



**Wider social and economic  
impacts of a redeveloped  
Sydney Fish Market**

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# Executive summary

Sydney Fish Market (SFM) is a working seafood market that combines a fishing port and both wholesale and retail operations, and has been in operation at its current location since 1966. SFM is the largest market of its kind in the Southern Hemisphere.

SFM is a commercial market, connecting fishing businesses with wholesalers, retailers and restaurants, and having many on-site options for consumers. As outlined in a 2016 Deloitte Access Economics report, SFM is also an important social and economic institution, bringing tourists to Sydney and Australia, broadening the choice of seafood available to families and having a certain iconic value for Sydneysiders. Indeed, 97% of surveyed Sydneysiders are aware of SFM, and 85% see it as an important feature of Sydney (Newgate Research, 2018).

However, in its current state, SFM faces constraints to future retail growth and expansion. Studies have shown that visitors have identified issues related to parking, cleanliness, crowding and limited access to public space at the current site.

In June 2017, the NSW Government committed to the redevelopment of SFM, with a new facility to be built in Blackwattle Bay, adjacent to the current site as part of the Government's broader vision for the rejuvenation of the Bays Precinct. UrbanGrowth NSW Development Corporation (UGDC) and SFM have established a redevelopment model.

Stafford Strategy has developed a Business Case Update for SFM which details the building specifications and forecasts visitation, revenue, and costs of the proposed redevelopment concepts.

Deloitte Access Economics has been commissioned to estimate the value of the wider social and economic benefits of the redeveloped site, relative to the status quo option of no redevelopment. Deloitte Access Economics has not produced forecasts or independently verified the estimates presented by Stafford Strategy.

The redeveloped SFM is expected to attract more domestic and international **tourists**. The number of visits is linked to the retail floor space with 5.05 million visitors forecast in 2023. Economic modelling shows that this will lift NSW Gross State Product by an average of \$61 million per year between 2023 and 2032, relative to a baseline of no redevelopment. This economic activity will support an average 242 full time equivalent employees per year.

The redevelopment of SFM is also expected to maintain the **choice and variety** benefits of SFM to the NSW economy, and enhance the benefits of a **unique experience** visiting an authentic working market. The uplift in unique market experience is expected to be around \$90 million per year.

SFM's **innovation** strategy for the new facility will allow for better targeting of identified consumer segments. Through a comparative analysis of best practices in leading seafood markets, the SFM Business Case Update (2018) has identified key innovations that could be implemented to engage existing consumers and attract more people to the marketplace.

**Public space** created as part of the redevelopment will drive visitation at SFM and provide social benefits such as social cohesion, including through events and festivals such as the annual Blessing of the Fleet and Vivid. One approach to estimating the benefit of increased public space is through quantifying the value of time visitors spend enjoying its amenity. Some visitors (5% of the total) to the redeveloped SFM will not make a purchase, suggesting the main purpose of their visit is for leisure and appreciation of the facility and public space. This **public space benefit could be around \$3 million per year.**

Many of the benefits of the existing SFM facility will also be maintained or enhanced by the redevelopment including **industry productivity benefits, existence value** of SFM and its **brand**. SFM will also continue to support the **regional economy** through the fishing supply chain and the regional dispersal of its visitors throughout the state, with the South Coast, North Coast and Hunter regions experiencing the majority of these benefits.

As with any development, costs include capital costs, opportunity costs of land used and any negative externalities such as impact on traffic or local amenity.

The benefits of redevelopment are clearly significant compared with the status quo of no redevelopment, and will allow SFM to continue to increase the social and economic value it provides to Sydney.

# 1 Introduction

Sydney Fish Market (SFM) is a recognised Sydney brand and tourist destination, and importantly also serves as the hub for the New South Wales (NSW) fishing industry. As the largest market of its kind in the Southern Hemisphere, SFM facilitates wholesale trade through its auctions and plays a pivotal role in the seafood industry. SFM also generates economic activity through attracting over 3 million domestic and international visits each year.

In June 2017, the NSW Government committed to the redevelopment of SFM, with a new facility to be developed in Blackwattle Bay, adjacent to the current site. This not only represents an important opportunity to catalyse the rejuvenation of the Bays Precinct, but also to help NSW meet its ongoing tourism targets. The redevelopment of SFM will generate social and economic benefits for Sydney as well as regional NSW.

Deloitte Access Economics has been commissioned by SFM to estimate the social and economic benefits of the redevelopment relative to the status quo scenario of maintaining the existing facility without redevelopment. This report explores, and where possible quantifies, the different types of benefits from redevelopment.

This analysis builds on three previous reports for SFM: 'The economic and social impact of Sydney Fish Market' and 'A redeveloped Sydney Fish Market: enhancing its wider economic and social impacts' in 2016, and analysis of the tourism and supply chain impacts of SFM on the regional NSW economy in 2017.

This report is based on the estimates in the September 2018 Sydney Fish Market Business Case Update prepared by Stafford Strategy. Deloitte Access Economics has not produced forecasts or independently verified the estimates presented by Stafford Strategy.

## 1.1 Vision for redevelopment

The NSW State Government vision to renew the Bays Precinct provides a unique opportunity to redevelop SFM and improve its status both as a significant tourist destination and fish and fresh produce market.

SFM's vision for redevelopment involves establishing SFM as:

1. The global benchmark for fish markets in terms of fresh seafood and other produce, food service, seafood storage, handling and auction facilities
2. A unique tourist destination that brings people to Sydney from around the state, interstate and overseas and is based on an authentic market experience
3. A leader in food sustainability and seafood education, by providing more opportunities for Sydney Seafood School classes and more tours
4. An iconic landmark that respects the maritime heritage of the site, while reflecting the urban future of Sydney
5. A leader in urban design, providing a connecting link within the cultural ribbon around Sydney (SFM Business Case Update, 2018).

The current SFM building occupies a total footprint of 13,677 sqm (total functional area 30,798 sqm). Based on forecasted market demand, the existing SFM building will not be large enough to support future growth in activity from tourists, retailers and wholesale traders. Based on SFM Business Case Update (2018) developed by Stafford Strategy, the key features of the redevelopment plan include:

1. Increasing SFM's development footprint to 19,279 sqm (total functional area of 74,795 sqm) to accommodate for SFM's growth potential and increased expected visitation based on redevelopment plans
2. Maintaining SFM's current co-location features which places wholesale and retail seafood sales under one roof and provides an authentic market experience
3. Technological improvements and efficiencies in wholesale areas
4. Expanding the net lettable area of retail
5. A cycle storage area, in addition to the carpark
6. Creating a public space for events and community.

These features of a redeveloped SFM will strengthen its marketability to locals, interstate and international tourists, facilitating greater social and economic benefits for the state.

The redeveloped SFM will have almost twice (98% more) the total retail net lettable area of the current site, taking it to 12,468 sqm. Wholesale space will be slightly smaller than it is today, but technological improvements (such as better insulation) should lead to efficiencies in the wholesale market and thus reduce the need for a large space.

The number of parking spaces will fall from 420 spaces to 417 at the new location, however a cycle storage area for 60 bikes will be created, to allow locals to ride and store their bikes while visiting the market.

The redeveloped site is expected to see a sharp increase in visitation. For instance, in the first year of opening (in 2023), the redeveloped market is forecast to attract 5.05 million visitors, 1.9 million more than is forecast for the current site in the same year. It will also encourage a higher average spend from consumers - up \$56.21 under the baseline forecast to \$72.35 in the redeveloped model.

The redeveloped site, while having a larger building footprint than the current space, will be at capacity in terms of intensity of use/space from day one of opening. The larger area will address the current overcrowding problem but the SFM Business Case Update notes that capacity issues will emerge over time with anticipated visitor growth.

A redeveloped SFM is also important in ensuring its current-state benefits remain. Modelling from SFM suggests that in a 'do-nothing' scenario, SFM facilities will become degraded and SFM will cease to be viable. If SFM is not redeveloped and needs to shut down, the NSW economy would face a loss of a range of benefits including tourism expenditure and a range of consumer benefits. This strengthens the case for redevelopment, as an investment in redevelopment can not only preserve but enhance the value of these wider benefits to the state.

