Macleay Valley Economic Development and Tourism Strategy

Consultation Discussion Paper, February 2019

Prepared on behalf of Kempsey Shire Council

KEMPSEY Shire Council

This Consultation Discussion Paper has been prepared by:

SC Lennon & Associates Pty Ltd
ACN 109 471 936
ABN 74 716 136 132

PO Box 45
The Gap, Queensland 4061
p: (07) 3312 2375
e: sasha@sashalennon.com.au
w: www.sashalennon.com.au

Offices in Brisbane and Melbourne

It has been prepared on behalf of Kempsey Shire Council:

22 Tozer Street
PO Box 3078
West Kempsey NSW 2440
p: (02) 6566 3200
e: ksc@kempsey.nsw.gov.au
w: www.kempsey.nsw.gov.au

Acknowledgement of Country

We acknowledge the Dunghutti People as the Traditional Owners and custodians of the land within the Macleay Valley and we pay respect to their Elders past, present and emerging.

Disclaimer

This report has been prepared by SC Lennon & Associates Pty Ltd on behalf of Kempsey Shire Council. It has been prepared on the understanding that users exercise their own skill and care with respect to its use and interpretation. Any representation, statement, opinion or advice expressed or implied in this publication is made in good faith. SC Lennon & Associates Pty Ltd and the individual authors of this report are not liable to any person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to above.

Image sources: Shutterstock, Flickr, Kempsey Shire Council, Destination NSW and SC Lennon & Associates.

TABLE OF CONTENTS

1. Introduction 1

1.1 Background and Purpose of this Discussion Paper 1

1.2 Economic Development and Tourism Strategy Objectives 1

1.3 A Focus on the Enablers of Economic Development and Tourism 1

2. Strategy Consultation and Engagement 3

2.1 Consultation Objectives 3

2.2 Four Key Questions for Discussion 3

3. The Macleay Valley Economy 4

3.1 Socio-Economic Profile 4

Employment and Unemployment 4

Industry Value-Added 5

Employment Location Quotients 6

Industry Growth / Share 6

3.2 Regional Development Policy Framework 8

3.3 Broader Economic Trends and Considerations 8

The Internet of Things and Growth of the Digital Economy 8

New (Advanced) Manufacturing 9

Rapid Transport Technology Change 9

The Emergence of the Smart City / Region 10

High-Tech Food (and Alternative Energy) Production 10

Australia's Evolving Visitor Economy 10

The Rise of the Creative Services Economy 11

Education as a Driver of Regional Development 11

3.4 The Local Visitor Economy 11

Visitation Overview 11

Visitor Trends 12

Visitor Forecasts 13

Tourism Policy Framework 13

4. Strategic Challenges and Opportunities for Growth 14

4.1 The Local / Regional Economy 14

Challenges 14

Opportunities 15

4.2 The Visitor Economy 15

Challenges 15

Opportunities 16

4.3 Exploring Opportunities for Economic Development and Tourism 18

Potential 'Focal' Industries 18

Kempsey Shire Council's Role in Economic Development and Tourism 19

References

List of Figures

Figure 1. The Enablers of the Macleay Valley's Economic Development 2
Figure 2. Employment by Industry, Macleay Valley, 2017/18 4
Figure 3. Value-Added by Industry, Macleay Valley, 2017/18 5
Figure 4. Employment Location Quotients, Macleay Valley to NSW, 2017/18 6
Figure 5. Industry Employment Growth-Share (Selected Industries), Macleay Valley to NSW, 2012/13 to 2017/18 7
Figure 6. Selected Megatrends 9
Figure 7. Elements of a Smart City / Region 10
Figure 8. Visitor Trends, Macleay Valley, 2009-10 to 2017/18 12
Figure 9. Great Walks of Australia 17
Figure 10. The Macleay Valley's Economic Development - Areas for Further Investigation 18
Figure 11. Economic Development Foundations 19

List of Tables

Table 1. Macleay Valley Visitation and Visitor Nights Profile, 2017/18 12
Table 2. Forecast Average Annual Growth in Domestic and International Visitor Numbers to 2025, Regional New South Wales* 13

1. Introduction

1.1 Background and Purpose of this Discussion Paper

Kempsey Shire Council has commissioned consultants **SC Lennon & Associates** to prepare the new Macleay Valley Economic Development and Tourism Strategy. In preparing the strategy, the consultants will work with Council and other key stakeholders to establish a new vision and framework for promoting and facilitating economic development and tourism activity across the Macleay Valley.

Kempsey Shire Council has endorsed the establishment of the Macleay Valley Economic Development and Tourism Committee to enable business and industry to effectively engage and collaborate with Council on economic development matters which are relevant to the Macleay Valley area. The Economic Development and Tourism Committee will provide a key point of reference for the consultant team.

In addition, the consultant team is meeting with business and industry, government agencies and other organisations to discuss the Macleay Valley's economic development strengths, attributes, issues, challenges and opportunities for growth. This Discussion Paper has been prepared to help inform those consultations.

1.2 Economic Development and Tourism Strategy Objectives

The broad objectives of the Macleay Valley Economic Development and Tourism Strategy include: increased employment opportunities; new industry development; growth and retention of existing business; attraction of new residents; and increased tourism activity. To this end, the Macleay Valley Economic Development Strategy will deliver the following:

- Firstly, it will articulate economic development **issues, challenges and opportunities** for Kempsey Shire Council to consider in its role as a facilitator and promoter of economic development and tourism.

- Secondly, it will determine and articulate **actions** to be followed to ensure sustainable, progressive economic development throughout the Macleay Valley.

- Thirdly, it will identify **potential collaborative partnerships**, where Kempsey Shire Council can engage with other stakeholders on matters concerning local and regional economic development and tourism in the Macleay Valley.

- Finally, it will provide Council with guidance to develop an informed, clear, actionable and achievable **'road map'** for economic development and tourism in the Macleay Valley.

Stakeholder consultation and engagement is a key component of the strategy development process.

1.3 A Focus on the Enablers of Economic Development and Tourism

The Macleay Valley Economic Development and Tourism Strategy will define Kempsey Shire Council's role in promoting and facilitating economic development and tourism. It will focus outcomes on Council's activities as an 'enabler' of economic development, where it can use its planning and regulatory functions, its resources and its collaborative relationships with other organisations to help stimulate investment, attract new residents, support the growth of existing businesses and grow the local visitor economy through effective promotion and destination management.

'Economic development' refers to the continuous process of growing an area's level of income and capital (wealth) and distributing that wealth (through local expenditure and jobs) to the community. Typically measured in terms of income and employment, economic development is also measured by improvements in education, skills, health, culture, community wellbeing, a sense of 'place' and the environment. Ultimately, economic development is about improving living standards and quality of life, or, to capture the concept in a single word, it is about **prosperity**.

While business and industry drives economic growth and development, local and regional government agencies like Kempsey Shire Council directly influence the 'enabling environment' for growth and prosperity. These **'enablers'** refer to the services, infrastructure and support mechanisms required to facilitate economic activity.

As illustrated below, the enablers of economic development include: physical infrastructure; appropriately zoned and protected urban and industrial land; the urban form and function of the Macleay Valley's towns and settlements; community services and facilities; and local 'lifestyle' attributes such as parks and recreational facilities.

Other enablers include things like: regional transport and communications infrastructure; education infrastructure and workforce skills; an innovative business sector; and a supportive regional planning framework. Together, these factors define the Macleay Valley's economic development potential and its appeal as a place to visit, work, live and invest in.

