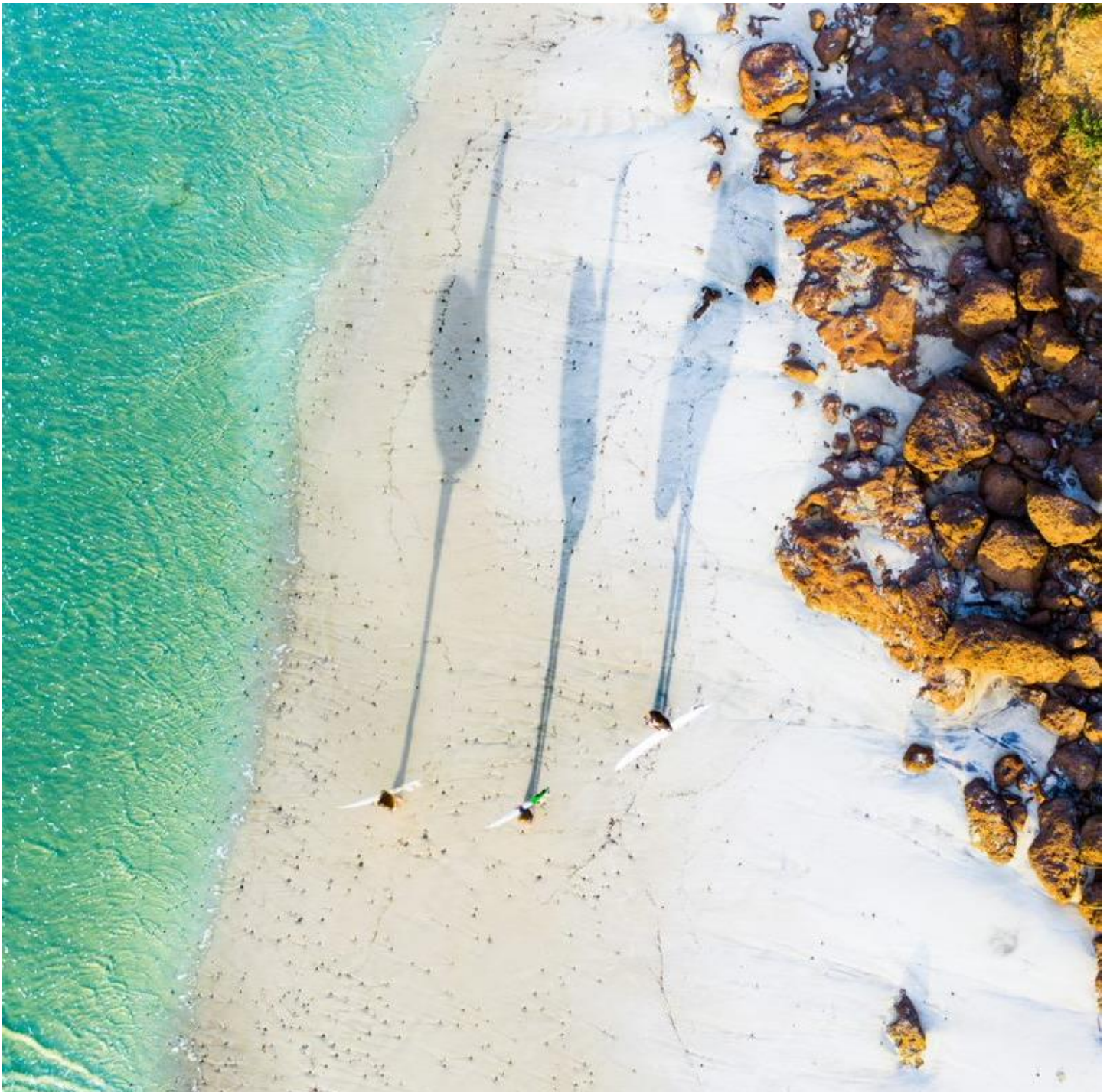
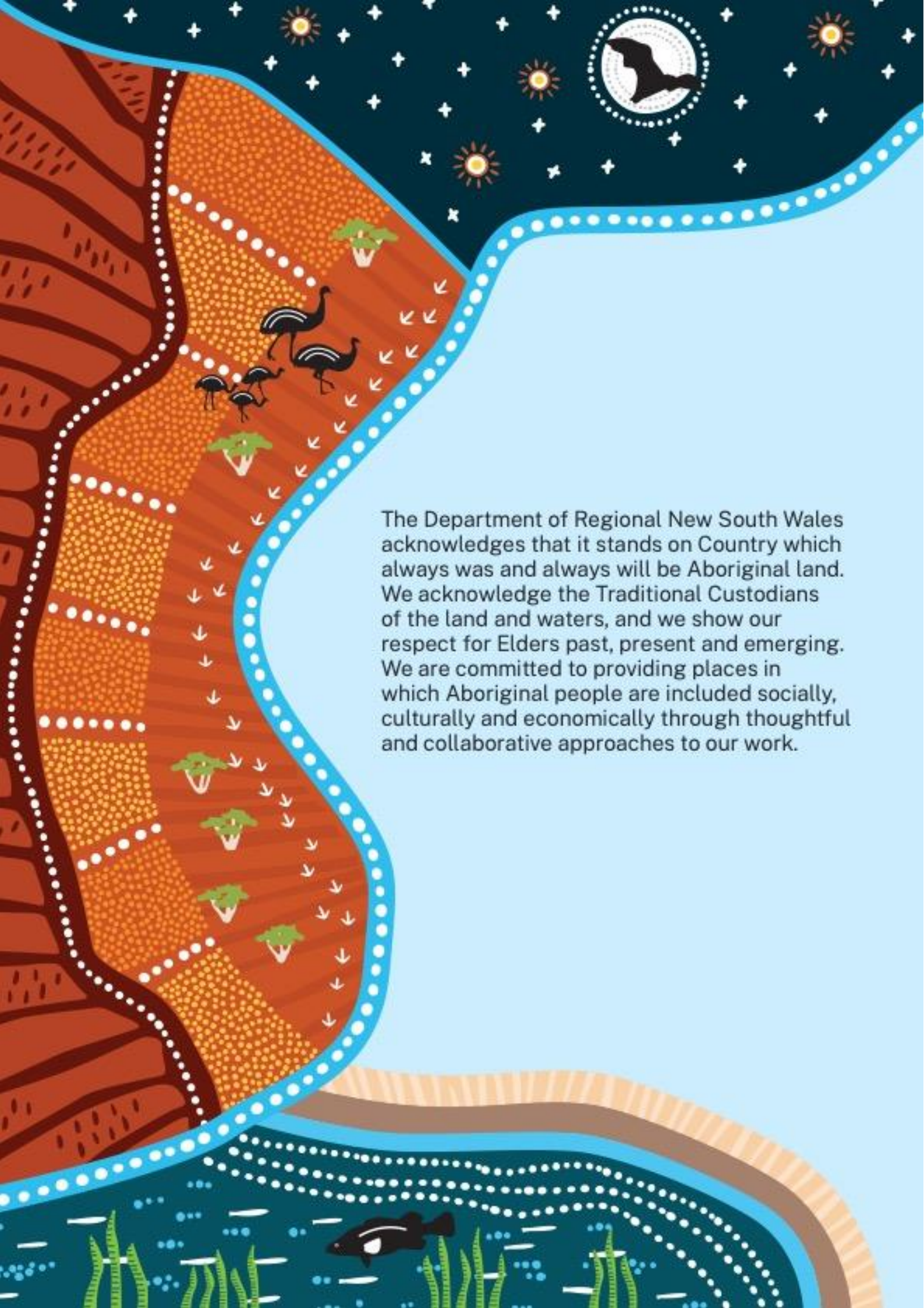


Shellharbour Regional Economic Development Strategy – 2023 Update





The Department of Regional New South Wales acknowledges that it stands on Country which always was and always will be Aboriginal land. We acknowledge the Traditional Custodians of the land and waters, and we show our respect for Elders past, present and emerging. We are committed to providing places in which Aboriginal people are included socially, culturally and economically through thoughtful and collaborative approaches to our work.

Published by the Department of Regional NSW

Title: Shellharbour Regional Economic Development Strategy - 2023 Update

First published: February 2023

Acknowledgements

The Department of Regional NSW would like to acknowledge the significant contribution of many stakeholders in the Shellharbour region to the development of the 2023 REDS Update, with particular thanks to staff of Shellharbour City Council. The Department of Regional NSW also acknowledges the assistance provided by PricewaterhouseCoopers and ProjectsJSA to help deliver the 2023 REDS Update project.

On Country – Artwork by Mumbulla Creative

"On Country" captures the many different countries located within the Department of Regional NSW footprint. Only part of the image is shown on the Acknowledgement of Country page. The regions included in this partial image are detailed below.

The Far West region of NSW is represented by red earth plains, mallee scrubs and an abundant emu population. Freshwater countries are referenced by the expansive network of rivers stretching through the regions. The Riverina Murray region is represented by the roots of a river redgum on the banks of a river, and a large Murray Cod can be seen in the river. The night sky features as it plays an important navigational and story-telling role in traditional life.

Unless other acknowledged, photographs have been provided by Shellharbour City Council. Cover image: Killalea State Park.