# 2 Tourism benefits from a redeveloped SFM

Additional tourism activity attributable to the redeveloped SFM will have economic benefits for the local, regional and national economies in terms of employment and gross state product. This chapter estimates the tourism benefits attributable to the redevelopment model relative to the baseline of no redevelopment.

## 2.1 Methodology

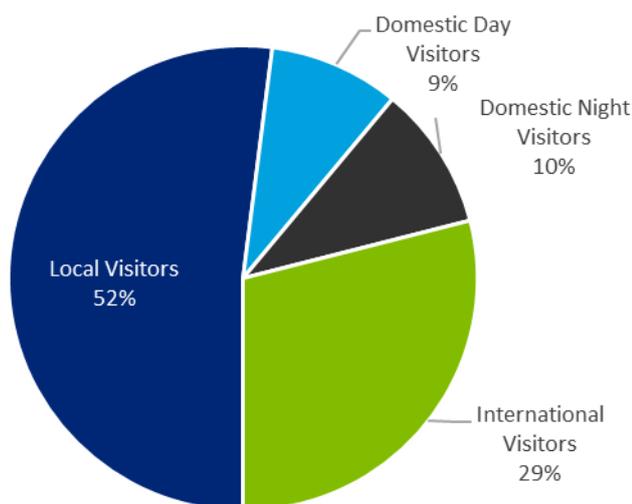
Using computable general equilibrium (CGE) modelling, the economic impact of the redevelopment model is measured in terms of variation from the baseline. The impacts are presented in terms of gross state product (GSP), measured in millions of dollars, and employment, which is measured through full-time equivalent (FTE) employees.

Appendix A provides further information on CGE modelling.

## 2.2 Baseline scenario

In 2018, SFM recorded 3 million domestic and international visits. According to a consumer survey conducted in 2016 (Deloitte Access Economics 2016a), visitors were most attracted to the food and retail opportunities that SFM provided. The profile of these visitors is shown in Chart 2.1, with the majority (52%) being local visitors.

Chart 2.1: Tourists Profile (2018)



Source: SFM Business Case Update (2018)

Without any redevelopment (see Chart 2.2), SFM is forecast to draw 3.2 million visitors in 2023, with natural incremental growth amounting to 3.5 million visitors by 2032 (SFM Business Case Update, 2018).

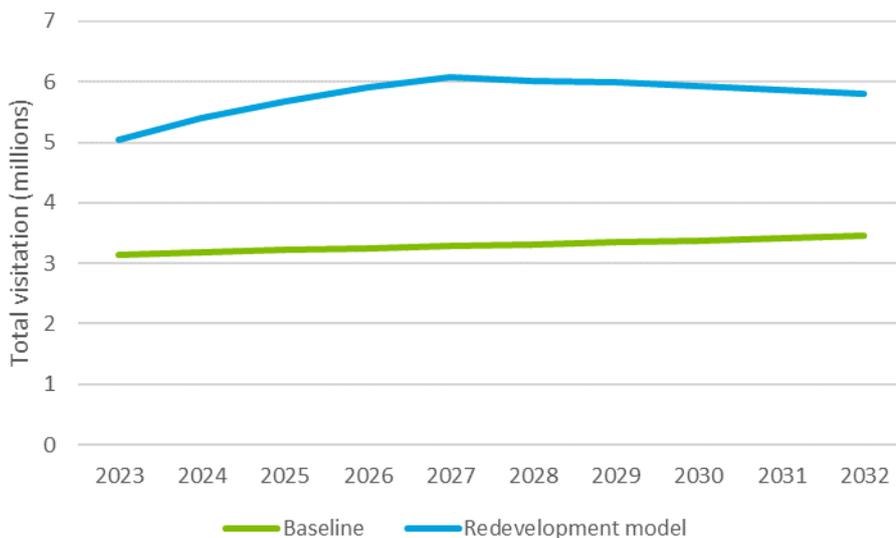
### 2.3 Visitation

The redevelopment will redefine SFM as a premium tourist destination in NSW, not only drawing in a greater number of tourists, but also encouraging existing and new visitors to spend more (SFM Business Case Update, 2018).

Under the redevelopment model, the expanded food and beverage opportunities, outdoor spaces, and wider retail opportunities from the cooking classes and tours is expected to draw more visitors to SFM.

SFM Business Case Update (2018) proposes to offer total retail net lettable area 98% greater than the current space. Keeping the ratio of visitors per square metre of retail space fixed, the redevelopment model will generate an additional **1.9 million visits in the first year, boosting total visitation to 5.0 million in 2023 and 5.8 million in 2032** (SFM Business Case Update, 2018). As Chart 2.2 demonstrates, the number of annual visits is expected to peak around 2027. Demand levels after 2027 for a variety of reasons including market familiarity, impact of possible competitive precincts, capacity constraints deterring locals and the natural cycle of visitor attractions which tend to start strongly and then consolidate until further refreshment of experience.

Chart 2.2: Visitation Projections (2023 - 2032)



Source: SFM Business Update (2018)

The Business Case Update assumes that an increase in visitation under the models will have the same source profile as current visitation profile at SFM. That is, 52% are expected to be local visitors, 29% of visits will be attributable to international visitors and 19% will be domestic day and overnight visitors.

Increasing international visitation is key to achieving these visitation forecasts. Currently, SFM receives around 870,000 international visitors per

year (expected to reach 914,000 in 2023) under the status quo, compared with a forecast 1.46 million in 2023 for the redevelopment model.

There are two ways this uplift in international visitation can be achieved. Firstly, growth in international visitors, particularly those from China, over the period to 2023 will see a greater number of visitors to SFM. SFM is a particular drawcard for Chinese tourists: Tourism Research Australia's International Visitor Survey data shows a 15% increase in the number of Chinese tourists visiting SFM in 2016-17 relative to the previous year. This compares to an 8% uplift in Chinese tourists to Sydney more broadly.

In 2017-18, there are expected to be 98.8 million international visitor nights in NSW, growing to 131.0 million in 2022, reflecting almost 33% growth in visitor nights over this period (Destination NSW, 2017). Secondly, a redeveloped SFM has the opportunity to increase the share of international visitors who choose to attend SFM, through offering a new facility and different experiences. Between these two sources of growth, the uplift in visitation for the two concepts is expected to be achievable.

## **2.4 Expenditure**

It is also expected that the redevelopment of SFM will induce tourists to spend more during their visits. The Business Case Update (2018) estimates that expenditure per person will be higher under the redevelopment model than the baseline case. The likely channels for additional expenditure associated with the redeveloped SFM include:

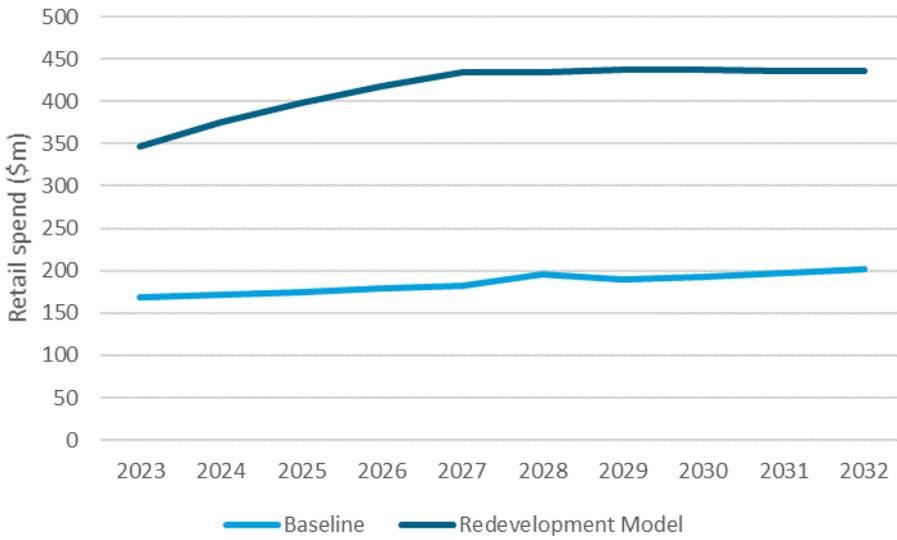
- The wider retail and catering services – which will increase average spend per person from \$53.48 currently to \$72.35 under the redevelopment model in 2023
- New cooking classes offered at the Sydney Seafood School – where average expenditure is expected to increase from \$129.02 currently to \$135.60 in the new development in 2023
- Car parking - from an average of \$4.00 today to \$5.00 in 2023
- Tours of SFM for individuals, groups and school groups - from \$30.00 today to \$35.00 in 2023.