Figure 1. The Enablers of the Macleay Valley's Economic Development

Source: SC Lennon & Associates

Understanding how Kempsey Shire Council can effectively influence the enablers of economic development, is key to the preparation and implementation of a visionary, yet practical and outcomes-oriented Economic Development and Tourism Strategy for the Macleay Valley.

2. Strategy Consultation and Engagement

2.1 Consultation Objectives

Stakeholder consultation is an important part of the strategy development process. Through a series of consultation meetings, key industry stakeholders and government agencies are being asked to consider what kind of economic future the Macleay Valley community should be aspiring to, the key challenges that need to be addressed and the opportunities for economic development and tourism.

This important exercise will help to inform the preparation of an aspirational yet practical economic development and tourism strategy. The consultation meetings are designed to:

- Inform participants about the purpose of the Macleay Valley Economic Development and Tourism Strategy, its key deliverables and timeframes.
- Provide participants with findings from research and analysis undertaken to date.
- Develop a shared understanding of the fundamental enablers of the Macleay Valley economy and Council's role in facilitating economic development and tourism promotion.
- Establish means to articulate Kempsey Shire Council's and the community's vision for economic prosperity; and
- Develop a shared sense of priority activity areas for Kempsey Shire Council, its partner agencies in government and industry and the community to move towards the preferred future.

This Consultation Discussion Paper is not conclusive. Designed to facilitate discussion, it provides a brief introduction to key themes emerging from the investigations to date, to inform and aid the consultation meetings.

2.2 Four Key Questions for Discussion

The consultant team is meeting with business and industry, government agencies and other organisations to discuss the Macleay Valley's economic development and tourism strengths, attributes, issues, challenges and opportunities for growth. As a key stakeholder, the consultants would like to discuss with you, the following:

1. Generally speaking - and considering the 'enablers' of economic development illustrated in Figure 1 - what do you consider to be the Macleay Valley's:

   - **Strengths and Attributes**?
   - **Constraints and Challenges** for economic development and tourism?
   - **Opportunities** for growth and investment?

2. Having regard for the activities of your organisation, what are the **key issues** impacting on the economic prosperity of the Macleay Valley, your particular industry or your community of interest?

3. What are the **key potential projects** and activities (planned or otherwise) which could support the economic prosperity of the Macleay Valley? This could relate to a key industry sector, an 'enabling' piece of strategic infrastructure or other opportunities pertaining to your particular interests.

4. What do you believe should be the **priorities for Kempsey Shire Council** in its role as a promoter and enabler of economic development and tourism?

The remainder of this report is designed to help inform discussion.

3. The Macleay Valley Economy

3.1 Socio-Economic Profile

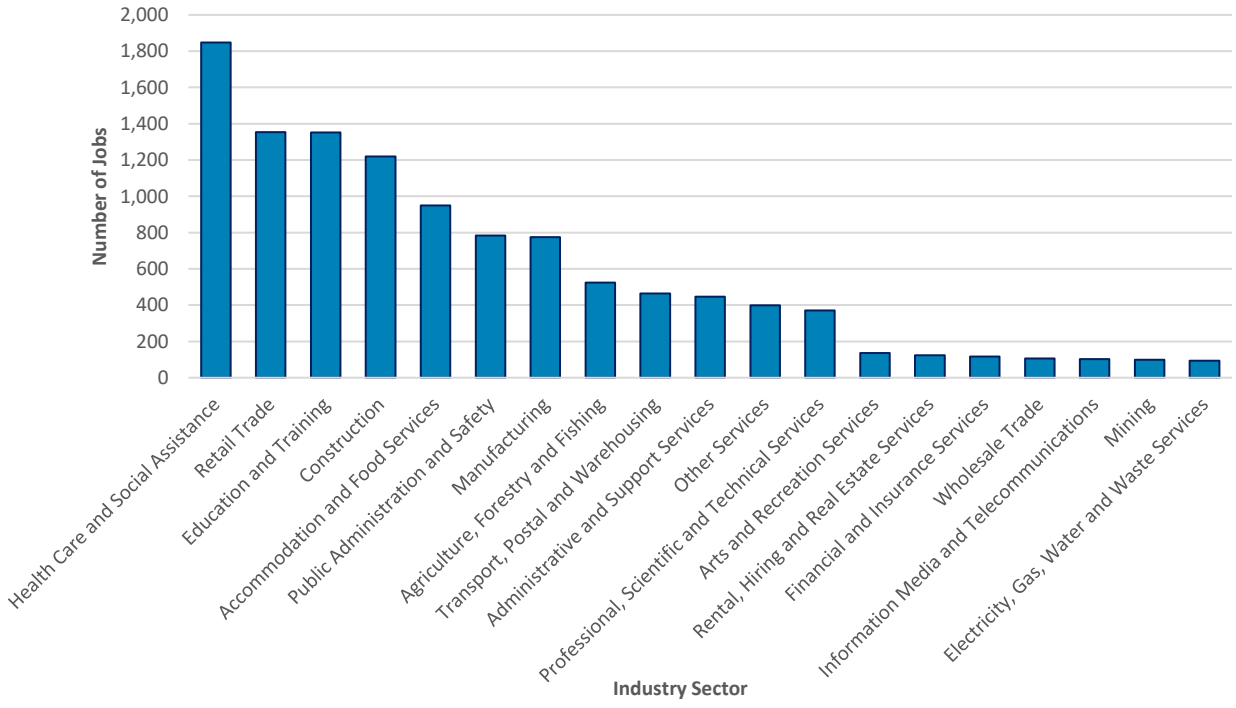
Employment and Unemployment

Located on the Mid North Coast of New South Wales half-way between Brisbane and Sydney, the Macleay Valley encompasses a total land area of approximately 3,400 square kilometres. With a population of 29,500 and gross regional product of $1.06 billion, the area is home to 2,240 registered businesses and around 11,260 jobs. A predominantly rural area, with numerous inland and coastal townships, the Macleay Valley's largest town is Kempsey, with smaller townships at Crescent Head, Frederickton, Gladstone, Hat Head, Smithtown, South West Rocks and Stuarts Point. Rural land is used largely for **dairy farming** and **timber production**, with **tourism**, **horticulture** and **fishing** also being important industries.

The latest available (June 2018) data from the Department of Jobs and Small Business reveals the Macleay Valley has an unemployment rate of 6.4% compared to the NSW average of 4.8%. The local workforce participation rate is 43% compared to 55% for Regional NSW and the area's 'SEIFA' index (a measure of social disadvantage) is the sixth-worst of all local government areas in NSW. This, together with other socio-economic characteristics including a relatively low level of tertiary education attainment amongst the resident population, lower incomes and an older population profile present some challenges for economic development.

At the same time, traditional industry strengths and capabilities underpin a diversity of opportunities. The key employment sectors in the Macleay Valley include **health care and social assistance**, **retail trade**, **education and training**, and **accommodation and food services (tourism)**. The main health care facility in the area is Kempsey District Hospital. The major retail area is Kempsey township, which includes Kempsey Central Shopping Centre. Educational facilities include North Coast TAFE (Kempsey Campus) and a number of government and non-government primary and secondary schools.

