

REDS Impact Review

Hastings-Macleay REDS fire impact addendum
May 2020



Regional
NSW



Executive summary

This document serves as a fire impact addendum to the Regional Economic Development Strategy (REDS) for Hastings-Macleay. Its purpose is to identify potential short, medium and long-term focus areas for Local, State and Commonwealth Government to consider when prioritising industry and place-based economic recovery funding in response to the 2019-2020 bushfire crisis.

This document was developed in collaboration with regional staff and Local Government Area (LGA) representatives, and utilised input from fire affected engine industry experts. The priorities within this document were identified and are owned by Local Government.

The original REDS for Hastings-Macleay identified a large economy with strengths in a diversity of industries; this provided it with a degree of insulation from fire related economic shock. During the 2019-2020 bushfires forestry, tourism, agriculture and horticulture all sustained significant direct bushfire damage, either to core assets or enabling industry infrastructure. All industries sustained protracted indirect effects as well – from visitation downturn in the tourism industry to processing disruptions in forestry. Further, agriculture and horticulture also suffered a range of impacts to supporting infrastructure including natural resources such as soil, water quality and pastures. Though the impact of the bushfires as a proportion of the Hastings-Macleay Functional Economic Region's (FER) long-term economic output may be relatively small because of its industry diversity, the absolute impact in the short term is anticipated to be significant. Hastings-Macleay's immediate focus will be continuing to help with industry asset and infrastructure rebuild, to assist industries recovery as quickly as possible. In addition, the bushfires have highlighted the importance of the existing strategic priorities, and the importance of capitalising on opportunities for population growth and industry development.

Example priorities identified in this document relate to, but are not limited to, industry infrastructure rebuild, investment in industry development and diversification and professionalisation of the tourism industry.

These materials are based on preliminary data available as of May 2020.

Note to reader: COVID-19 context and considerations

This document has been prepared in response to the 2019-2020 bushfire crisis. **It does not factor in the economic impacts from COVID-19, providing only a bushfire economic impact baseline. As a result: this document and any impact estimates within do not take into account any additional economic impacts which arise from COVID-19 and consider only the economic impact of bushfires.**

In response to COVID-19 the Commonwealth and NSW Governments have put in place restrictions on business trade and personal movement to combat the spread of disease. It is anticipated that these restrictions will further impact regional economies and engine industries.

- ▣ Industries analysed within this document likely to experience additional impact include tourism related industries such as retail, food and beverage and accommodation services.
- ▣ Other regional industries not directly affected by fire are also likely to experience impact including, but not limited to, construction and manufacturing.

The timing of short/medium/long-term priorities and initiatives outlined in this addenda have been adjusted for COVID-19 restrictions known as at May 2020. This includes delays to tourism recovery initiatives such as marketing campaigns. As the length and impact from COVID-19 becomes clearer, the timing of some initiatives may need to be adjusted further.

Any measures put in place by the Commonwealth and NSW Government to support businesses and industries in response to bushfire impact should be viewed in the context of broader recovery measures.

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Impact summary

- 1 Fire within Hastings-Macleay has impacted a number of engine industries
- 2 Approximately 30-50% visitation downturn during high point of bushfires, with small-medium businesses particularly affected
- 3 Substantial loss for agriculture and horticulture industry including supporting infrastructure damage/destruction, and herd and product loss *(over 7,000km of boundary fencing destroyed)*
- 4 Significant disruptions to forestry processing with potential for approximately 10% long-term forestry supply lost



Key takeaways

- 1 Ability to deliver REDS strategic priorities not materially affected over the long term, disrupted in short term
- 2 Implementation of industry development priority delayed by destruction of industry assets
- 3 Importance of implementing original strategic priorities highlighted by bushfires

Recap: Hastings-Macleay REDS



Regional endowments

- 1 Air, rail and road services
- 2 Health network
- 3 Education/university network
- 4 Accommodation capability and capacity
- 5 Riverine, hinterland and coastal amenity
- 6 Significant arable land
- 7 Access to major metropolitan markets
- 8 State government and local councils
- 9 Heritage and diversity



