating the tourism and hospitality management school based on a benchmark course provision cost per student (calculated from an operating % of course fee charged).	Low – \$7.1m Base – \$9.5m High – \$11.9m
Revenue	Expected revenue per course generated by the provider based on a benchmark course fee.	Domestic Students – \$25,000 International Students – \$30,000
Enrolments	The number of total enrolments at 100% capacity.	Low – 263 Base – 351 High – 439
Enrolment % split	The % split of domestic and international student enrolment numbers at 100% capacity.	Low – 50% Domestic, 50% international Base – 38% Domestic, 62% international High – 30% Domestic, 70% international
Enrolment Ramp Up Profile	The % of enrolments at the tourism and hospitality management school each year as it ramps up and reaches 100% capacity.	Year 1 – 25% Year 2 – 50% Year 3 – 75% Year 4 – 100%
Escalation	The rate at which operating costs and revenues increase year on year	2.50%

4. OUTPUTS

The financial analysis provides an assessment of the level of government support that may be required to ensure that the world class tourism and hospitality management school is viable. The potential government support has been assessed under various mechanisms which include:

- Capital – Government fund all upfront capital costs including construction and establishment costs.
- Operational Ramp Up – Government fund the shortfall in operating cash flow over the first 3 years until enrolments reach 100% (assumed to be year 4).
- Per Year Operational – Government funds the yearly shortfall in operating cash flow if enrolments do not meet expected figures (assumes enrolments are 80% of expected figures).

The range of support required for each scenario under each potential government support mechanism is outlined in the table below.

Table 2: Financial Analysis Outputs

Potential Government Support Mechanism	Low	Base	High
Capital	\$32m to \$39m	\$43m to \$52m	\$53m to \$65m
Operational Ramp Up*	\$10m to \$12m	\$13m to \$15m	\$15m to \$19m
Per Year Operational**	\$1.9m to \$2.3m	\$2.3m to \$2.9m	\$2.7m to \$3.2m

* The total operating shortfall over the first 3 years of operation

** The average operating shortfall per annum

Tourism Western Australia

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