

North Coast Employment Land Review

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Introduction

MacroPlan Dimasi has been commissioned by the Department of Planning and Environment (DP&E) to undertake an employment land assessment on the Local Government Areas (LGA) that comprise the Mid and North Coast regions of New South Wales.

With a study period extending from 2011 to 2031, the following fifteen LGAs have been assessed: Byron; Ballina; Lismore; Kyogle; Richmond Valley; Clarence Valley; Coffs Harbour; Bellingen; Nambucca; Kempsey; Port Macquarie; Greater Taree; Gloucester and Great Lakes.

The objective of this research is to determine whether there is sufficiently zoned employment land 'capacity', focusing on urban land zoned for business, industrial and special uses purposes. In addition to determining the market position, we advise on potential sources of future employment land.

In order to ascertain an employment land 'status' for each LGA, the following tasks have been performed:

1. Quantify the stock of existing employment floorspace/land;
2. Identify and measure future supply of employment floorspace/land;
3. Derive employment projections by industry;
4. Quantified demand for employment floorspace and land;
5. A market gap assessment.

Our investigation has considered the locational context and the 'character' of each LGA in isolation and as part of the greater North Coast region. As such, our projections and recommendations consider both industry-wide and local intrinsic drivers that are influencing demand for employment floorspace/land in each LGA.

We note that there are limitations associated with this report.

Difficulties associated with redeveloping existing urban lands and the cost of delivering services may reduce the quantum of land available for future development, which may impede business and employment growth in the North Coast region.

MacroPlan Dimasi advises the Department of Planning and Environment to undertake detailed analysis of local environmental and general development constraints such as flooding, topography and other potential constraints. This type of investigation is expected to result in greater certainty surrounding the delivery of future employment floorspace and land in each LGA.

Moreover, we also acknowledge that the location of zoned land may not be appropriate or consistent with market need, which may also reduce the amount of employment land available for future needs. As a result of these locational and environmental constraints, more employment land may be required than suggested in this land assessment.

The information used in this report is informed by various local and regional planning policies, Australian Bureau of Statistics (ABS) data, desktop research, on-the-ground reconnaissance, DP&E population projections, DP&E issued land zone and floorspace ratio (FSR) planning GIS layers, previous studies, as well as considered feedback from the DP&E and each of the respective councils.

Section 1: Economic and Employment Context

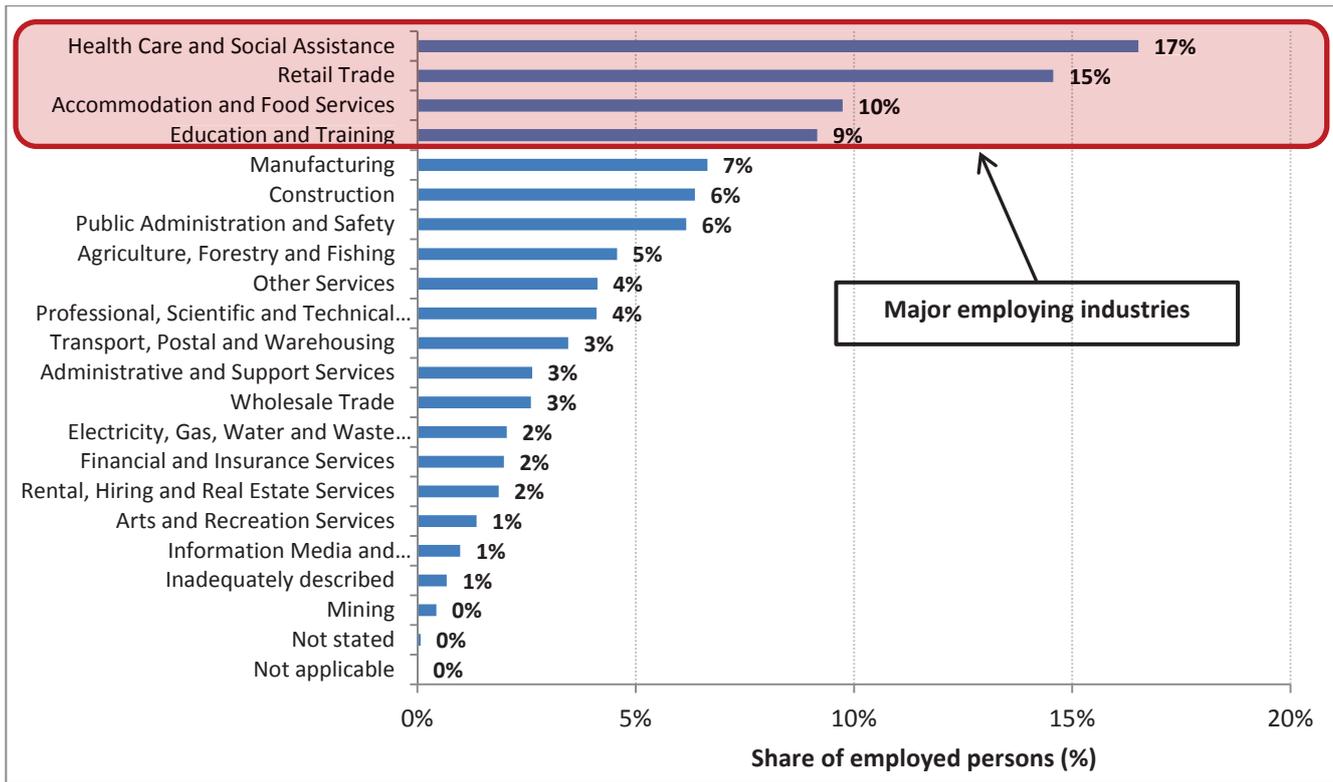
Originally entwined in agricultural and primary industries, the North Coast economy has evolved into an established, 'self-sustaining' region. It offers its residents homes, services and employment opportunities, and importantly across a diverse range of industries. Put simply, it is now a place in which people can live, work and play.

Entailing some of the eastern seaboard's most naturally blessed locations, the North Coast region is a popular tourist destination. The list of holiday spots is elongated, including Coffs Harbour, Byron Bay, Port Macquarie, Forster, Lismore, Taree, Grafton, Yamba, Lismore, Tweed Heads, Nambucca, Ballina and others.