Regional Specialisations

- Engines of growth
 - Log Sawmilling and Timber Dressing and Forestry and Logging
 - Specialised Industrial Machinery and Equipment Wholesaling
 - Food Product Manufacturing
- Enabling industries
 - Electricity Distribution
 - Real Estate Services
 - Travel Agency and Tour Arrangement Services
- Population serving industries
 - Medical Services
 - Allied Health Services and Pathology and Diagnostic Imaging Services
 - Heavy and Civil Engineering Construction Services



Strategic Priorities



- Continue to grow the region's population and labour pool



- Foster industry development by further leveraging the Region's endowments

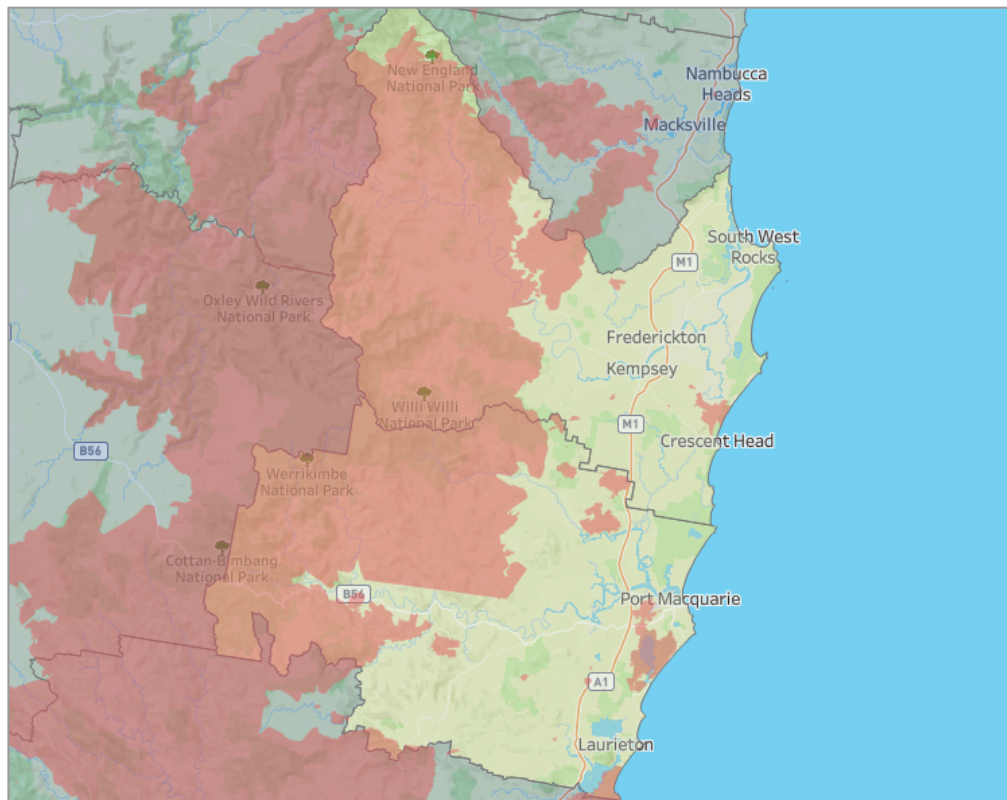


- Growing the key Engines of Growth through better connections to growing external markets



3,552km² of FER is physically impacted by fire, approximately 50% of the entire FER

Fire impacted area within Hastings-Macleay:



