

The PGA Report

An independent study into the size
of the Australian golf economy



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Foreword

The PGA of Australia as a leader of the Australian golf industry is pleased to present the first ever comprehensive study of the golf industry's economic contribution to the Australian economy.

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 the PGA bodies around the world, this independent Australian study has been undertaken by Ernst & Young and funded by the PGA of Australia.

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, it also highlights other important economic aspects of the golf industry, including golf course investment, the value of golf related 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 to the importance of the Australian golf industry to the overall Australian economy. I commend its reading to you.



Max Garske
Chief Executive Officer
PGA of Australia

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Introduction and Summary

The game of golf currently attracts over 1.25 million participants annually¹ and in terms of total participants ranks highly as one of the most popular sports in Australia. When the first golf course was built in the late 1800's the game was the domain of only the wealthy, however participation in golf in Australia now occurs across all levels of society.

Early golfing champions such as Norman Von Nida and Ossie Pickworth encouraged the likes of Kel Nagle and Peter Thomson to play the game, and with increasing publicity, demand for golf as a recreational activity steadily grew through the 1960's, 70's and 80's. Club participation numbers peaked when Greg Norman dominated the world stage in the late 1990's and Australia is now a dominant player on the world stage with 13 players in the world Top 100 as at July 2006. Over 20 full time members of the US PGA Tour originate from our shores with many others successfully plying their trade on other golf tours around the world.

Golf however is more than a sport for professionals. It is a large mini 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 and as the country enters a period of time that will be marked by the burgeoning baby boomer generation, the industry is well positioned to benefit from its favoured status with this generation 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 fully appreciate the impact that the industry has on the Australian economy the PGA of Australia commissioned this report seeking to determine the real value of the golf economy in Australia. The results will enable the industry and others to better appreciate, understand and importantly promote its worth to government and the wider society.

This report has assessed the value of all segments of the golf economy and has found that for the year 2004 the value of the goods and services that make up the Australian golf economy was estimated at \$2.71 billion, or approximately \$2,110 per golfer. It also identifies that an estimated 23,000 people are employed directly within the golf industry, many more are employed in industries that have an association with golf, and that approximately two jobs are created at golf facilities for every 100 people that play the game.

¹ Australian Sports Commission – ERASS Survey 2004



□ Study Aim and Methodology

The aim of this study was to develop a detailed 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 size².

This study is part of a global, collaborative initiative being undertaken between a number of PGA organisations in key golfing markets. The aggregated results will then be used to assess the size of the global golf economy. To ensure comparability and consistency of measurement, the methodology adopted is the same used in a similar study published in the USA in 2002 titled *The Golf Economy Report*³. This report 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.

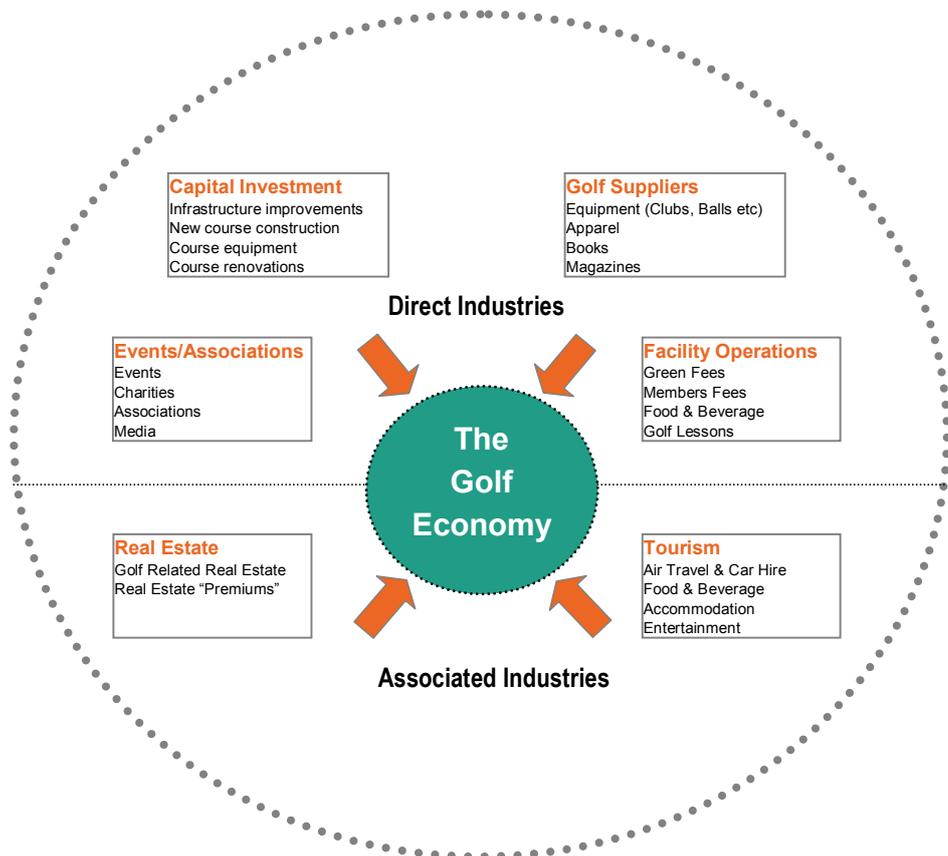
The indirect segment contains many other, often not so obvious industries which also have associated relationships with golf. Despite less direct association, these segments are equally important in terms of their contribution to the overall golf economy. These segments include travel and tourism that is orientated around or includes golf, as well as residential real estate that features 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.

