

THE AUSTRALIAN GOLF INDUSTRY ECONOMIC REPORT : 2010

Produced by The Australian Golf Industry Council:



THE AUSTRALIAN GOLF INDUSTRY REPORT

FOREWORD

The Australian Golf Industry Council represents the key stakeholders in the Australian Golf Industry where we work co-operatively together to grow the game and to ensure its long term future.


The Australian Golf Industry Economic Report is just one example of what the industry is able to achieve when it speaks with one voice. This report clearly shows that the Australian Golf Industry makes a significant economic contribution to the Australian economy creating full time employment for over 23, 000 people.

This report, when compared with other Australian sports, clearly indicates that the Australian Golf Industry is one of the biggest, if not the biggest competitive participant sport within Australia based both on participation levels and also its economic contribution.

This Report is based on a similar study commissioned by the World Golf Foundation in the USA and as part of a global initiative by a number of PGA bodies around the world. This independent Australian Study has been undertaken by Ernst & Young on behalf of the Australian Golf Industry Council.

The study highlights the broad range and diversity of the golf industry and its importance as a key sector of the Australian economy. Not only does it cover the people, equipment and events traditionally associated with the sport of golf but it also highlights other important economic aspects of the golf industry including golf course investment, the value of golf related to charity, construction and maintenance, golf related real estate and the value of hospitality and tourism associated with golf.

This study will play an important role in alerting national, state and local governments and the corporate sector of the importance of the Australian golf industry is to the overall Australian economy. I recommend its reading to you.



Max Garske Chairman
Australian Golf Industry Council
www.agic.org.au

Produced by

 **ERNST & YOUNG** 



- 1. Executive summary.....4**
 - 1.1 Golf in Australia in 2008.....4
 - 1.2 The Australian Golf economy.....4
 - 1.3 Limitations of this study.....5
 - 1.4 Disclaimer.....6
- 2. Introduction.....7**
 - 2.1 Study aim and methodology.....7
 - 2.2 Main data sources.....9
 - 2.3 Ernst & Young and JBAS.....9
- 3. Direct industries.....10**
 - 3.1 Golf facility revenues.....10
 - 3.2 Golf course capital investment.....14
 - 3.3 Golf equipment and related supplies.....15
 - 3.4 Associations, charities, tournaments and player earnings.....17
- 4. Associated industries.....20**
 - 4.1 Real estate.....20
 - 4.2 Golf travel.....21
- 5. The States’ and Territories’ contribution to the Australian golf economy.....23**
- 6. The 2008 economy in comparison to the 2004 economy.....24**
- 7. Conclusions.....25**
- 8. Disclaimer.....26**
 - 8.1 For public release.....26
 - 8.2 Scope specific disclaimer.....27

© 2010 Ernst & Young Australia.
Liability limited by a scheme approved under Professional Standards Legislation.



1. Executive summary

1.1 Golf in Australia in 2008

The game of golf currently attracts approximately 1.18 million participants annually¹ and in terms of total participants ranks 6th in the most popular sports in Australia². In terms of organised physical activity, in 2008, golf ranked second behind areobics/fitness with 0.6 million participants³.

1.2 The Australian Golf economy

It is estimated that the extent of the contribution of the golf industry to the Australian economy in the year 2008 was \$2.94 billion⁴ (referred to in this report as the Australian golf economy⁵). This estimate comprised of \$2.31 billion in direct industries, 79% of the total golf economy size, and \$0.63 billion in associated industries. This estimate is summarised in the table below.

Table 1: Indication of the extent of the contribution of the golf industry to the Australian economy

	Revenue	% of industry	Value per golfer	2004 golf economy	Section
Direct industries					
Golf facilities revenue	\$1,601.8M	54%	\$1,356	\$1,452.9M	3.1
Golf course capital investment	\$234.3M	8%	\$198	\$272.8M	3.2
Golf equipment and related supplies	\$284.6M	10%	\$241	\$306.9M	3.3
Associations, charities, tournaments and player earnings	\$193.9M	7%	\$164	\$167.1M	
Total direct industries	\$2,314.6M	79%	\$1,960	\$2,199.7M	3.4
Associated industries					
Real estate	\$67.0M	2%	\$57	\$83.6M	4.1
Hospitality & tourism	\$559.8M	19%	\$474	\$425.5M	4.2
Total associated industries	\$626.7M	21%	\$531	\$509.1M	
Total golf economy	\$2,941.3M	100%	\$2,490	\$2,708.8M	

Note: Numbers may not add due to rounding

(1) Based on golf participation numbers sourced from the Australian Sports Commission 2008 Participation Survey.

(2) The PGA Report prepared by Ernst & Young in August 2006, with results stated in 2004 dollars.

The two key components of the golf economy, the Direct and Associated industries, are further discussed in sections 3 and 4 respectively.

Variations from the 2004 Australian golf economy are discussed in section 5. In real terms, the Australian golf economy has declined by 4% since 2004.

Each Australian State and Territory contributes to the Australian Golf economy in different ways, whether that be via the number of:

- ▶ Courses and clubs;
- ▶ Registered members of clubs; or
- ▶ Participants.

1. "2008 Exercise, Recreation and Sport Survey", Australian Sports Commission.

2. Ibid.

3. Ibid.

4. All figures reported are in 2008 values. "Billion" defined as \$1,000 million.

5. As noted later in this report, this total is based on total revenue of participating entities, and in some instances, the aggregation of industry revenue streams may result in double counting of some economic contribution.



An indicative measure of this contribution is highlighted by distributing the overall value of Australia’s golf economy using participation numbers as a base. Using this metric, the indicative contribution of the States and Territories to the Australian golf economy is:

Table 2: Indicative contribution of States and Territories to the Australian golf economy

	Participation ⁶	% of industry	Share of Australian golf economy
NSW / ACT	438,600	37%	\$1,092.2M
Victoria	314,900	27%	\$784.2M
Queensland	230,400	20%	\$573.8M
Western Australia	110,800	9%	\$275.9M
South Australia	56,800	5%	\$141.4M
Tasmania	21,600	2%	\$53.8M
Northern Territory	8,000	1%	\$19.9M
Total golf economy	1,181,100	100%	\$2,941.3M

1.3 Limitations of this study

This study is an update of a report released by Ernst & Young in August 2006 for the PGA of Australia (“the August 2006 report”). The August 2006 report estimated the size of the Australian golf economy in 2004. The methodology for this study is, for the greater part, as per the August 2006 report. The methodology adopted for the August 2006 report reflects a similar study published in the USA in 2002 titled The Golf Economy Report⁷, which measured the size of the golf economy in the USA in the year 2000.

It should be noted that this study does not represent, nor should it be construed that it represents the following measures of Australia’s golf economy (or industry):

Table 3: Measures outside the scope of this assessment

Element	Definition ⁸
A gross contribution of the Australian golf industry	The gross economic activity associated with an industry, event, or policy in an existing regional economy, including measures such as: <ul style="list-style-type: none"> ▶ Industry output – the market value of goods and services produced by an industry, often measured by industry turnover ▶ Industry value add – the market value of goods and services produced by an industry, after deducting the cost of goods and services used ▶ Industry employment – the number of workers directly employed by the industry, expressed in terms of full time equivalent employees.
An economic impact assessment of the Australian golf industry	The net changes in new economic activity associated with an industry, event, or policy in an existing regional economy.
A Cost Benefit Assessment of the Australian golf industry	An economic efficiency analysis that measures net changes or levels in social welfare associated with an industry, event, or policy. This type of analysis includes both market and non-market values and accounts for opportunity costs.