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1. Executive summary

Changes in the Shellharbour region since 2018

In 2018, the NSW Government developed Regional Economic Development Strategies (REDS) for 38 Functional Economic Regions (FERs) across regional NSW. Since publication, regional NSW has endured shocks including bushfires, floods, COVID-19 and the mouse plague, and significant new economic opportunities have emerged. The 2023 REDS update provides an updated evidence base to guide governments in making policy and investment decisions to enhance resilience and drive sustainable, long-term economic growth in regional NSW.

The Shellharbour region has seen significant investment delivered since 2018, with additional projects in the planning or delivery stages



Shellharbour Airport Upgrade improving physical connectivity to the region.



Over **\$722 million** has been committed to the new **Shellharbour Hospital** and Integrated Services Project.



Over **\$630 million** committed to **Albion Park Rail Bypass**.



Over **\$200 million** committed to the development of the **Shell Cove Waterfront precinct**.

The region has experienced significant population growth since 2018, accompanied by steady unemployment and substantial increases in job vacancies



5.8% total growth in population since 2018.



Housing vacancy rates sit at **1.2%**, with median house prices **rising by 38%** since 2018.



The proportion of the population **over 55 years** has **increased 0.4%** since 2018.



The **unemployment rate** has **decreased significantly** since its peak during the COVID-19 pandemic in 2020, while **job vacancies** in the broader region reached an **all-time high of 3,088** in 2021.

The region's key industries (including tourism and education and training) have remained resilient and continue to drive economic growth



Tourism and retail trade

+ **4.2%** Year on Year (YoY) growth from 2011-2020

\$ 123 million visitor spend in 2021

6,264 jobs supported in 2021



Education and training

+ **4.4%** YoY growth from 2011-2020

\$ 224 million Gross Value Added (GVA) in 2020

2,834 jobs supported in 2021



Healthcare

+ **6.4%** YoY growth from 2011-2020

\$ 297 million GVA in 2020

6,023 jobs supported in 2021



Construction

+ **6.9%** YoY growth from 2011-2020

\$ 324 million expenditure in 2021

4,124 jobs supported in 2021

Key themes from local consultation

Stakeholders from the Shellharbour region highlighted sustainable housing, workforce development and enhancing inter-regional collaboration as being key priorities for the region.

Housing availability and affordability



Current shortages and affordability challenges may be exacerbated by the regions' growing population and a need to house workers associated with major project delivery.

Developing local workforce capacity and capability



Local job vacancies are rising, and workforce challenges are impacting the capacity of local businesses. Enhanced training-to-employment opportunities are needed for younger and/or unemployed residents to support increased workforce capacity and capability.

Enhancing regional collaboration



The region benefits from close proximity to Wollongong, and has significant potential to leverage industry or service provision opportunities in other surrounding areas including the Shoalhaven and Kiama.

Shellharbour REDS - 2023 Update strategies and enablers

Strategies	Enablers
<p>Continue to improve services and infrastructure to support population and business growth and enhance the overall amenity of the region.</p>	<ul style="list-style-type: none"> • Facilitate increased density housing through infill development, supported by high-quality active and public transport options. • Identify opportunities for investment in complementary industrial or commercial uses at Shellharbour Airport, surrounding future commercial park, and Shell Cove precinct.
<p>Improve education outcomes and workforce skills to support business growth, economic inclusiveness and life outcomes.</p>	<ul style="list-style-type: none"> • Leverage the Shellharbour Hospital upgrade to provide opportunities in healthcare training and emerging knowledge-intensive growth sectors. • Expand the regional education and training offering for all ages and experience to align with job opportunities and skills needs in the region, prioritising training for care economy roles.
<p>Unlock potential opportunities in the visitor economy.</p>	<ul style="list-style-type: none"> • Support investment in visitor attractions and experiences, with particular focus on Aboriginal-led cultural tourism initiatives, nature-based tourism, and sustainable water-based marine tourism.

2. About the 2023 REDS Update

In 2018, the NSW Government and local councils developed a series of REDS for 38 Functional Economic Regions (FERs) across regional NSW. FERs are made up of one or more Local Government Areas (LGAs) that work together to create smaller economies with strong economic links.

Supporting the *20-Year Economic Vision for Regional NSW*, the REDS set out a place-based vision and framework for economic development for each FER. The REDS identify each FER's endowments, industry specialisations and key vulnerabilities and opportunities, and outline economic development strategies and actions to leverage these strengths.

Since 2018, regional NSW has endured many challenges including drought, bushfires, floods, COVID-19 and the mouse plague. At the same time a range of broader state-wide trends and actions continue to change the economic landscape across regional NSW, including digital transformation, increased remote working and the shift towards net zero. These challenges and trends have altered the landscape of economic development in many regions and created new opportunities for growth.

The 2023 REDS Update provides an updated evidence base to guide governments in making policy and investment decisions to enhance resilience and drive sustainable, long-term economic growth in regional NSW. The objectives of the update are to:

- 1. Highlight progress:** reflect on significant initiatives and investments that have supported progress against the key strategies and actions in the 2018 REDS.
- 2. Capture major changes:** identify and assess the impacts of major changes to regional economies since 2018, including the effect of recent 'shocks' such as bushfires, droughts, floods, mouse plagues and the COVID-19 pandemic.
- 3. Identify strategic opportunities:** identify key strategic opportunities and vulnerabilities for engine and emerging industries, as well as any changes to local endowments.
- 4. Set the foundation for the future:** review, affirm and/or adjust the 2018 strategies, including consideration of new strategies to meet emerging priorities, to ensure they remain relevant.
- 5. Identify key enablers to guide future action:** develop a non-exhaustive list of priority enabling actions that will support the 2023 REDS Update strategies.

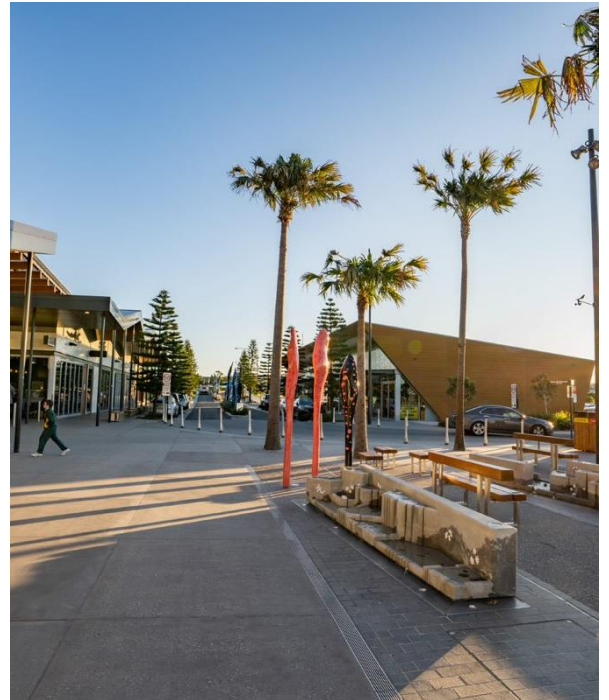


Figure 1: Palm trees at Shellharbour Marina.

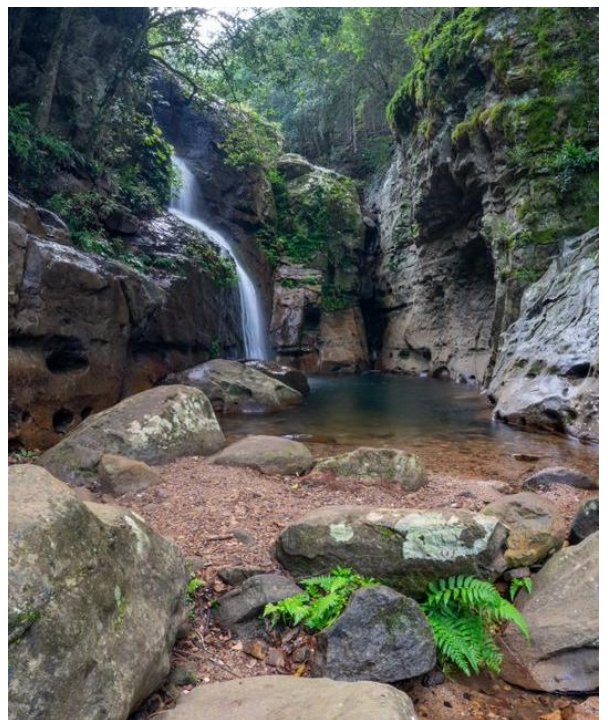


Figure 2: A waterfall at Macquarie Pass.

3. About the Shellharbour region

The Shellharbour FER is comprised of the Shellharbour Local Government Area (LGA). The region is on the South Coast of NSW, approximately 114 kilometres from the Sydney CBD, and is bounded by Wollongong LGA to the north, Kiama to the south and Wingecarribee to the west. The main urban centres include Albion Park, Oak Flats, Shellharbour City, Shellharbour Village and Warilla.