² 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.

³ Published by Golf 20/20.

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The Golf economy is diagrammatically illustrated below.



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:

The Australian Golf Industry Report – 2004

A major source of club specific data was the Australian Golf Industry Report – 2004, co-published by the Australian Golf Union (AGU) and Ernst & Young. This report, and the survey it was based on provided detailed participation, revenue and operational data that was analysed and extrapolated to determine the club and course revenue and employment estimates contained in this report.

The Australian Golfer Survey – 2003 and 2005

Two significant studies have been undertaken with regard to the Australian golfer consumer. These studies, in 2003 and 2005, provide significant information around frequent golfer participation, travel patterns, spending patterns, equipment purchasing, and other consumer habits including TV viewing and magazine readership. This information was used to support some assumptions adopted in this report and to sense check analytical outcomes.

Other Sources

Other sources of information used in the compilation of this report include various reports from the Australian Bureau of Statistics (ABS), the Housing Industry Association, and data from Tourism Research Australia and the PGA of Australia. In some areas, national sector data was collected from appropriate sources (eg book sales) with our estimates cross referenced and compared to other known numbers to ensure that the golf specific estimates were reasonable. In some areas, little golf specific information was available. When this was apparent, Ernst & Young developed estimates based on discussions with industry experts and related industry literature.

□ The Size of the Australian Golf Economy

It is estimated that in the year 2004 the size of the Australian golf economy was \$2.71 billion⁴. This estimate comprised of \$2.2 billion in direct industries, 81% of the total economy size, and \$509.1 million in associated industries. This estimate is summarised in the table below.

Size of the Australian Golf Economy in 2004			
<i>Direct Industries</i>	<i>Revenue</i>	<i>% of industry</i>	<i>Value per Golfer</i>
Golf Facilities	\$1,452.9 million	54%	\$1,133
Golf Course Investment	\$272.8 million	10%	\$213
Golf Equipment & Supplies	\$306.9 million	11%	\$239
Associations, Charities, Endorsements & Tournaments	\$167.1 million	6%	\$130
Total Direct Industries	\$2,199.7 million	81%	\$1,716
<i>Associated Industries</i>			
Real Estate	\$83.6 million	3%	\$65
Hospitality & Tourism	\$425.5 million	16%	\$332
Total Associated Industries	\$509.1 million	19%	\$397
Total Golf Economy	\$2,708.8 million	100%	\$2,113

Note: Number may not add due to rounding

⁴ All figures reported are in 2004 values. "Billion" defined as \$1,000 million.

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Comparison to USA

This is the first time a study of this nature has been undertaken in Australia and therefore no direct comparisons are available. This study is based on a template first used in the USA in 2002. Despite the US economy and industry being significantly larger than that of Australia, comparisons are possible on a per golfer value basis.

Using data from the 2002 USA report, and making an allowance for inflation and conversion, it is estimated that the value of the Australian golf economy, when measured on a per golfer basis, was approximately one-third smaller than the same measure in the USA.