6. 2008 Exercise, Recreation and Sport Survey”, Australian Sports Commission

7. Published by Golf 20/20.

8. “Determining Economic Contributions and Impacts: What is the difference and why do we care?” Watson, P., Wilson, J., Thilmany, D., and Winter, S. 2007.



It is important to note that the methodology adopted (originally utilised in The Golf Economy Report assessing the USA golf economy in 2000) in some instances includes the aggregation of income and expenditure items. Generally measures of the economic size of an economy or industry would not aggregate income and expenditure items. As such there is a potential for double counting in the following areas:

- ▶ Golf club income including allowances for golf club capital expenditure.
- ▶ Advertising revenues associated with golf magazine sales and the cost of this advertising being funded by golf equipment suppliers.
- ▶ The component of tournament revenue generated through sponsorship by golf equipment suppliers.

In estimating the extent of the contribution of the golf industry to the Australian economy we have not been able to remove the impact this potential double counting due to the lack of available data.

The information in this report is based on 2008 data. Where more recent information was available, it was utilised or if only older financial information was available, the data was inflated to 2008 dollars.

1.4 Disclaimer

This report, dated 7 July 2010, has been prepared by Ernst & Young for the Australian Golf Industry Council in accordance with our engagement agreement dated 1 March 2010. Any use of this report by third parties is subject to our disclaimer contained in section 8.



The game of golf currently attracts approximately 1.18 million participants annually⁹ and in terms of total participants ranks 6th in the most popular sports in Australia¹⁰. In terms of organised physical activity, in 2008, golf ranked second behind areobics/fitness with 0.6 million participants¹¹. Golf in Australia occurs across all levels of society and as a sport is available to all demographics, whether it be the old or the young; male or female; and regardless of ethnicity.

Golf as a recreational activity steadily grew through the 1960s, 70s and 80s. Club participation numbers peaked when Greg Norman was amongst the greatest players in the world in the 1990s and Australia is well represented on the world stage with seven male¹² and five¹³ female players in the world Top 100 as at April 2010. As at May 2009 there was around 100 male Professional Golfers Association of Australia Limited (“PGA”) professionals, and 30 female professionals playing on international golf circuits¹⁴.

Golf however is more than a sport for professionals or a recreational pursuit. It has formed an ‘economy’ that generates significant revenues for the many industries it interacts with. These ‘industries’ include golf clubs, resorts, agronomy and turf care, real estate, construction, travel and tourism, media and publishing, charities, equipment manufacturing and retailing. With golf interacting with such a wide variety of industries, the industry is well positioned to benefit from its favoured status with Australians of today and truly cement itself as not only a sport that provides significant physical and social health benefits but also a key on-going contributor to the wider Australian economy.

In order to better understand the impact that the industry has on the Australian economy, the Australian Golf Industry Council commissioned this report seeking to estimate the value of the golf economy in Australia in 2008. The results will enable the industry and others to better appreciate, understand and importantly promote its worth to government and wider society.

2.1 Study aim and methodology

The aim of this study was to develop an estimate of the size of the Australian golf economy. The method adopted was to separate the golf economy into its various segments, estimate the size of each via specific research and then total the segment estimates, producing a total economy size¹⁵.

This study is an update of a report released by Ernst & Young in August 2006 for the PGA of Australia (“the August 2006 report”). The August 2006 report estimated the size of the Australian golf economy in 2004. The methodology for this study is, for the most part, as per the August 2006 report. The methodology adopted for the August 2006 report reflects a similar study published in the USA in 2002 titled The Golf Economy Report¹⁶, which measured the size of the golf economy in the USA in the year 2000.

The golf economy can be split into two distinct segments, which largely define themselves based on their visibility to the consumer. The direct “core” segment is made up of golf courses, golf clubs, golf equipment, golf media, golf associations and golf events, all of which are either necessary or assist people in their participation in the game.

9. “2008 Exercise, Recreation and Sport Survey”, Australian Sports Commission.

10. Ibid.

11. Ibid.

12. <http://www.officialworldgolfranking.com/rankings> at 18 April 2010

13. <http://www.rolexrankings.com/en/rankings/2010-04-19/> at 19 April 2010

14. “Research Summary Report, May 2009, A Snapshot of the Australian Golf Industry”, Australian Golf Industry Council

15. In measuring the economy “size” the approach taken differs from the traditional concepts of both gross domestic product (GDP) and gross national product (GNP) in two major ways. Firstly, both concepts only measure the value of goods and services produced in and by an economy in a given period. Secondly, there are several components of the golf industry which involve a transfer of assets, such as charities, and property appreciation, and are therefore not included in the measurement of GDP or GNP. Like the US study, these components are included in this study because their inclusion contributes to a more complete understanding and measurement of the value of the total direct (core) and indirect (non core) golf economy.

