

REDS Impact Review

Hunter 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 Hunter. 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 for economic recovery 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 industry experts. The priorities within this document were identified and are owned by Local Governments, covering 7 LGAs: Cessnock, Dungog, Maitland, Muswellbrook, Port Stephens, Singleton and Upper Hunter Shire.

The original REDS for the Hunter region articulated a large economy with a variety of industry specialisations such as coal mining, tourism, defence, transport and viticulture. During the 2019-2020 bushfires tourism, agriculture, horticulture and viticulture were all economically impacted. Tourism and viticulture both experienced significant direct bushfire damage in the form of damage to National Parks and loss of the 2020 vintage to smoke taint. The region also experienced significant indirect impacts, including sustained tourism visitation downturn, ongoing reputational damage as an integrated wine-tourism location and disruptions to primary production. Importantly, though, different regions within the Hunter were impacted in different ways: Singleton and Cessnock experienced significant viticulture impact; Muswellbrook primarily felt impact to agriculture; Port Stephens and Maitland experienced limited direct impacts aside from smoke; and Upper Hunter experienced limited long-term direct impact. In addition to these specific regional impacts, the bushfires caused road and rail connectivity disruptions across the Hunter region. Overall the short-term economic impact of the bushfires is likely to be significant. The impact of the bushfires on the Functional Economic Region's (FER) long-term economic output may be limited due to the diverse economy and minimal impact to large industries.

Example priorities identified in this document relate to, but are not limited to, supporting cellar doors impacted by the loss of the 2020 vintage, industry recovery and resilience-building, 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 viticulture and 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, Coal mining, 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 Hunter impacted a number of core industries
- 2 Significant direct impact to tourism assets such as National Parks; major tourism visitation downturn in summer months (e.g. ~30% decreases); some LGAs such as Singleton and Cessnock more exposed than others
- 3 Significant impact to viticulture with majority of 2020 harvest lost, and to associated wine tourism market
- 4 Substantial fencing and infrastructure damage for agriculture and horticulture industry; transport & freight disruptions due to connectivity issues



Key takeaways

- 1 Ability to deliver REDS strategic priorities not materially affected over the long term
- 2 Moderate impact, however, to certain industries in short term; opportunity to support recovery moving forward
- 3 Importance of implementing original strategic priorities emphasised by bushfires

Recap: Hunter REDS



Regional endowments

- 1 High-quality coal resources
- 2 Soil types suitable for agriculture
- 3 Large water catchment
- 4 Tourism and lifestyle amenity
- 5 Rail, road and airport infrastructure
- 6 Proximity to Newcastle
- 7 Industry clusters and institutions
- 8 Labour force and lifestyle
- 9 Indigenous/European heritage



Regional Specialisations

- Coal mining
- Wine and Other Alcoholic Beverage Manufacturing
- Energy generation
- Agriculture, Forestry and Fishing
- Defence
- Tourism



Strategic Priorities



▫ Improve inter and intra-connectivity of the Region to boost business opportunities in the 'engine' industries of Agriculture, Mining and Manufacturing