	USA 2004	Australia 2004
Total Golf Economy	\$95,016,000,000*	\$2,708,800,000
Number of Golfers	30,400,000	1,282,000
Value per golfer	\$3,126*	\$2,113

Note: * 2000 value estimate inflated to 2004 values, converted to \$A @0.74

Other Industry Comparisons

To demonstrate the size of the golf economy within the local Australian market, it is compared below to some other industries in Australia which have high visibility to government and the consumer. It is not possible to compare this number to most other sports in Australia as comparable data does not exist.

Comparison of the size of the Australian Golf Economy to other Industries *	
Free to Air TV	\$4.98 billion
Golf Economy (Direct & Associated)	\$2.71 billion
Horse & Dog Racing	\$1.95 billion
Book & Other Publishing	\$1.69 billion
Radio Services	\$1.0 billion
Creative Arts	\$779 million
Performing Arts venues	\$358 million

Source: IBIS World

Note: * The above figures are to the best of our knowledge not calculated on a 'value added' 'GDP' basis, and therefore provide the best possible comparison to our findings.

The two key components of the golf economy, the Direct and Associated industries, are further dissected in the following sections.

Direct Industries

□ Golf Course and Club Operations

With approximately 1,600 golf courses and 24,600 golf holes spread across Australia, the private and semi private clubs and the public and resort operations that enjoy them are the largest contributors to the Australian golf economy. Revenue data concerning their operations was collected in the bi-annual golf club survey conducted by the AGU in 2004. Analysis and extrapolation of this data indicates that total revenues generated by the club and course facilities in 2004 to be approximately \$1.37 billion dollars⁵.

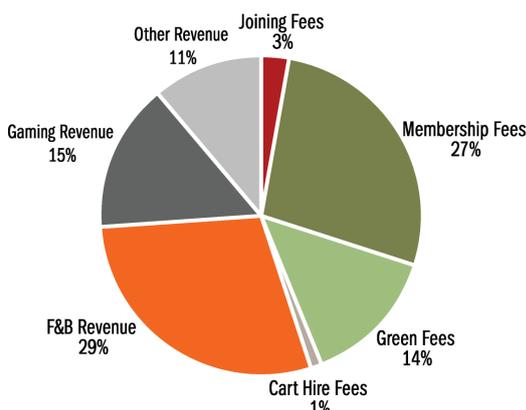
Golf Facility Revenues in 2004		
Facility type	Total Revenue	Average per facility
Private courses	\$218,700,000	\$3,314,000
Semi Private courses	\$905,200,000	\$840,000
Public courses	\$64,200,000	\$155,000
Resort courses	\$181,800,000	\$3,305,000
Total	\$1,369,900,000	\$849,000

Source: Australian Golf Industry Report - 2004

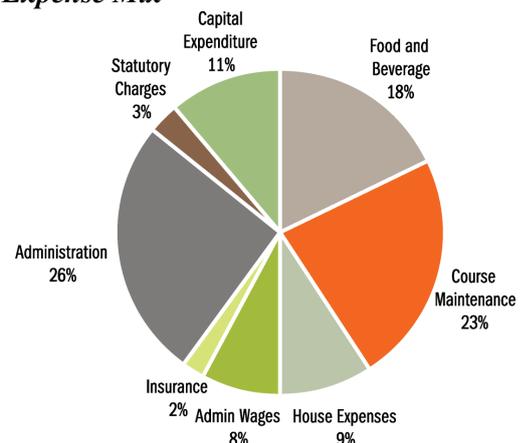
Club and course revenues are largely generated by those that participate in the game, spending money in such areas as annual fees and green fees, and spending in associated areas such as golf cart hire, food and beverage etc. The typical revenue/expense make-up is graphically illustrated below⁶.

Golf facility revenue and expense sources

Revenue Mix



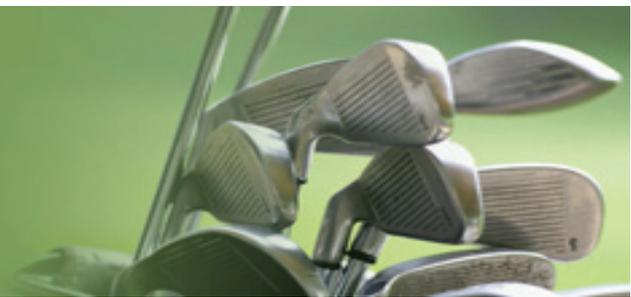
Expense Mix



Source: Australian Golf Industry Report – 2004

⁵ This segment excludes revenues generated in pro shop operations. They are reported in retail sales.