The uplift in average retail spend per person not only demonstrates higher usage and demand of SFM facilities, but also higher expenditure per person. While these channels will be a source of uplift, the increase in retail space and projected visitation numbers will ultimately drive revenue.

## **2.5 Quantifying the impact of redevelopment**

If no redevelopment takes place, the total retail spend is estimated at \$168 million in 2023, growing to \$201 million by 2032. The redevelopment will generate an additional \$179 million in retail spend in Year 1 (a total of \$347 million), representing an increase of 107%. The projected retail spend is shown in Chart 2.3.

Chart 2.3: Projected increase in total retail spend (2023- 2032)



Source: SFM Business Case Update (2018)

Currently, the average spend for an international tourist for their entire trip is around \$2,404.71 per visit, \$706.84 for domestic overnight visitors, and \$408.19 for domestic day tourists (Tourism Research Australia, 2017).

The additional expenditure and economic impact can be estimated using the ratio of international and domestic tourists who visit Sydney for SFM specifically (7% and 16% respectively). The survey conducted in 2016 suggests that around 22% of domestic tourists will spend more, whereas 40% of international tourists will spend more if SFM were redeveloped (Deloitte Access Economics, 2016a).

The additional tourist activity (through increased visitation and expenditure) created by the redeveloped SFM has wider economic implications on the NSW economy, generating greater output and employment opportunities across the state, not just at SFM.

Table 2.1 presents the economic impact of increased tourism activity under the redevelopment model. The NSW economy will be boosted by an average of \$61 million per year relative to baseline (\$24 million in 2023 up to \$71 million in 2032) and there will be an average additional 242 FTE jobs created per year.

Table 2.1: Tourism impact under Final Concept Redevelopment Plans

Baseline	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Avg
Real GSP (\$m)	24	41	52	62	69	72	73	73	72	71	61
Employment (FTE)	139	211	244	265	280	277	266	256	247	239	242

Source: Deloitte Access Economics (2018)

# 3 Choice and experience benefits

The redevelopment of SFM is also expected to maintain the choice and variety benefits of SFM to the NSW economy, and enhance the benefits of a unique experience visiting an authentic working market.

## 3.1 The benefits of choice and variety

The wholesale market at SFM trades in more than 500 different species of seafood each year. In 2016, Deloitte Access Economics estimated the value of choice and variety at SFM to consumers, that is, the benefit to consumers of having a wider variety of seafood species to choose from, with greater choice and variety generally perceived as a benefit to society.

Based on SFM's annual report (2017a), which recorded wholesale revenue of \$150.6 million and approximately 14,572 tonnes of seafood traded over the year, the average wholesale price for seafood was \$10.33 per kilogram. Based on the assumption that retail customers, both on and offsite, are likely to pay at least twice this price at a local shop, this suggests that the retail value of fish sold is \$20.66 per kilogram or a total value of approximately \$301 million.

These updated values allow us to re-evaluate the estimates presented in the 2016 analysis.

The size of this benefit was estimated by determining a 'uniqueness factor', which represents what percentage of fish are sold solely at SFM, and by examining the responsiveness of its demand to changes in price. We assume that the unique fish sold at SFM do not have a close substitute, and as a result, consumers would require a form of compensation to ensure they are just as well off.

Based on 2017 data, we estimate that 41% of fish and seafood species sold at SFM can be considered 'unique', generating **consumer welfare benefits worth between \$78.6 million and \$110.9 million**. This represents an average benefit of choice and variety of **\$94.8 million**.

Further details on this approach are presented in Appendix B.

It is reasonable to assume that post-redevelopment, a similar range of unique fish and seafood species will be available at SFM. Wholesale revenue is expected to remain the same as status quo post-redevelopment, with annual revenue growth of 2.9% per year. As there is no difference between the redevelopment model and status quo, there is not expected to be an uplift in choice and variety benefits.

## 3.2 Value of a unique market experience

SFM provides an authentic market experience to consumers and suppliers, with wholesale and retail under one roof, including a wharf on a working harbour. The facility at SFM includes an auction floor open to the public who can observe and even participate in the auction process, and accessible retail fish shops, restaurants, cooking classes and tours. With all these facilities located in one space, customers and industry have access to an

authentic market experience that generates additional welfare benefits for the consumer, and improves productivity for industry.

The redevelopment plans propose to augment these co-location benefits in the following ways:

- Through providing a unique tourism 'experience' by integrating wholesale, retail, catering, cooking classes, and tours of SFM
- Through improvements to despatch areas and overall efficiency to improve industry efficiency.

In 2016, DAE estimated that the benefits of co-location to consumers in providing a unique market experience was approximately \$109 million to \$153 million per year (an average of \$131 million per year). This figure suggests that the benefits of a unique experience are roughly 75% higher than the amount of consumer benefits from choice and variety.

Based on Business Case forecasts of revenue growth from 2023 to 2032, the average uplift in unique market experience is between \$74 million and \$105 million per year (average of \$90 million per year).

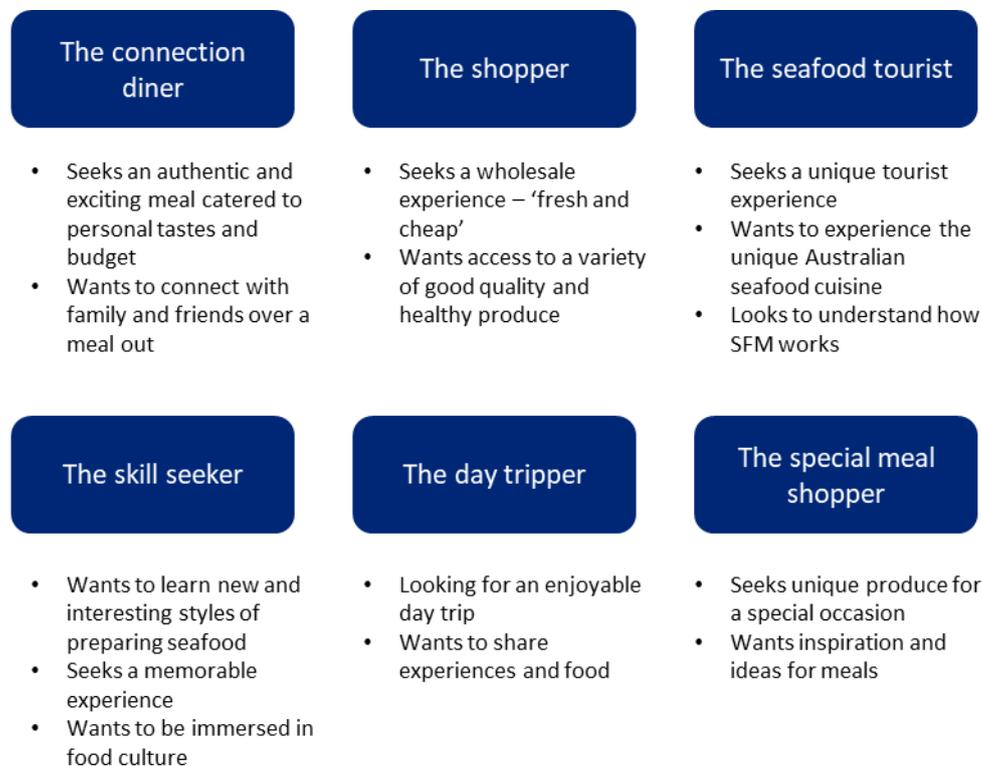
It is important to note that greater economic activity at SFM could be a substitute for sales and revenue elsewhere in Sydney or NSW, and hence the increase in consumer surplus may entirely not be a net gain to the economy. Further detail on the approach is provided in Appendix B.

# 4 Innovation and premium destination benefits

Redevelopment provides SFM with the ability to better meet the needs of its audience and launch itself as a premium destination with innovative offerings.