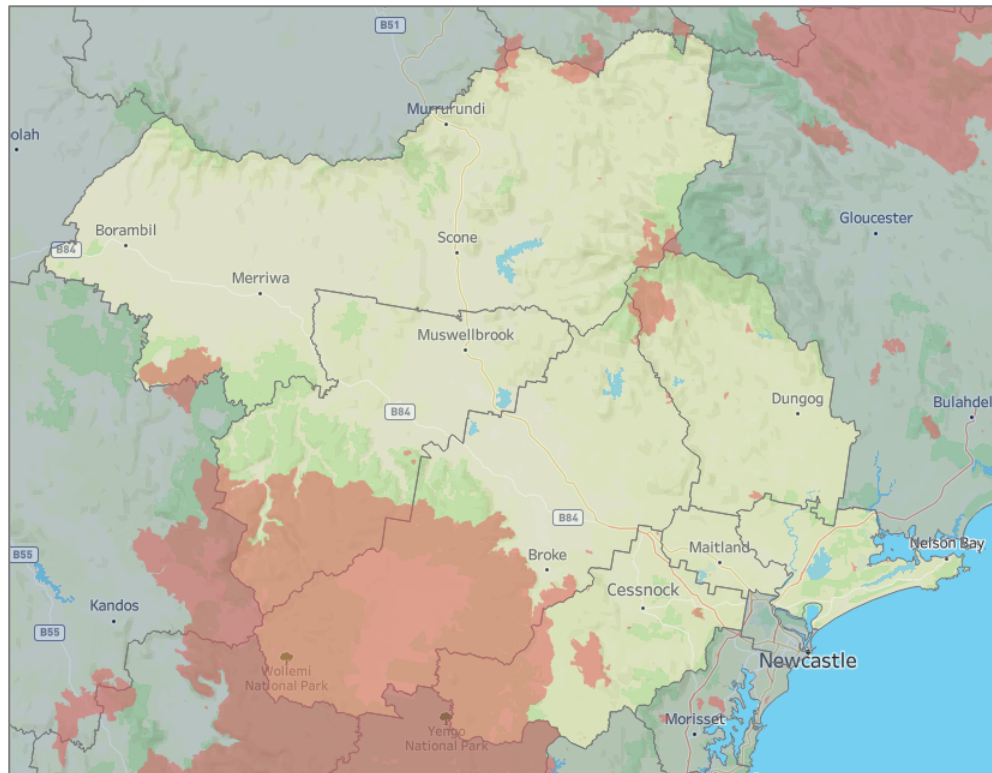
▫ Manage transition and risk to the Coal Mining and Electricity Generation sector and diversify the Region's economy to build resilience



▫ Improve infrastructure, services and amenities to fully realise and sustain the Region's growth potential

4,095km² of FER is physically impacted by fire, approximately 19% of the entire FER

Fire impacted area within Hunter:



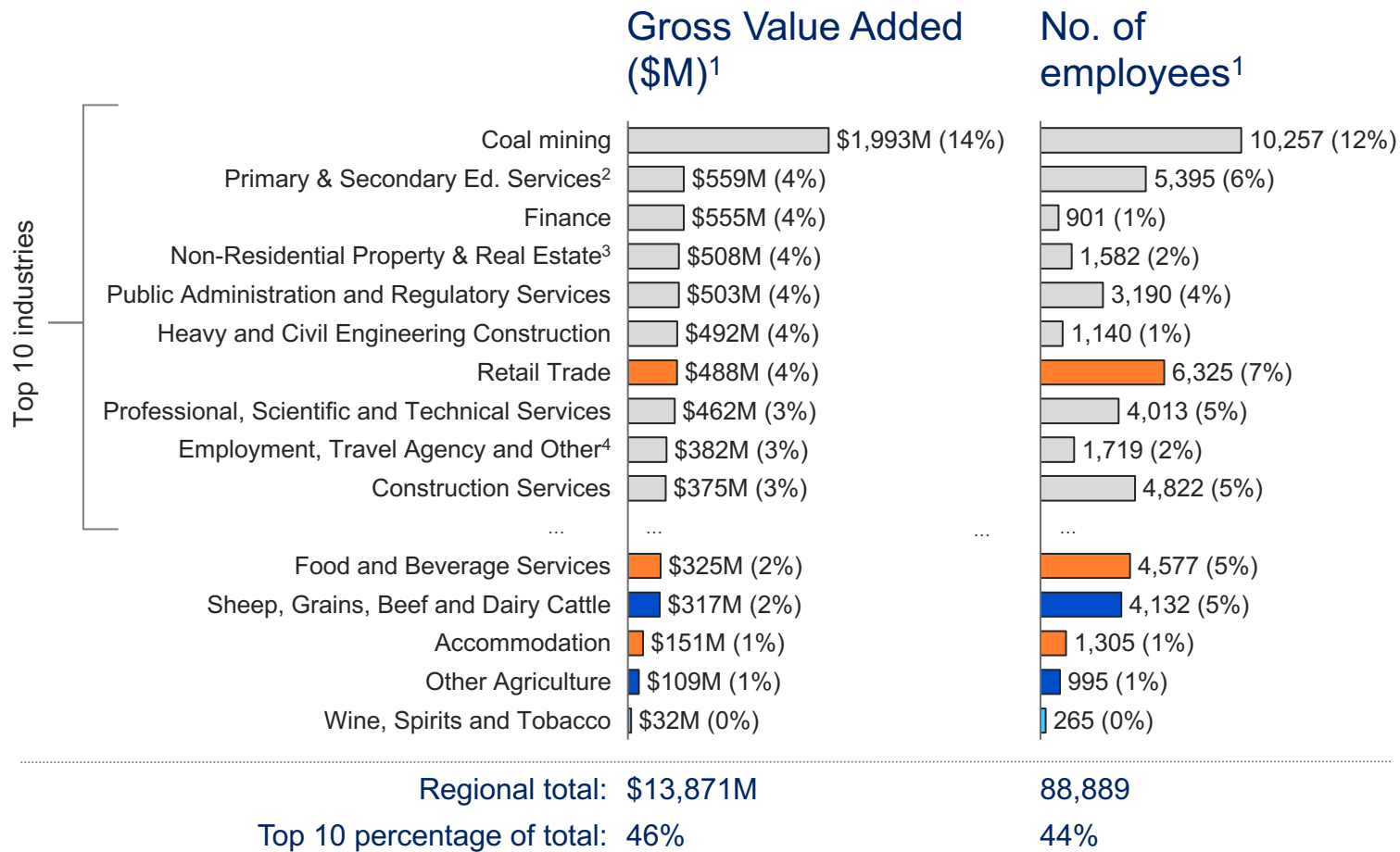
■ Fire affected area

LGAs: Cessnock, Dungog, Maitland, Muswellbrook, Port Stephens, Singleton, Upper Hunter Shire

Key physical impacts:

- **Area burnt¹:** 4,095 km² burnt by bushfires (19% of total FER area – 21,858km²)
- **Property damage²:** 144 properties damaged or destroyed
- **Tourism³:** Direct fire damage to National Parks and State Forests in FER; direct impacts to viticulture posed flow-on effects for operations of wine tourism industry
- **Viticulture⁴:** Loss of vast majority of 2020 vintage due to smoke taint
- **Agriculture⁵:** 3,400km of fencing damaged; minimal livestock loss reported⁶

Hunter's impacted focus industries large in absolute terms but represent a small proportion of the region's overall economy









Impacted focus industries

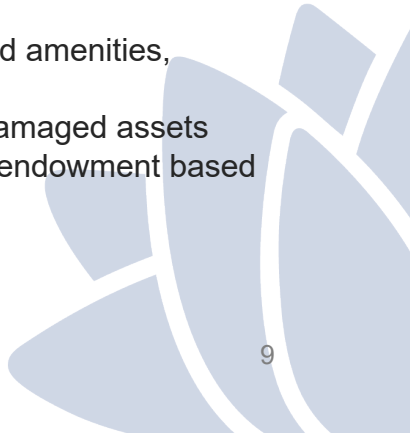
- 1** **Tourism:** Tourism is broadly a subset of tourism-related industries (Retail Trade, Food and Beverage Services and Accommodation); according to CERD it contributes **~\$427M** in GVA and **~5%** of FTE employment
- 2** **Viticulture:** 'Wine, Spirits and Tobacco manufacturing' (proxy for wine manufacturing) account for **~\$32M** in GVA
- 3** **Agriculture and horticulture:** Agriculture and horticulture-related industries ('Sheep, Grains, Beef and Dairy Cattle' and 'Other Agriculture' (Horticulture)) account for **~\$426M** in GVA (and **~6%** in FTE employment)

Hunter's impacted focus industries leverage regional endowments, some of which have been impacted by bushfires