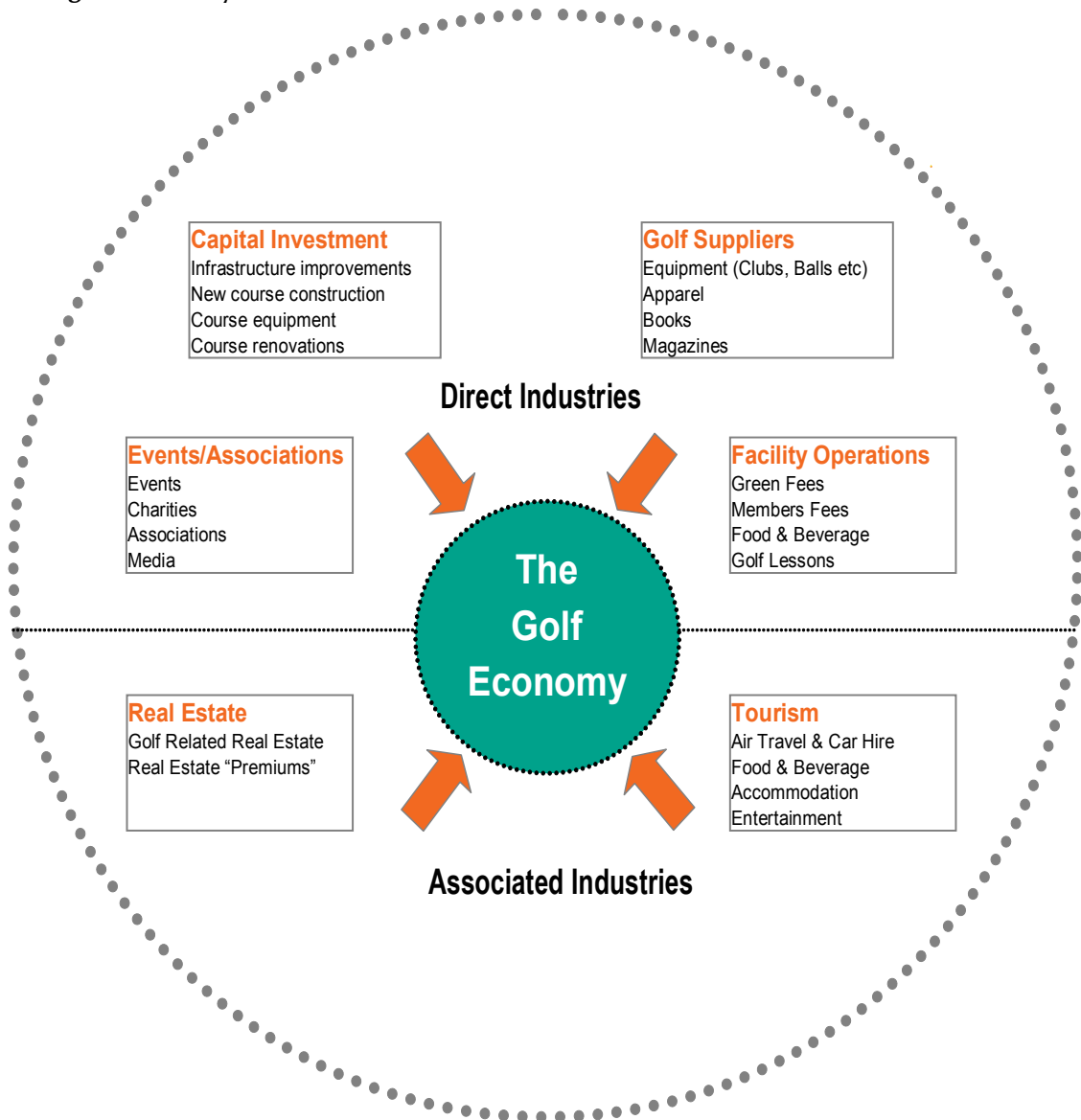
16. Published by Golf 20/20.



The indirect segment contains other, often not so obvious industries that also have associated relationships with golf. Despite less direct association, these segments are equally important in terms of their contribution to the overall golf economy. These segments include travel and tourism that is orientated around or includes golf, as well as residential real estate that feature golf. As both industries assist in increasing and maintaining people’s interest in the game and therefore add considerable value to the golf economy, they are included for measurement in this report.

The golf economy is illustrated below.

Figure 1: The golf economy



2.2 Main data sources

With the Direct and Associated segments of the golf economy identified, it is then possible to make informed estimates as to the economy's total size via relevant industry research and data analysis. In recent years, significant research has been conducted on the Australian golf industry and a large pool of specific golf information was generally available for this study. The major sources of information are outlined below:

2009 Australian Golf Industry Report

A major source for club specific data was the 2009 Australian Golf Industry Report, published by Golf Australia. This report, and the survey it was based on provided detailed participation, revenue, operational and estimated employment data that was analysed and extrapolated to determine the club and course revenue contained in this report (amongst other things).

JB Advisory Services database

JB Advisory Services ("JBAS") is acknowledged as one of Australia's leading providers of independent golf industry advisory services. From numerous engagements undertaken by JBAS, a database of knowledge has been collated that has been utilised in developing some of the assumptions for this report. This information is not necessarily able to be referenced given the confidential nature of the sources, however is presented in aggregation for the purposes of this report.

Other sources

Other sources of information used in the compilation of this report include various reports from the Australian Bureau of Statistics (ABS), the Australian Sports Commission (ASC), the Housing Industry Association, and data from Tourism Research Australia, the PGA of Australia, Australian Ladies Professional Golf (ALPG) the annual reports of the national and state administration bodies, the Australian Sports Goods Association, Roy Morgan Research, and the Australian Golf Industry Council. In some areas, national sector data was collected from appropriate sources (eg book sales) with our estimates cross referenced and compared to other known data to ensure that the golf specific estimates were reasonable. In some areas, little golf specific information was available. When this was apparent, estimates were developed based on discussions with industry experts and related industry literature.

2.3 Ernst & Young and JBAS

This report is a co-production of Ernst & Young and JBAS. Overall responsibility for the delivery of this report resided with Ernst & Young. JBAS, as sub-contractor to Ernst & Young, primary involvement with this engagement included:

- ▶ Some liaison with the Australian Golf Industry Council; and
- ▶ Collation of source data and some application of methodology in estimating the size of the Australian golf economy.



3.1 Golf facility revenues

3.1.1 Golf course and club operations

With approximately 1,650 golf courses spread across Australia, golf clubs are the largest contributors to the Australian golf economy. Revenue data concerning their operations was collected by Golf Australia and was stratified according to the number of club members (as contained in the 2009 Golf Industry Report). Analysis of this data (based on 2008 operations) indicates that total revenues generated by the golf clubs to be approximately \$1.5 billion dollars¹⁷.

Club and course revenues are largely generated by those that participate in the game, spending money in such areas as annual fees and green fees, and spending in associated areas such as golf cart hire, food and beverage, etc.

Table 4: Golf facility revenues by facility size (2008)

Facility size (no. of members)	Total revenue	Average per facility
Up to 300 members	\$416.8M	\$347,000
301 to 700 members	\$422.4M	\$1,775,000
701 to 1,200 members	\$498.7M	\$2,968,000
More than 1,200 members	\$192.1M	\$3,920,000
Total	\$1,530.0M¹⁸	\$924,000
Less: Golf pro-shop revenue included in equipment sales (refer section 3.3.1)	\$10.8M ¹⁹	n/a
Total income	\$1,519.2M	\$915,000

Source: "2009 Golf Industry Report", Golf Australia

Also provided in the table below is a summary of golf course facilities revenue by course type.

Table 5: Golf facility revenues by facility type (2008)

Facility size (no. of members)	Total revenue	Average per facility
Private	\$132.6M	\$2,538,000
Semi Private	\$1,170.6M	\$1,389,000
Public	\$136.7M	\$423,000
Resort	\$90.1M	\$2,101,000
Total	\$1,530.0M	\$924,000
Less: Golf pro-shop revenue included in equipment sales (refer section 3.3.1)	\$10.8M	n/a
Total income	\$1,519.2M	\$915,000

Source: Sourced by JBAS from Sport Business Partners (from data collected for the "2009 Golf Industry Report")

17. This segment excludes revenues generated in pro shop operations. They are reported in retail sales.

18. "2009 Golf Industry Report", Golf Australia.

19. This reflects equipment sales and other suppliers that are already included in section 3.3.1. The amount was determined by taking the approximate percentage of total equipment retail sales made on-course out of the total figure in section 3.3.1 (39% - from the 2003 survey undertaken by Ernst & Young, "The Golf Retail Industry in Australia"), and further applying a factor for the approximate percentage of golf clubs and courses that control their own pro-shop (and generate a material amount of retail sales) (10% - estimate of JBAS).