Tricky Jigsaw has identified six types of consumers which they draw: the connection diner, the seafood tourist, the skill seeker, the shopper, the special meal shopper and the day tripper (SFM Business Case Update, 2018). They range from international tourists, interstate visitors as well as local people who seek and value different things along their consumer journeys. Figure 4.1 details these customer profiles.

Figure 4.1: Profile of SFM consumers



SFM could benefit by better aligning their offerings to the wants and needs of these categories of consumers. This will generate tourism benefits in the form of additional tourists and greater expenditure.

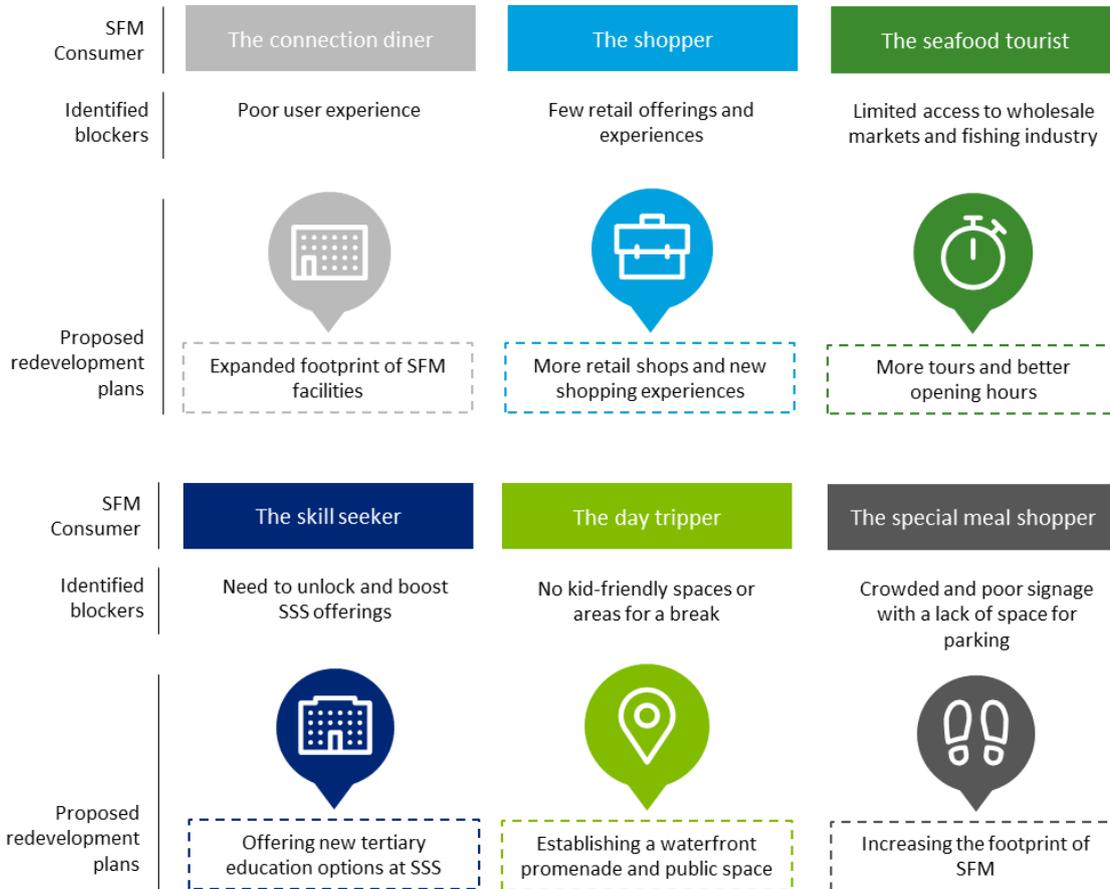
Through a comparative analysis of best practice in leading seafood markets, the SFM Business Case Update (2018) has identified key innovations that could be implemented to engage existing consumers and attract more people to the marketplace.

These innovations include (SFM Business Case Update, 2018):

- **Expanded retail offerings** will allow SFM to meet majority of needs of *shoppers* who are looking for an integrated experience, which combines seeing a working fishing industry, purchasing affordable and fresh produce, and tasting it at restaurants. SFM is also looking to extend operating hours to 7am – 10pm to introduce a nightlife, where it was previously 7am – 4pm. Overall, this is expected to bring in 5.05 million visitors in 2023 alone. The demand will be driven by local consumers, which represents 52% of all consumers.
- **More SFM tours** will be available for *seafood tourists* seeking to understand the history of NSW's fishing industry, understand the auction floor process, and visit the markets. This is expected to meet the needs of 9,100 consumers in 2023 (SFM Business Case Update, 2018).
- A **larger Sydney Seafood School (SSS) facility** will allow SFM to meet the needs of *skill seekers*, interested in gaining authentic seafood knowledge from renowned seafood chefs. The forecast participation is 12,600 students in 2023.
- **Waterfront promenade and public space** is a key tourist attraction for over two-thirds of 25 global fish markets assessed by the Business Case Update (2018). The creation of such a space will meet the needs of consumers increasingly seeking an area to relax and enjoy SFM facilities, without necessarily spending money. In particular, it appeals to *day-trippers*, for example couples with spare time, friend groups looking for something to do, or young families trying to get out of the house (SFM Consumer Profiles 2017b). This could attract 124,000 visitors in 2023 (this is 5% of the total expected visitation).
- Finally, **an expanded footprint of SFM facilities** will improve the overall experience of consumers, in particular *special meal shoppers*, as there will be less congestion and greater space for pedestrian traffic.

The redevelopment has the potential to address these blockers and meet the needs of its consumers through its proposed innovations as summarised in Figure 4.2. As a result, SFM's brand can transform to one that is associated with a **premium holiday destination**, offering fresh food, a seafood school, water and outdoor experiences.

Figure 4.2: Redevelopment meets consumer needs



The benefits of innovation at the redeveloped site are linked directly with tourism benefits (see Chapter 2), such as increased visitation and increased spend by consumers. Better targeting consumers needs also drives benefits like an increased probability of demand by consumers; and SFM can then command higher prices and margins. Some of these benefits will be accounted for in the increased average spend by consumers, but also reflect higher visitation numbers.

# 5 Education benefits

Sydney Seafood School was established in 1989 to educate consumers on how to cook with the likes of octopus, squid, red mullet, crabs and mussels – species that are now commonly used by home cooks and chefs, but at the time were considered exotic species. By familiarising the public with these types of seafood, their profiles were raised, from unwanted parts of the catch sold as bait or very cheaply, to in demand alternatives to more traditional fish such as used whiting, bream, snapper and flathead (Sydney Fish Market, 2017).

Since then, the school has broadened its reach to bring techniques from a variety of cuisines to local, interstate and international students. Leading Australian chefs, including Christine Manfield, Matthew Moran and Guillaume Brahimi, are among the School's presenters.

The redevelopment of the Sydney Fish Market provides an opportunity for the School to again refocus to meet changing market demand.

## 5.1 Existing facility

In 2016-17, Sydney Seafood School hosted 310 classes with 11,068 participants, representing 0.4% of all visitors to SFM.

The school was most recently refurbished in 2009, and includes an auditorium for cooking demonstrations, a kitchen and a dining room. The kitchen features custom-made, stainless steel cooking islands fitted with modern appliances and television screens above the demonstration benches to present to the class.

The current courses cater to a wide range of skill levels, from courses for those with an interest in cooking through to complex weekend workshops with leading chefs.

The existing facility is forecast to **attract around 12,000-15,000 students** per annum from 2023 onwards, with an average spend of \$136-\$148 per person over the 10-year period (reflecting an annual increase to account for inflation). This suggests annual revenue of between \$1.7 million and \$2.2 million over the period.