Figure 2. Employment by Industry, Macleay Valley, 2017/18



Source: economy.id, accessed January 2019 with interpretations by SC Lennon & Associates

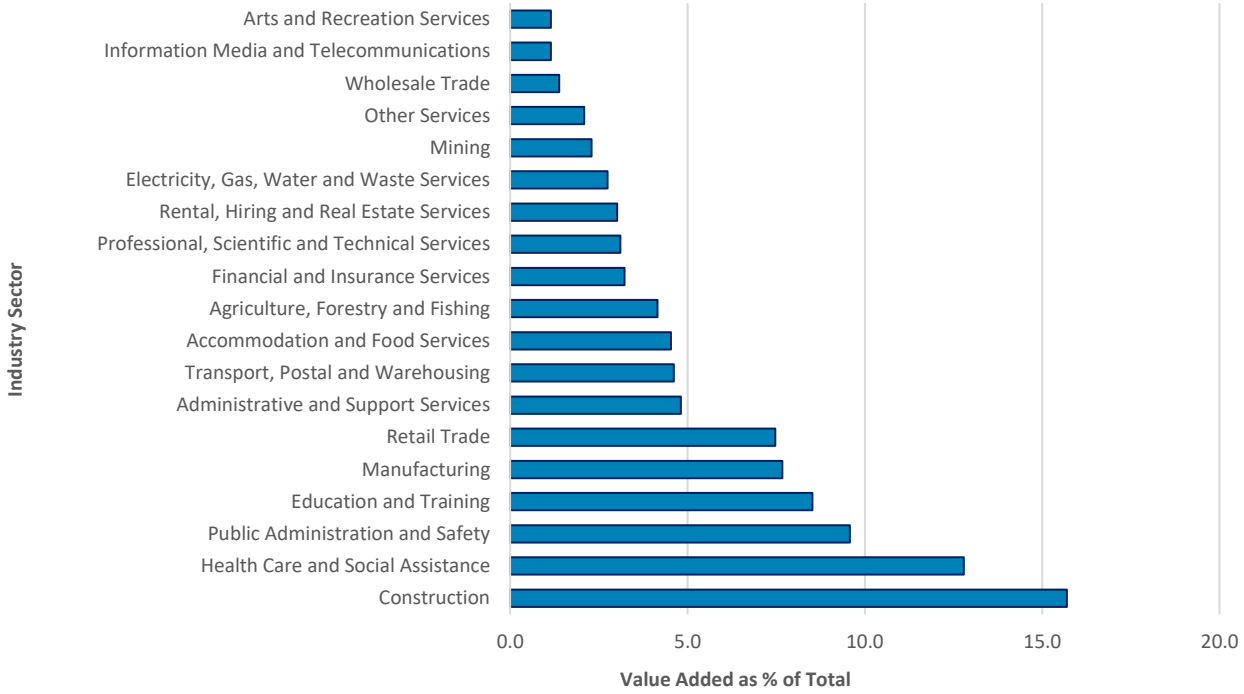
Industry Value-Added

In value terms, the Macleay Valley economy is driven by activity in the **construction**, **health care and social assistance**, **public administration and safety**, **education and training**, **manufacturing** and **retail trade** sectors.

The local construction sector generates an estimated $133 million in value-added representing 16% of the Macleay Valley's total industry value-added. As well as being the area's largest provider of jobs, the health care and social assistance sector accounts for 13% of total industry value-added, or $108.6 million.

Despite the continuing national decline in manufacturing activity and employment throughout Australia over the past decade, the Macleay Valley's manufacturing sector remains strong, providing almost 800 jobs and accounting for 8% of total industry value-added. Manufacturing also contributes substantially more to the value of the Macleay Valley's exports than any other industry, accounting for one-third of total export value.

Figure 3. Value-Added by Industry, Macleay Valley, 2017/18



Source: economy.id, accessed January 2019 with interpretations by SC Lennon & Associates

Kempsey Shire Council's efforts to help grow the local economy must be informed by a clearly articulated, strategic approach which builds on comparative and competitive advantage. Comparative advantage is an area of relative strength or specialisation. An area's comparative advantage can stem from various sources, such as its geographic location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful and have implications for initiatives, which are generally more effective where they build on an existing strength.

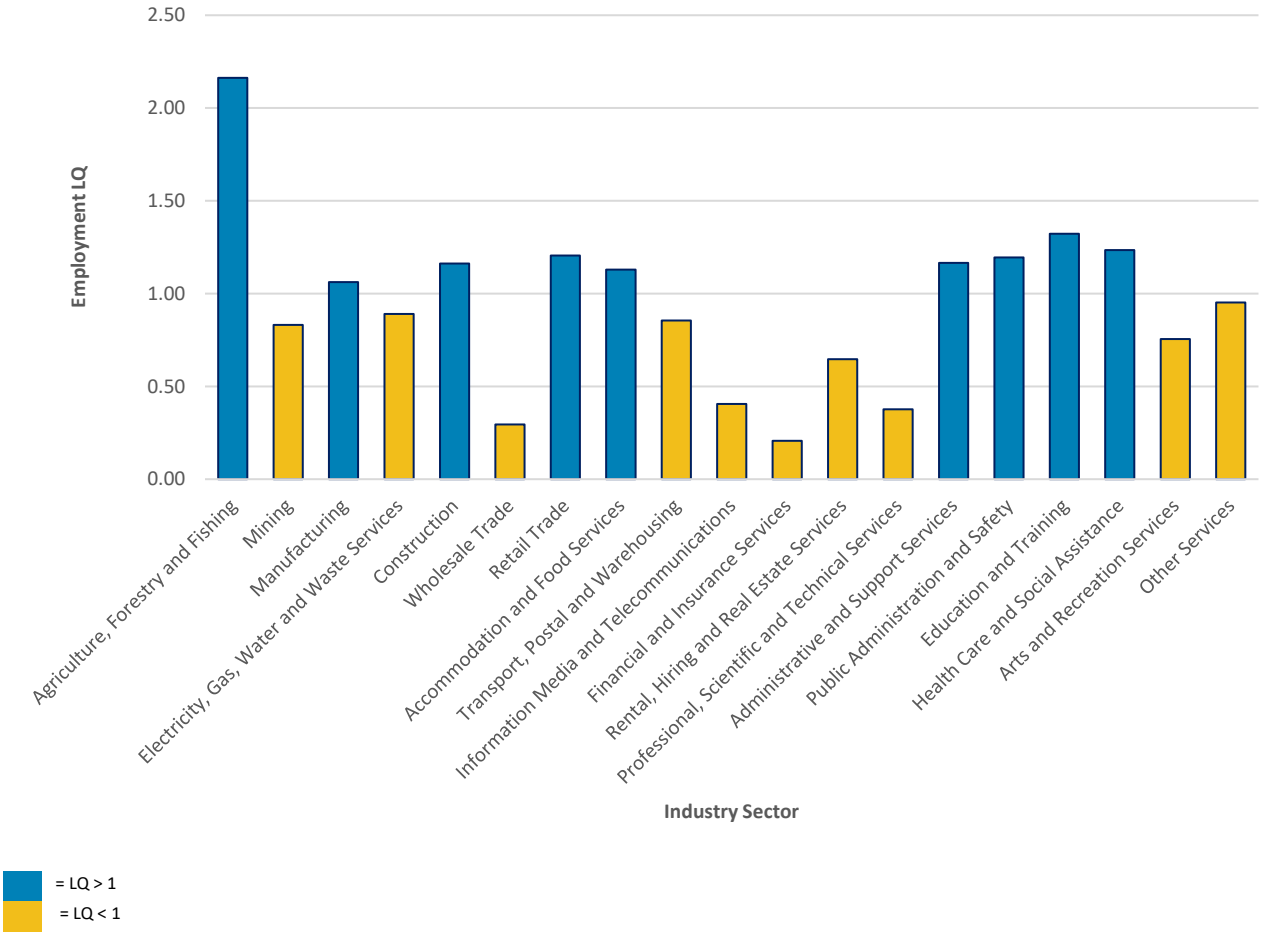
Employment location quotients provide one way of illustrating the relative strength or otherwise of the Macleay Valley's key industry sectors. A location quotient is a simple way of illustrating which are the main industries in the local economy, relative to the NSW average.