The impact from tourism is considerable and widespread (from an expenditure and employment perspective), with tourist expenditure supporting jobs across a range of industries including Accommodation and Food Services and Retail Trade. The significance of tourism is evidenced by revenue figures for Byron LGA. According to the Byron Shire Council website, tourism expenditure exceeded \$382 million in 2011, supporting close to 2,400 jobs (full-time equivalents) across an array of industries.

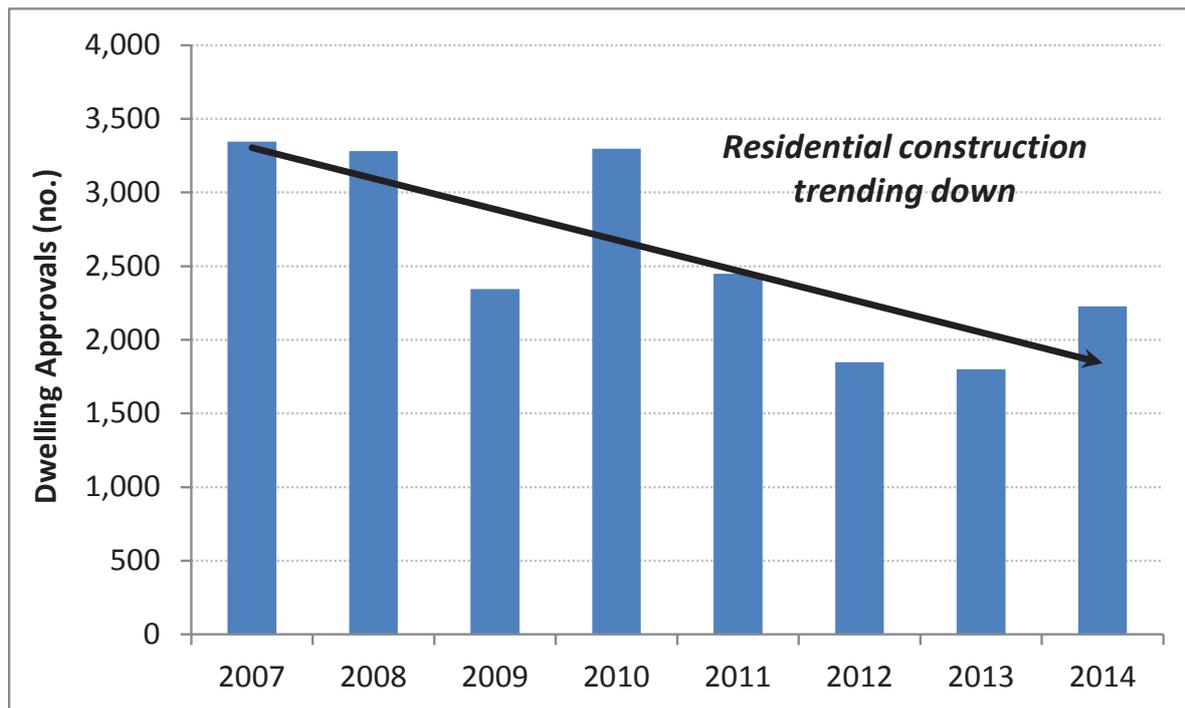
This interdependence is reflected in the region's current workforce composition. As at 2011, service denominated industries (which are synonymous with tourism and a growing local population) such as Retail Trade, Education and Training, Health Care and Social Assistance and Accommodation and Food Services, account for the majority of the local workforce. According to 2011 Census data, 51% of the region's workforce is engaged in these industries.

Figure 1 Employment Composition by Industry – North Coast (2011)



Source: Census of Population and Housing 2011

The North Coast region also has a significant manufacturing and construction presence. Combined, these two industries account for another 13% of the region’s workforce (as at 2011). However, following a period of weak housing construction (2009 to 2013) and fierce competition in the manufacturing sector (i.e. from cheaper international producers and increased off-shoring) across Australia, growth in these industries has been sparse, with the majority of North Coast LGAs registering outright job losses over the five years to 2011.

Figure 2. Number of Dwelling Approvals – North Coast (2007-2014)