## 5.2 Tours

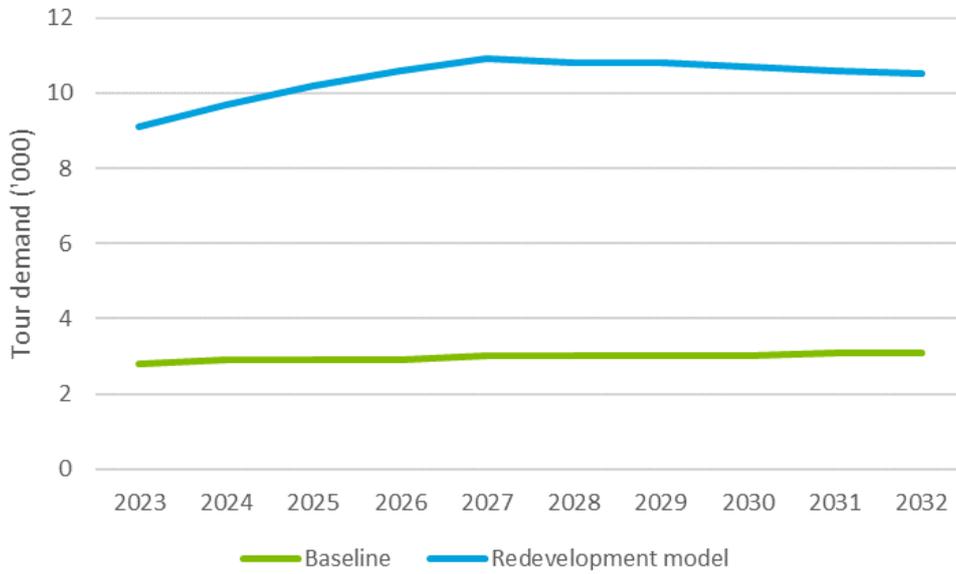
The Business Case also forecasts an increase in participation in the tours offered by Sydney Fish Market at the redeveloped facility. The tours are more than just a recreational activity – they educate visitors on the history of SFM, explain how the auction system works and provide a tour of the auction floor where they can view the 100 or more species available that day.

In a redeveloped SFM, there are forecasts for higher numbers of tour participants. The existing facility is forecast to attract around 2,800 tour participants from 2023 onwards, with an average spend of \$32-\$35 per person over the 10-year period (reflecting an annual increase to account for inflation). This suggests annual revenue of \$90,000 to \$107,000 from tours over the period.

**In 2023, tours are expected to attract 9,100 people under the redevelopment model** (see Chart 5.1). Per tour, these people are

expected to bring in per person revenue of \$35 in 2023, with tour-related revenue being \$318,000 in 2023.

Chart 5.1: Forecast tour participation



Source: Sydney Fish Market Business Case Update (2018)

# 6 Community and public space benefits

The redevelopment of SFM will create a new public space for leisure, events and festivals, incorporating a waterfront promenade, outdoor dining facilities, recreational wharf and the expansion of current retail offerings. Such public spaces have historically often been overlooked and undervalued by urban authorities but are increasingly being considered the backbone of cities, providing numerous economic and non-economic benefits (United Nations, 2016).

Public spaces are sites which are accessible to all and may take on various spatial forms, including parks, streets, sidewalks, markets and playgrounds. Good public spaces promote health, happiness, and wellbeing for all citizens and enhance community cohesion (Kendal et al., 2016). Globally, the importance of public spaces has received growing attention, becoming a key goal of the United Nation's New Urban Agenda in 2016 (Anderson, 2016). This has informed Australia's policy discussion too, and within NSW, public-private partnerships have facilitated the creation of many public spaces around Sydney – the successful development of Barangaroo being the most recent example.

Although there are existing open spaces like Wentworth Park, Blackwattle Bay Park and the existing SFM boardwalk, the proposed plans at SFM combine accessibility, engaging activities, business opportunities and retail opportunities, which Watson and Studdert (2006) attribute to a successful and functioning public space in a UK market study. Further, the redevelopment of SFM forms part of the Western Harbour Precinct Strategy to optimise the area into a world-class waterfront attracting locals and visitors.

This chapter examines the economic and non-economic benefits and costs associated with the creation of the public space, which will accrue to SFM as well as the wider Bays Precinct.

## 6.1 Impact on SFM

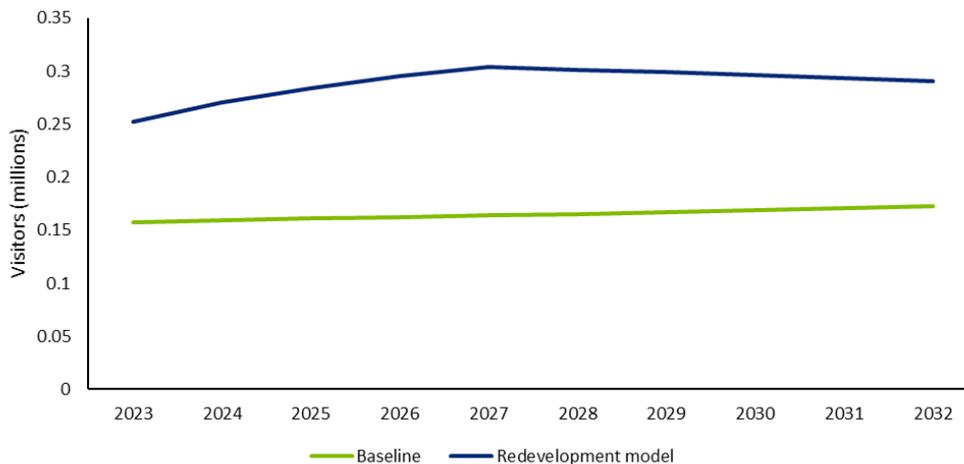
The provision of a public space is expected to draw visitors seeking a destination for relaxation and enjoyment. While these visitors may make incidental food and beverage purchases, the main purpose of their visit would be to enjoy the views from the waterfront promenade, take a walk or enjoy the fishing industry activity.

SFM has identified that these could be day-trippers, including couples with spare time, friend groups looking for something to do, young families trying to get out of the house or older families looking to entertain their kids (SFM Consumer Profiles, 2017b).

According to the SFM Business Case Update (2018), this would be around 5% of total visitors. The redevelopment model will attract an additional 1.9 million visitors in 2023, and of this **95,000 visitors** will attend for the

public space (an average of 124,000 visitors a year over ten years) who will visit but not spend. These figures are based on overall visitation projections that reflect retail space (see Chart 6.1).

Chart 6.1: Visitation from the creation of a public space



Source: SFM Business Case Update (2018)

Approximately 95% of visitors who arrive at SFM will make a purchase, according to the SFM Business Case Update (2018). Accordingly, the public space will complement the retail experience at SFM, encouraging visitors who do make purchases to enjoy the promenade and lengthen their stay. **This represents 4.8 million visitors in the first year of development** (SFM Business Case Update, 2018). This will boost their seafood, retail food and beverage options, which has already been accounted for in the SFM Business Case Update (2018).

## 6.2 Growing the Bays Precinct

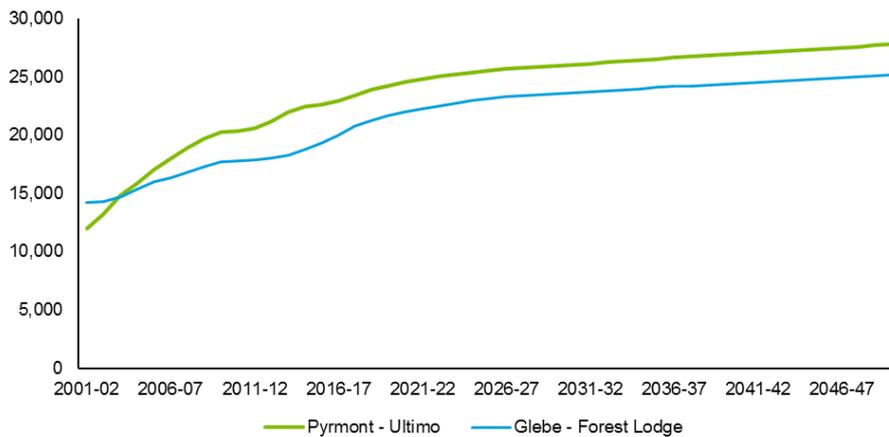
Apart from economic benefits to SFM, the value of a community and public space stem from the social benefits, which accrue to the wider community of the Bays Precinct. The creation of the public space will be a shared asset for the Bays Precinct, as well as wider Sydney.