Employment Location Quotients

A location quotient (LQ) shows the percentage of local employment in a particular industry divided by the percentage of the NSW average that this industry makes up. Where LQ=1, that industry is exactly as prevalent as in NSW. A LQ greater than 1.2 indicates a significant specialisation of the industry in the local area – possibly a key economic strength. Higher numbers mean greater specialisations. Anything over 2 is a major specialisation.

As illustrated in Figure 4, in employment terms, the Macleay Valley has a high relative specialisation in **agriculture** compared to the State average, with a location quotient of 2.16. Other industries with a relative specialisation include **manufacturing** (1.06), **construction** (1.16), **education and training** (1.32) and **health care and social assistance** (1.24).

Figure 4. Employment Location Quotients, Macleay Valley to NSW, 2017/18



Source: economy.id, accessed January 2019 with interpretations by SC Lennon & Associates

Industry Growth / Share

Another means of informing an assessment of how the local economy is evolving and how it could develop, involves an assessment of industry trends and prospects. Figure 5 presents an employment growth-share matrix for selected industries in the Macleay Valley. A growth-share matrix highlights how each of the local area's selected industries performs relative to NSW as a whole with respect to its relative specialisation as indicated by its location quotient, its rate of average annual growth and its size as measured by the number of jobs in that industry sector. Stages in the growth-share matrix are as follows:

- **Expanding**: If in the top right quadrant (high average annual growth/higher than average concentration – as defined by the industry sector's location quotient). This is excellent news, implying a strong, adaptive industry sector.

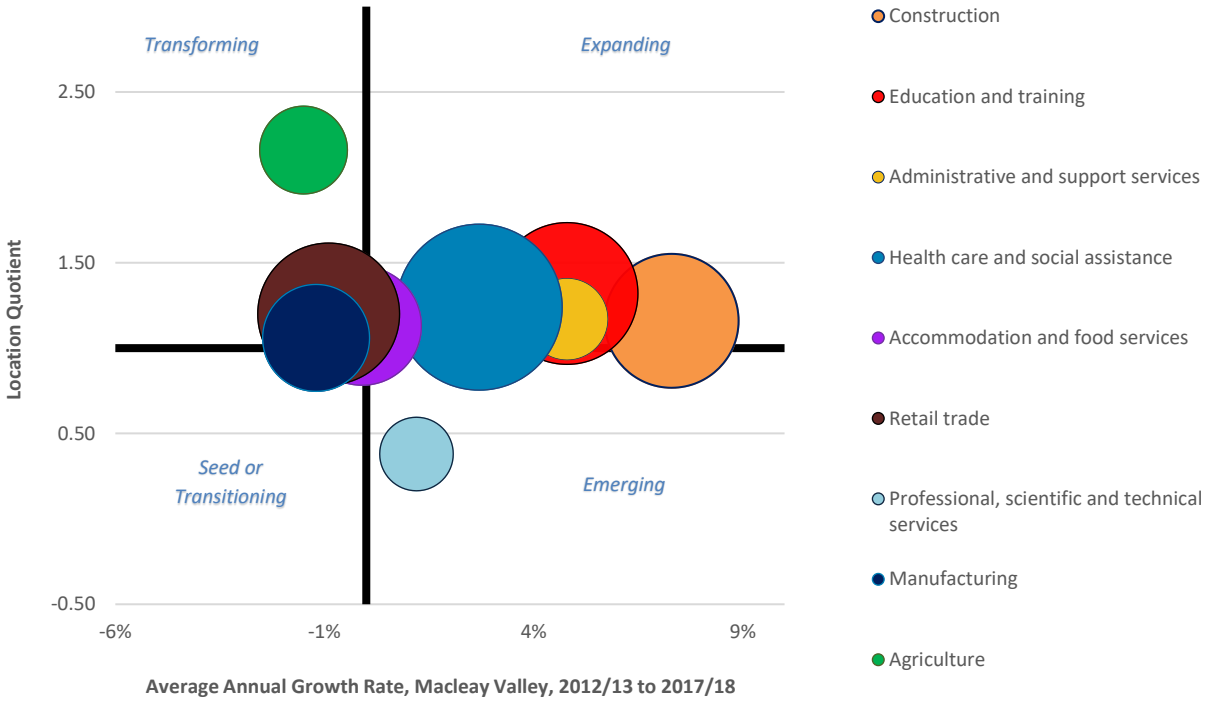
- **Emerging**: If in the lower right quadrant (high average annual growth/below average concentration), this is also good news, implying an emerging, growing industry that may need assistance to mature.

- **Transforming**: If in the upper left quadrant (lower than average annual growth/above average concentration), this is not good news, implying the industry is at risk (overall) and needing to increase innovation and productivity to compete with other regions.

- **Seed or Transitioning**: If in the lower left quadrant (lower than average annual growth/lower than average concentration), this could imply that the industry is neither developed nor growing in the Macleay Valley, or it could also mean that the 'seed' industry has some potential for growth.

As illustrated in Figure 5, the Macleay Valley's expanding industry sectors (high growth and high specialisation relative to the NSW average) include education and training, health care and social assistance and construction. The administrative and support services sector, although relatively small, has also displayed positive employment growth.

Figure 5. Industry Employment Growth-Share (Selected Industries), Macleay Valley to NSW, 2012/13 to 2017/18



Source: economy.id, accessed January 2019 with interpretations by SC Lennon & Associates

The Macleay Valley's traditional sectors of employment in agriculture and manufacturing are in a transformative stage of development given those industries' recent employment declines. Nevertheless, with the significance of manufacturing as an employer and contributor to local industry output and value-added, coupled with emerging

trends in the advanced manufacturing sector nation-wide (see below), there may be scope for this industry to consolidate and grow in future.

The professional and technical services sector, though relatively small in size compared to other industries in the Macleay Valley, is in an emerging industry with positive growth. It is these 'knowledge-intensive' service industries, together with areas of specialisation in agriculture and related (food product) manufacturing, education, health, tourism (and related industries) which will likely form the foundation of future economic growth and development.

3.2 Regional Development Policy Framework

There is a substantial amount of information and intelligence on the wider regional economy, representing a considerable amount of investment by key stakeholders. These policies and strategies will help frame a plan of action for economic development and tourism in the Macleay Valley. They include, for example:

The NSW Government's ***Hastings-Macleay Regional Economic Development Strategy 2018-2022*** (2018) articulates a vision for the wider region of which the Macleay Valley is a part, being one providing a diversity of opportunities and experiences to its residents and visitors, leveraging the strengths of the Hastings and Macleay valleys in production, services and natural and cultural resources. The strategy highlights the region's many specialisations being in health, education, retail, residential care, tourism, agriculture, aquaculture, forestry, food and clothing manufacturing, utilities and logistics.

The ***Mid North Coast (Connected)*** investment prospectus which was prepared by Regional Development Australia Mid North Coast in 2016, highlights the region's competitive advantages in its low-cost industrial land, affordable housing, appealing lifestyle, well-connected location and skilled workforce. It highlights the region's key industries to include education and training, heath care, aged care, food production, manufacturing, construction, retail trade and tourism.

The ***Mid North Coast University Economic Report*** (2018) recognises that the presence of a university campus in a regional town or city can have a significant impact upon economic prosperity of the relevant area. A university helps to retain young people, provides access to higher education, increases employment opportunities, generates housing demand and can create a cluster of supporting business opportunities. It identifies some of these impacts, and also provides supporting data to guide universities on the gaps in courses offered, and to ensure courses align with regional skill shortages and employment needs in the region.