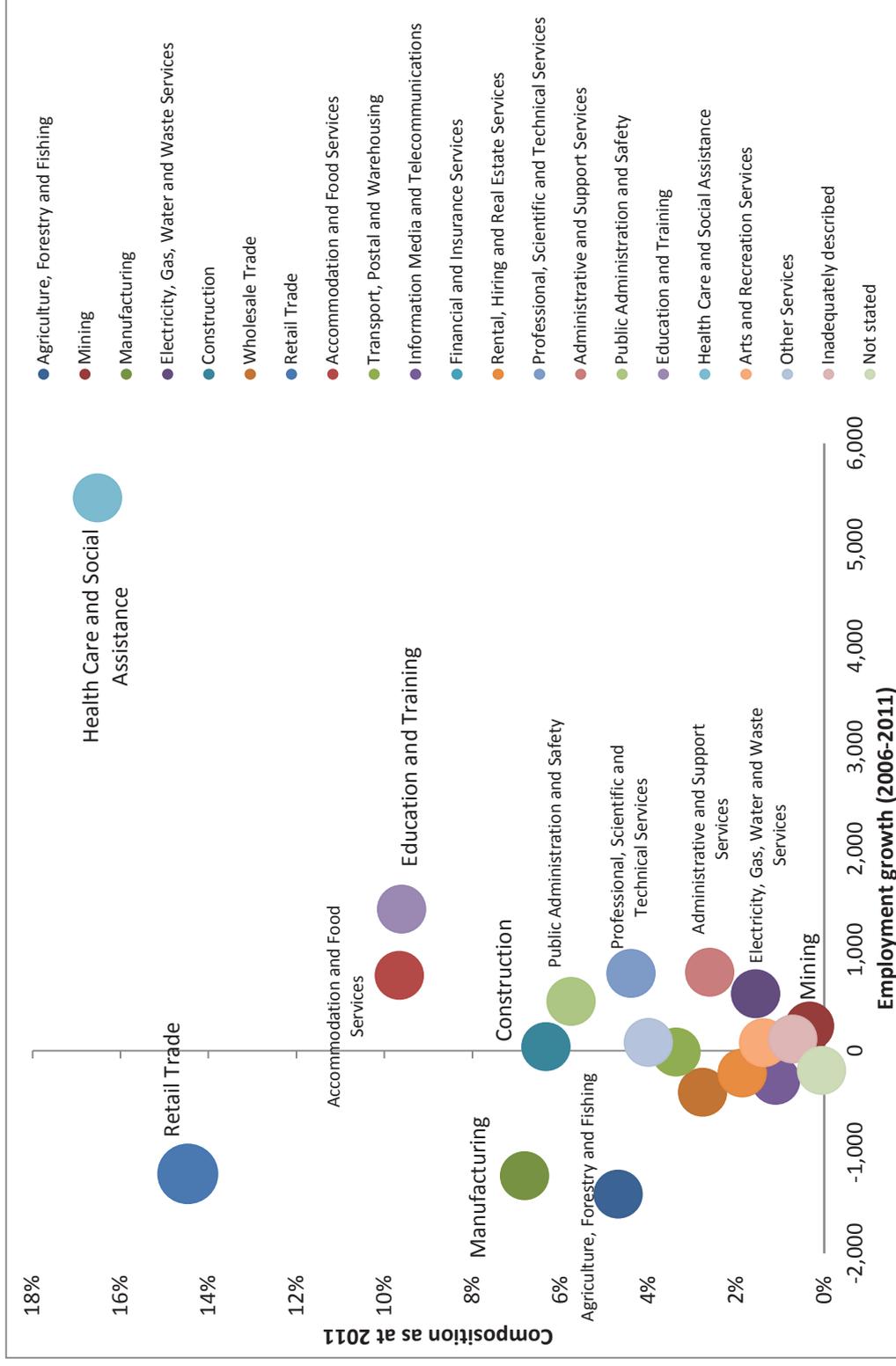
Source: 8731.0 Building Approvals, Australia

Benefitting from an abundance of natural amenity and coastal foreshore, the region's popularity is anticipated to gather momentum in the future. It will continue to be a 'home and workplace' for its residents, as well as a choice destination for visitors. This, however, means that the North Coast region and its economy rely heavily on visitation and sustained population increases for economic growth and overall prosperity.

Employment Growth (2006-2011)

Between 2006 and 2011, the North Coast workforce expanded by 5,582 jobs, at an average rate of 1,116 jobs per annum. At 3,888 jobs, the Mid North region accounted for close to 70% of total jobs growth in the North Coast. The next chart presents jobs growth by industry composition for the North Coast region.

Figure 3. Employment Composition and Change – North Coast region (2006-2011)



Source: Census of Population and Housing (2011)

Key findings pertaining to our examination of historical (between 2006 and 2011) employment growth in the North Coast region include:

- Twelve (12) industries registered employment growth
- Nine (9) industries recorded outright job losses
- Jobs growth has been dominated by service-orientated and 'professional' industries
- Of all industries, job creation was most pronounced in Health Care and Social Assistance (+5,461), followed by Education and Training (+1,401)
- Traditional industries such as Agricultural, Forestry and Fishing (-1,414) and Manufacturing (-1,233) registered significant job losses
- The largest employing industry in 2006, the number of jobs in the Retail Trade industry contracted by 1,213 over the five years to 2011

Our analysis of employment by industry indicates the workforce profile of the North Coast region is undergoing change. Industries such as Manufacturing, Retail Trade and Agriculture, Forestry and Fishing, which have dominated employment in the past, have either contracted or experienced negligible growth recently. For example, employment in Retail Trade (the largest industry as at 2006), contracted by over 1,200 jobs between 2006 and 2011.

Census 2011 data indicates growth industries are service-oriented and population driven. Combined, Health Care and Social Assistance and Education and Training created an additional 6,862 jobs over the five years to 2011. This growth was in response to an expanding resident population and a pick-up in the rate of ageing. As a result, Health Care and Social Assistance has emerged as the largest employing industry in the North Coast region, engaging approximately 17% of the region's workforce.

There has also been a shift in professional or office based employment. The Professional, Scientific and Technical Services and Administrative and Support Services industries registered significant employment growth during this period – expanding by 1,544 jobs over the five years to 2011.

Major Demographic Drivers

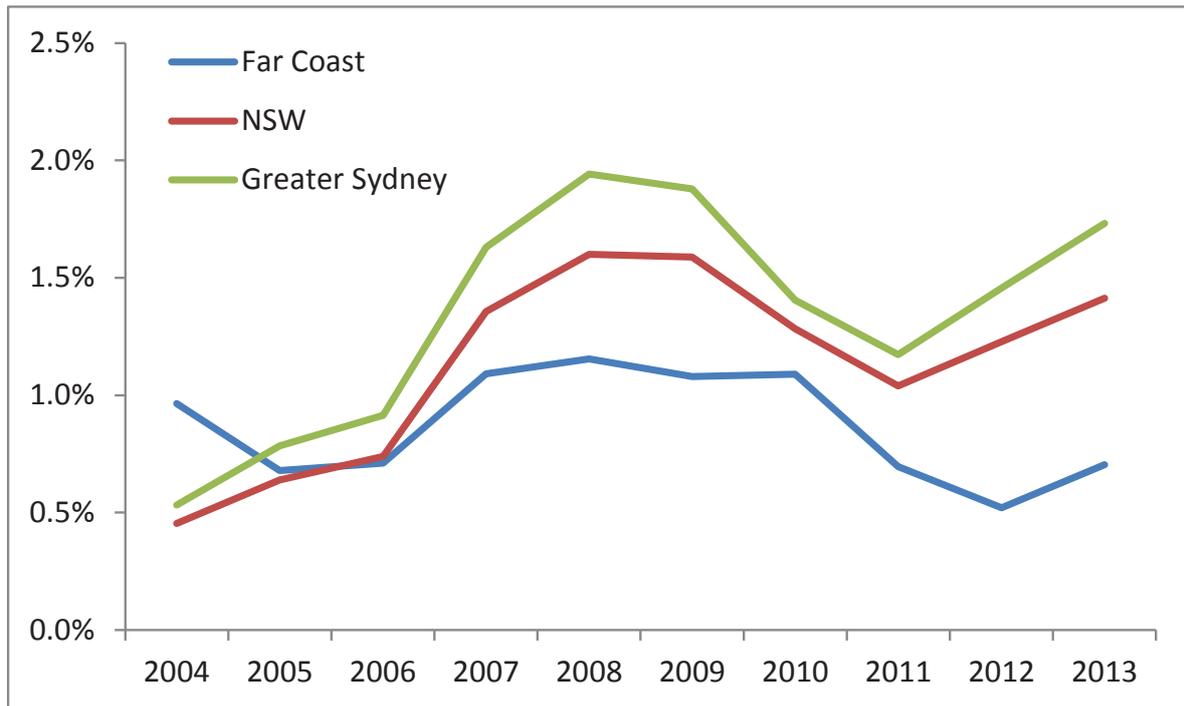
While remaining a popular tourist destination, the North Coast is also expected to face some major challenges in the future. Concurrent demographic shifts and broader market drivers are expected to play a crucial role in shaping the region's economy, particularly in population-driven industries e.g. Retail Trade, Education and Training and Health Care and Social Assistance. Key emerging demographic forces in the North Coast include:

- A slower rate of population growth
- Pronounced ageing within the resident population
- Sustained outflows of young working adults

Slower population growth

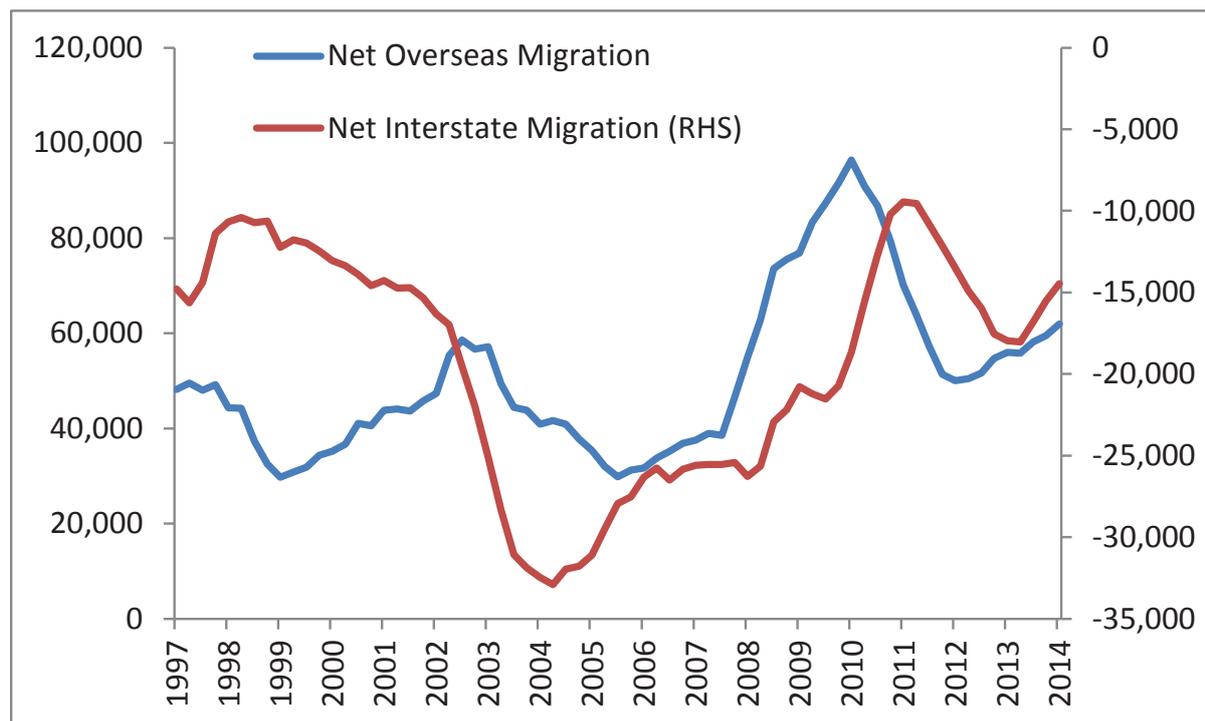
Between 1991 and 2001, the North Coast's resident population expanded by 79,312 persons, at an average rate of 1.6% per annum. This elevated rate of population growth has been underpinned by a wave of 'sea changers', who upon retirement, migrated from Sydney and other regions throughout New South Wales. Following this surge, a lower rate of population growth ensued of 0.8% per annum between 2001 and 2007.

Over the three years to 2010, population growth recovered (averaging 1.0% per annum). While an improvement on the 2001 and 2007 period, the observed rate of growth remained below that recorded in Sydney (1.7% per annum) and New South Wales (1.5% per annum). Since 2010, population growth has deteriorated, to a new low point of just 0.6% per annum over the two years to 2013.

Figure 4. Population Growth – North Coast, NSW and Greater Sydney (2003-2013)