High-quality public spaces can encourage people to communicate, collaborate with each other, and to participate in public life, potentially leading to improved social cohesion, a greater connection between different cultures, and reduced levels of crime (Kendal et al., 2016). Investment in the public space at SFM may improve the area’s productivity, improve the quality of life of citizens and allows better access to SFM markets, jobs and services (Anderson, 2016).

The physical and mental health benefits associated with public spaces are also well-documented (Kendal et al, 2016). Public spaces encourage physical activity, which reduces morbidity and improves physical health outcomes (Cohen, 2007). They also contribute to reduced stress levels and improved mental wellbeing. The creation of an SFM public space can hence positively **influence the physical and mental health outcomes of more than 45,000 people** who will reside in the Bays Precinct area by 2022 (see Chart 6.2).

The value of the community and public space will only increase with time. The following chart demonstrates the population growth in key Bay Precinct areas, and therefore the potential population that stands to benefit from the local public space at a redeveloped SFM.

Chart 6.2: Projected population growth in the Bays Precinct



Source: Deloitte Access Economics 2017

Nonetheless, there are costs to the community of the Bays Precinct area associated with the creation of a public space. Over time, the space may be subject to population pressures, which will result in negative externalities for the community like traffic congestion or noise pollution.

### 6.3 Future opportunities for SFM

SFM is a major economic driver within the Bays Precinct and a catalyst to support many other commercial and related development options within the area. **SFM’s public space, including its amphitheatre style staircase, can be used as a future venue for events and festivals** such as the annual Blessing of the Fleet and Vivid, or new weekend or summer events for the general public. This is not only an additional revenue stream as festivals and events driving visitors and tourism, sales and revenue, but it will also improve community cohesion and participation.

### 6.4 Estimate of benefits

This chapter has detailed a number of benefits associated with the provision of public space at SFM, including its role in attracting visitors, a range of social benefits and physical and mental health benefits. By their nature, these benefits are challenging to quantify.

One approach to estimating the benefit of increased public space is through quantifying the value of time visitors spend enjoying its amenity. As noted above, it is estimated that 5% of visitors to the redeveloped SFM will not make a purchase, suggesting the main purpose of their visit is for enjoyment and appreciation of the facility and public space. This represents an average of 288,600 visitors per year over 10 years.

If it is assumed that each visitor spends one hour enjoying the amenity at the new public space, we can estimate the value of this benefit through placing a value on their leisure time. Assuming a value of leisure time of \$11.53 per hour (see box below), this represents an average **public space benefit of around \$3 million per year.**

## Value of leisure time

According to the Australian Bureau of Statistics (ABS), the average Australian weekly earnings for an adult working full time in Australia in May 2018 were \$1,653.00. Earnings after tax are \$ 1,246.88. To estimate a net wage, \$100 worth of expenses is deducted as costs of getting to work. This implies that the average Australian earns an average of \$1,146.88 per week net of taxes and expenses.

Assuming a 38 hour working week, and that the average person takes an additional 6.75 hours commuting to and from work each week (see Milthorpe (2007)), average hourly earnings can be estimated at \$25.63.

Larson & Shaikh (2004) find that one hour of leisure is worth 45% of the value of an hour of employment to the individual. On this basis, the hourly leisure rate is likely to be around \$11.53, for Australians, on average.

### 6.5 Wider costs of redevelopment

The wider costs of the public space and redevelopment need to be considered alongside the benefits.

The redeveloped SFM is expected to draw a significant increase in visitation (uplift of around 1.9 million visits in 2023). It is expected that 25% of these visitors will come by car, and the remaining 75% by public transport, private bus tours, water taxis and walking. This will represent an increase in car **traffic** around the area. Increased operating hours may somewhat alleviate congestion by dispersing it throughout the day, and greater availability of car parking spots (from staff car parking moving offsite) may reduce queueing, however, congestion around SFM at peak visitation times may still worsen with the increased number of visitors.

The redevelopment may also have impacts on the **amenity** of the area. Construction traffic and noise will impact on the amenity of the surrounding area as the new facility is built, and increased traffic from higher visitation may have ongoing negative impacts on the area's amenity.

There are also **opportunity costs** associated with the land used for redevelopment. The redeveloped SFM will be located adjacent to the current site, and there is an opportunity cost of land associated with the building footprint as it will no longer be available for other uses.

The redevelopment may involve a large upfront investment that is not proportionally borne by the public and community who represent the main users of the area. This has implications on the use and costs of the public space, with people living nearby but not otherwise visiting SFM being greater beneficiaries of the redevelopment. Where the costs are not appropriately borne, there may be incentives for excessive use and degradation. SFM will be responsible for these ongoing maintenance costs.

# 7 Other benefits

The previous chapters have estimated the benefits attributable to a redeveloped SFM; however, a number of benefits attributable to the existing facility are expected to be at least maintained following redevelopment. This chapter explores a number of these benefits.

## 7.1 Industry productivity benefits

Wholesale markets like SFM play a major role in improving food supply and distribution to industry members, cities and consumers, especially for perishable produce like fish.

By co-locating in one geographic location, the fishing industry experiences productivity benefits. These benefits include lowering per unit transport, handling and overhead costs, facilitating marketing, and enhancing transparent pricing. Shared infrastructure, such as the auction technology and facilities available in SFM, reduces business costs and duplication of resources and infrastructure.

Overall, co-location boosts productivity for the individual wholesaler and the industry. In 2016, **DAE estimated that the industry productivity benefits are about \$18 million per year.**

In redeveloping SFM, the co-location benefits experienced by wholesalers will at least be maintained, although the physical space may differ (SFM Business Case Update, 2018). The redevelopment proposes to improve despatch areas and implement new storage and handling systems (SFM Business Case Update, 2018), which will likely increase SFM operational efficiency through improved utilisation of existing infrastructure, reduced transport costs, and efficiency gains through fish distribution. When introduced, this has the potential to generate further industry productivity benefits.

## 7.2 Existence value

SFM is also a Sydney icon with an important intangible cultural value. People regularly value things even if they do not personally use them or visit, such as beaches nearby or the city landmarks. This is their 'existence value'.

SFM's existence value was previously estimated by Deloitte Access Economics at about \$25.2 million per year (DAE, 2016). This was based off a conservative estimate provided by respondents surveyed in 2016 of the value they would place on the option to visit in SFM, resulting in a weighted average of \$5.30 per person.

It is estimated that the existence value will be at least maintained under the redevelopment options. The redevelopment would enhance SFM's prominence as a cultural icon in Sydney and make it a more desirable destination to visit.

## 7.3 Economic contribution of SFM brand

Brand is an intangible asset that can contribute to the value of visits, retail expenditure and sales. SFM brand is associated with being a credible source of high quality and unique species seafood. SFM notes that this a key value proposition that attracts all six types of consumers, who range from

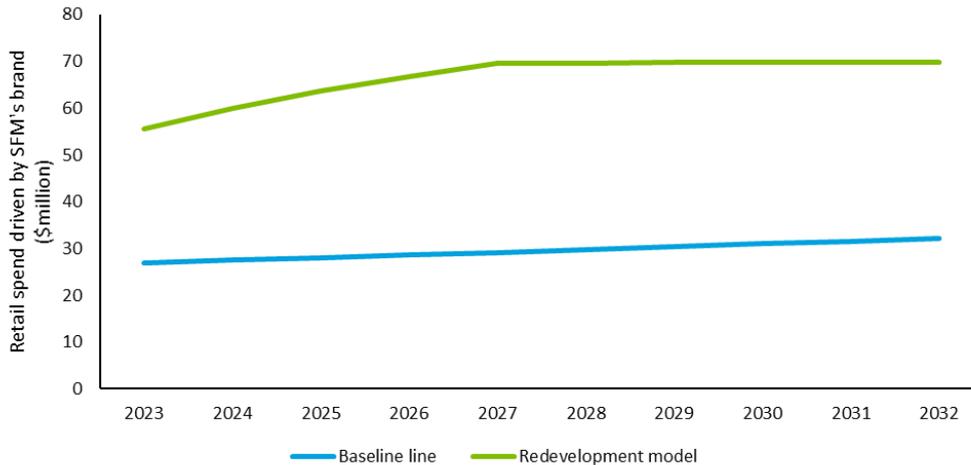
international visitors to locals (Tricky Jigsaw, 2018). In fact, SFM’s brand and reputation alone can be attributed to 16% of total visits to SFM, according to a consumer survey conducted in 2016 (Deloitte Access Economics 2016a).