⁶ For completeness, capital expenditure is noted as an expense with actual values to be reported later in this study.



Employment at golf facilities

The Australian Golf Industry Report – 2004 reported that approximately 75% of Australian golf clubs have paid employees. Not surprisingly, the majority of clubs without employees are located in regional areas and have a small number of members. Golf clubs typically offer employment opportunities in four main areas, being course maintenance, administration, pro shops and house/food and beverage operations. Some key statistics concerning employment in golf clubs are:

- Regional clubs with over 700 members on average employ close to 20 full time staff members.
- Metropolitan clubs with over 1,200 members employ on average more than 40 full time staff members.

In 2004 it was estimated that approximately 23,000 full time, part time and casual positions were held at golf course, club and resort facilities across Australia, as summarised below.

Golf Club Employee Numbers – 2004			
State	Metropolitan	Regional	Total
NSW	3,545	5,716	9,262
Victoria	3,319	3,452	6,771
Queensland	759	3,012	3,771
Western Australia	789	851	1,641
South Australia	722	407	1,129
Tasmania	-	362	362
Total	9,135	13,800	22,935

Source: Australian Golf Industry Report – 2004



Driving Range Operations

There are approximately 140 golf driving ranges in Australia, with distribution closely following the general golf population. As the collection of operating data for this industry segment has historically been very poor, a survey of this segment was conducted in May 2006 to allow some meaningful revenue information to be collected.

Despite a poor response rate (12%), the survey does allow for revenue estimates to be made. Based on the survey responses and data extrapolation, it is estimated in 2004 that national revenues generated by the driving range sector were approximately \$59.5 million.

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

Mix of Golf Range Revenues in 2004	
Ball Sales	55%
Lessons	13%
Equipment Sales	13%
F&B Sales	10%
Accessories	4%
Apparel	1%
Other	5%
Total Average Revenue	\$419,000

*Note: 2005 data deflated to 2004 dollar

Golf Lessons & Coaching Services

The current golf coach training system through the PGA Traineeship scheme has resulted in Australia having a high base level of skilled teachers/coaches at all types of golf facilities (clubs, driving ranges, specialist teaching facilities etc).

PGA trainees graduate with Level 3 NCAS accreditation and a Diploma of Sports Coaching under the Government's Australian Quality Training Framework (AQTF) scheme and provide expert instruction at all levels of the industry from beginners to elite amateurs and professionals.

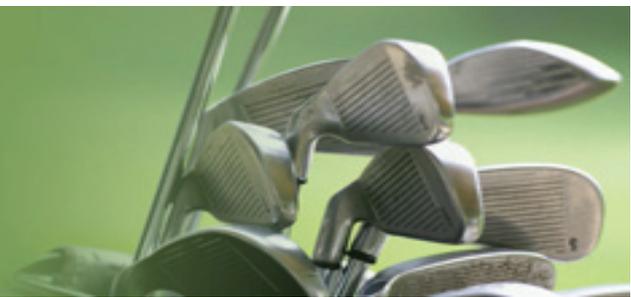
Based on PGA member surveys and information provided by the PGA of Australia it is estimated that the overall value of lessons and coaching services provided annually by PGA members at golf facilities across Australia is \$31.1 million dollars.

Total course, range facility and lesson revenues are summarised below.

Golf Facility and Range Revenues in 2004	
Golf Courses	\$1,369,900,000
Driving Ranges*	\$59,500,000
Golf Lessons ⁷	\$23,454,000
Total	\$1,452,854,000

*Note: 2005 data deflated to 2004 dollars

⁷ With golf lesson income accounting for an estimated 13% of driving range income, this income (\$7.65m) has been deducted from the total reported number.



□ Golf Course Capital Investment

Existing facilities

Capital investment at golf facilities is another significant contributor to the Australian golf economy. Investment of this nature includes costs associated with existing facilities, such as course renovations and upgrades, installation of irrigation systems, purchase of new maintenance equipment, clubhouse and infrastructure construction and/or improvements etc. Based on data received in the bi-annual golf club survey of 2004, it is estimated that investment in this component totalled approximately \$132.6 million in 2004. It is further estimated that 67% of this expenditure occurred on course related works, with the remaining 33% or \$43.8 million being clubhouse projects.