Focus industries	Dependent endowments	Impacted
<p>1  Tourism</p>	<p>4 Tourism and lifestyle amenity 5 Rail, road and airport infrastructure 6 Proximity to Newcastle 9 Indigenous/European heritage</p>	<ul style="list-style-type: none"> • Yes – 19% of FER in burn scar • Yes – Connectivity impacts during bushfires • No • Yes – Potential disruption to Aboriginal culture and heritage
<p>2  Viticulture</p>	<p>2 Soil types suitable for agriculture 3 Large water catchment 7 Industry clusters and institutions</p>	<ul style="list-style-type: none"> • Yes – Fire damage to soil impacting productivity • Yes – Likely impact on water system • Yes – Industry clusters affected, particularly tourism related, by impact on 2020 vintage and risk of business closures
<p>3  Agriculture and horticulture</p>	<p>2 Soil types suitable for agriculture 3 Large water catchment 7 Industry clusters and institutions</p>	<ul style="list-style-type: none"> • Yes – Fire damage to soil impacting productivity • Yes – Likely impact on water system • No

Hunter focus areas require restructuring to respond to fire impact

 Strategic priorities	 Degree of impact	 Restructured priority focus areas
□ Improve inter and intra-connectivity of the Region to boost business opportunities in the 'engine' industries of Agriculture, Mining and Manufacturing	 Medium	Significant indirect impact to regional connectivity from road and highway closures <ul style="list-style-type: none"> □ Ensure connectivity resilience across FER to minimise risk of disruption to communities and industries in future events
□ Manage transition and risk to the Coal Mining and Electricity Generation sector and diversify the Region's economy to build resilience	 Medium	Bushfire impact on regional economy has impacted diversification and resilience-building initiatives <ul style="list-style-type: none"> □ Support industry recovery to restore and rejuvenate impacted industries (e.g. viticulture and agri-tourism) □ Promote industry development to offset indirect disruptions to growth caused by bushfires
□ Improve infrastructure, services and amenities to fully realise and sustain the Region's growth potential	 Medium	Direct bushfire impact to some infrastructure, services and amenities, especially southwest of FER <ul style="list-style-type: none"> □ Support prompt recovery/rebuild/strengthening of damaged assets □ Promote resilience to facilitate regional growth and endowment based diversification



Hunter potential priorities and initiatives

	6–18mths Short term	18mths–5yrs Medium term	5yrs+ Long term
 Tourism	<ol style="list-style-type: none"> 1 Rectify damaged industry infrastructure 2 Develop and deploy business education initiatives 3 Develop coordinated marketing plan 	<ol style="list-style-type: none"> 1 Implement coordinated marketing plan 2 Support industry development and development of industry clusters 	<ol style="list-style-type: none"> 1 Continue to support tourism industry development
 Agriculture and horticulture	<ol style="list-style-type: none"> 4 Rectify damaged industry infrastructure and plan to increase industry resilience 	<ol style="list-style-type: none"> 3 Diversify and intensify agricultural production 	<ol style="list-style-type: none"> 2 Continue to diversify and intensify agricultural production
 Viticulture	<ol style="list-style-type: none"> 5 Support cellar doors to offset 2020 loss through recovered or new revenue streams 	<ol style="list-style-type: none"> 4 Promote business resilience through diversification 	<ol style="list-style-type: none"> 3 Continue to support industry diversification and wine tourism offering
 Other	<ol style="list-style-type: none"> 6 Explore projects aimed at building community integrity and resilience 	<ol style="list-style-type: none"> 5 Invest in regional infrastructure to improve connectivity and resilience 6 Build disaster response capabilities and infrastructure 7 Support large and emerging industries with appropriate initiatives and infrastructure 	<ol style="list-style-type: none"> 4 Continue to support large and emerging industries with appropriate initiatives and infrastructure

Deep dive: Hunter short-term focus areas (I/II)