3.3 Broader Economic Trends and Considerations

At the local / regional level, the future of industry will be influenced to a large degree by global megatrends. A megatrend is a significant shift in environmental, economic and social conditions that will play out over the coming decades. Megatrends that are emerging throughout the global economy will play a significant part in defining the economic development narrative of Australia's cities and regions, including the Macleay Valley. The following megatrends, though not exhaustive, are particularly relevant to the Macleay Valley:

The Internet of Things and Growth of the Digital Economy

Simply put, the Internet of Things is the concept of connecting any device with an 'on and off' switch to the Internet (and/or to each other). By 2020, Internet traffic at a global level will be 95 times higher than in 2005 (CISCO, 2016). The increase is determined by a higher number of users (4.1 billion by 2020), more connected devices and faster broadband speeds. By 2020, 71% of IP traffic will derive from smartphones, tablets and TV sets.

According to the Harvard Business Review (2017), digital transformation is real and widespread, and while not all organisations are ready for it, most business leaders see this as an opportunity rather than a threat. Cities, regions and organisations that form strategies now, to shift resources to new digital initiatives, and redesign their approach to business and governance, will have a distinct advantage.

Figure 6. Selected Megatrends

Source: SC Lennon & Associates

New (Advanced) Manufacturing

In Australia, the future for manufacturing is in highly specialised products and processes in areas such as medical technology, automated farming / ag-tech, agri-business, bio-pharmaceuticals, mining and processing technologies, aerospace and defence. Advanced manufacturing is the process by which knowledge-intensive value is added in both the pre- and post-production phase in areas including R&D, concept design, planning, engineering and after-sales service. The Advanced Manufacturing Growth Centre estimates that 41 per cent of global trade is now in intermediate goods, for example, components and research.

Rapid Transport Technology Change

History tells us that transport technologies are the principal catalyst for changes in patterns of urban and regional development. Individuals and businesses have always used technology to solve their transport problems, whether through the horse and cart, steam engine, car or aeroplane. What's different now is the pace of innovation. New technologies promise to transform the way we travel and move goods, whether by automated vehicles, drones, or quantum computing. It is difficult to predict which of these technologies will deliver on their promises, when they will become viable, what they will cost and whether customers will take them up in critical numbers.

The Emergence of the Smart City / Region

To succeed in the 21st Century economy our cities and our regions need to be productive and accessible, but they also need to be liveable. Great 'smart' cities and regions: attract talent and investment; encourage innovation and entrepreneurship; and create jobs and economic prosperity. Cities and regions that are 'smart' have the technology in place to improve the way they function and facilitate social and economic interaction and exchange and they are built on the concept of collaboration and sustainability. Figure 7 illustrates the key elements of a smart city / region.

Figure 7. Elements of a Smart City / Region

Source: SC Lennon & Associates using various 'smart city' references

High-Tech Food (and Alternative Energy) Production

Agriculture in Australia is continually evolving. For example, the horticultural sector is rapidly-growing and is Australia's third-largest agricultural sector after livestock and broad acre faming. Food production is evolving with a trend towards large-scale, technologically complex, high-yielding and resource-efficient production methods using renewable energy such as wind and solar generation to grow a diversity of products. Microgrids, which tie together electricity generation, storage and distribution at the local or regional level, offer a potential new source of local power generation which can leverage and contribute to more technologically-intensive and productive forms of agricultural production.

Australia's Evolving Visitor Economy

Australia's tourism industry continues to grow as new markets emerge, particularly in Asia where the Indian, Malaysian and Chinese middle-class is driving much of the industry's income growth. According to IBISWorld (2017), over the five years to 2022-23, Australia's tourism industry revenue is expected to increase by an annualised 3.0%

to total over $150 billion. The tourism industry is expected to further enhance its online capabilities as consumers increasingly use the internet to research and organise trips.

The Rise of the Creative Services Economy

Creativity and design are at the forefront of a rapidly changing world. Creative industries are different to other industries because 'creativity' is their primary source of value. They include cultural activities like film, music and art, and 'creative services' including architecture, design, marketing and software & digital content. Employment in creative industries is growing 40% faster than the Australian economy as a whole (Queensland University of Technology).

Education as a Driver of Regional Development

Economists have noted the high correlation between regional economic growth and higher educational attainment, which can be observed in cities and regions throughout the world. In Ireland for example, the Western Development Commission highlights the role of education, along with enterprise and employment - what it refers to as the '3Es' - as a key lever for economic development along with infrastructure and innovation.

Regions are successful because enterprises in these regions are successful. When enterprises grow, employment grows, and this depends on skilled and educated people. Policy to support the '3Es' of enterprise, employment and education must work together at all of a national, state and regional level to create dynamic regions.

Aspiring students in Australia's regions face unique challenges compared to their metropolitan counterparts such as lower average incomes and social dislocation associated with having to move away from home to attend university. According to the Australian Bureau of Statistics, people from major cities are twice as likely to hold a degree than those from regional and remote areas.

The above considerations are not exhaustive and are designed to provide food for thought.

3.4 The Local Visitor Economy

Visitation Overview

Australia's tourism industry continues to grow as new visitor markets emerge. In regional Australia, the visitor economy is on an upward trajectory, with visitors increasing on average by 4.1 per cent per annum over the past five years.[1] Australia's drive tourism market is generating new income opportunities for many regions, which are taking full advantage of the growth in demand for drive tourism experiences by promoting touring routes and associated activities (e.g. camping and walking) and providing the facilities and services that visitors seek.

And yet the tourism picture is different in the Macleay Valley. There are 687 persons employed in the local tourism sector (469 direct and 218 indirect) representing 6.3% of all employment and a full-time equivalent of 513 jobs, with the local workforce skewed towards younger females working part-time.

According to Destination NSW, the Macleay Valley's share of visitors to the NSW North Coast region has been falling. This runs counter to expectations given the quality of local attractions (see text box below). On the positive side, national and wider regional trends are encouraging and confirm real growth prospects if the Macleay Valley can increase its market share.

[1] Source: http://www.tourisminvestment.com.au/en/investment-opportunities/Regional-Australia.html

In 2017 the Macleay Valley received over a half million visitors. Of these, 56% were domestic overnighters, 42% were day-trippers and only 2% were international visitors. Collectively, during 2017, visitors spent $147 million in the Macleay Valley on hospitality and related services and $150 million on commercial accommodation.

Table 1. Macleay Valley Visitation and Visitor Nights Profile, 2017/18

	International	Domestic Overnight	Domestic Day Trippers	Totals
Visitors	9,449	300,255	224,678	**534,382**
Visitor Nights	56,697	1,196,293	n.a	**1,252,990**
Average Stay (Nights)	6	4	n.a	
Average Spend per Night/Trip	$53.22	$102.86	$96.00	
Spend	$3,017,549	$123,046,435	$21,569,088	**$147,633,071**
Commercial Accommodation Spend/Night	$65.82	$122.91	$0.00	
Commercial Accommodation Spend	$3,731,786	$147,035,253	$0.00	**$150,767,039**

Source: Tourism Research Australia, 2017, with interpretations by SC Lennon & Associates