3.1.1.1 Employment at golf facilities

Golf Australia’s 2009 Golf Industry Report has identified that 21,237 people are employed at golf courses around Australia. This includes full time, part time and casual positions. It therefore follows that approximately two jobs are created at facility level for every 100 golfers that play the game (based on Australian Sports Commission participation data).

The majority of employees were based in metropolitan areas (63%) with employment opportunities mostly provided in course maintenance, administration, pro shops and club house / food and beverage operations.

On average, courses and clubs had 15.1 employees in 2008, with clubs with over 1,200 members having 43.3 staff.

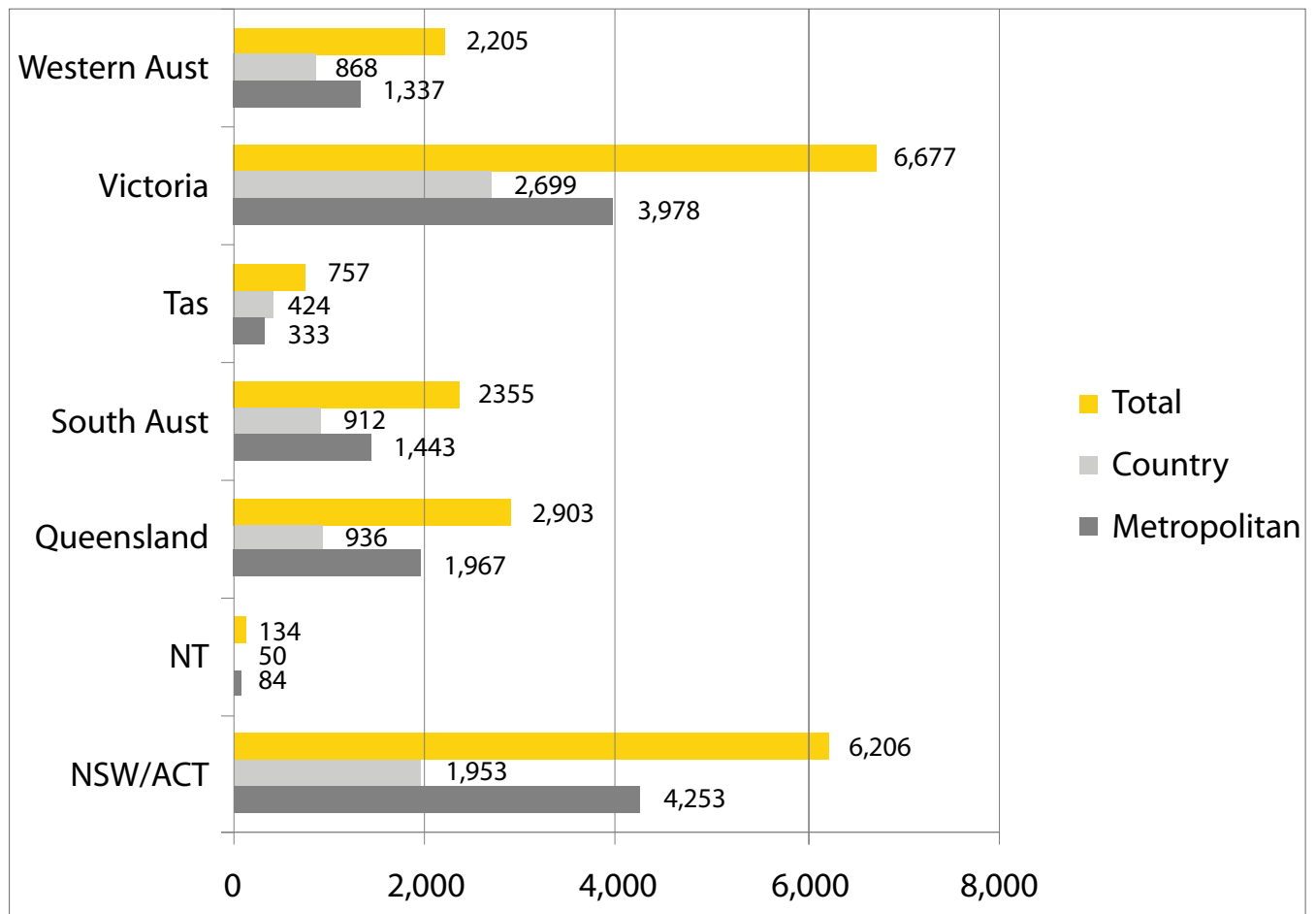
Table 6: Employment numbers for golf courses and clubs (2008)

Facility size (no. of members)	Total staff	Average per facility
Up to 300 members	10,600	8.8
301 to 700 members	3,749	15.8
701 to 1,200 members	4,768	28.4
More than 1,200 members	2,121	43.3
Total	21,237	15.1



This data is also provided by State and Territory, with 13,395 people employed by golf courses located in metropolitan areas (representing 63%) and 7,842 people employed by golf courses located in regional areas (representing 37%):

Figure 2: Employment numbers for golf courses and clubs by State and Territory (2008)



Source: 2009 Golf Industry Report, Golf Australia



3.1.2 Driving range operations

The August 2006 report noted there were approximately 140²⁰ golf driving ranges in Australia, with distribution around the country closely following the general golf population.

Ernst & Young and JBAS were not able to source any updated operating data for this industry segment over and above that utilised in the August 2006 report.

Therefore in the absence of more relevant and timely data, the data from the August 2006 report (representing the golf economy for driving range operations in 2004) has been inflated. Based on this inflated data it is estimated in 2008 that revenues generated by the driving range sector were approximately \$57.0 million²¹.

The following table summarises the typical mix of driving range incomes and the average income per range facility.

Table 7: Mix of golf range revenues (from the August 2006 report)

Element	%
Ball sales	55%
Lessons	13%
Equipment sales	13%
Food and beverage sales	10%
Accessories	4%
Apparel	1%
Other	5%
Total average revenue	\$490,000*

***Note: 2004 data inflated to 2008 dollars**

It should be noted that Ernst & Young has excluded revenue from 'Equipment sales', 'Accessories' and 'Apparel' from the driving range operations income as it is assumed these items are included in section 3.3.1 (golf equipment sales).

3.1.3 Golf lessons and coaching services

The PGA of Australia has advised JBAS that in 2008 it had 1,200 members.

Based on PGA member surveys and information provided by the PGA of Australia it is estimated that the overall value of lessons and coaching services provided annually by PGA members at golf facilities across Australia is \$25.5 million. This excludes approximately \$9.0 million in lessons provided at driving ranges (considered in section 3.1.2).

20. As advised by JBAS, there has been no significant change in the number of driving ranges since 2004.

21. The 2004 revenues from driving range operations did not exclude revenue from 'Equipment sales', 'Accessories' and 'Apparel'. The reported 2004 revenues from the August 2006 report were approximately \$59.5 million.



3.1.4 Summary of golf facility revenues

The Australian golf economy in 2008 was increased due to golf facility revenues as follows:

Table 8: Golf facility revenues (2008)

Element	Revenues	Report reference
Golf course and club operations	\$1,519.2M	3.1.1
Driving range operations	\$57.0M	3.1.2
Golf lessons and coaching services	\$25.5M	3.1.3
Total	\$1,601.8M	

***Note: Numbers may not add due to rounding**

It is important to note that the majority of golf clubs are not for profit entities and therefore any “profits” generated by these clubs are ultimately reinvested in club facilities or operations. As such there is minimal leakage of these “profits” from the Australian economy.