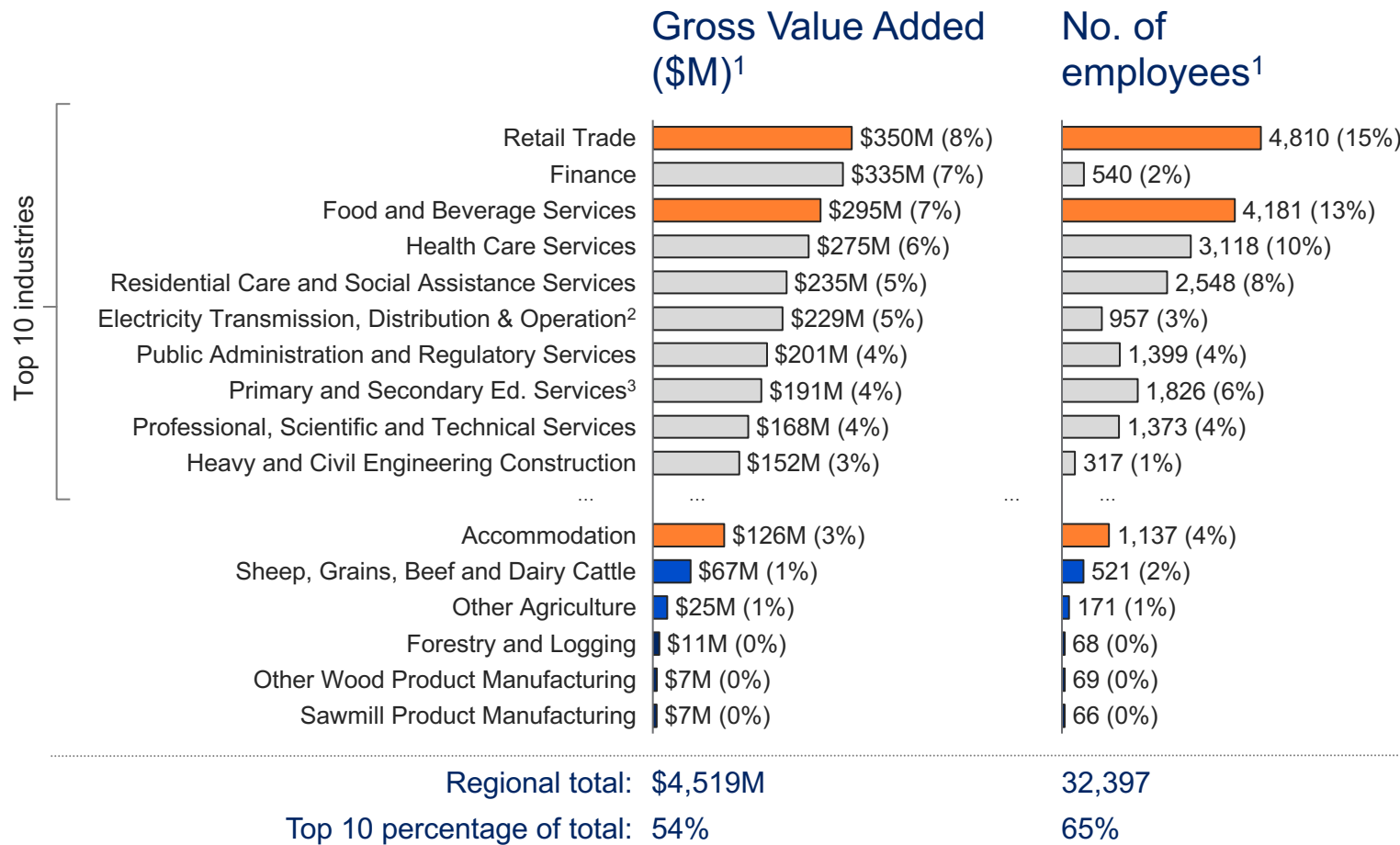
■ Fire-affected area

LGAs: Kempsey, Port Macquarie-Hastings

Key physical impacts:

- **Area burnt¹:** 3,552 km² in burn scar (50% of total FER area – 7,058km²)
- **Property damage²:** 453 properties damaged or destroyed
- **Tourism³:** Significant damage to national parks and forests throughout FER, including to important enabling infrastructure
- **Agriculture⁴:** Small number of livestock reported dead or destroyed, damage to supporting infrastructure (e.g. fences, sheds, equipment, feed, soil quality and water quality)
- **Forestry:** Significant damage to forestry, potential for ~10% long-term supply loss