Source: 3218.0 Regional Population Growth, 2012-13

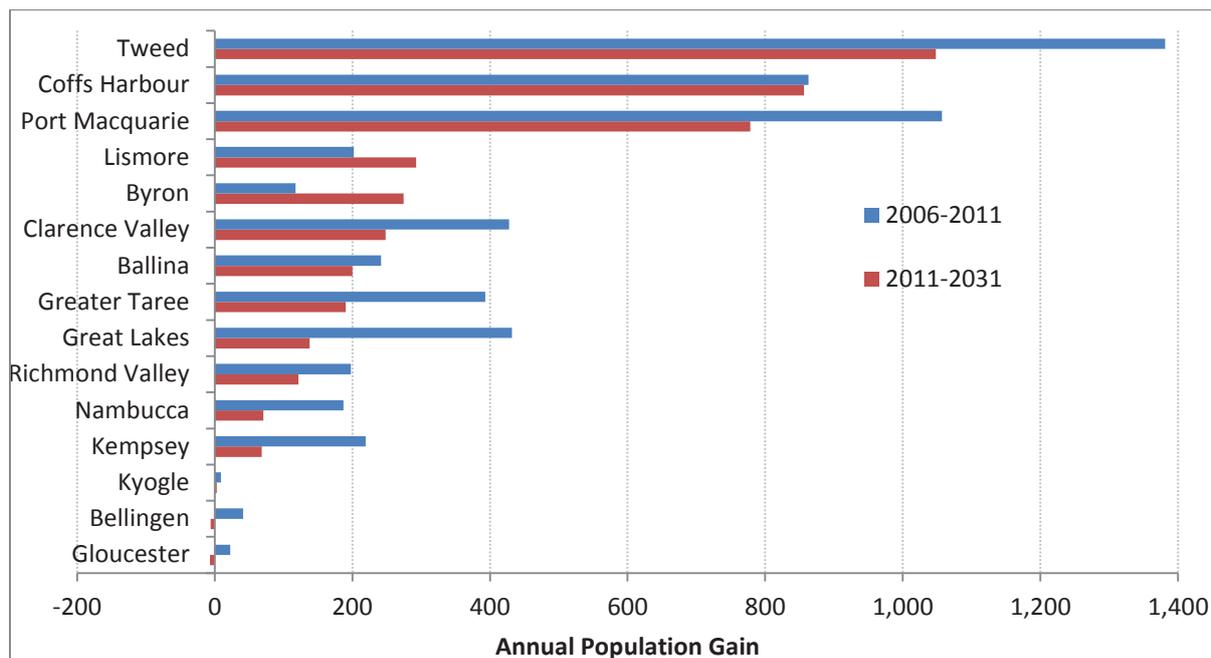
The impetus behind population growth in New South Wales and Sydney has been a surge in net overseas migration. Filling in the void left by local workers exiting the labour force, skilled migrants represented a 'quick fix' solution for supplementing diminishing labour resources. For New South Wales, net overseas migration surged in 2007, before peaking in 2008 (at 96,000 persons). While the overall level has eased from this peak level, it remains high by historical standards with 59,960 per annum since Dec 2009.

Figure 5. Net Migration – New South Wales (March 1996 – March 2014)

Source: 3101.0 Australian Demographic Statistics

For the North Coast region, overseas migration represented the second largest source of population growth. Over the five years to 2011, migration from this group amounted to 9,173 persons, accounting for 39% of total migration into the region (23,259 persons over this period). While high for the North Coast region, growth in overseas migration has not been on par with New South Wales and Sydney. Furthermore, the region also experienced a considerable outflow of 2,915 persons to interstate locations, predominantly Queensland.

The Department of Planning and Environment population projections indicate slower trend population growth for the North Coast. According to the recent August release, population growth in the North Coast is expected to average just 0.6% per annum between 2011 and 2031. This anticipated rate of expansion is significantly below that experienced during the 1990s, but equivalent to that observed over the three years to 2013 – which was a low-growth period. Sustained low population growth is expected to have significant repercussions on the North Coast region.

Figure 6. Historical and Projected Annual Population Change by LGA (2006-2011 & 2011-2031)

Source: *Census of Population and Housing (2011)*; *Department of Planning and Environment (2014)*

According to DP&E projections, the three most populated LGAs are expected to incur the majority of the region's population growth, accounting for 62% of the gain. In contrast, minor reductions are anticipated for two of the region's least populous LGAs between 2011 and 2031 – Gloucester -150 persons and Bellingen -100 persons¹.

Pronounced ageing and retention of young working adults

The North Coast's resident population is ageing. Representation amongst 65+ persons has increased from 18.4% in 2003 to 22.1% as at 2013.

Rising representation from this group has been underscored by solid growth. Over the decade to 2013, the number of 50+ persons increased on average by 2.6% per annum, and for 65+ residents, 2.7% per annum. A proportion of this increase can be attributed to net migration of senior residents into the North Coast from Sydney and other NSW locations, which totalled 4,295 persons over the five years to 2011.

¹ Based on 'LGA Summary' projections

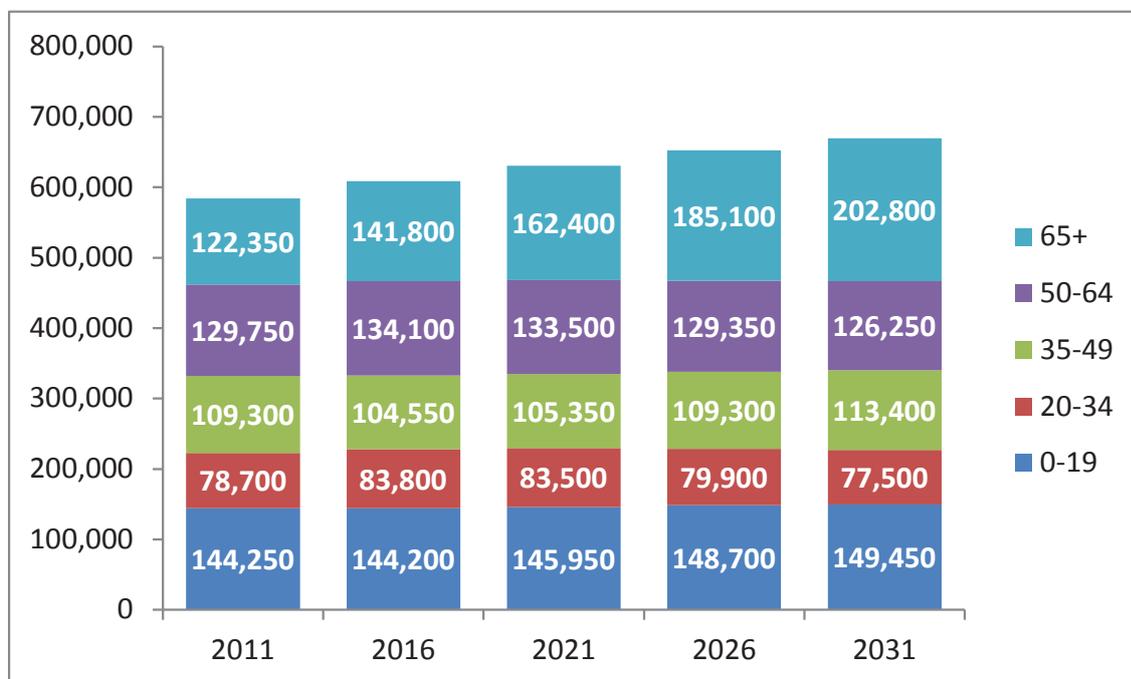
Table 1.1
Population Growth by Age - North Coast (2003 - 2013)