Total area covered (km ²)	147
Population (2021)	76,443
Size of the economy (2020)	\$2.635 billion
Total employment (2021)	34,122

Source: ABS Estimated Resident Population (ERP - 2021), REMPLAN (2020), ABS Census (2021)

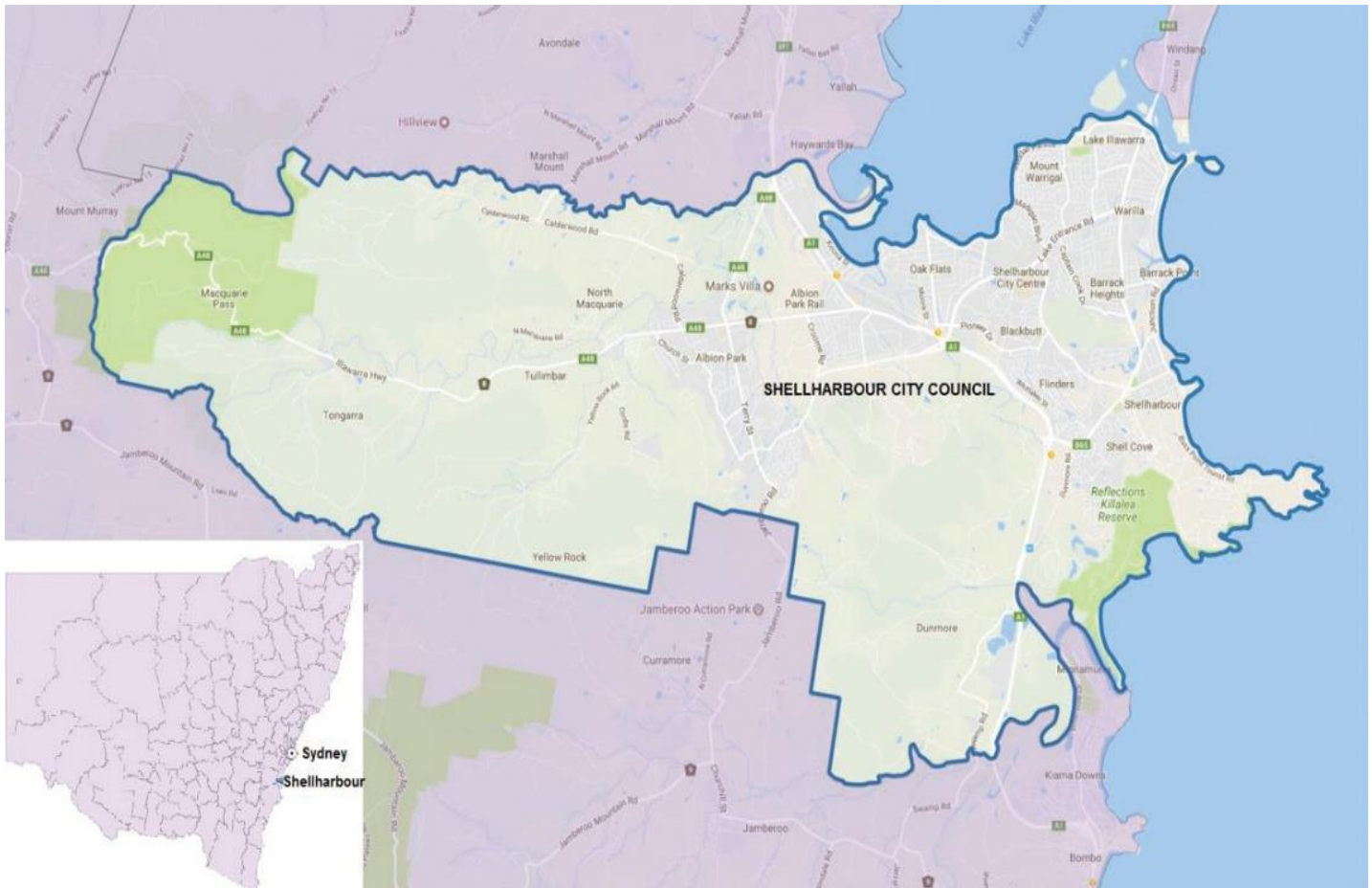





Figure 3: Map of the Shellharbour Functional Economic Region.

4. The 2018 Shellharbour REDS

In the 2018 Shellharbour REDS, a key focus was on building economic prosperity by continuing to attract new residents and supporting skills development to enable business growth.






Endowments recognised in 2018 spanned natural, social and infrastructure assets, many of which were central to the strategy’s approach to enabling economic development for the region. These endowments and specialisations are highlighted below.

2018 Shellharbour strategies

	<p>Continue to improve services and infrastructure to support population and business growth and enhance the overall amenity of the region.</p>
	<p>Improve education outcomes and workforce skills to support business growth, economic inclusiveness and life outcomes.</p>
	<p>Unlock potential opportunities in the tourism sector.</p>

2018 Shellharbour specialisations

The primary industry specialisations below were identified as comparative advantages for the Shellharbour region in the 2018 REDS, based on employment concentrations in industry sectors.

	<p>Tourism</p>
	<p>Healthcare and social assistance</p>
	<p>Retail trade</p>
	<p>Construction</p>
	<p>Education and training</p>

2018 Shellharbour endowments

The Shellharbour region is home to a wealth of physical, institutional, built, and human endowments. These endowments play a key role in enabling success and growth across key industry specialisations.











Endowment	Relevant 2018 specialisation
Marine reserves, lakes, and beaches	
Blackbutt Forest Reserve, Killalea State Park, Macquarie Pass National Park and the Myimbarr Wetlands	
Proximity to Wollongong and Sydney	
Illawarra Regional Airport	
Aboriginal heritage (lands and sacred sites of the Wodi Wodi and Dharawal people)	
Stockland Shopping Centre	
Shellharbour Technical and Further Education (TAFE)	
Shellharbour Hospital	
Shell Cove services and facilities	
Local institutions (Shellharbour City Council, Shellharbour Business Network, the Tourism Shellharbour industry association)	



Figure 4: The Gravel Loader, Bass Point.

5. The big picture: Shocks and trends impacting the Shellharbour region since 2018

Significant events impacting major industries

Recent climate-related shocks ranging from a sustained period of drought to a significant flooding event demonstrate the impact on Shellharbour from natural disasters. The COVID-19 pandemic further challenged the region, with local businesses suffering and many residents facing a period of employment uncertainty. Enhancing economic and community resilience against future shocks will enable long-term, sustainable growth for the region, and was highlighted by some stakeholders as being a key priority for future strategic planning.

COVID-19

The COVID-19 pandemic had a significant impact on the Shellharbour region, with 59% of businesses reporting the pandemic negatively affected their business.^[1] The significance of the tourism and retail sectors to the region's economy (see page 22) meant that periods of lockdown and related movement restrictions hit particularly hard.

Beyond business impacts, the wellbeing and economic security of the Shellharbour community was impacted by the pandemic. The number of JobSeeker recipients in the region rose by 68%, while Health Care Card recipients rose by 33% from March to June 2020.^[2]

In addition, the proximity of the region to Sydney, which suffered the state's highest COVID-19 infection numbers, resulted in movement restrictions for residents and impacted the accessibility of services in nearby Wollongong or further afield.

Floods

The NSW flood event in February and March 2022 impacted the Shellharbour region, with localised flooding events causing challenges across the region, with damage to homes, businesses, infrastructure and natural endowments.^[3] The average cost of damage reported by impacted businesses was approximately \$18,000, representing a significant financial burden for many businesses still recovering from the impacts of the COVID-19 pandemic.^{[4][5]}




Initial estimates of the economic disruption of the early 2022 floods for Shellharbour range between \$9.6 and \$21.1 million in lost GVA.^[6] Shellharbour was also impacted by severe weather in the second half of 2022, with Shellharbour receiving more than 3 times its monthly average rain in a single day in early July 2022^[7], while heavy sustained rain in October 2022 caused some local roads to be cut.^[8]

Drought

While not experiencing the same levels of drought that characterised inland regions of the state, Shellharbour lagoon endowments were impacted by ongoing drought conditions from 2018 to 2020. Killalea Lagoon in Shell Cove was left completely dry in parts by December 2019, with marine wildlife unable to survive the conditions.^[9] Shellharbour City Council placed Level 2 Water Restrictions on homes and businesses at this time, with access to stored water sources, including Myimbarr, limited to use for watering assets such as trees and high use areas.^[10]

Macroeconomic trends shaping the region's future

Macro trends related to migration shifts and a move towards net zero have played a role in the development of the Shellharbour region since 2018 and are likely to continue to have a strong influence on its future. Supply chain uncertainties present challenges to some of the region's most significant sectors, while emerging opportunities in the digital economy offer potential to enable growth in future specialisations in the region.