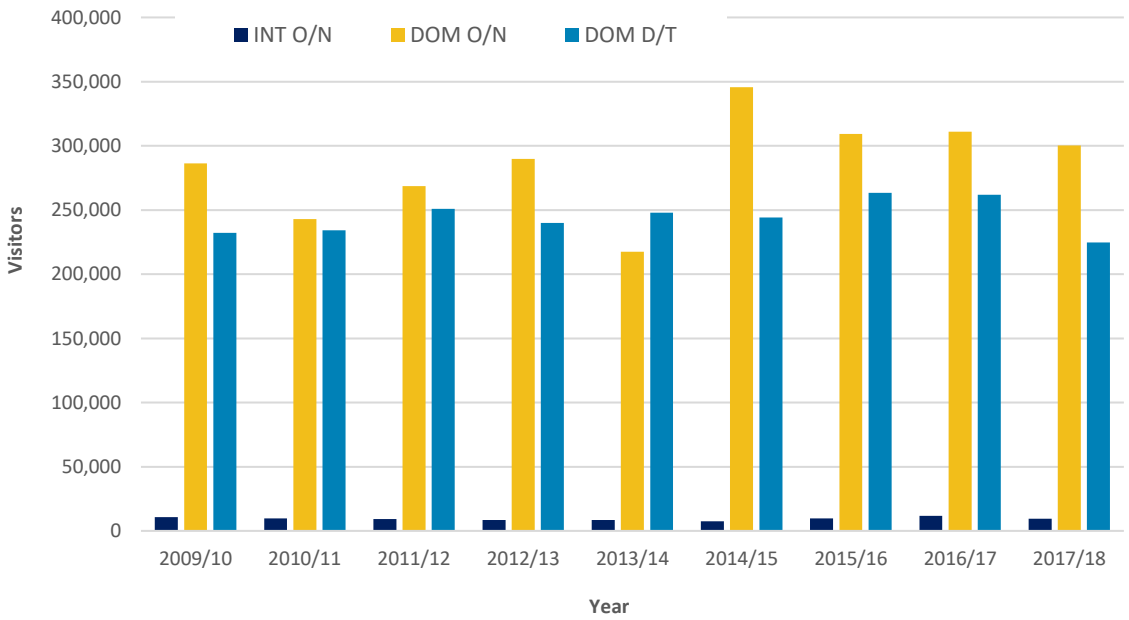
Families represent a significant proportion of visitors to the Macleay Valley, with a coastal holiday being the most popular. Families also make up a large proportion of repeat visitors, returning for the annual ritual holiday. The main purpose of travel is for holiday and/or leisure closely followed by visiting friends and family.

Grey nomads or 'wanderers' are adult couples or 'empty nesters' who have either retired or are semi-retired from the workforce. They tend to stay longer at destinations and travel during off-peak periods. They like the freedom to explore at their own pace and prefer to shop for local crafts and foods, as opposed to souvenirs. Their preferred accommodation is typically quality self-contained accommodation or B&B style, including cabins in caravan parks.

Visitor Trends

The trend in visitor numbers over the past decade in shown in Figure 8. All three market segments have experienced either no growth or a slight decline in visitor numbers.

Figure 8. Visitor Trends, Macleay Valley, 2009-10 to 2017/18



Source: economy.id, accessed January 2019, with interpretations by SC Lennon & Associates

These trends are of concern when considered against the background of growth in visitor numbers and nights generally in NSW. The Macleay Valley's visitor nights have fallen as a percentage of NSW numbers over the past three years.

Visitor Forecasts

Table 2 shows the official forecasts for visitor nights for regional NSW (outside of Sydney). These are somewhat lower than for the capital. Nevertheless, they show strong growth prospects for international tourism (albeit from a lower base than domestics) and solid growth for domestic visitors. Regions in NSW will be competing strongly to grow their share of this expanding tourism market.

Table 2. Forecast Average Annual Growth in Domestic and International Visitor Numbers to 2025, Regional New South Wales*

Purpose of Visit	International	Domestic
Holiday	5.2%	3.3%
Visiting Friends or Relatives	6.4%	1.5%
Business	0.2%	5.7%
Other	4.6%	3.4%

* Excludes metropolitan Sydney

Source: Tourism Research Australia, 2017

Tourism Policy Framework

At the Federal level Tourism Australia is responsible for ***Tourism 2020***, the Government's national tourism policy. This policy is somewhat out of date and due for renewal.

The ***Visitor Economy Industry Action Plan*** (NSW Government, August 2018) states: *"Marketing of Sydney will continue to play an essential part of future campaigns, but there will be a greater emphasis on bringing visitors into NSW's regional areas by marketing regional events, attractions and unique selling points".*

The ***North Coast Destination Management Plan*** (Destination North Coast NSW, March 2018) covers 14 local government areas including Kempsey Shire and has adopted a number of 'priority areas' from investment attraction to marketing and training. At the local level The ***Macleay Valley Coast Destination Management Plan 2014-2016*** (Kempsey Shire, March 2014) is somewhat out of date and is the subject of the current study.

There is a substantial amount of information and intelligence on the Macleay Valley's visitor economy, representing a considerable amount of investment by key stakeholders over time. These policies and strategies will help frame a plan of action for economic development and tourism in the Macleay Valley.

4. Strategic Challenges and Opportunities for Growth

The following matters will be the subject of consultation and engagement undertaken during the course of preparing the Macleay Valley Economic Development and Tourism Strategy. Previous studies do provide some insights. Some of these are summarised below as prompts for discussion.

4.1 The Local / Regional Economy

Challenges

- **Physical infrastructure constraints** - The *Hastings Macleay Regional Economic Development Strategy 2018-2022* reports that, at the regional level, water and sewerage services constraints are impinging on the development of land for housing and industry. Some local freight transport shortfalls have also been noted. Locally, a lack of entry statement signage has been raised specifically as an issue for the Macleay Valley.

- **Underutilised infrastructure assets** - Key local assets such as the Kempsey Airport and Kempsey Regional Saleyards are reportedly underutilised, with land use conflicts presenting a key challenge. Opportunities to better utilise these assets need to be considered and explored.

- **Community infrastructure constraints** – Other constraints noted include the supply of social, community, cultural and sports infrastructure to keep pace with population growth and an evolving demographic composition.

- **Housing pressures** - Population growth in the region has reportedly put pressure on housing supply and there is a demand for a mix of housing options.

- **Land use conflicts** - The challenges of population growth and an increased urban footprint need to be managed effectively to sustain the quality of the region's natural environment. Potential conflicts between employment land, residential and environmental land uses needs to be managed throughout the region.

- **Telecommunications infrastructure shortfalls** - It has been reported that poor quality communications linkages, exacerbated by delays in the NBN rollout, continue to hamper the region's productive potential.

- **Human resources / skills gaps** - The development and expansion in social services is revealing emerging skills gap, which are already evident in the aged care sector. These gaps are expected to widen given the ageing population profile and composition of inward migration. Training will need to continue to evolve to meet emerging skills needs. Only 8% of the Macleay Valley's population holds a university qualification compared to 14% for Regional NSW.

- **Lack of vocational training** - related to the previous point, there is an apparent lack of accessible training for key trades and technical occupations.

- **Pockets of social disadvantage** - The local 'SEIFA' index (a measure of social disadvantage) is the sixth-worst of all local government areas in NSW. This points to a population in critical need of economic development in their area.

- **Perceptions of Kempsey as a place to live, work and invest** - There is a perception held by some that Kempsey has a 'down-market' reputation. This needs to be addressed as part of local marketing, communications and investment promotion efforts.

Opportunities

- **Tertiary education** - Each of the wider region's three universities are significant to the Hastings Macleay economy and regional NSW more broadly. There may be opportunities for the Macleay Valley to tap into the growing education sector through linkages to the region's tertiary institutions. Concepts for delivering tertiary education in the Macleay Valley – such as a Country Universities Centre – could be explored.