Age Cohort	2003	2013	Annual Growth
0 -19	146.1	143.5	-0.2%
20-34	77.0	79.6	0.3%
35-49	116.1	105.6	-0.9%
50-64	103.2	131.9	2.5%
65+	99.8	130.7	2.7%
Total	542.3	591.3	0.9%

Source: 8731.0 Building Approvals, Australia

At the same time, growth in young working residents was negligible. According to ABS population statistics, the number of 20-34 year olds remained static between 2003 and 2013 – increasing by just 0.3% per annum. Low growth in this cohort is consistent with migration data, which exhibited a net outflow of young working adults to other regions (3,878 persons over the five years to 2011).

Figure 7. Population Growth by Age – North Coast (2011-2031)



Source: Department Planning & Environment (2014)

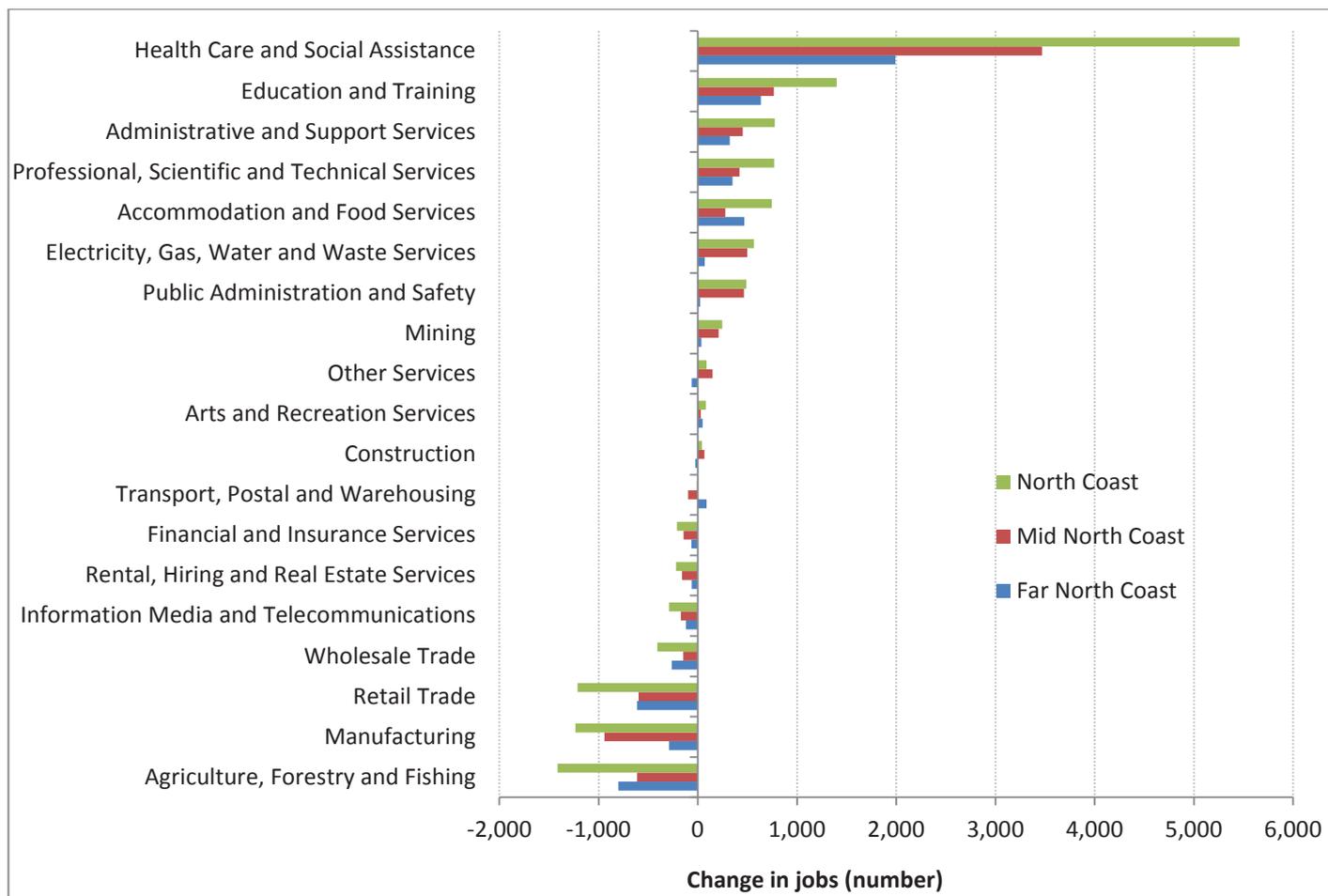
According to DP&E projections, population growth is expected to be most pronounced in the 65+ age cohort. At 2011, persons aged 65+ accounted 21% of the region's population, however by 2031, this proportion is expected to rise to 30%, taking the total population within the age cohort to approximately 202,800 (growth of 80,450 persons). Moreover, the number of 20-34 year olds is expected to drop by 1,200 persons between 2011 and 2031.

Direct Implications from Demographic Changes

These concurrent demographic forces are likely to present the region with many challenges in the future, many of which centre on the region's ability to supplement the rate of retirement.

Combined with weak growth in young working adults (retention of locals or from migration), it is expected labour shortages will eventuate in the North Coast region, particularly as the rate of retirement increases (in line with DP&E projections). In the future, this may hinder the region's ability to provide services to an ageing and growing resident population.