In addition to attracting visitors, a strong brand propagates retail expenditure; either from first time visitors who come to SFM for its unique produce and make incidental purchases, or from repeat consumers who purchase SFM produce because of its reputation for its high quality. The brand ratio of 16% can be applied to revenue generated by retail tenants as well – i.e. 16% of total retail revenue can be attributed to SFM’s brand alone.

Without any redevelopment, it is estimated that total retail spend will be \$168 million in 2023 (SFM Business Case Update, 2018). The contribution of brand to on-site retail spending is therefore estimated to be around \$29.5 million (see Chart 7.1).

Once redeveloped, SFM can be relaunched as a premium tourism destination. Redevelopment will boost retail expenditure by 107%, but also the retail expenditure attributed to brand. That is, in 2023, approximately \$28.6 million (16%) of the uplift in retail spend can be attributed to the redeveloped brand (or an average \$36.9 million per year over period to 2031. The brand contribution to retail spend is shown in Chart 7.1 below.

Chart 7.1: Brand redevelopments contribution to retail spend



Source: Deloitte Access Economics (2017)

Similarly, brand boosted by redevelopment will also contribute more broadly to the welfare benefits experienced by consumers from the unique market experience of SFM.

# 8 Regional benefits

In addition to attracting tourism and providing a range of benefits to those who use and visit SFM, it is important to recognise SFM's contribution to regional activity in NSW.

Firstly, SFM attracts tourists to Sydney from interstate and overseas, and some of these tourists go on to visit regional NSW, contributing value added and employment in tourism in these areas. Secondly, SFM sources seafood from regional NSW, supporting fishing operations around the state. In addition, regional providers are able to diversify or augment their purchases from direct local suppliers to SFM sales, and this might assist with the reliability or variety of supply. This could have a range of business or choice benefits for regional NSW.

The main regions that benefit from these contributions are the South Coast, North Coast and the Hunter. For context, it is important to recognise that SFM activities are only a modest direct contributor to regional jobs and tourism.

Deloitte Access Economics estimated the value of these benefits in May 2017, and it is expected that these benefits will also be experienced in a redeveloped SFM.

## 8.1 Regional tourism

The regional tourism contribution of SFM has been estimated on a profile of domestic overnight and international tourists to SFM, based on the TRA national visitor survey and international visitor survey data. As part of the 2016 consumer survey, Deloitte Access Economics determined that around 16% of surveyed interstate tourists and 7% of surveyed international tourists visit Sydney due to SFM.

Assuming the same shares of visitors travel to regional areas following redevelopment, and holding visitor spending constant, the contribution to regional tourism can be scaled up based on the increase in visitation under the Models in 2022. This is summarised in the following table.

Table 8.1: Regional tourism contribution

		<b>Baseline</b>	<b>Redevelopment model</b>
South Coast	Spend (\$m)	3.7	6.0
	Value added (\$m)	2.3	3.7
	Employment (FTE)	25.7	41.9
The Hunter	Spend (\$m)	2.2	3.6
	Value added (\$m)	1.3	2.1
	Employment (FTE)	14.3	23.3
North Coast Region	Spend (\$m)	1.4	2.3
	Value added (\$m)	0.9	1.5
	Employment (FTE)	10	16.3
Total regional tourism contribution (excluding Sydney)	Spend (\$m)	9.9	16.1
	Value added (\$m)	6.1	9.9
	Employment (FTE)	66.8	108.8

Source: Deloitte Access Economics (2016a) and SFM Business Case Update (2018)

While expenditure stimulates economic activity and hence propagates a greater demand for labour, the impact of redevelopment on employment will be less proportionally because of factors like labour productivity and economies of scale.

These figures indicate the positive impact that SFM's redevelopment can have on the regional NSW economy. However, it is important to recognise that this high-level analysis is based on a number of assumptions. First, the analysis assumes that the average expenditure of visitors in 2023 is at the 2016 levels. While this is reasonable given that historical visitor expenditure has remained relatively consistent, it is important to note that it could change over time and affect total spend. Further, the analysis does not take into account any changes in the average tourist expenditure bundle associated with source market profile, with tourists from Asian markets expected to underpin the majority of future growth.

In addition, Tourism Satellite Account multipliers change over time in line with structural changes in the economy and strategic business decisions. Recent observed trends include tightening retail margins (due to changes in the average expenditure bundle and increased market competitiveness); a shift towards higher import shares and increasing labour force productivity (due to advancements in consumer technology (e.g. online booking and shopping)); casualization of tourism workforce, and operational efficiencies – all of which are expected to impact on the future spend profile and associated contribution to regional employment and value added.

It is also important to recognise the limitations of Input-Output modelling. A key feature of IO modelling is that it assumes any goods and services provided to the sector are produced by factors of production that are located completely within NSW and that there are no leaks to other states. The estimates provided are also a 'snapshot' in time, essentially freezing

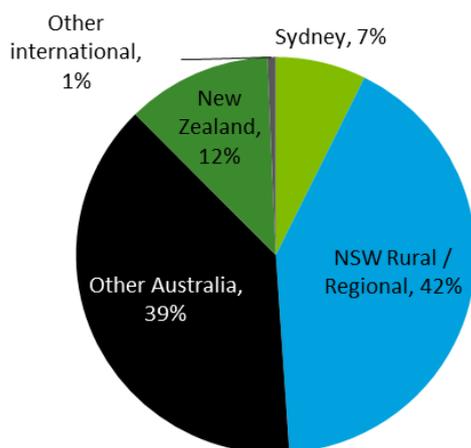
other economic activity. For example, the model does not reflect how an increase in activity by SFM could increase prices or crowd out other economic activity in the economy. As a result, the economic contribution of a redeveloped SFM site should be regarded as an upper bound estimate of their contribution made to regional tourism.

## 8.2 Regional supply chain

SFM is a major hub for the fishing industry, representing a central market for global and regional suppliers to reach a broader consumer base. In 2016-17, SFM facilitated wholesale trade worth \$150.6 million through its auction and other wholesale trade operations. Of this, \$139.6 million was paid to suppliers, representing the extensive supply chain network from where SFM sources its 500 species of fish and seafood.

Based on data provided by SFM on the amounts they paid to suppliers, almost half of these wholesale sales originated from NSW, with regional NSW being the major supplier to SFM. Chart 8.1 shows that when only considering supply from NSW, the regions contribute 85% of seafood by value, and just 15% comes from Sydney.

Chart 8.1: Share of total paid to SFM suppliers by location, 2016 -17



Source: SFM sales data

Through provision of a central market for the fishing industry, SFM is contributing to the employment of people within the fishing industry as well as related economic activity within regional NSW. In 2016, Deloitte Access Economics estimated that the seafood supply to SFM contributes \$25 million in value added and approximately 187 FTE jobs in the regional economy.

In 2023, the first year of the new facility, SFM will continue to play a central role in the supply chain of the fishing industry. Based on an estimated annual growth of 2.9%, the auction and wholesale trade would be worth \$173.7 million (SFM Correspondence). Accordingly, suppliers will be paid \$161.1 million in 2023.

The benefits of these seafood sales to SFM to the South Coast, Hunter and North Coast region is represented in Table 8.2. By scaling up the regional contribution to reflect the 18.7% increase in wholesale sale revenue relative to 2015-16 analysis, it can be seen that in 2023 the seafood supply to SFM

contributes \$15.1 million in value added to North Coast region; \$14.3 million to South Coast region; and \$10.2 million to the Hunter region.