Trend	Opportunities and risks	
 <p>Digital transformation</p>	<p>Online services and the digital economy have expanded rapidly as a result of the COVID-19 pandemic, with e-learning, telehealth, e-shopping and remote work, following service and behavioural adaptations to successive lockdowns.^[11] This has significant implications for the operating models of some of Shellharbour region’s most significant engine industries, including education and training, healthcare, and retail.</p> <p>There is also potential to leverage this focus on digitisation to grow in the region’s emerging knowledge-intensive sectors of specialisation, such as information media and telecommunications.</p>	<p>Investing in robust telecommunications infrastructure may aid further growth of emerging knowledge-intensive sector specialisations.</p> <p>Retail trade is a specialisation in the region which also supports the visitor economy. These operators will need to adapt to the demands of the digital economy.</p>
 <p>Changing migration patterns</p>	<p>The regions have seen significant uplift in internal migration from city-dwellers seeking a lifestyle change as a result of the COVID-19 pandemic. Regional NSW gained an additional 26,800 residents, while Sydney declined by 5,200 from 2020-2021.^[12] Shellharbour has experienced strong population growth (see page 19) and this trend is expected to continue.</p>	<p>Increased remote workers in knowledge intensive sectors offers opportunities for building local capacity in this sector.</p> <p>Existing housing pressures (see page 20) are at risk of being further exacerbated if increased migration continues.</p>
 <p>Towards net zero</p>	<p>The Shellharbour region faces significant challenges related to decarbonising industry and reducing emissions as the state and the nation work towards net zero. A fast-growing population requires additional transport services, more homes and generates more waste, all of which place upwards pressure on total pollution levels under current energy supply models.</p> <p>Meanwhile, the significance of the construction industry as the region’s highest grossing sector creates further challenges in reducing emissions. Embodied carbon is generated through the use of electricity, water and materials, and waste generation, recognised as a notable contribution to the nation’s carbon footprint (accounting for 18.1% in 2013).^[13]</p>	<p>Carbon-generating industries, such as construction will need to remain agile and adapt to regulation and consumer demand for net zero operations. Strengths in non-metallic mineral mining and processing may help to reduce total emissions related to the materials supply chain in the region, through greater use of more local supply for key materials.</p>


Trend	Opportunities and risks
 <p>Rising uncertainty</p> <p>Widespread and persistent supply chain disruptions are bringing about shortages of components and goods, as well as causing volatility in the cost of raw materials.^[14] This has implications for the region’s key engine industries, such as construction and retail trade, as well as potentially impacting the cost and timelines of major projects in the region, such as the Shellharbour Hospital upgrade and the Shell Cove development.</p>	<p>Opportunities exist to leverage the region’s institutional endowment of strong local leadership, for example the work of local business chambers, to assist with development of targeted actions and initiatives designed to help build local supply chain resilience.</p>















Figure 5: Aerial view of Shellharbour Marina with Shellharbour in the background.

6. Responding to change: Initiatives and investments since 2018



Figure 6: Killalea State Park.

Since 2018, Shellharbour City Council, the NSW Government and other key organisations have delivered new and updated strategic documents and plans that help guide economic and community development in the region. These documents support the development of local enabling actions that contribute towards progress against key REDS priorities and strategies.

Strategies and plans	Relevant 2018 strategies
The Greater Cities Commission Six Cities Vision recognises the inextricable linkages between Shellharbour and the Greater Sydney region through incorporating the Illawarra-Shoalhaven City into planning for future population and economic growth for the nation’s largest metropolis.	 
The Illawarra Shoalhaven Regional Plan 2041 sets out 30 key objectives to enable the development of a productive, resilient, liveable and connected region.	  
The Illawarra Shoalhaven Regional Transport Plan provides a blueprint for how Transport for NSW will respond to key transport needs in the region, as well as address the key trends that will require a transport related response in the future.	 
The Illawarra Regional Airport Strategic and Business Plan sets out a plan to develop the Illawarra Regional Airport into a vibrant business hub that contributes to regional economic development, tourism and employment.	 
The Shellharbour City Community Strategic Plan (CSP) 2022-2032 looks to guide growth of a liveable, sustainable and connected community, supported by strong leadership and a robust local economy. The Plan specifically seeks to activate Shell Cove and Lake Illawarra as avenues of economic development.	  

<p>The Shellharbour Local Strategic Planning Statement seeks to support the CSP through setting clear priorities for jobs, homes, services and infrastructure over the next 20 years.</p>	
<p>The Shellharbour Youth Plan 2018-2021 and Shellharbour Event Strategy 2018-2021 recognise the need to build a highly liveable and inclusive community which nurtures creativity and creates opportunities for the community to engage with each other and their region.</p>	
<p>The Shellharbour Local Housing Strategy 2019 seeks to address the projected housing shortfall by enabling infill and greenfield development, as well as greater housing diversity, and increasing social and affordable housing stock.</p>	
<p>Recognising the importance of precinct-based development in enabling economic and population growth, the Shell Cove Marine Precinct Strategic Business Plan seeks to ensure that the development of the waterfront precinct and marina maximises sustainable benefits for residents, as well as opportunities for tourism, recreation, commercial and industrial growth.</p>	
<p>Various studies including the Shellharbour Business Centres and Surrounding Residential Lands Study and the Shellharbour Employment Lands Study will assist Shellharbour City Council to plan for the region's future growth.</p>	
<p>In the Destination Management Plan Sydney Surrounds South 2018-2022, Destination NSW sets out a range of actions and recommendations to facilitate a doubling of the region's overnight visitor economy by 2022.</p>	
<p>The Greater Sydney Regional Water Strategy charts a direction for delivering sustainable and resilient water services to Greater Sydney, including the Illawarra.</p>	

Significant investments since 2018

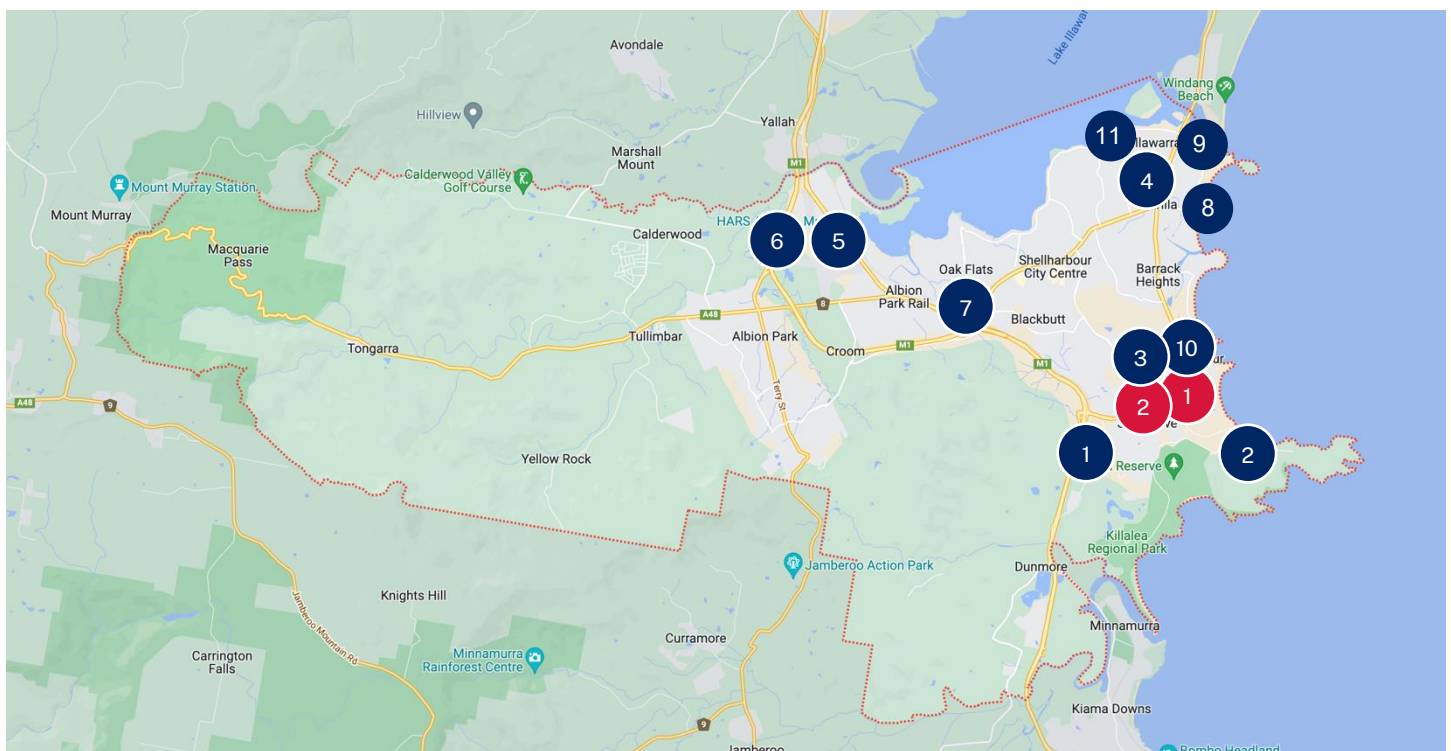






















Figure 7: Investments in the Shellharbour region. Map data ©2023 Google

As shown in Figure 7 above and detailed below, since 2018 the region has received significant local, state and federal funding, as well as private investment. These investments are at varying stages of progress, with some delivered, some underway, and some investments still in the planning stage. Public investments have largely focused on developing infrastructure that supports amenity for the local community, in particular major recreation facilities, health infrastructure upgrades and number of major transport infrastructure projects. Grant funding has played a role in many of these projects.