Opportunities are also expected to present from ageing. The rapid expansion in senior citizens is expected to support growing demand for health and social services. Already the largest employing industry in the region (17%), jobs in Health Care and Social Assistance grew by an additional 5,460 jobs between 2006 and 2011.

Figure 8. Employment Change by Industry – North Coast region (2006-2011)

Source: Census of Population and Housing (2011)

Consistent with its employment profile, there has been solid investment in health and aged care capacity in the North Coast region. According to ABS Building Approvals data, the value of health building approvals averaged \$106.8 million over the two years to 2014 – a 420% increase on that recorded over the six years to 2012. Similarly, the value of aged care building approvals has been solid, averaging \$38.4 million per annum since 2007.

In preparation for the anticipated growth in senior citizens, there is a significant volume of health building projects currently underway, and more planned for the future. Current and planned major hospital projects in the North Coast region include:

1. Port Macquarie Base Hospital Expansion project (\$110 million)
2. Kempsey Hospital Redevelopment project (\$81 million)
3. Lismore Base Hospital Redevelopment project (\$80 million)

4. The new Byron Central Hospital project (\$80 million)
5. Greater Taree Base Hospital Redevelopment project (\$26 million)
6. A new multi-purpose medical and allied health clinical education centre in Taree LGA (located within the grounds of the Manning Base Hospital)
7. Redevelopment of the Casino and District Memorial Hospital (redeveloped emergency department and four new treatment bays and two resuscitation bays).

An ageing population will continue to support demand for health services at traditional health facilities such as hospitals, as well as at other facilities such as aged care villages and private residential dwellings (through home care services). The ability of this industry to facilitate rapid employment growth in the wake of the GFC demonstrates its resilience to adverse economic settings – empirically, demand for health services is immune from cyclical fluctuations. Significant growth is expected in the future.

Table 1.2
Average Annual Health Building Approvals by LGA (\$m) - 2007-2014

LGA	2007 - 2012 Annual Average	2013 - 2014 Annual Average
Port Macquarie - Hastings	3.1	43.4
Lismore	5.4	26.6
Kempsey	0.2	22.8
Greater Taree	1.4	5.1
Coffs Harbour	8.4	2.7
Tweed	1.0	2.2
Clarence Valley	4.5	2.0
Nambucca	0.1	0.6
Byron	0.1	0.4
Gloucester	0.0	0.4
Kyogle	0.2	0.3
Richmond Valley	0.1	0.2
Ballinga	0.3	0.1
Great Lakes	0.3	0.0
Bellingen	0.2	0.0
North Coast	25.4	106.8

Source: 8731.0 Building Approvals, Australia

Industry Outlook

Traditional Industries

Structural change is apparent in the North Coast. In line with national trends, traditional labour intensive industries such as Manufacturing and Agriculture, Forestry and Fishing are making way for higher-order service and professional industries (Health Care and Social Assistance etc.). Employing approximately 11.5% of the region's workforce, job losses in these industries have been significant –2,627 jobs were shed over the five years to 2011. This contraction has been underpinned by a historically high Australian dollar, subdued demand and increased international competition.

Looking forward, the decline in Manufacturing's share of total employment is set to continue. Similarly, the long term outlook for the Agriculture, Forestry and Fishing industry is expected to be weak, due to continued consolidation in the industry. While growth has been registered in some LGAs (e.g. manufacturing jobs increased in Kyogle, Richmond Valley and Nambucca LGAs), broader market forces (e.g. international competition and consolidation) are expected to present significant challenges for these industries in the future.

For the Construction industry, weak residential building activity has hindered employment growth with just 42 jobs created over the period. In the absence of the Pacific Highway upgrades, MacroPlan Dimasi expects outright job losses would have eventuated.

In the absence of new infrastructure projects and sustained non-residential construction (particularly in health), the outlook for the construction industry is uncertain. While housing and demographic fundamentals all point to a property market upturn, significant service and infrastructure costs are expected to limit the scope of a recovery.

However, on the balance, residential construction in the North Coast region is expected to be underscored by an ageing population and inflows of retiree households from other locations. When combined with continued investment in non-residential buildings (e.g. health, industrial, education airports, retail and commercial) it is expected there will be jobs created in the construction sector.

Tourism

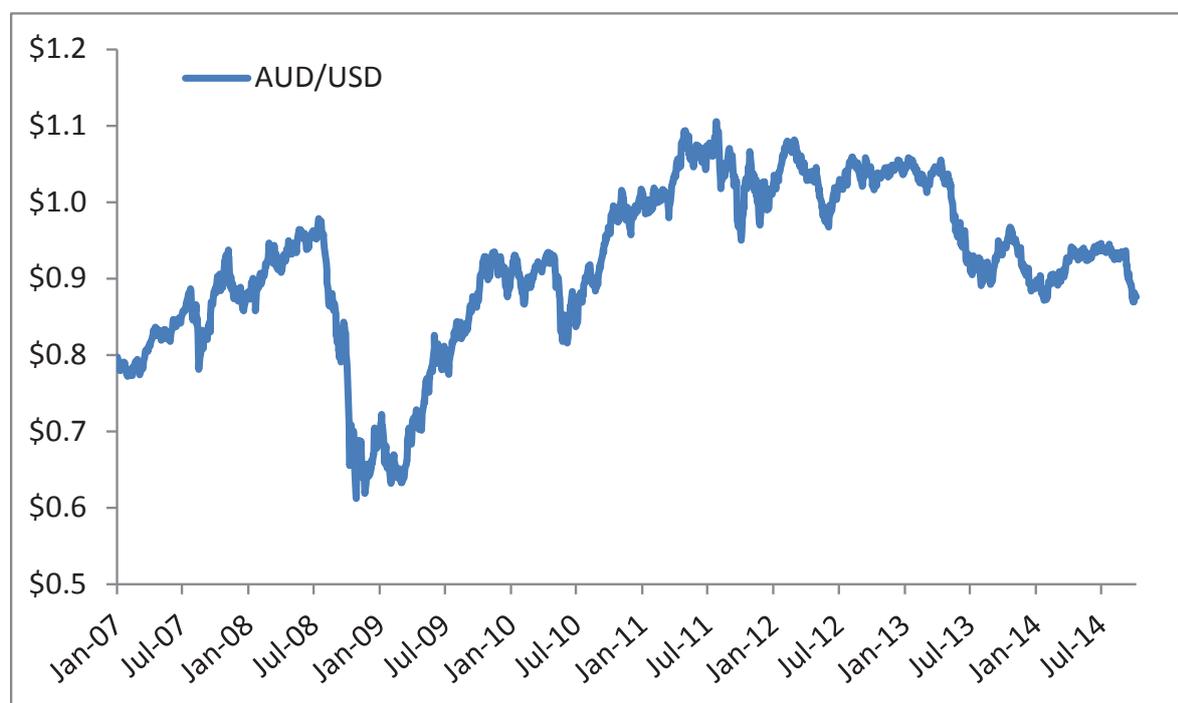
Tourism, along with other trade-exposed sectors such as Manufacturing and Agriculture, is prone to broader market forces and changes in consumer expectations.