Table 8.2: Regional breakdown of economic contribution from seafood sales to SFM

		<b>2023</b>
South Coast	Spend (\$m)	20.9
	Gross output (\$m)	28.1
	Labour income (\$m)	4.2
	Gross operating surplus (\$m)	10.1
	<b>Value added (\$m)</b>	<b>14.3</b>
	<b>Employment (FTE)</b>	<b>76.9</b>
The Hunter	Spend (\$m)	15.7
	Gross output (\$m)	19.5
	Labour income (\$m)	2.9
	Gross operating surplus (\$m)	7.4
	<b>Value added (\$m)</b>	<b>10.2</b>
	<b>Employment (FTE)</b>	<b>53.5</b>
North Coast Region	Spend (\$m)	22.3
	Gross output (\$m)	29.4
	Labour income (\$m)	4.4
	Gross operating surplus (\$m)	10.7
	<b>Value added (\$m)</b>	<b>15.1</b>
	<b>Employment (FTE)</b>	<b>80.7</b>
Total regional NSW (excluding Sydney)	Spend (\$m)	62.1
	Gross output (\$m)	81.1
	Labour income (\$m)	12.0
	Gross operating surplus (\$m)	29.6
	<b>Value added (\$m)</b>	<b>41.6</b>
	<b>Employment (FTE)</b>	<b>222.2</b>

Source: Deloitte Access Economics (2016a) and SFM Business Case Update (2018)

These figures show positive impact of a redeveloped SFM on SFM's supply chain. Gross output represents the value of all sales in the chain of activity. Consequently, it counts the value of intermediate goods every time it is passed along the supply chain. The final cost of a good (in this case measured as spend) reflects the value added at each stage, and hence gross output is expected to exceed spend.

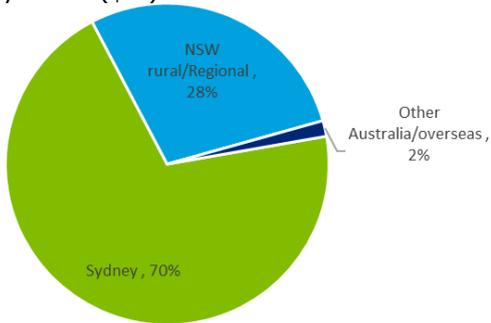
### 8.3 Regional purchases from SFM

Regional purchasers of seafood, including regional fish markets and restaurants, are able to augment or diversify their purchases by buying from SFM, which has over 500 species seafood available.

Through auction and non-auction sales, a total of \$150.6 million seafood was sold through SFM in 2016-17, representing approximately 14,572 tonnes (SFM Annual Report 2017a). Of this, data from SFM shows that approximately 28% by value (\$42.6 million) and 31% by volume (4,447 tonnes) was purchases by regional NSW (see Chart 8.2).

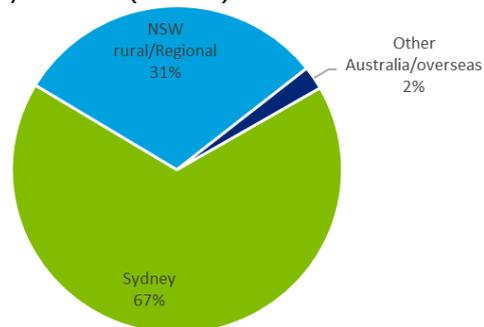
Chart 8.2: Share of purchases from SFM by location, 2016-17

By value (\$m)



Total purchases in 2016-17 = \$150.6 million

By volume (tonnes)



Total purchases in 2016-17 = 4,447 tonnes

Source: SFM data

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# Appendix A: CGE modelling

To analyse the impact of SFM's redevelopment, a computable general equilibrium (CGE) model was used to estimate the additional impacts.

CGE modelling is used to gauge the net benefit of an economic stimulus or policy – whether living standards will increase and by how much, not how much expenditure is incurred. Essentially, the CGE model contains a complex system of underlying economic relationships between the various agents (for example, households, producers, investors and government). The model formulas are solved simultaneously until the prevailing market equilibrium is reached for each forecast year (the end of one projection year, acting as the starting market position for the next).

The CGE model contains aggregate resource constraints and relative prices across industries to capture the fact that additional resources devoted to one industry necessarily come at the expense of activity elsewhere. They are composed of a general framework of the whole economy, which stimulates the impact that real changes in certain markets and sectors have on other markets and sectors, through demand for factors of production and their subsequent prices. These economic impacts can also be forecast over a number of years rather than presenting a simple static snapshot as other contribution studies do.

CGE analysis was chosen to analyse the impacts of redevelopment over other models, such as input-output (IO) modelling as it is more appropriate for analysing shocks to the economy. This is because CGE modelling better accounts for the resource constraints inherent in the economy and real price wage movement because of redevelopment.

# Appendix B:

## Estimating choice and experience benefits

### Choice and variety benefits

The cross-price elasticity of relatively unique offerings, such as the fish and seafood species varieties offered through SFM, are likely to be associated with a lower cross-price elasticity of demand.

Unique seafood species are unlikely to have a close substitute and require a form of 'compensation' to ensure they are just as well off. The impacts of choice are measured by considering an alternative scenario in which uncommon and unique fish species are not easily accessible to consumers.

These impacts are measured by applying the compensating variation (CV) and cross-price elasticity of demand, as explored in Brynjolfsson et al. (2003) methodology (see information box below). Brynjolfsson et al. (2003) estimated the cross-price elasticity of books to be between -1.56 and 1.79. Here we assume that the difference and taste preference between different seafood varieties among consumers is comparable to book selections.

By applying this price elasticity to the portion of total sales revenue associated with choice and variety available through SFM, these impacts are estimated to be worth between \$78.6 million and \$110.9 million annually. Taking the average, the consumer welfare benefits associated with choice are indicatively estimated to be worth approximately \$94.8 million per year.

### How is the value of choice measured?

Brynjolfsson et al. (2003) provides an in-depth example of the increase in consumer welfare and choice value from the introduction of Amazon.com, providing greater access and increased book variety in comparison to traditional and 'popular' bookstores. We consider this to be similar to the situation for seafood – the demand for specific books is similar to the demand for specific seafood species, and these demands cannot be easily substituted for alternatives. That is, to a discerning consumer, two types of fish are not directly substitutable, just as two novels; one romance and one crime fiction are not equivalent.

The study measures the choice value through the compensating variation (CV), that is; the amount required to reimburse consumers to ensure they are as well off as they would be under the new product offering scenario.

The CV is calculated by considering the amount of new sales generated post-introduction of new variety and choice ( $p_{n1}x_1$  where  $p_{n1}$  represents price and  $x_1$  represents quantity) and the cross-price elasticity of demand ( $\alpha$ , which is the consumer's willingness to switch between products).

$$CV = -(p_{n1}x_1)/(1 + \alpha)$$

## **Colocation benefits – a unique market experience**

Estimates of consumer welfare benefits arising from an authentic market experience are based on the 'uniqueness' of the experience and consider how superior it is for visitors in comparison to alternatives. Impacts are measured by applying Brynjolfsson et al. (2003) methodology on the compensating variation (CV) and price elasticity of demand. If the SFM experience was not an available option for visitors, the compensating variation approach estimates the amount required to reimburse consumers to ensure they are just as well off.

Brynjolfsson et al. (2003) estimated the cross-price elasticity of books to be between -1.56 and 1.79. The elasticity could be higher or lower than these ranges. Divisekera (2007) estimated the demand elasticities associated with domestic and international tourist demands for food and entertainment in Australia. The domestic elasticity for food was -0.91 and entertainment was -0.45. The international elasticity for food was -0.84 and entertainment was -1.72. To be conservative, we have based our estimates on the ranges from Brynjolfsson et al. (2003).

Based on the consumer survey responses of how enjoyable the SFM experience is compared to purchasing fish elsewhere (44%), approximately \$86 million of the total retail revenue in 2016 is associated with the unique colocation and authentic market consumer experience. Applying compensating variation methodology and the Brynjolfsson range of elasticities, to the retail revenue amount associated with unique market experience provides an estimate of the consumer welfare amount associated with colocation.

This suggests a unique market experience benefit of approximately \$109 million to \$153 million per year (an average of around \$131 million per year). Although this analysis provides a dollar estimate, these values should be interpreted as indicative. It indicates that the benefits of a unique experience at SFM are roughly 75% higher than the amount of consumer benefits from choice and variety.

The uplift in benefits is based on forecast retail revenue at SFM between 2023 and 2032.

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