Hastings-Macleay is a large diverse economy with limited exposure to impacted focus industries



Impacted focus industries

- 1 Tourism:** Tourism is broadly a subset of tourism-related industries (Retail Trade, Food and Beverage Services and Accommodation); according to CERD it contributes **\$273M** in GVA and 6% of FTE employment
- 2 Agriculture and horticulture:** 'Sheep, Grains, Beef and Dairy Cattle' and 'Other Agriculture' together drive **~\$92M** in GVA
- 3 Forestry:** Contributes around **~\$25M** in GVA (and ~0.6% in FTE employment)



Hastings-Macleay's impacted focus industries leverage regional endowments, most of which have been affected by bushfires

| Focus industries | Dependent endowments | Impacted |
|---|--|---|
| <p>1  Tourism</p> | <p>1 Air, rail and road services 4 Accommodation capability and capacity 5 Riverine, hinterland and coastal amenity 9 Heritage and diversity</p> | <ul style="list-style-type: none"> • Yes – Flight and road access disruptions • No • Yes – 50% of FER in burn scar • Yes – Biodiversity impacted by fires and potential for impact to Aboriginal heritage |
| <p>2  Agriculture and horticulture</p> | <p>6 Significant arable land 7 Access to major metropolitan markets</p> | <ul style="list-style-type: none"> • Yes – Pasture damage • Yes – Connectivity disrupted by bushfires |
| <p>3  Forestry</p> | <p>6 Significant arable land 7 Access to major metropolitan markets</p> | <ul style="list-style-type: none"> • Yes – Forestry damaged/destroyed • Yes – Connectivity disrupted by bushfires |

Hastings-Macleay focus areas require restructuring to respond to fire impact



Strategic priorities



Degree of impact



Restructured priority focus areas

Continue to grow the **region's population** and **labour pool**



Medium

Bushfires crisis has elevated risk of de-population through impact on buildings and employment. To mitigate this crisis:

- □ Ensure housing loss across FER does not cause de-population
- □ Support workforce transition in highly impacted industries with risk of sustained impact on workforce (e.g. forestry processing)
- □ Support rapid recovery of impacted industries to minimise risk of loss

Foster industry development by further leveraging the **Region's endowments**



Medium

□ Bushfires had direct impact on industry development, in particular tourism, through destruction of industry assets (e.g. ecotourism infrastructure, natural amenity etc.)

- □ Support recovery of endowments, assets and enabling infrastructure to minimise impact on overall economy; build back better to improve asset resilience, further leveraging endowments moving forward

Growing the key **Engines of Growth** through **better connections** to **growing external markets**







High

□ Bushfires have significantly disrupted the Engines of Growth, in particular forestry in the short to medium term. Although connections to external markets were not permanently disrupted their vulnerability was highlighted during the crisis

- □ Support regional infrastructure that enhances connections to external markets, improves resilience against bushfires and promotes industry diversity

Hastings-Macleay potential priorities and initiatives

| | 6–18mths Short term | 18mths–5yrs Medium term | 5yrs+ Long term |
|--|--|---|---|
|  Tourism | <ul style="list-style-type: none"> 1 Rectify damaged industry infrastructure 2 Develop and deploy business education initiatives 3 Develop coordinated marketing plan | <ul style="list-style-type: none"> 1 Implement coordinated marketing plan 2 Support tourism industry development, and encourage emergence of industry clusters | <ul style="list-style-type: none"> 1 Continue to support tourism industry development |
|  Agriculture and horticulture | <ul style="list-style-type: none"> 4 Rectify damaged industry infrastructure | <ul style="list-style-type: none"> 3 Diversify and intensify agricultural production | <ul style="list-style-type: none"> 2 Continue to diversify and intensify agricultural production |
|  Forestry | <ul style="list-style-type: none"> 5 Support workforce displaced by bushfire impact on operations 6 Explore ways to ensure continuity of supply to mill operators | <ul style="list-style-type: none"> 4 Help improve consistency of supply arrangements for mill operators | <ul style="list-style-type: none"> 3 Continue to support forestry industry development |
|  Other | <ul style="list-style-type: none"> 7 Support regional population growth to drive economy | <ul style="list-style-type: none"> 5 Invest in regional infrastructure to improve connectivity and resilience 6 Support large and emerging industries with appropriate initiatives and infrastructure | <ul style="list-style-type: none"> 4 Continue to support large and emerging industries with appropriate initiatives and infrastructure |