New course construction

The second component of golf course capital investment is new course construction. Between the years 2000 and 2006, 33 new courses have opened across Australia with approximately two thirds of these courses being part of a residential and/or resort development. Ernst & Young databases show that nine courses opened in 2004, with a further nine under construction.

With an average construction cost of \$15.5 million⁸ over a two year construction period, the total investment in the construction of new facilities in 2004 totalled approximately \$140.2 million.

The total investment in golf course capital projects in 2004 is summarised in the following table.

Golf Course Capital Investment in 2004	
Existing Courses	\$132,600,000
New Courses	\$140,200,000
Total	\$272,800,000

⁸ Based on golf course construction cost data provided by relevant industry companies.

□ Golf Equipment and Related Supplies

Golf Equipment

Unlike many other sports, golf is an intensive equipment based sport. 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 over 1.25 million players and 33 million rounds played per annum, a significant amount of revenue is therefore generated via the sale of this equipment to industry participants.

In 2004, it was estimated in the report, “The Golf Retail Industry in Australia”, that total retail sales for that year were approximately \$295 million. Spending on golf equipment accounts for approximately 10% of all sports equipment purchased annually⁹ in Australia.

Golf retail sales estimates are detailed by segment in the following table.

Golf Equipment Sales in 2004		
Category	Sales	% of sales
Clubs	\$148.5 million	50%
Apparel & Accessories	\$49.2 million	17%
Balls	\$48.5 million	16%
Bags	\$23.9 million	8%
Shoes	\$15.5 million	5%
Gloves	\$9.7 million	3%
Total	\$295.3 million	100%

Source: “The Golf Retail Industry in Australia – 2004”

Note: Numbers may not add due to rounding

Golf Books

An extensive range of golf literature is sold annually throughout Australia. Golf book topics and titles range from golf course guides, instruction books, to self-help books and various golfer autobiographies. Bi-annual sales of the book industry are tracked through the ABS Book Retailer Survey, with survey results indicating that approximately \$1.4 billion in book sales¹⁰ were made by the 1600 book retailers in Australia in 2004.

⁹ 2003-04 ABS Household Expenditure Survey

¹⁰ Source: 2003-04 ABS Book Retailers Survey, Cat. 1371.0, September 2005

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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 are based on golf book sales as a percentage of sports books. Discussions with AC Nielson indicate that as a percentage of total book sales, sports books account for approximately 1.6% of all sales. Further, it is estimated that golf book sales as a percentage of sports book sales are approximately 10%. Applying these figures to total book sales suggest total annual golf book sales to approximate \$2.25 million.

Golf Magazines

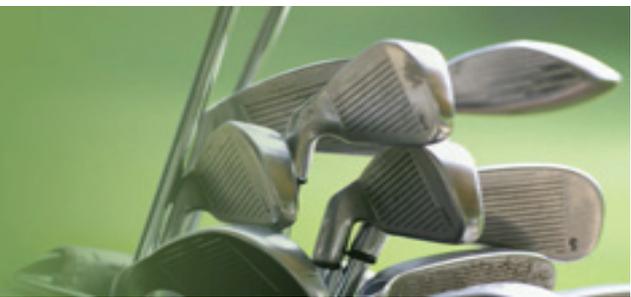
In 2004 Australians spent an estimated \$1.03 billion on magazines with sports magazines accounting for approximately 2.4% or \$24.8 million of these sales¹¹. With reference to golf, circulation numbers as tracked by the Magazine Publishers Association of Australia (MPAA) are only available for the major 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 850,000 golf-related magazines were purchased in 2004, generating approximately \$9.3 million dollars in sales and advertising revenues.

Total sales of golf equipment, book and magazine revenues are summarised in the following table.

Sales of Golf Equipment and related suppliers – 2004	
Category	Sales
Equipment	\$295.3 million
Books	\$2.3 million
Magazines	\$9.3 million
Total	\$306.9 million

¹¹ Source: Magazine Publishers Association of Australia (MPAA) 2004/05 Composition of ABC audited magazine market.



□ Golf Associations, Charities and Tournaments

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, PGA Tour of Australasia, 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 golf course superintendents and golf manager's associations. 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 and rules and handicapping administration. In 2004 it was estimated that total revenues generated by these bodies was approximately \$31.4 million.