3.2 Golf course capital investment

3.2.1 Existing facilities

Capital investment at golf facilities is another significant contributor to the Australian golf economy under the prescribed methodology. Investment of this nature includes capital works on existing facilities, such as course renovations and upgrades, installation of irrigation systems, purchase of new maintenance equipment, clubhouse and infrastructure construction and/or improvements. Based on data from Golf Australia’s 2009 Golf Industry Report, it is estimated that \$210.9 million was expended on such works in 2008. Of this, 54% was estimated to have been expended on course related works (totalling \$113.9 million), with the remaining 46% expended on club related works such as club houses, etc (\$97.0 million).

In estimating the extent of the contribution of the golf industry to the Australian economy we note there is a potential of double counting the capital investment in golf facilities. This is because the majority of capital investment in golf facilities is ultimately funded from revenues already included in golf course facilities revenue (as estimated in section 3.1.1). Due to the lack of available data we have not been able to estimate the extent of this potential double counting.

3.2.2 New course construction

New course construction represents the second component of golf course capital investment. Based on JBAS databases, three courses opened in 2008. These all incorporated residential developments. The courses are:

Table 9: Golf courses opening in 2008

Course	Location	Residential
Forest Resort	Creswick, Vic	Yes
Sandhurst Golf Estate - Champions Course	Skye, Vic	Yes
Harrington Waters	Taree, NSW	Yes

Source: JBAS

With an average construction cost of \$15.6 million²², the total investment in the construction of new facilities opened in 2008 totalled approximately \$46.8 million. Allowing for a two year construction period for these courses, the economy is increased by \$23.4 million. It should be noted that this estimate could be considered to be conservative. With an average construction cost of \$15.6 million, the total investment in the construction of new facilities opened in

22. Based on golf course construction cost data provided by relevant industry companies, and sourced by JBAS



2008 totalled approximately \$46.8 million. Allowing for a two year construction period for these courses, the economy is increased by \$23.4 million. It should be noted that this estimate could be considered to be conservative given capital investment would have occurred with new courses that opened in 2009 (where construction began in 2008). Such investment is not included in this analysis. It also should be noted that a number of courses (with and without residential developments) were completed in late 2007 and 2009 (including Yerring Meadows – Croydon Golf Club (Victoria), Eynsebury (Victoria), Sunshine Golf Club (Victoria), and The Ridge at Lucas Heights (New South Wales)).

3.2.3 Summary of golf course capital investment

The Australian golf economy in 2008 was increased due to golf course capital investment as follows:

Table 10: Golf course capital investment (2008)

Element	Revenues	Report reference
Existing facilities (capital works)	\$210.9M	3.2.1
New course construction	\$23.4M	3.2.2
Total	\$234.3M	

*Note: Numbers may not add due to rounding

3.3 Golf equipment and related supplies

3.3.1 Golf equipment

Golf as a sport is equipment intensive. Golf clubs and balls are required as a minimum to play the game, with associated equipment needs including bags, shoes, apparel, gloves and other accessories. With considerable marketing (especially during major golf tournaments) and regular technology enhancements, there is a significant market (and associated demand) for golf equipment.

With over 1.18 million players and approximately 20 million rounds played per annum²³, a significant amount of revenue is therefore generated via the sale of this equipment to participants. In fact, spending on golf equipment accounts for approximately 9% of all sports equipment purchased annually²⁴ in Australia.

Based on wholesale data provided by the Australian Sporting Goods Association (with an estimated retail margin provided by JBAS), the total equipment sales for 2008 were approximately \$277.2 million. This estimate is assumed to include equipment hire and repair. This revenue is broken down into segments, as follows:

Table 11: Golf equipment sales in 2008

Category	Sales	% of sales
Clubs	\$134.7M	49%
Apparel & accessories	\$48.2M	17%
Balls	\$45.3M	16%
Shoes	\$21.5M	8%
Bags & buggies	\$17.6M	6%
Gloves	\$9.8M	4%
Total	\$277.2M	100%

Source: Wholesale revenue data supplied by Australian Sporting Goods Association and other industry interviews, with a retail margin estimated by industry participants

Note: Numbers may not add due to rounding

23. "2009 Golf Industry Report", Golf Australia
 24. 2003-04 ABS Household Expenditure Survey



3.3.2 Golf books

Golf literature includes (amongst other things):

- ▶ Golf course guides
- ▶ Instruction books
- ▶ Self-help books
- ▶ Golfer biographies and autobiographies.

Bi-annual sales of the book industry are tracked through the ABS Book Retailer Survey. The results indicate that approximately \$1.4 billion in book sales were made by the 1,600 book retailers in Australia in 2004²⁵. This represents \$1.6 billion in 2008 dollars.

Golf related book sales are not tracked by any of the major book retailers or industry tracking bodies, and therefore the estimate of golf book sales is based on golf book sales as a percentage of sports books. Discussions with AC Neilson indicate that as a percentage of total book sales, sports books account for approximately 1.6% of all sales. It is estimated that golf book sales as a percentage of sports book sales are approximately 10%²⁶. Applying these figures to total book sales suggests that total annual golf book sales approximate \$2.5 million in 2008.

This methodology and corresponding statistics was applied in the August 2006 report when estimating the contribution of book sales to the 2004 Australian golf economy.

3.3.3 Golf magazines

In 2008 Australians spent an estimated \$1.03 billion on magazines with sports magazines accounting for approximately 2.4% or \$24.8 million of these sales²⁷. With reference to golf, circulation numbers as tracked by the Magazine Publishers Association of Australia (MPAA) are only available for the major golf titles, being Australian Golf Digest, Golf Australia Magazine and Golf Magazine. Other golf related titles also available to the general consumer include publications such as Inside Social Golf, the Golfer, the Hacker, Golf & Leisure magazine, Australian Women's Golf, Golf Victoria magazine, Golf Architecture, Western Golfer and the PGA Magazine.

Given the lack of official data around these titles, revenue estimates for these magazines have been made based on magazine distribution frequency, retail prices, advertising costs and discussions with industry. Based on MPAA circulation numbers for the major golf titles and the estimates made for the smaller titles, it is estimated that approximately 219,000 golf-related magazines were purchased in 2008, generating approximately \$4.9 million dollars in sales and advertising revenues.

In estimating the extent of the contribution of the golf industry to the Australian economy we note there is a potential of double counting the advertising revenues associated with golf magazine sales. This is because advertising revenue is ultimately funded by golf equipment suppliers, whose revenue is already captured in golf equipment sales (as estimated in section 3.3.1). Due to the lack of available data we have not been able to estimate the extent of this potential double counting.