Deep dive: Hastings-Macleay short-term focus areas



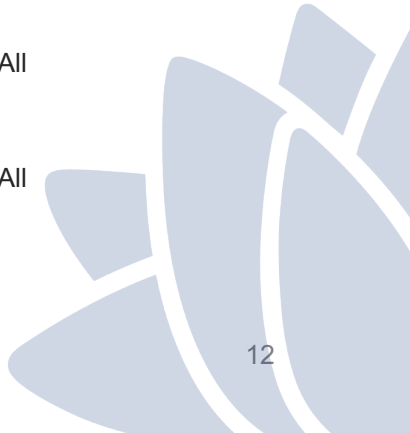
| Focus areas | Description | Rationale | Relevant industry |
|--|--|--|--|
| 1 Rectify damaged industry infrastructure | <ul style="list-style-type: none"> Assist with recovery of damaged industry assets and infrastructure such as signage Support the recovery of national parks, state forests and associated assets (e.g. walking trails, infrastructure and land for future ecotourism sites) | <ul style="list-style-type: none"> Assists industry to return to pre-bushfire baseline as quickly as possible, minimising bushfire impact on longer-term visitation | <ul style="list-style-type: none"> Tourism |
| 2 Develop and deploy business education initiatives | <ul style="list-style-type: none"> Professionalise tourism industry through access to business planning and management skills training Encourage tourism operators to construct professional development pathways for employees | <ul style="list-style-type: none"> Professionalising and educating tourism operators and employees will help maximise tourism opportunity and improve resilience in future crisis | <ul style="list-style-type: none"> Tourism, other |
| 3 Develop coordinated tourism marketing plan | <ul style="list-style-type: none"> Develop coordinated message that identifies region is open for business. Tap into likely pent-up demand for domestic travel | <ul style="list-style-type: none"> Accelerate return of tourism industry where possible | <ul style="list-style-type: none"> Tourism |
| 4 Rectify damaged industry infrastructure and invest in improvements | <ul style="list-style-type: none"> Assist with supporting infrastructure rebuild and with sourcing new stock and seedlings Invest in regional connectivity and access improvements | <ul style="list-style-type: none"> Assists industry to return to pre-bushfire baseline as quickly as possible, minimising bushfire impact on longer-term production | <ul style="list-style-type: none"> All |
| 5 Support workforce displaced by bushfire impact on operations | <ul style="list-style-type: none"> Identify ways to support workforce potentially stood down due to decreased throughput at local mills; ensure adjacent workforce (contractors, freight operators) receive assistance | <ul style="list-style-type: none"> Ensures continuity of work for employees part of an important and highly impacted industry | <ul style="list-style-type: none"> Forestry |
| 6 Explore ways to ensure continuity of supply to mill operators | <ul style="list-style-type: none"> Where possible, assist local mills to source alternative wood supply to maintain same level of throughput | <ul style="list-style-type: none"> Minimises impact to production (and contribution to overall GVA) in forestry processing industry | <ul style="list-style-type: none"> Forestry |
| 7 Promote regional population growth to drive economy | <ul style="list-style-type: none"> Capitalise on increased demand for 'flexible/remote working lifestyle' | <ul style="list-style-type: none"> Increases overall population, attract highly paid residents and grow size of internal markets | <ul style="list-style-type: none"> All |