Charities

The golf club industry is a significant contributor to charitable causes. It was reported in the Australian Golf Industry Report – 2004 that approximately 1,000 charity days were held at golf clubs across the country in the year 2004. The funds raised, generated via entry fees, green fees and/or donations made on the day were estimated to be approximately \$18.9 million dollars¹².

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

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

Golf related charity revenues – 2004	
Category	Revenues
Club events	\$18.9 million
Player charities	\$2.0 million
Total	\$20.9 million

¹² Australian Golf Industry Report - 2004

Tournaments

The PGA Tour of Australasia

The major Australian events on the PGA Tour of Australasia play a significant role in the promotion of the game and generate sizeable incomes for local economies. Based on data from various economic impact studies commissioned to measure this impact, it is estimated that each tournament generates an average of \$4 million dollars in revenue, including revenue from related areas such as corporate sponsorship, ticket sales and merchandise sales¹³.

Taking into consideration the number of major tournaments played in Australia in 2004, and the broadcast rights income received for their telecast the contribution of this sector to the total Australian golf economy is estimated at \$23.8 million (excluding prize money).

Secondary Tour and Pro Am Events

Australia is home to a developing secondary golf tour, the Von Nida Tour, and an established and healthy PGA Pro-am circuit. The PGA reports that over 300 local club pro-am events and 11 Von Nida Tour events are played annually, ranging from 1 to 4 days in duration. It is estimated that the direct local community spend associated with these events is \$6.8 million annually.

Player Earnings and Endorsements

In 2004 the US PGA Tour reported a worldwide golf revenue prize pool (including prize money from the major events on the Australian Tour) of \$A515 million dollars. In that year Australian golfers won approximately 9% of this pool, being a total of \$44.7 million dollars¹⁴. With the addition of \$4.6 million dollars earned on the secondary Australian Von Nida tour and pro-am circuit, total player revenues approximated \$49.3 million dollars.

Whilst the bulk of revenues earned from tournament participation and endorsement deals go to today's superstars (10% earn near 50% of the money) due to their higher visibility, the other lesser known professional golfers as a combined group also earn significant income via prize money and endorsements.

¹³ Ernst & Young, IMG, PGA and PGA Tour reports

¹⁴ Average exchange rate for 2004 was 0.7364 as reported by the Reserve Bank of Australia (RBA)

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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 2004¹⁵ Australian golfers earned approximately \$34.9 million in endorsements, with one player, Greg Norman, personally accountable for \$25 million or 70% of this amount.

The following table summarises revenues generated by all charities, associations, tournaments, prize money and player endorsements in 2004.

Revenue generated by Associations, Charities, and Tournaments – 2004	
Category	Revenue
Associations	\$31.4 million
Charities	\$20.9 million
Tournaments	\$30.6 million
Player prize money	\$49.3 million
Player endorsements	\$34.9 million
Total	\$167.1 million

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.

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.

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.

15 USA Golf Digest – “Top 50 money earners”, February 2005.

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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.

Associated Industries

Despite having less direct association with the golf industry, it is estimated that the real estate and tourism segments account for approximately \$509 million or 19% of the overall golf economy. Both segments assist in increasing and maintaining people's interest in the game and the specific contribution made by each is detailed in the following section.

Real Estate

Golf related real estate is a relatively new entrant in the Australian golf economy. Whilst the combination of golf and real estate is not new, the focus and branding of the total residential package and “lifestyle” provided via the incorporation of golf and any associated health facilities is. Brands such as Links Living and Medallist are now recognised names on golf related real estate and are helping attract many consumers to this form of living.

The impact of real estate is therefore included in this study as it impacts the golf economy in two ways, being new golf related construction and the price premium generated by the association, location or access provided by the real estate to golf.

Golf related real estate

A significant interest in golf related real estate is currently apparent in Australia. Ernst & Young research has determined that since 1999, approximately 24,300 golf related residential blocks have been built, or are programmed to be built, as part of existing residential master plans to satisfy the growing interest in golf themed living. Over this period annual delivery has averaged approximately 3,500 lots per year, almost 3% of the 113,000 average total new national housing approvals as reported by the ABS¹⁶ 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 and the length of typical projects. Based on these allowances, it is estimated in the year 2004 that approximately \$66.9 million dollars in golf related real estate was completed.