25. Source: 2003-04 ABS Book Retailers Survey, Cat. 1371.0, September 2005

26. JBAS

27. Source: Magazine Publishers Association of Australia (MPAA) (sourced by JBAS)



3.3.4 Summary of golf equipment and related supplies

The Australian golf economy in 2008 included sales of golf equipment and related supplies as follows:

Table 12: Sales of golf equipment and related supplies (2008)

Element	Revenues	Report reference
Golf equipment	\$277.2M	3.3.1
Golf books	\$2.5M	3.3.2
Golf magazines	\$4.9M	3.3.3
Total	\$284.6M	

*Note: Numbers may not add due to rounding

3.4 Associations, charities, tournaments and player earnings

3.4.1 National and state industry associations

There are a number of national and state organisations that serve the golf industry in Australia and play a role in the administration and delivery of golf. These include member bodies such as the PGA of Australia, Australian Ladies Professional Golf (ALPG), national and state administrations such as Golf Australia and the state men’s and women’s amateur bodies, and the Australian Golf Course Superintendants Association (AGCSA) and Golf Management Australia (GMA). Since the August 2006 report, the industry has undergone much rationalisation, with a number of men’s and women’s associations having already amalgamated (such as Queensland, Tasmania and South Australia), while the Australian Golf Industry Council was formed in 2009 to represent the interests of the golf industry as a whole.

These associations and bodies deliver a number of services to their constituents and the general public including education and training, event management, research, supply of industry information, rules and handicapping administration. In 2008 it was estimated that total revenues generated by these bodies was approximately \$25.7 million. It should be noted that affiliation income and known tournament revenue were excluded from this aggregated revenue amount²⁸.

It should be noted that the above estimation excludes junior and veterans’ associations due to scarcity of publicly available information regarding the revenues generated by these bodies.

3.4.2 Charities

Golf clubs are significant contributors to charitable causes. The funds raised on numerous charity days staged at golf courses around the country generated via entry fees, green fees and/or donations made on the day were estimated to be approximately \$27.2 million dollars²⁹. It is understood that golf associations are also minor contributors to charitable causes.

Another significant source of charitable income via the golf industry is that generated via individual player charities. A number of high profile Australian players all raise funds via auctions and hold annual charity days during the tournament season. In addition, a number of Australian players have also set up foundations to foster the game of golf and assist segments of the community.

28. The 2004 revenues from associations did not exclude affiliation fees that would have also been included in Golf Facility Revenue. The 2004 revenues from associations did not exclude revenues from tournaments, which was again counted in that sub section of this chapter.

29. Source: 2009 Golf Industry Report, Golf Australia. We have assumed that the funds raised at charity days for such items as green fees have been excluded from golf course and club operations revenue (as reported in section 3.1.1).



It is estimated that these charity events and foundations add a further \$2 million to the total charity earnings³⁰. Total charity revenues are summarised in the following table.

Table 13: Golf related charity revenues (2008)

Category	Revenues
Club events	\$27.2M
Player charities	\$2.0M
Total	\$29.2M

3.4.3 Tournaments

3.4.3.1 The PGA Tour of Australasia and Australian Ladies Professional Golf Tour (ALPG Tour)

The major Australian events on the PGA Tour of Australasia the ALPG Tour (and other co-sanctioned Tour events) play a significant role in the promotion of the game and generate sizeable incomes for local economies. The revenue derived from these events contributes to the overall Australian golf economy.

Using figures from the annual reports of Golf Australia and the PGA of Australia,ALPG, and estimates provided by JBAS, the significant tournaments staged in Australia generate revenues of \$28.8 million³¹.

3.4.3.2 Pro-am events and Von Nida Tour events

Over 270 pro-am golf events are staged in Australia per annum. The secondary Von Nida comprises five tournaments. The revenue from pro-am events and Von Nida Tour events and the ALPG Pro-Am Series is assumed to be included in golf facilities revenues³².

3.4.4 Player earnings (including prize money and endorsements)

In 2008, Australian golfers won \$52.0M of prize money. This amount was won on the world’s various golf tours (as follows):

Table 14: Prize money won by Australian golfers (2008)

Element	Prize money (local currency)		Prize money (AUD)
US PGA Tour (including secondary tour)	24.9M	USD	\$35.6M
European Tour	4.8M	Euro	\$9.7M
Asian Tour	3.3M	USD	\$4.7M
Japanese Tour	204.1M	Yen	\$2.0M
Ladies’ US Tour	2.1M	USD	\$3.0M
Ladies’ European Tour	0.2M	Euro	\$0.5M
Ladies’ Japanese Tour	61.2M	Yen	\$0.6M
Total			\$56.1M

***Note: Numbers may not add due to rounding**

With endorsement fees now being paid for such commodities as clothing, watches, cars, computer systems, insurance companies, real estate, credit cards as well as golf equipment, the US Golf Digest magazine estimated that in 2008³³ Australian golfers earned approximately \$54.1 million in endorsements.

30. Estimate of the PGA Tour of Australia

31. The August 2006 report measured the contribution to the Australian golf economy of tournaments based on reported economic impact of the events. An alternate approach, consistent with The Golf Economy Report (assessing the USA golf economy in 2000), has been applied for this report, whereby tournament revenues are estimated. Further, there is potential for double counting of the component of tournament revenue generated through sponsorship by golf equipment suppliers. The impact of this potential double counting has not been removed due to the lack of available data.

32. The August 2006 report measured the contribution to the Australian golf economy of pro-am events and the Von Nida Tour events by estimating community spend around these events. An alternate approach, consistent with The Golf Economy Report (assessing the USA golf economy in 2000), has been applied for this report, whereby event revenues are estimated.

33. USA Golf Digest – “Golf’s Top Earners Stay Ahead of the Game”, February 2009 (<http://www.golfdigest.com/magazine/2009-02/gd50?currentPage=2>).



3.4.5 Summary of associations, charities, tournaments and player earnings

The Australian golf economy in 2008 was increased due to revenue from associations, charities, endorsements and tournaments as follows:

Table 15: Sales of golf equipment and related supplies (2008)

Element	Revenues	Report reference
National and state industry associations	\$25.7M	3.4.1
Charities	\$29.2M	3.4.2
Tournaments	\$28.8M	3.4.3
Player earnings (1)	\$110.2M	3.4.4
Total	\$193.9M	

***Note: Numbers may not add due to rounding**

(1) A portion of this revenue represents earnings by Australian golfers that are permanently based outside Australia and as such these earnings may not flow to the Australian economy.

3.4.6 Industry exports and education services

The Australian golf industry contains many talented individuals and companies whose expertise is being sought in many overseas countries. Whilst it is not possible to accurately measure the export value of these services it is important that they are acknowledged as they do contribute to the Australian economy. These services include golf course design, construction, golf equipment and coaching.

3.4.6.1 Exports

A number of Australia’s leading golf course architects are currently involved in course design work on new and existing golf courses internationally, particularly in Asia. Australia also has substantial expertise in a number of golf related environmental areas including water resource management, landscape management and landscape rehabilitation.

3.4.6.2 Education services

The PGA of Australia has developed a traineeship program for aspiring golf professionals which is highly regarded internationally. The program has been adopted by New Zealand and is likely to be used as a model for some developing golfing nations in the Asia Pacific region.