- **Health and wellbeing** - The Macleay Valley's health and wellbeing sector is a key contributor to economic activity and a national growth sector. Previous reports suggest there is a need to address the skills and industry development needs of the region's health sector to support growth.

- **Aged care centre of excellence** - The *Hastings Macleay Regional Economic Development Strategy 2018-2022* highlights an opportunity for the region to investigate the establishment of an Aged Care Centre of Excellence in collaboration with tertiary institutions. There may be an ideal location within the Macleay Valley for such a facility.

- **Food production** - The Macleay Valley has a long history of agriculture and forestry. With large tracts of arable land combined with local knowledge and a strong manufacturing heritage, there is an opportunity to explore emerging agricultural production and processing activities that can contribute to the Macleay Valley's sustainable economic development.

- **Critical infrastructure investments to support industry and population growth** - Identifying priority needs and preparing business cases to support investment in the Macleay Valley's critical enabling infrastructure (transport, water, power) needs to be considered in support of other strategies to develop the local workforce and industries which will drive future prosperity.

- **Road freight infrastructure investments** - To support the region's industries, the Hastings Macleay Regional Economic Development Strategy highlights the need to improve the efficiency of freight movements within and beyond the region.

- **Indigenous Arts** - The Macleay Valley has a large Indigenous population (the local Aboriginal and Torres Strait Islander population is 11.6% compared to 5.5% for Regional NSW) and a strong Indigenous arts profile. There may be opportunities to grow the local Indigenous arts and creative industries sector.

- **Mid North Coast Correctional Centre** - There are plans to expand the correctional centre in West Kempsey. This may present local business opportunities.

4.2 The Visitor Economy

Challenges

The *Macleay Valley Coast Destination Management Plan*, (March 2014) listed the following weaknesses:

- Fragmented nature of tourism industry;
- Macleay Valley Coast tourism website;
- Shortage of high-end accommodation;
- Shortage of tourism experiences and products;
- Need for better public transport for visitors
- Negative perceptions of the Kempsey township (crime reporting vs reality of crime statistics); and
- Hinterland an underutilised tourism asset.

The Plan also noted a range of 'competitors', including:

- Other coastal destinations;

- World heritage national parks;
- The cruise market;
- Overseas budget holidays; and
- Affordable destinations such as Bali and Fiji.

Also noted were skills shortages in the following areas:

- Waiters;
- Bar attendants;
- Chefs;
- Cooks; and
- Pastry Cooks.

It appears that the scope for promoting Indigenous culture-based tourism is under-developed.

Opportunities

The region offers a number of key assets and experiences including:

- National Parks, State Forests and Nature Reserves.
- Unspoilt beaches and costal marine environments.
- Surfing, diving and a wide range of recreational pursuits.
- Infrastructure such as the Pacific Highway upgrade, airports, the railway and visitor information centres.

Perhaps the attraction of the region is best summed up by the quote in the text box below.

The Macleay Valley's Tourism Offer

The Macleay Valley Coast is an environmentally pristine coast and country destination that is popular among leisure-seekers and outdoor enthusiasts. Visitors are particularly attracted to the natural beauty of the Macleay Valley coastline. From gently rolling waves to pounding surf breaks, the variety and quality of local beaches make them some of Australia's best, with surfers travelling from around the world to experience the breaks at Crescent Head Surfing Reserve.

Within minutes of leaving the beach, visitors can also experience the Australian bush, complete with crystal clear creeks, rocky outcrops, towering eucalypts and good old- fashioned country hospitality. The Upper Macleay River offers some of Australia's best bass fishing, while lovers of the great outdoors come to camp, bushwalk, explore the restored timber towns and soak up the natural beauty.

Mountain biking and bush walking trails are enjoyed by nature lovers, with no fewer than 34 State forests, National Parks and reserves to choose from. Much of the Macleay Valley lifestyle is focused on the water, with plenty of locations and opportunities for boating, kayaking, paddle boarding and fishing.

Diving is an international draw card, with the dives off South West Rocks some of the finest in the world. Known as 'the divers dive', the famous dive off Fish Rock features one of the only dive-through caves in Australia and is home to an abundance of temperate and subtropical marine life, including turtles, rays, eels and fish, as well as being a breeding ground for the rare Grey Nurse Shark.

The Macleay is also home to a number of unique tourism icons, including historic Trial Bay Gaol, the most elevated lighthouse on the Australian East Coast Smoky Cape Lighthouse, the famous Akubra hat and the original Slim Dusty Homestead.

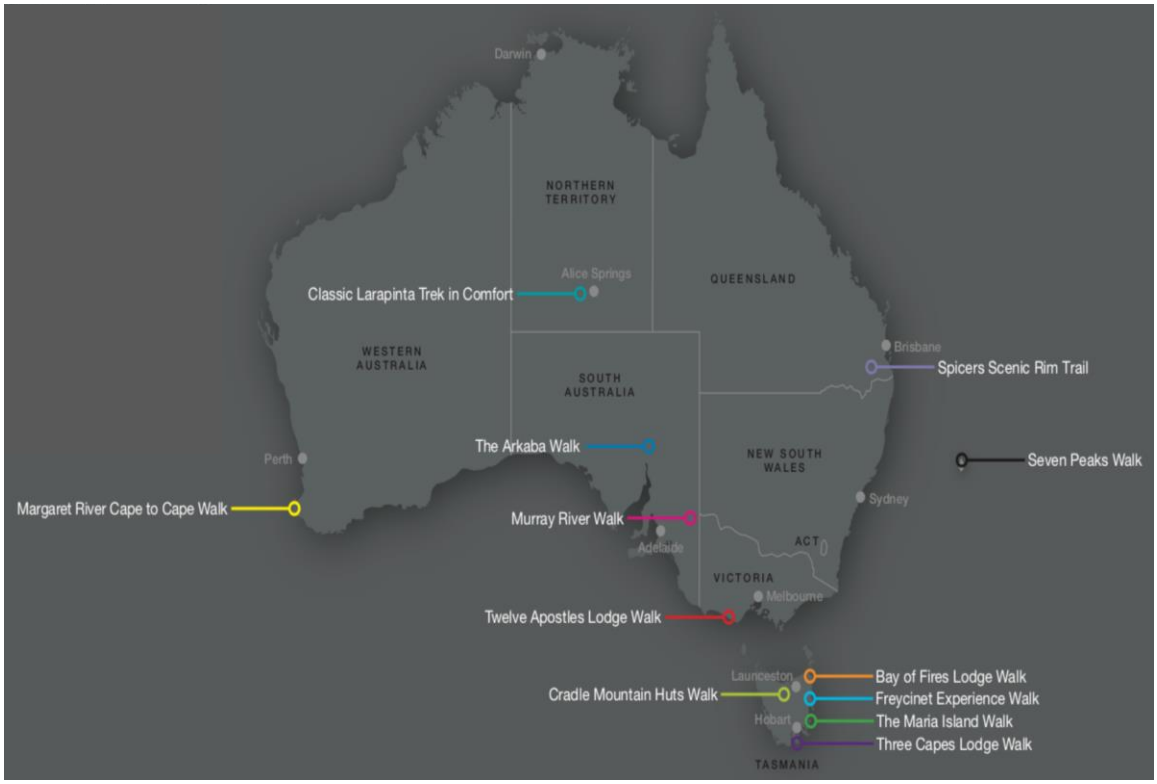
Source: Macleay Valley Coast Destination Management Plan, March 2014

In October 2013 the Macleay Valley Coast Destination Branding and Marketing Campaign was launched which carried the new 'Discover Something New' slogan. The campaign underpins Kempsey Shire Council's Corridor Master Plan and aims to create more widespread awareness of the area as an appealing destination for visitors. The branding was incorporated into the website at http://macleayvalleycoast.com.au/.