¹⁶ ABS Building Approvals, Cat.8731.0 January 2005

Real estate premium

Golf related real estate has presented a popular proposition to the development community due to its ability to generate 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 location¹⁷.

Using an average premium of 25%¹⁸, it is estimated that due to the inclusion of golf, the value of real estate within the residential communities was increased by approximately \$16.7 million dollars in 2004.

Revenue generated by Real Estate – 2004	
Category	Revenue
Golf real estate	\$66.9 million
Golf premium	\$16.7 million
Total	\$83.6 million

□ Golf Travel

Hospitality & Tourism

With 5.2 million international visitors to Australia in 2004 and over 300 million day trips recorded by domestic travellers, the economic benefit generated by the tourism industry is estimated to be over \$64 billion dollars. Golf as holiday activity or as a reason to holiday plays a key role in generating tourism demand and as such the revenue generated by this demand is included in this study.

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. (The estimates made in this section exclude any participation costs such as green fees as they are included in the facility revenue estimates.)

Tourism Research Australia (TRA) measures the annual movement and expenditure of Australian and International tourists on a yearly basis, with these results reported via the domestic National Visitors Survey (NVS) and the International Visitors Survey (IVS).

17 Ernst & Young, research, Matsuik Property Insights, June 2003

18 Ernst & Young research

In 2004, TRA reported that the average length of trip undertaken by domestic and international golf tourists to be six and 45 days respectively. Further, it has been estimated that participation in golf occurs on average three days in six for domestic visitors and on 10% of international tourist days¹⁹. 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.

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.

Following analysis of the TRA data, it is estimated that in 2004 travel expenditure relating to golf approximated \$425.5 million dollars, slightly less than 1% of the total \$61 billion²⁰ spent on all travel in that year.

Spending in the three areas that account for 75% of all spending undertaken by golf tourists - accommodation, food, beverage and entertainment, and transport are further discussed below.

Food and Beverage and Entertainment

Spending on food, beverage and entertainment products is the largest category within golf related tourism expenditure, accounting for 40% 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 \$168.6 million dollars in 2004.

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 \$120.7 million in 2004.

¹⁹ Based on frequency of golf participation on whilst on holidays as reported in The Australian Golfer Survey – 2005 and Tourism Research Australia data.

²⁰ Travel by Australians June 2004, NVS and other NVS data extraction 1999 to 2005, Tourism Research Australia.

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Transportation

The cost of transportation is typically a large component of any travel and accounts for approximately one third of total golf travel spending. Based on a review of data from TRA, it is estimated that transport costs incurred due to golf approximated \$136.2 million dollars in 2004.

The following table summarises revenues generated by golf related tourism in 2004.

Revenue generated by Tourism – 2004	
Category	Revenue
Food and Beverage	\$168.6 million
Accommodation	\$120.7 million
Transportation	\$136.2 million
Total	\$425.5 million

Conclusions

The game of golf in Australia is the centre of a large number of direct and associated industries, which in 2004 generated approximately \$2.71 billion in goods and services. As the industry focuses on growing the game, with a value of over \$2,000 per golfer it is clear that any growth in participation numbers will have a positive impact on the economy's value and drive a number of key economic inputs within local communities.

The industry is a provider of numerous employment opportunities with an estimated 23,000 people employed directly in the industry and those that support it and many more in the industries that have an association with golf. It is estimated that approximately two jobs are created at facility level for every 100 golfers that play the game.

This study highlights that the economic impact of golf does extend past those industries typically associated with golf – courses, clubs, equipment and clothing – and reaches into industries such as travel and real estate which now account for 19% of the golf economy's total value.

Golf as a game has undergone significant transformation since it was first played in Australia in the late 1800's. The Australian golf industry is now a substantial contributor to the Australian economy and must be viewed in this context. Along with many other industries golf will face significant challenges over the coming decade and beyond, none more so than the water management issues being faced by clubs today. It also faces participation challenges, needing to entice young people and new adult players into the game, retain those who are currently playing and provide opportunities for current golfers to play more frequently.

Whilst there is much to be done there is an air of optimism within the industry with significant co-operation occurring between the key golfing administration and industry groups to ensure the long term viability and growth of the Australian golf industry. Should the challenges identified be met the value of the Australian golf economy will continue to grow and it will become even more important to Australia's wider economy into the future.