In 2005 the PGA established the PGA International Golf Institute (PGAIGI) in partnership with Griffith University in Queensland. The PGAIGI is a centre of excellence established to develop career pathways and opportunities for students, elite athletes, coaches and administrators in the golf industry and related business sectors and will play a key role in further golf education in the coming decade. In addition, the PGA has an education and training arrangement with NZPGA, while in 2008 the PGA agreed with the China Golf Association to assist them in delivering its coach education program over a period of five years.

The AGCSA also conducts a regional conference that provides educational programs to international delegates from countries such as Thailand and India.



Real estate and tourism both have linkages to Australia's golf industry. Real estate can form part of wider golf course developments, while travel involving the playing of golf, whether that be domestic or overseas visitors coming to Australia, is also relevant to this study.

It is estimated that the real estate and tourism segments account for approximately \$627 million or 21% of the overall golf economy. The contribution made by each is detailed in the following sections.

4.1 Real estate

Golf related real estate is included in this study as it impacts the golf economy in two ways. The first is new golf related construction, while the second involves the price premium generated by the association, location or access provided by the real estate to golf.

It should be noted that for the purposes of conservatism, Ernst & Young has only focussed its estimate of real estate's contribution to the Australian golf economy via developments from 2008 that resulted in the sale of lots and construction there on. This is a small percentage of the total golf related lots that would have been sold for construction during 2008 (relating to developments dating back a number of years). This is consistent with the approach taken in the August 2006 report.

4.1.1 Golf related real estate

Research by JBAS has determined that since 1999, approximately 33,000 golf related residential blocks have been developed, or are programmed to be developed, as part of existing residential master plans to satisfy demand for golf themed living. Over this period annual delivery has averaged approximately 3,300 lots per year, over 3% of the 107,000 average total new national housing approvals as reported by the ABS³⁴ over the same period.

In order to estimate the value of this construction to the golf economy, allowances have been made for typical build out rates (sourced from ABS Building Approvals data for 2008) and the length of typical projects. Based on these allowances, it is estimated in the year 2008 that approximately \$57.5 million in golf related real estate was commenced and completed (including the construction of lodgings).

4.1.2 Real estate premium

Golf related real estate generates price premiums above those generally available from more generic real estate. Industry research indicates that real estate lot premiums received for golf related real estate have ranges between 20% and 200%, depending on lot and geographic location³⁵.

Using an average premium of 25%³⁶, it is estimated that due to the inclusion of golf, the value of real estate within the residential communities was increased by approximately \$9.5 million in 2008.

34. ABS Building Approvals, Cat.8731.0 December 2008

35. JBAS, research, Matsui Property Insights, June 2003

36. JBAS research



4.1.3 Summary of real estate

The Australian golf economy in 2008 was increased (by association) by golf related real estate as follows:

Table 16: Golf related real estate (2008)

Element	Revenues	Report reference
Golf related real estate – completed construction	\$57.5M	4.1.1
Real estate premium	\$9.5M	4.1.2
Total	\$67.0M	

***Note: Numbers may not add due to rounding**

4.2 Golf travel

In 2008, there were 5.2 million international visitors to Australia³⁷ and over 70 million overnight trips recorded by domestic travellers³⁸. Based on unpublished data sourced from Tourism Research Australia, of these visitors, approximately 195,000 international and 1.7 million domestic travellers played golf on these trips.

It is therefore clear that golf plays a significant role in generating tourism demand in Australia. As such, its associated contribution to the Australian golf economy is included in this study. It should be noted that we have assumed that these travellers include golfers playing professional tournaments, along with their entourage, as well as spectators that would attend these events.

Golf as an activity for tourists not only generates green fee income for golf facilities but also associated spending around travel including accommodation, food and beverage purchasing, transportation and entertainment.

It should be noted that participation costs of the international visitors and domestic travellers such as green fees would have already been included as part of golf facility revenue. Likewise with any equipment or apparel purchases (included in golf equipment and related supplies). Therefore it should be noted that the tourism spends included in this section could have elements of ‘double-ups’ with other sections of this report. Such expenditure has not been eliminated as reliable data is not available to identify these specific expenditures of tourists.

For 2008, Tourism Victoria (through the publication, “Golf Tourism – Market Profile Year Ending December 2007”) reported that the average length of trip undertaken by international golf tourists was 54 days. The 2005 Golf Consumer Survey³⁹ indicated the average length of stay of domestic golf travellers was 5.4 days. The same survey indicated that these domestic travellers played golf on average, 3.3 of these days. For international visitors, JBAS has estimated that participation in golf occurs an average of 4.0 days. Given the comparable infrequency of golf play and the sum of total travel costs incurred, the golf specific costs have been assessed on a proportional basis.

37. “International Visitors Survey”, Tourism Research Australia, December 2008

38. “National Visitors Survey”, Tourism Research Australia, December 2008

39. Conducted by Ernst & Young and Golf Australia



Whilst this method may result in the tourism value of golf being slightly underestimated, there is no data or reliable research available that suggests the participation/cost relationship is not proportional. The methodology used therefore assumes that participation in golf for international visitors is an activity undertaken at a location (and therefore with fewer direct travel costs attached), with the destination not being chosen purely because of the golf activity available. The comparably higher frequency of golf participation for domestic travellers ensures that proportional domestic expenditure is captured.

For reporting purposes, golf related travel expenditure has been split into the three main categories - food, beverage and entertainment; accommodation; and transport, and are further discussed below.

4.2.1 Food & beverage and entertainment

Spending on food, beverage and entertainment products is the largest category within golf related tourism expenditure, accounting for 38% of golf related spending. Proportionately more spending is made in this area by international tourists than domestic travellers. It is estimated that total spending in this area amounted to \$213.7 million in 2008.

4.2.2 Accommodation

Spending on accommodation is another significant source of revenue for golf related tourism. It is estimated that total spending on accommodation costs incurred due to participation in golf approximated \$169.1 million in 2008.

4.2.3 Transportation

The cost of transportation is typically a large component of any travel and accounts for approximately 32% total golf travel spending. It is estimated that transport costs incurred due to golf by tourists approximated \$177.0⁴⁰ million in 2008.

4.2.4 Summary of golf travel

The Australian golf economy in 2008 was increased (by association) by golf related travel as follows:

Table 17: Golf travel expenditure (2008)

Element	Revenues	Report reference
Food & beverage and entertainment	\$213.7M	4.2.1
Accommodation	\$169.1M	4.2.2
Transportation	\$177.0M	4.2.3
Total	\$559.8M	

40. For international visitors this excludes the costs associated with international airfares



Each Australian State and Territory contributes to the Australian Golf economy in different ways, whether that be via the number of:

- ▶ Courses and clubs;
- ▶ Registered members of clubs; or
- ▶ Participants.