A project that presents a major opportunity to grow the local visitor economy is the 'Five' Headlands Trail'. The trail largely exists now as beach walks, national parks trails and some local pathways. It is not marketed as a whole attraction and many parts of the trail are in poor condition, overgrown and with no signage. Kempsey Shire Council owns a holiday park at each headland, and this is managed by ATPM (owned by NRMA).

There is a potential for the walk to be included in the 'Great Walks of Australia' group promoted by Tourism Australia (see Figure 9). This would extend the market to the high yield end with benefits for the regional economy.

Figure 9. Great Walks of Australia



Source: https://www.australia.com/en/things-to-do/signature-experiences-of-australia/great-walks.html

Most of the walks have options to avoid hard sections and there is a range of accommodation from luxury lodges through glamping to independent camping. All have guided tours available. It is noted that there are no walks listed for NSW, although there are many high-quality walking opportunities, especially in National Parks. However, these tend to be for 'adventure seekers' rather than the 'comfort in nature' market.

The local tourism offer is clearly of a high quality and the Macleay Valley's features and attractions align with key markets such as families seeking a coastal holiday, grey nomads or 'wanderers' and those seeking inclusive, luxury and nature-based experiences.

4.3 Exploring Opportunities for Economic Development and Tourism

Potential 'Focal' Industries

The analysis to date shows that those industries with existing relative strengths or prospects for growth, and which present opportunities for further investigation in the Macleay Valley, include **education and training**, **health care** (including aged care), **advanced manufacturing**, **agribusiness**, the **professional, scientific, technical and creative services** and **tourism**.

Other population-driven industries, like retail trade and construction are important employers which are reliant on the Macleay Valley's (and the wider region's) economic drivers for their own sustainability and growth.

Figure 10. The Macleay Valley's Economic Development - Areas for Further Investigation

Source: SC Lennon & Associates

The Macleay Valley's industry strengths and prospects, coupled with the area's lifestyle attributes, its location on the Mid North Coast and its relative affordability makes the area a potentially appealing prospect for industries which rely on ready connections to national and global markets and people seeking a lifestyle which offers the best of living combined with access to jobs, clients and markets throughout Australia and around the world.

These key industries and related areas of existing or potential economic activity (including project opportunities) will be further explored throughout the course of consultations and engagement to inform the preparation of the Macleay Valley Economic Development and Tourism Strategy.

Kempsey Shire Council's Role in Economic Development and Tourism

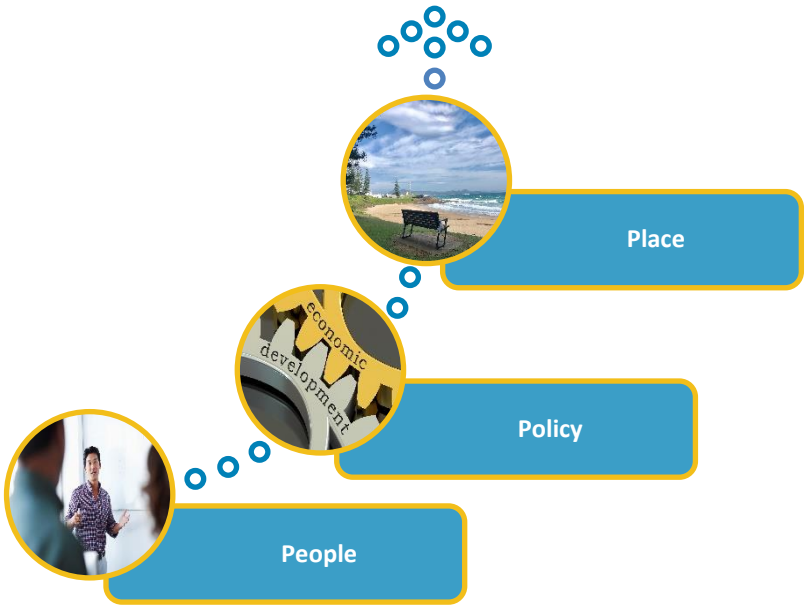
With respect to Kempsey Shire Council's role as a facilitator and promoter of economic development and tourism, these (and other) areas will be considered in terms of how Council and its partners in government and key institutions can influence the enabling environment for economic development and tourism through their role in providing or influencing the foundations of prosperity. Broadly speaking, these foundations include:

- **People** - that is, the Macleay Valley's human capital (skills) and the infrastructure and services required to grow the local skills base.

- **Policy** - planning for the Macleay Valley's future prosperity must have regard for 'regional governance', with a focus on the local investment environment - including Kempsey Shire Council's land use planning framework, regulations, protocols and procedures for investment attraction and means for providing access to business information/support programs.

- **Place** - a broad term which encapsulates the Macleay Valley's essential infrastructure, services and facilities. It includes road links, connections to ports and airports, power and water, employment land, digital communications and key health, research and education infrastructure and services. It also includes the Macleay Valley's 'lifestyle' attributes – its towns and centres, its parks and gardens, arts and cultural services and facilities and its recreation, leisure and entertainment facilities and its visitor attractions.

Figure 11. Economic Development Foundations



Source: SC Lennon & Associates

Addressing these enablers of economic development will underpin opportunities (and actions) to support the Macleay Valley's future prosperity.

References

Australian Government, Department of Jobs and Small Business (2018), *Small Area Labour Markets Australia, June Quarter 2018*

Australian Manufacturing Growth Centre Ltd (2017), *Advanced Manufacturing, A New Definition for A New Era*

Destination North Coast NSW (March 2018), *North Coast Destination Management Plan*

Destination NSW (2018), *LGA Profile - Kempsey and North Coast Region*

IBISWorld (October 2017), *Tourism in Australia*

Kempsey Shire Council (March 2014), *Macleay Valley Coast Destination Management Plan 2014-2016*

Lennon, S. (August 2017), *In Pursuit of Prosperity: Local Government and Economic Development*, in Local Government Focus, Volume 33, Number 8

NSW Government, Department of Premier and Cabinet (2018), *Hastings-Macleay Regional Economic Development Strategy 2018-2022*

Regional Development Australia Mid North Coast (2018), *Economic Impact of Universities on our Regional Cities*, prepared for Mid North Coast Local Health District

Regional Development Australia Mid North Coast (2016), *Mid North Coast (Connected)*

Tourism Australia (2011), *Tourism 2020*

Tourism Research Australia (2017), *Kempsey Area Profile*

http://macleayvalleycoast.com.au/, viewed 18th January 2019

http://www.tourisminvestment.com.au/en/investment-opportunities/Regional-Australia.html, viewed 16th January 2019

https://economy.id.com.au/kempsey, viewed 17th January 2019

https://future.transport.nsw.gov.au/designing-future/global-megatrends, viewed 17th January 2019

https://hbr.org/webinar/2017/12/what-digital-transformation-really-means, viewed 17th January 2019

https://www.australia.com/en/things-to-do/signature-experiences-of-australia/great-walks.html, viewed 17th January 2019

https://www.qut.edu.au/creative-industries/about/what-are-the-creative-industries, viewed 17th January 2019

https://www.techrepublic.com/article/10-ways-technology-is-changing-our-food/,viewed 15th January 2019

https://www.wdc.ie/what-are-the-levers-for-effective-regional-development/, viewed 16th January 2019

SC Lennon & Associates

economics • planning • policy • strategy

Offices in Brisbane and Melbourne

p: (07) 3312 2375

m: 0410 550 272

e: sasha@sashalennon.com.au

w: www.sashalennon.com.au