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 Support the recovery of natural amenity assets (e.g. National Parks) 	<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"> Develop 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 marketing plan	<ul style="list-style-type: none"> Develop coordinated marketing plan, identifying how to leverage region's tourism products and offerings to maximise visitation to the region when COVID-19 mobility restrictions are lifted 	<ul style="list-style-type: none"> Assists with analysis, planning and implementation to accelerate return of tourism industry where possible 	<ul style="list-style-type: none"> Tourism
4 Rectify damaged agriculture industry infrastructure	<ul style="list-style-type: none"> Support infrastructure recovery and sourcing new stock and seedlings Support recovery of industry infrastructure improving resilience in a coordinated way (e.g. improved water access to fight fires) 	<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"> Agriculture



Deep dive: Hunter short-term focus areas (II/II)



Focus areas	Description	Rationale	Relevant industry	
5	Support to offset 2020 viticulture loss through recovered or new revenue streams	<ul style="list-style-type: none"> Identify possible short-term solutions to mitigate impact from bushfires (e.g. sourcing additional grapes from outside of the FER) Look to further diversify viticulture revenue into adjacent industries (e.g. agri-tourism, other value added revenue streams) 	<ul style="list-style-type: none"> Assists with recovery of an important industry significantly affected by smoke taint, and builds diversity in income streams 	<ul style="list-style-type: none"> Viticulture
6	Explore projects aimed at building community integrity and resilience	<ul style="list-style-type: none"> Where possible try to decrease digital connectivity blackspots, including ensuring access across the FER to timely access to information during a disaster Identify and support initiatives that improve community confidence and sentiment; including 'buy-local' campaigns and events Support local community centres and homeless shelters to continue to deliver local front-line support 	<ul style="list-style-type: none"> Directly improves community safety and wellbeing in the event of future crises 	<ul style="list-style-type: none"> All

Deep dive: Hunter 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. Tap into likely pent-up demand for domestic travel 	<ul style="list-style-type: none"> Accelerate return of tourism industry where possible Builds tourism brand recognition and grows visitation 	<ul style="list-style-type: none"> Tourism, other
2 Support tourism industry development and development of industry clusters	<ul style="list-style-type: none"> Support tourism industry development, considering new tourism attractions and assets that leverage existing endowments and natural amenity Support development/utilisation of soft-infrastructure to increase online presence, bookings and sales Encourage the creation of tourism offerings that tap into multiple sectors (e.g. farmgate tourism, events, cruises) 	<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 agriculture income through high value operations, reduce dependency on single crop/type of livestock 	<ul style="list-style-type: none"> Agriculture
4 Promote business resilience through diversification	<ul style="list-style-type: none"> Identify and promote ways for cellar doors and viticulture operations to minimise reliance on any one year's harvest (e.g. diversified product offerings, etc) 	<ul style="list-style-type: none"> Mitigates risk of future disruptions to viticulture industry; improves business resilience across the industry, and improves overall business performance and contribution to GVA 	<ul style="list-style-type: none"> Viticulture
5 Invest in regional infrastructure to improve resilience and connectivity	<ul style="list-style-type: none"> Improve mobile and internet connectivity in the region; improve resilience of power stations/electricity infrastructure; support recovery and improvement of damaged regional infrastructure 	<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 Build disaster response capabilities and infrastructure	<ul style="list-style-type: none"> Improve disaster response capacity and institutions; explore improved water access and storage infrastructure to improve RFS and landholder fire response capabilities 	<ul style="list-style-type: none"> Enhances future bushfire response and recovery efforts. Minimises risk of disruption to those efforts because of natural disasters 	<ul style="list-style-type: none"> All
7 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 (e.g. the circular economy) 	<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: Hunter 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 support industry diversification and wine tourism offering	<ul style="list-style-type: none"> Specific opportunities to be reviewed as they become evident 	<ul style="list-style-type: none"> Maximise GVA and employment provided by an important industry within the region 	<ul style="list-style-type: none"> Viticulture
3 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
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 contribute large numbers of jobs, diversify the economy and increase resilience. Leverage opportunities presented by population growth and aging population to explore new emerging industries 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