Deep dive: Hastings-Macleay medium-term focus areas



| Focus areas | Description | Rationale | Relevant industry |
|---|--|---|--|
| 1 Implement coordinated marketing plan | <ul style="list-style-type: none"> When appropriate, implement coordinated message that identifies region is open for business, focusing on region's right to win and targeting focus tourism segments. Tap into likely pent-up demand for domestic travel | <ul style="list-style-type: none"> Accelerate return of tourism industry where possible | <ul style="list-style-type: none"> Tourism, other |
| 2 Support tourism industry development and promote emergence of industry clusters | <ul style="list-style-type: none"> Encourage the creation of tourism offerings that tap into multiple sectors (e.g. farm-gate tourism, ecotourism). Encourage tourism operators to share information and create joint product offerings. Address setbacks to tourism industry development (e.g. loss of ecotourism site/facilities) through infrastructure rebuild and strategic planning | <ul style="list-style-type: none"> Promotes emergence of a more integrated and mature tourism industry; ultimately improves visitor experience and increases total visitor spend, driving higher GVA | <ul style="list-style-type: none"> Tourism, agriculture |
| 3 Diversify and intensify agricultural production | <ul style="list-style-type: none"> Promote production of high value products suited to regional climate | <ul style="list-style-type: none"> Grow total agriculture income through high value operations, reduce reliance on any one crop/type of livestock | <ul style="list-style-type: none"> Agriculture |
| 4 Help improve consistency of supply arrangements for mill operators | <ul style="list-style-type: none"> Identify ways to minimise gaps between expected input volumes and actual volumes supplied by suppliers | <ul style="list-style-type: none"> Increases overall efficiency of operations and increases overall throughput. Improves overall forestry GVA contribution (and possible FTE employment capacity) | <ul style="list-style-type: none"> Forestry |
| 5 Invest in regional infrastructure to improve resilience and connectivity | <ul style="list-style-type: none"> Improve mobile and internet connectivity in the region, and physical connectivity through roads etc. | <ul style="list-style-type: none"> Improves overall regional resilience against future bushfire events; at the same time provides broader economic benefits to community and business | <ul style="list-style-type: none"> All |
| 6 Support large and emerging industries with appropriate initiatives and infrastructure | <ul style="list-style-type: none"> Support large and emerging industries through initiatives such as promotion, regional branding, co-investment, and infrastructure development. Capitalise on increased demand for domestic manufacturing base in future to improve size of in-region manufacturing footprint. | <ul style="list-style-type: none"> Promoting emerging industry will increase regional GVA, diversify industry risk and promote additional employment | <ul style="list-style-type: none"> All |



Deep dive: Hastings-Macleay long-term focus areas



| Focus areas | Description | Rationale | Relevant industry |
|---|---|--|---|
| 1 Continue to support tourism industry development | <ul style="list-style-type: none"> Provide assistance such as professional, entrepreneurial business skills training. Ensure cohesive regional tourism message that promotes diversified tourism opportunity Specific opportunities to be reviewed as they become evident | <ul style="list-style-type: none"> Promoting emerging tourism industry and integration with existing operations to increase regional GVA and capture maximum tourism activity with region | <ul style="list-style-type: none"> Tourism |
| 2 Continue to diversify and intensify agricultural production | <ul style="list-style-type: none"> Continue promoting production of high value products suited to regional climate Specific opportunities to be reviewed as they become evident | <ul style="list-style-type: none"> Maximise GVA and employment provided by globally significant industry | <ul style="list-style-type: none"> Agriculture |
| 3 Continue to support forestry industry development | <ul style="list-style-type: none"> Support initiatives that drive long-term productivity and innovation in forestry industry Specific opportunities to be reviewed as they become evident | <ul style="list-style-type: none"> Maximise GVA and employment provided by globally significant industry | <ul style="list-style-type: none"> Forestry |
| 4 Continue to support large and emerging industries with appropriate initiatives and infrastructure | <ul style="list-style-type: none"> Guide new business initiatives and provide assistance where required such as business skills advice, targeted investments as appropriate. Consider initiatives that support large engine industries that support large numbers of jobs, diversify the economy and increase resilience Specific opportunities to be reviewed as they become evident | <ul style="list-style-type: none"> Promoting large and emerging industry will increase regional GVA, diversify industry risk and promote additional employment | <ul style="list-style-type: none"> All |