Major private investment since 2018

Investment	Estimated total project value	Relevant 2018 strategies
1 The Waterfront residential development	Not available	
2 The Shellharbour Marina Precinct Stage 1	Not available	 

Major public investment since 2018

Investment	Estimated total project value	Relevant 2018 strategies
1 New Shellharbour Hospital and Integrated Services Project	\$722 million	 
2 Bass Point Tourist Road Upgrade	\$2.26 million	 
3 Shell Cove Waterfront precinct development	\$200 million	 
4 Warilla Town Centre Upgrade	Not available	 
5 Shellharbour Airport Upgrade	\$20.35 million	 
6 Albion Park Rail Bypass	\$630 million	 
7 Oak Flats Works Depot Redevelopment	\$6.08 million	 
8 Warilla Beach seawall renewal	\$10 million	 
9 Reddall Reserve Promenade renewal	\$3 million	 
10 Myimbarr Sporting Complex Upgrades	\$0.76 million	
11 Cec Glenholmes Oval upgrade	\$1.5 million	

Regional grant programs

The region has received \$33.77 million in grant funding since 2018. Key programs in the region have included the Stronger Country Communities Fund, with \$6.79 million in approved funding for projects ranging from new sports facilities to youth mental health programs.

Grant category	Approved funding
Community	\$7.79 million
Economic	\$25.98 million

Note: Total grant funding outlined above only includes programs managed by the Department of Regional NSW, accurate as at January 2023.



Figure 8: The QANTAS 747 at Shellharbour airport.

7. Shellharbour 2023 economic snapshot

Shellharbour’s population growth is outpacing the NSW benchmark and retaining young working age people will aid the region in developing its workforce

The region has seen consistent population growth since 2018, with a slight slowing around 2021 likely as a result of migration and movement restrictions associated with the COVID-19 pandemic. While Shellharbour is successfully attracting and retaining young families, with strong representation in the 0 to 19 year age group, its prime working age population proportion (20 to 44 years) sits 10% below the NSW average.

Population growth

As shown in Figure 9, the region recorded total population growth of 5.8% between 2018 and 2021 with a significant acceleration in the growth rate from 2019 onwards.

Regional population growth is predicted to accelerate to 2031.^[15] While this presents potential for building the region’s workforce to support economic growth, it will also place additional pressure on infrastructure and services, as well as a housing market that is under some strain resulting from very low vacancy rates and increasing prices.

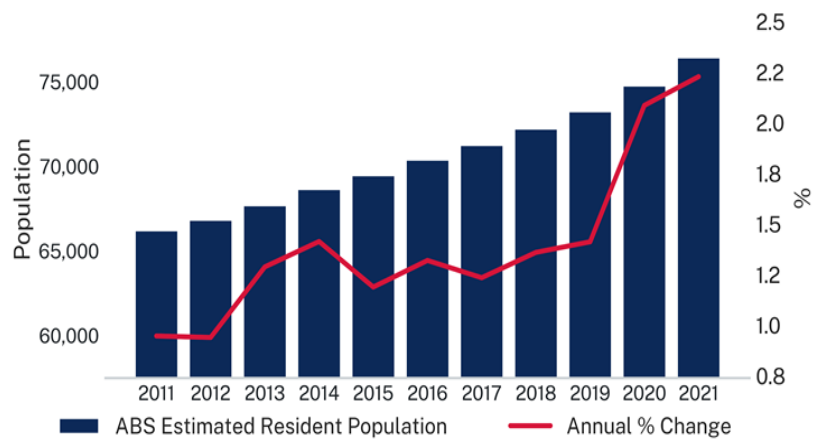


Figure 9: Shellharbour FER population growth, 2011-2021 (ABS ERP, July 2022).

Demographic profile

Unlike many regional areas in NSW, Shellharbour is not characterised by a significantly high proportion in the over 55 years old cohort, with this part of the local population sitting just 1.4% above the overall average across NSW.

As at 2021, the proportion of the region’s population between 20 and 44 years old was 10% lower than the NSW benchmark (see Figure 10). A key opportunity for Shellharbour is to leverage the attraction of young families to the region and support them to enter the local workforce. Investment in key enabling infrastructure and services ranging from skills training to supporting a vibrant arts and cultural infrastructure can help achieve this outcome.

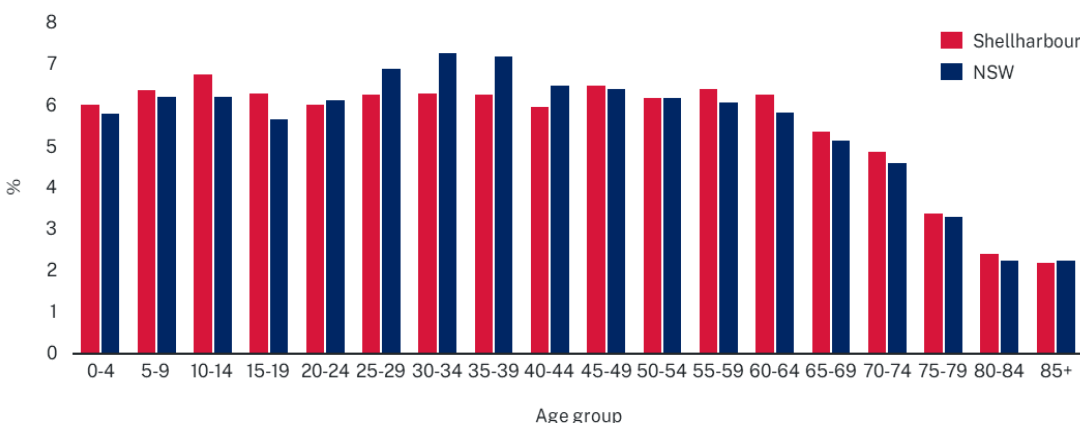


Figure 10: Shellharbour FER population by age, 2021 (ABS ERP, July 2022).

Housing vacancy rates in Shellharbour are at an all-time low and house prices have increased

Shellharbour has faced a steep decline in housing availability and affordability since 2018. This may act as a constraint to future population growth in the region, and may impact growth in the visitor economy if there is a lack of available short-term accommodation. Ensuring adequate and accessible housing supply will also be critical in enabling the delivery and long-term success of major projects, such as the ongoing Shell Cove development.

Housing availability

Residential vacancy rates in the region have dropped from a high of 3.8% in March 2020 to 1.2% in August 2022, with COVID-19 pandemic related migration of remote workers to the region a key factor reflected in the increased growth rates for 2020 and 2021. As shown in Figure 11, outside of peaks in August 2018 and July 2021, which can be attributed to activation of large scale greenfield residential development projects, residential building approvals in the region have remained relatively stable.

Housing affordability

Between June 2018 and June 2022, median house prices in the region increased by 38% from \$639,000 to \$880,000.^[16] The house price to income ratio in July 2021 sat at 8.8, slightly higher than the NSW benchmark of 8.12, which suggests the region may be facing challenges associated with housing affordability.^[17] Rental prices in the region have also seen average quarterly growth of approximately 5% between March 2018 and March 2022.^[16]

Increased house prices may constrain the region's ability to attract and retain key workers, which may have implications for major project delivery, meeting labour demand in key population serving sectors such as health and overall economic growth.

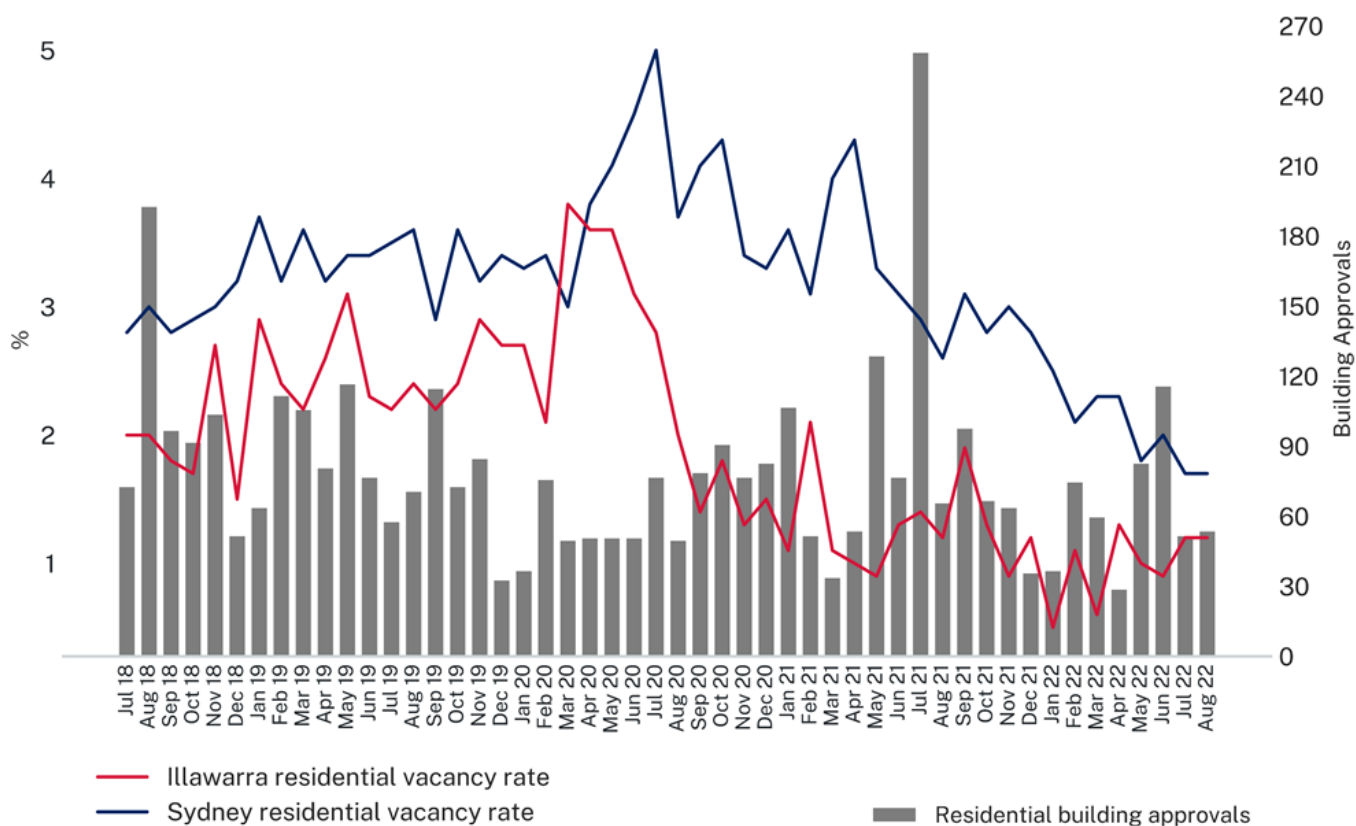


Figure 11: Shellharbour FER vacancy rate and building approvals, 2018-2022 (REINSW, 2022).