An indicative measure of this contribution is highlighted by distributing the overall value of Australia's golf economy using participation numbers as a base. Using this metric, the indicative contribution of the States and Territories to the Australian golf economy is:

Table 18: Indicative contribution of States and Territories to the Australian golf economy

	Participation⁴¹	Report reference	Share of Australian golf economy
NSW / ACT	438,600	37%	\$1,092.2M
Victoria	314,900	27%	\$784.2M
Queensland	230,400	20%	\$573.8M
Western Australia	110,800	9%	\$275.9M
South Australia	56,800	5%	\$141.4M
Tasmania	21,600	2%	\$53.8M
Northern Territory	8,000	1%	\$19.9M
Total golf economy	1,181,100	100%	\$2,941.3M

Note: Numbers may not add due to rounding

41. "2008 Exercise, Recreation and Sport Survey", Australian Sports Commission



The following table compares the estimation of the size of the Australian golf economy in 2008 to that in 2004 (from the August 2006 report).

Table 19: The size of the Australian golf economy in 2008

	Revenue	% of industry	Value per golfer ⁽¹⁾	2004 golf economy ⁽²⁾	Section
Direct industries					
Golf facilities revenue	\$1,601.8M	54%	\$1,356	\$1,452.9M	3.1
Golf course capital investment	\$234.3M	8%	\$198	\$272.8M	3.2
Golf equipment and related supplies	\$284.6M	10%	\$241	\$306.9M	3.3
Associations, charities, tournaments and player earnings	\$193.9M	7%	\$164	\$167.1M	
Total direct industries	\$2,314.6M	79%	\$1,960	\$2,199.7M	3.4
Associated industries					
Real estate	\$67.0M	2%	\$57	\$83.6M	4.1
Hospitality & tourism	\$559.8M	19%	\$474	\$425.5M	4.2
Total associated industries	\$626.7M	21%	\$531	\$509.1M	
Total golf economy	\$2,941.3M	100%	\$2,490	\$2,708.8M	

Note: Numbers may not add due to rounding

(1) Based on golf participation numbers sourced from the Australian Sports Commission 2008 Participation Survey.

(2) The PGA Report prepared by Ernst & Young in August 2006, with results stated in 2004 dollars.

The Australian golf economy in 2008 has declined in real terms by 4% since 2004. This can be attributed to some methodological changes in the estimates of certain 'industries' (refer to sections 3 and 4 for details) and a decline in golf participation (2004: 1.25 million, 2008: 1.18 million).

The decline in golf related real estate can be attributed to a decline in golf course related developments in the same period (almost half the number of golf lots available), while the increase in golf related tourism is attributed to an increase in overall visitation and an increase in the days spent playing golf during visits (particularly by domestic visitors).



Based on the methodology prescribed in the study published in the USA in 2002 titled The Golf Economy Report, in 2008 golf in Australia is estimated to have an “economy” of \$2.94 billion. This equates to \$2,490 per golf participant in this country and compares to the \$2,110 (in nominal terms) for the 2004 Australian Golf Economy.

With over 21,000 people directly employed in the industry, and numerous more in the sectors associated with the sport, the golf industry is a substantial contributor to the Australian economy.

Efforts to rationalise the sport, including amalgamations (and consideration of amalgamations) of state and national men’s and women’s golf associations and other bodies such as the PGA and the PGA Tour highlight that golf is aligning itself to tackle the issues that face the sport today. With water management a significant issue in Australia; a decline in participation since the release August 2006 report; and other operational expense concerns; golf in Australia has its share of challenges.

The size of the Australian golf economy can grow in the future if these challenges are addressed. Providing opportunities for new participants and increasing the frequency of play of current participants will be critical in this success.



8.1 For public release

Ernst & Young was engaged on the instructions of Australian Golf Industry Council ("AGIC") to estimate the size of the Australian golf economy ("Project"), in accordance with the engagement agreement dated 1 March 2010 (and signed by Client on 5 March 2010) including the General Terms and Conditions ("the Engagement Agreement").

The results of our work, including the assumptions and qualifications made in preparing the report, are set out in this report dated 12 August 2010 ("Report"). You should read the Report in its entirety including any disclaimers and attachments. A reference to the Report includes any part of the Report. No further work has been undertaken by Ernst & Young since the date of the Report to update it.

Unless otherwise agreed in writing with Ernst & Young, access to the Report is made only on the following basis and in either accessing the Report or obtaining a copy of the Report the recipient agrees to the following terms.

1. Subject to the provisions of this notice, the Report has been prepared for the Client and may not be used by any other party or relied upon by any other party without the prior written consent of the Consultant.
2. The Consultant disclaims all liability in relation to any other party who seeks to rely upon the Report or any of its contents.
3. The Consultant has acted in accordance with the instructions of the Client in conducting its work and preparing the Report, and, in doing so, has prepared the Report for the benefit of the Client, and has considered only the interests of the Client. The Consultant has not been engaged to act, and has not acted, as advisor to any other party. Accordingly, the Consultant makes no representations as to the appropriateness, accuracy or completeness of the Report for any other party's purposes.
4. No reliance may be placed upon the Report or any of its contents by any recipient of the Report for any purpose and any party receiving a copy of the Report must make and rely on their own enquiries in relation to the issues to which the Report relates, the contents of the Report and all matters arising from or relating to or in any way connected with the Report or its contents.
5. The Report is confidential and must be maintained in the strictest confidence and must not be disclosed to any party for any purpose without the prior written consent of the Consultant.
6. No duty of care is owed by the Consultant to any recipient of the Report in respect of any use that the recipient may make of the Report.
7. The Consultant disclaims all liability, and takes no responsibility, for any document issued by any other party in connection with the Project.
8. No claim or demand or any actions or proceedings may be brought against the Consultant arising from or connected with the contents of the Report or the provision of the Report to any recipient. The Consultant will be released and forever discharged from any such claims, demands, actions or proceedings.



9. To the fullest extent permitted by law, the recipient of the Report shall be liable for all claims, demands, actions, proceedings, costs, expenses, loss, damage and liability made against or brought against or incurred by the Consultant arising from or connected with the Report, the contents of the Report or the provision of the Report to the recipient.

10. In the event that a recipient wishes to rely upon the Report that party must inform the Consultant and, if the Consultant so agrees, sign and return to the Consultant a standard form of the Consultant's reliance letter. A copy of the reliance letter can be obtained from the Consultant. The recipient's reliance upon the Report will be governed by the terms of that reliance letter.

8.2 Scope specific disclaimer

Ernst & Young has prepared the study within this report in conjunction with, and relying on information provided by the Australian Golf Industry Council and JBAS. We do not imply, and it should not be construed that we have performed audit or due diligence procedures on any of the information provided to us.

Further, it is important to note that the assessment of the size of an economy or industry is not a precise science.

We have not been requested to provide assurance as to the reasonableness of the methodology prescribed by the Australian Golf Industry Council or the assumptions contained in this report and as such no assurance has been provided. Accordingly, Ernst and Young or any partners or staff, do not accept any responsibility for errors or omissions, or any loss or damage as a result of any persons relying on this report for any purpose other than that for which it has been prepared.

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com/au

© 2010 Ernst & Young Australia.

Liability limited by a scheme approved under Professional Standards Legislation.

MELBOURNE

Ernst & Young Building

8 Exhibition Street, Melbourne VIC 3000

Tel: +61 3 9288 8000

Fax: +61 3 8650 7777



Australian Golf Industry Council
www.agic.org.au