Note: REINSW vacancy data collection is not aligned with the FER boundary map, resulting in an overlap with other FERs. These results are therefore intended to provide an indication of housing vacancies in the region.

Unemployment in the Shellharbour region in 2022 has returned to the level of 2018, however job vacancies have climbed significantly over the same period

The labour market has tightened significantly in the Shellharbour region since 2018, with job vacancies more than doubling since 2020 despite major shocks. The region identified a need to improve workforce skills in the 2018 REDS – the tightening labour market highlights the need for this to remain a priority.

Employment

As at June 2022, Shellharbour had an unemployment rate of 4.6%, higher than the NSW benchmark at 3.3%.

Despite fluctuations between 2016 and 2021, with a high of 7.8% in mid-2020 during the COVID-19 pandemic, the region's unemployment rate reflects little change from 2018 levels (see Figure 12).

As shown in Figure 13, job vacancies in the broader region rose to an all-time high of 3,088 in August 2022, more than doubling since 2018. Occupations with an acute need for workers include carers and aides, medical partitioners, and administrative workers.

This represents a particular challenge for the region in meeting increased demand for healthcare and social assistance services required by a growing population.

Aboriginal employment

In August 2021, the Aboriginal unemployment rate was 9.2%, which reflected a continued improvement in the rate, having fallen from 14.4% in 2016. This rate is lower than the Aboriginal unemployment rate for all of NSW of 9.8% but still higher than the NSW state-wide unemployment rate of 4.9%.

A continued focus on close collaboration between key stakeholders from local government, business, industry and the Aboriginal community is needed to help ensure a continuation of this positive trend. A key Aboriginal business and economic development opportunity in the region worthy of further exploration is the potential expansion of Aboriginal led cultural tourism experiences, given the wealth of cultural assets and sacred sites for the Wodi Wodi and Dharawal people in the region.

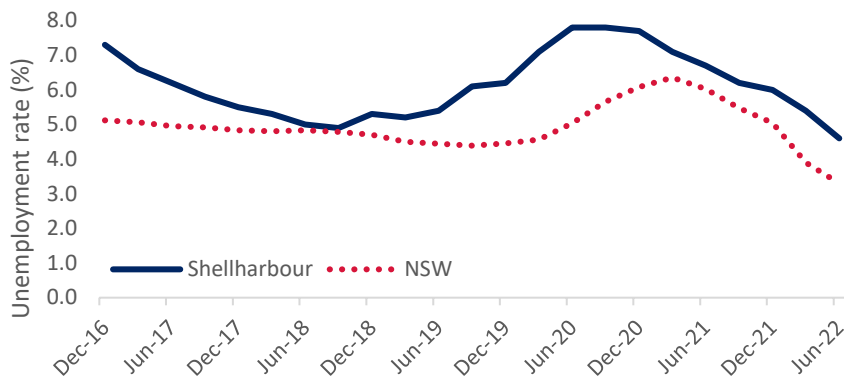


Figure 12: Shellharbour FER unemployment rate (%), 2016-2022 (National Skills Commission, 2022; ABS Labour Force, 2022).



Figure 13: Job vacancies, Illawarra and South Coast region (2018-2022) (Regional IVI, National Skills Commission, 2022).

Note: The regional IVI – National Skills Commission job vacancy data collection is not aligned with the FER boundary map, resulting in an overlap with other FERs. Job vacancy data only includes online job vacancies. These results are therefore intended to provide an indication of job vacancies in the region.

Aboriginal unemployment rate: Shellharbour	2011	15.4%
	2016	14.4%
	2021	9.2%
NSW Aboriginal unemployment rate	2021	9.8%
NSW unemployment rate	2021	4.9%

Source: 2021 ABS Census

Shellharbour region 2023 engine and emerging industries

The Shellharbour region has a \$2.6 billion economy, demonstrating strengths in population serving sectors such as education and training, healthcare and social assistance, and construction. These sectors are integral to supporting attraction and retention of skilled workers and enabling major project delivery. The relative strength of key industries is highlighted through Location Quotient (LQ) analysis¹ in Figure 14, where bubble size equates to industry size.

Engine industries

The region's engine industries have remained consistent since the 2018 REDS, with each demonstrating growth and continuing to make a major contribution to Shellharbour's regional economy.

The **tourism** sector (LQ of 1.79) is an important sector, with visitors to the region estimated to have spent \$123 million in 2021.^[18] Accommodation and food services account for \$99 million, while the region's strong arts and recreation sector (\$15 million GVA) also added significant value.

Retail trade (LQ of 2.14) also stands as a specialisation for the region in its own right. The industry added \$232 million to the local economy in 2020, having outpaced the NSW average by growing by 4.2% on average between 2011 and 2020, despite the COVID-19 pandemic related lockdowns.

Although an enabling industry rather than an engine industry, the **construction** sector (LQ of 1.6) is a key industry in the region, representing Shellharbour's largest economic contributor, with \$324 million GVA in 2020. Industry growth outpaced that of the rest of the state by 1.1% between 2011 and 2020.

The **education and training** (LQ of 2.12) sector is another significant industry for Shellharbour, adding \$224 million to the local economy in 2020. The healthcare and social assistance sector added \$297 million. Each of these specialisations are key to supporting the region's growing population, as well as building local skills capacity and attracting skilled workers in the sector from outside of the region.

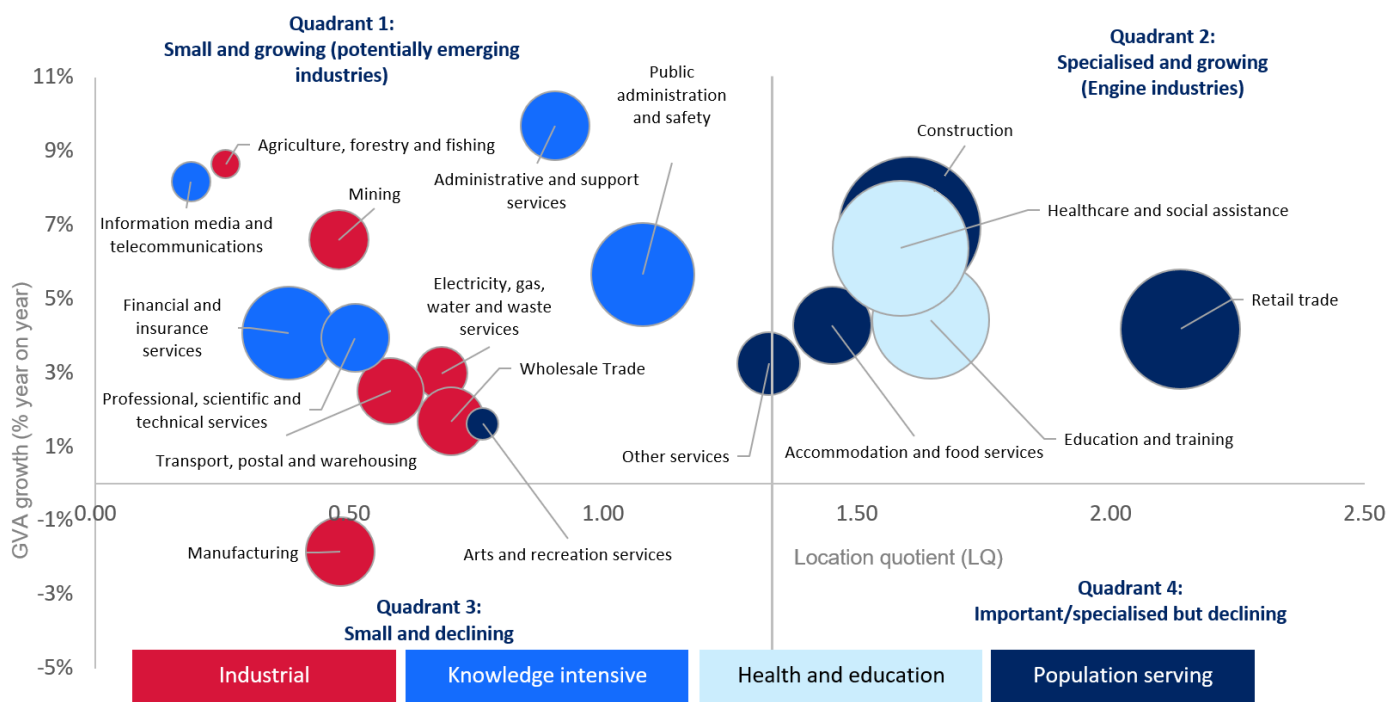


Figure 14: Location Quotient (LQ) Analysis by GVA, 2011-2020 (REMPAN, 2020).

**While the 2018 REDS used employment data as the basis for LQ analysis, the 2023 Update has used GVA data. This allows for a clear demonstration of the changing economic impact of both engine and emerging industries across the regions.*

¹ LQ analysis is used to measure industry specialisation by comparing the relative size of an industry in the region versus the whole of NSW.

Emerging industries

The region's emerging specialisations have remained consistent since the 2018 REDS (see Figure 15).

Knowledge-intensive sectors have demonstrated strong growth in GVA over the past decade. Growth in **financial and insurance services** and **professional, scientific and technical services**, and **information, media and telecommunications** has outpaced that of the rest of the state, with regional businesses in these sectors increasing by 24%, 10%, and 150% respectively from 2019 to 2021.¹

Combined, these emerging knowledge-sector specialisations added \$241 million to the regional economy in 2020. Shellharbour's close ties to Wollongong and its growing research and innovation hub, provides opportunities for further expansion in these fields.

Meanwhile, the **mining** sector in the region has also seen growth in a challenging time, with an average annual growth rate of 6.6% from 2011 to 2020. This growth is largely in smaller operations with up to 20 employees (including non-employing businesses) increasing from 0 to 5 between 2019 and 2021.¹

At \$47 million in value-add, non-metallic mineral mining accounts for 77% of the industry's contribution in 2020. The prevalence of these outputs in construction-related activities, alongside regional strengths in the manufacturing of these materials, demonstrates strong alignment with the regional growth industry of construction, providing for strong future growth potential.

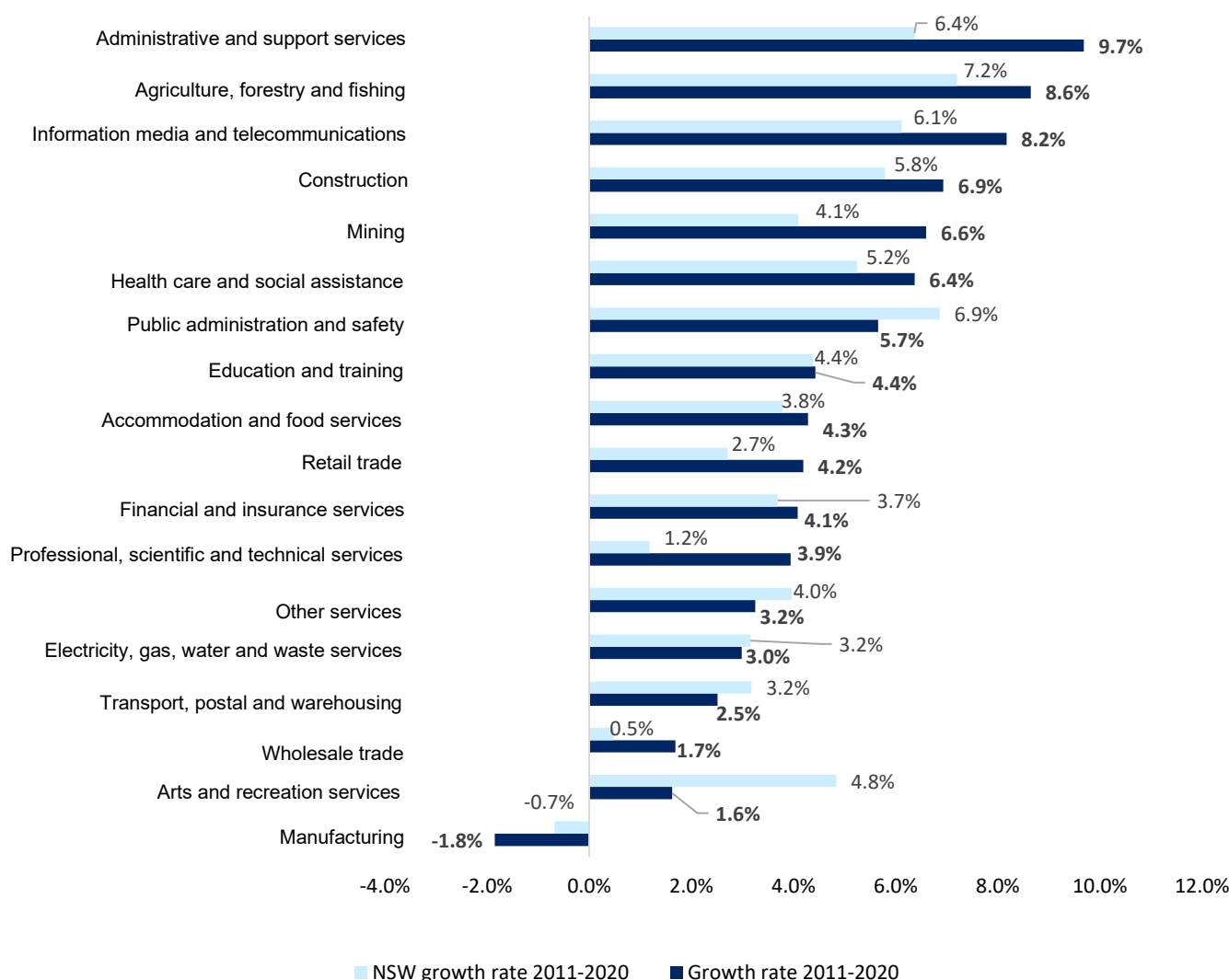


Figure 15: Change in GVA by Industry (% YOY), 2011-2020 (REMPPLAN, 2020).

¹ REMPLAN data provided by Shellharbour City Council.

Shellharbour region 2023 endowments

Review of the 2018 endowments

The 2018 REDS identified a diverse range of endowments underpinning Shellharbour's economy and regional competitiveness (see page 11). Despite recent shocks impacting many key endowments, consultation affirmed that they remain valid, with key endowments including:

- Natural environment and recreational amenity
- Proximity to Wollongong and Sydney
- Illawarra Regional Airport
- Aboriginal heritage
- Stockland Shellharbour
- Health and education infrastructure
- Shell Cove
- Local institutions.

New endowments

Several recent investments and policy efforts have led to the major upgrade or expansion of existing endowments, which will underpin new economic opportunities and future specialisations. Stakeholders also highlighted that natural assets including Lake Illawarra should be recognised as a significant endowment for the Shellharbour region.

+ Waterfront and harbour developments at Shell Cove	Servicing the region's coastline access, creating jobs and supporting tourism and retail activity in the region.
+ New Shellharbour Hospital	The new Shellharbour Hospital will service the growing community in the region, and build on existing healthcare and social assistance specialisations.
+ Shell Cove Boat Harbour	The boat harbour will form a unique endowment that supports the Harbour developments at Shell Cove.
+ Lake Illawarra, Escarpment and Hinterland	Natural endowments in the region have potential to support the region's visitor economy and growth in cultural tourism.

8. Looking ahead: Strategic opportunities for growth, resilience and liveability

Opportunities and vulnerabilities in engine and emerging industries

Tourism and retail services

Shellharbour has been able to leverage its natural and built endowments, as well as complementary strengths across emerging industries to continue to grow the tourism and retail industries.

Visitor spend (2021, \$m) ^[18]	123
Employment (2021) ^a	6,264
LQ score (2020) ^b	1.79
LQ accommodation (2020)	1.45
LQ retail trade (2020)	2.14

^a Summation of ANZISC 1 digit Retail Trade, Accommodation and Food Services, Arts and Recreation Services.

^b LQ score is for the accommodation and food services industry.

Strengths

- The South Coast region (which incorporates Shellharbour) currently ranks as the second most popular destination by visitor number and spend in regional NSW.^[19]
- The region is home to significant coastal and parkland natural endowments, such as Lake Illawarra and rich Aboriginal heritage sites including the Escarpment and Hinterland, which draw in visitation.
- Proximity to Sydney and Wollongong provides a reliable source of visitors for day trips or overnight stays who will engage with accommodation, food services and retail businesses.
- Stockland Shellharbour provides a hub of retail activity for the region.

Vulnerabilities

- The COVID-19 pandemic demonstrated these sectors are strongly impacted by externalities. From 2019 to 2021, visitation to the region reduced by 41%, while expenditure dropped 20% ^[18]. According to REMPLAN data provided by Shellharbour City Council, 3% of local retail businesses closed, with retail sole trader businesses seeing a 13% decline.
- Climate change impacts such as coastal erosion may affect coastal tourism assets in the region.
- Supply chain shortages and rising inputs costs may increase operational costs for operators.

Opportunities

- The region is home to a wealth of Aboriginal cultural assets on the lands and sacred sites of the Wodi Wodi and Dharawal people, with opportunities to expand Aboriginal-led cultural tourism initiatives.
- The Shell Cove Waterfront and Harbour development provides substantial opportunities for growth in retail and the visitor economy.
- Activating Lake Illawarra for water-based tourism opportunities was highlighted by stakeholders as being a significant opportunity to broaden the region's visitor economy offering.

Construction

Shellharbour has been able to leverage its natural and built endowments, as well as complementary strengths across emerging industries, to continue to grow the construction industry.

GVA (2020, \$m)	324
Employment (2021)	4,124
LQ score (2020)	1.6
LQ Construction services (2020)	1.8
LQ Residential construction (2020)	2.0

Strengths

- Construction represents the highest value-add sector for the Shellharbour economy.¹
- Major investment in developments such as Shell Cove represent the greenfield development potential for the residential construction sector in the region.
- Major project investments such as the Albion Park Rail Bypass and Shellharbour Hospital Upgrades support growth across the sector more broadly.
- Construction services account for 59% (\$192 million) of GVA within this industry – including activities such as site preparation, installation, building completion and other landscaping services.

Vulnerabilities

- Recent and ongoing supply chain issues and rising cost of inputs and energy may impact the affordability and feasibility of some construction projects.
- The small physical size of the region presents a limitation to the availability of further greenfield land for future development, with alternatives of urban infill and revitalisation works offering less flexibility in project scope.

Opportunities

- Major road and infrastructure upgrades such as the Albion Park Rail Bypass will improve access and efficiency for High Productivity Vehicles used in the construction supply chain.
- Major ongoing works around such as The Waterfront residential development and the Shellharbour Marina precinct represent ongoing opportunities in the industry.
- The region's strengths in the non-metallic mineral mining and related manufacturing represents potential for onshoring supply of construction material.
- The land between the airport and Albion Park Rail offers opportunities to increase the utilisation of land for complementary light industrial uses.

¹ Does not include ownership of dwellings.

Education and training

While a growing population guarantees a growing service base for the education sector, there is a need to leverage complimentary specialisations and endowments to promote innovation and economic growth across the industry.

GVA (2020, \$m)	224
Employment (2021)	2,834
LQ score (2020)	2.12
LQ construction services (2020)	2.6
LQ non-residential (2020)	1.9

Strengths

- The education and training sector is the fourth-highest GVA contributor to the Shellharbour economy, contributing \$224 million to the local economy in 2020.
- Shellharbour has a significant number of primary and secondary schools, including the major independent schools of Amity College and Shellharbour Anglican College.
- Shellharbour TAFE provides a range of programs in business, nursing and trades, while close proximity to the University of Wollongong provides expansive, world-class tertiary education options for residents.

Vulnerabilities

- Continued strong population growth (see page 19) will place increased demands on the education sector, particularly given the region's age profile with a relatively high proportion of the population in pre-school to high-school years.
- The region has a severe shortage of early childhood education spaces, which will act as a constraint to attracting skilled workers with families to the region.^[20]

Opportunities

- The region's proximity to the University of Wollongong, which offers extensive education and training, offers opportunities for apprenticeship or traineeship programs that can serve the Shellharbour region's economic profile.
- Investing in local education and training infrastructure, in addition to programs that match the skills needed to maximise opportunities in emerging specialisations such as knowledge-intensive sectors can also assist in delivering future regional prosperity.

Healthcare and social assistance

While a growing population guarantees a growing service base for the health sector, there is a need to leverage complimentary specialisations and endowments to promote innovation and economic growth across the industry.

GVA (2020, \$m)	423
Employment (2021)	6,023
LQ score (2020)	1.67
LQ construction services (2020)	2.6
LQ healthcare services (2020)	1.4

Strengths

- Shellharbour Hospital is a major asset for the local health sector, with recent funding for an upgrade to further boost capacity and service delivery capability.
- Recent investment in the Illawarra Women's Health Centre demonstrates an ongoing commitment to boosting these vital services in the region.

Vulnerabilities

- A growing population (see page 19) and the additional demand for health services that this brings presents challenges for the region's health system.
- A shortage of skilled workers (see page 21) also acts as a constraint. There are significant shortages for medical practitioners and nurses and carers & aides, with high job vacancies in the sector.
- Exacerbating this challenge is an undersupply of housing (see page 20), which may restrict the capacity of the region to attract and retain skilled health workers.

Opportunities

- The region's growing strength in the education and training sector provides an opportunity for collaboration with health service providers to help grow the sector's local skilled worker base.
- Developing dedicated work and study programs and/or providing study grants tied to local employment in the sector may assist in achieving progress in enhancing capacity and capability in the local workforce.
- The region's emerging strengths in professional and scientific services represents an opportunity for development of medical research or innovation capabilities, particularly in light of the major Shellharbour Hospital redevelopment, with the potential for the development of an integrated health and innovation precinct.

Key themes in stakeholder consultation

Stakeholders from the Shellharbour region noted the area is facing both challenges and opportunities related to its population growth, while the growth and success of local businesses is being constrained by a shortage of skilled workers.

Leveraging the region's endowment of its proximity to Wollongong, as well as increasing inter-regional collaboration through the Greater Cities Commission's Six-Cities Vision framework was also highlighted as a key growth opportunity.

Housing availability and affordability

As reflected in analysis of housing supply and prices in the region (see page 20), consultation input revealed concerns among stakeholders that current shortages and unaffordability challenges may be exacerbated by ongoing population growth and a need to house workers associated with major project delivery.

Developing local workforce capacity and capability

Stakeholders noted rapidly rising local job vacancies were impacting the capacity of local businesses to operate. It was identified that enhanced local pathways from training to employment are needed to help maximise opportunities for young or unemployed residents in the region, as a way to boost participation rates and maximise capacity in the local workforce.

Enhancing regional collaboration

Stakeholders acknowledged the region benefits from close proximity to Wollongong and has potential to leverage industry or service provision opportunities in other surrounding areas including the Shoalhaven and Kiama. Working collaboratively across regional boundaries to promote connected, resilient and prosperous communities was highlighted as a prominent opportunity for the region.

Shellharbour REDS - 2023 Update strategies

The 2018 strategies are considered to remain relevant for the Shellharbour region. The focus of local stakeholders was to recognise changes to the region's economic conditions through adjustments to the enablers, rather than amendments to the existing strategies.

The 2023 REDS Update strategies for the Shellharbour region are listed below (amendments made to existing 2018 strategies are highlighted in **bold**):

Existing	Continue to improve services and infrastructure to support population and business growth and enhance the overall amenity of the region.
Existing	Improve education outcomes and workforce skills to support business growth, economic inclusiveness and life outcomes.
Amended*	Unlock potential opportunities in the visitor economy .

**This amendment reflects the change in language used by the NSW Government between 2018 and 2023. Visitor economy is now the preferred term to capture the broad range of reasons for visitation, while tourism is generally only used when specifically referring to the tourism sector.*

Key enablers of economic growth

A number of key enablers have been identified to assist with delivering each of the strategies. This list is non-exhaustive, with a focus on identifying priority short- to medium-term enablers. Responsibility for implementation of these enablers sits with various levels of government, and in some cases may also include business, industry or non-government bodies. Collaboration across these entities at a local level will be key to achieving results.

Strategy	New enablers		Lead and support	Rationale
Continue to improve services and infrastructure to support population and business growth and enhance the overall amenity of the region	Infrastructure	Facilitate increased density in housing through infill development, supported by high-quality active and public transport options.	Shellharbour City Council; Transport for NSW (TfNSW); (Department of Planning and Environment (DPE))	Record low vacancy rates and limited supply of greenfield land necessitates innovation in the region's housing supply model.
	Infrastructure	Identify opportunities for investment in complementary industrial or commercial uses at Shellharbour Airport, the surrounding future commercial park, and Shell Cove precinct.	Shellharbour City Council; DPE; Shellharbour Airport; Greater Cities Commission (GCC)	Potentially underutilised land near Shellharbour Airport and surrounds presents potential for long-term industry growth.
Improve education outcomes and workforce skills to support business growth, economic inclusiveness and life outcomes	Infrastructure	Leverage the Shellharbour Hospital upgrade to provide opportunities in healthcare training and emerging knowledge-intensive growth sectors.	Training Services NSW; Shellharbour City Council; Department of Regional NSW (DRNSW); NSW Health; University of Wollongong	Investment in healthcare infrastructure presents an opportunity to invest in knowledge-intensive sectors, which are an emerging specialisation.
	Infrastructure	Expand the regional education and training offering for all ages and experience to align with job opportunities and skills needs in the region,	Training Services NSW; Shellharbour City Council; TAFE NSW;	Education and training offerings that are better aligned with regional

Strategy	New enablers		Lead and support	Rationale
		prioritising training for care economy roles.	Registered Training Organisations	specialisations from early childhood to vocational training have been identified as a priority for the region.
Unlock potential opportunities in the visitor economy	People and skills	Support investment in visitor attractions and experiences, with particular focus on Aboriginal-led cultural tourism initiatives, nature-based tourism, and sustainable water-based marine tourism.	Shellharbour City Council; Local Aboriginal Land Councils; Destination NSW; Destination Sydney Surrounds South; DRNSW; Create NSW; Regional Arts Development Organisations	The region's Aboriginal cultural heritage and natural assets provides an opportunity to diversify Shellharbour's visitor economy offering, building industry resilience.



Figure 16: Shell Cove Marina at sunset.

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