As noted previously, the importance of tourism to the North Coast local economy is significant. As at 2011, 26% of all jobs in the region were within designated tourism industries such as Accommodation and Food Service, Retail Trade and Arts and Recreation Services.

Since a low point of \$0.60 against the US Dollar in November 2008, the Australian dollar has appreciated significantly, where in May 2011 it reached US\$1.10 - its highest point since the dollar was floated in 1983.

From an international perspective, the high Australian dollar has impacted the local tourism sector – a high dollar reduces the relative ‘attractiveness’ of Australia as a destination. While visitation from international tourists did improve since 2012 (5% over the 12 month period), growth could have been much greater if the Australian dollar had been lower.

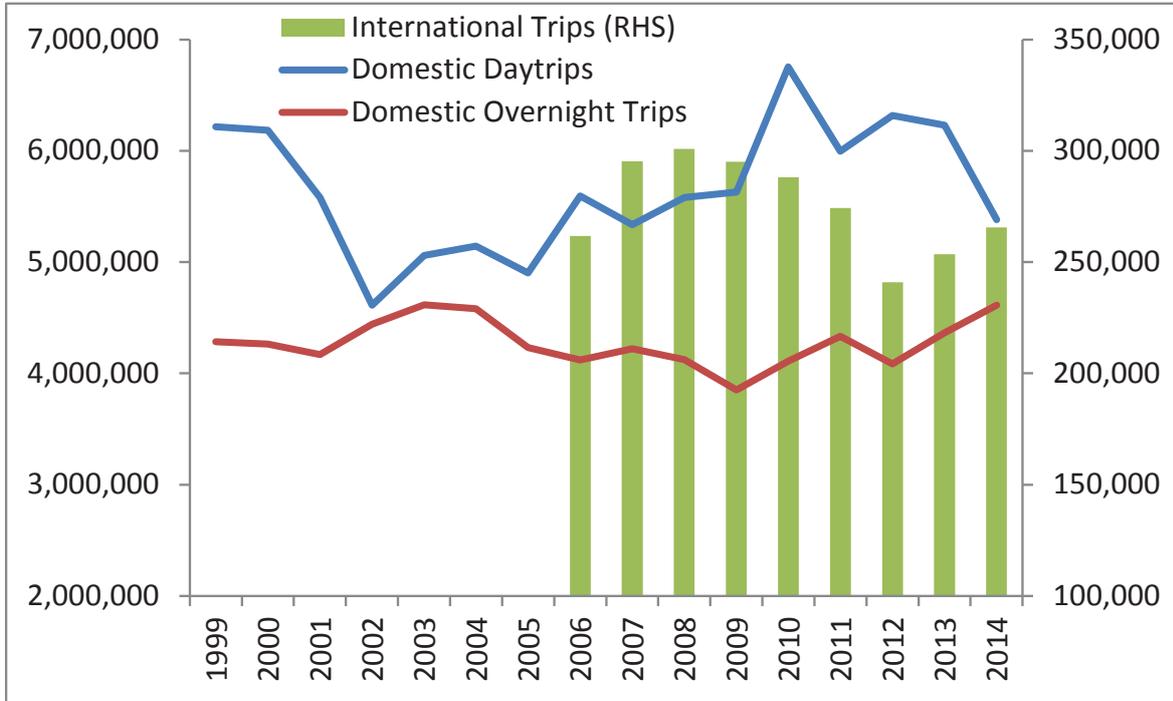
Figure 9. AUD/USD Spot Rate (January 2007- September 2014)



Source: RBA, MacroPlan Dimasi

Moreover, a higher dollar increased the purchasing power of Australians travelling abroad. This environment coupled with airfare discounting amongst international carriers resulted in a large volume of Australians leaving the country for holidays.

Figure 10. Domestic and International Trips (1999–2014)



Source: Tourism Research Australia

Unlike other dominant tourist destinations such as Queensland’s Sunshine Coast and Gold Coast, domestic tourist numbers within the NC have fared a little better as a decline in domestic daytrips has coincided with an improvement in domestic overnight trips. Nevertheless, domestic tourism numbers have weakened over the past 12 months, in the order of -6%. Moreover, over the 12 months to June 2014, the number of domestic daytrips to the region totalled 5.38 million which represents a decline of 14% over the 12 months previous.

To a degree, this has resulted in job losses in the region’s second largest employing industry (retail trade), amounting to 1,213 jobs over the five years to 2011. While some of this could be attributed to subdued local consumer confidence (due to the GFC), weak growth in tourist volumes did not augur well for this industry.

More recently, the Australian dollar has depreciated (down to around 0.80 AUD per USD as at December 2014), and is on course to drop further by the end of 2015 (to 0.70–0.75 AUD). Given that the international segment has been less responsive than the

domestic sector, a depreciating Australian dollar will surely result in greater overall patronage to the North Coast. This is reflected in planned airport and tourism related upgrades in the North Coast region, including the Ballina-Byron Gateway Airport and the Grafton Regional Airport expansion projects, and the beach replenishment and upgrade of the Kingscliff Beach Holiday Park.

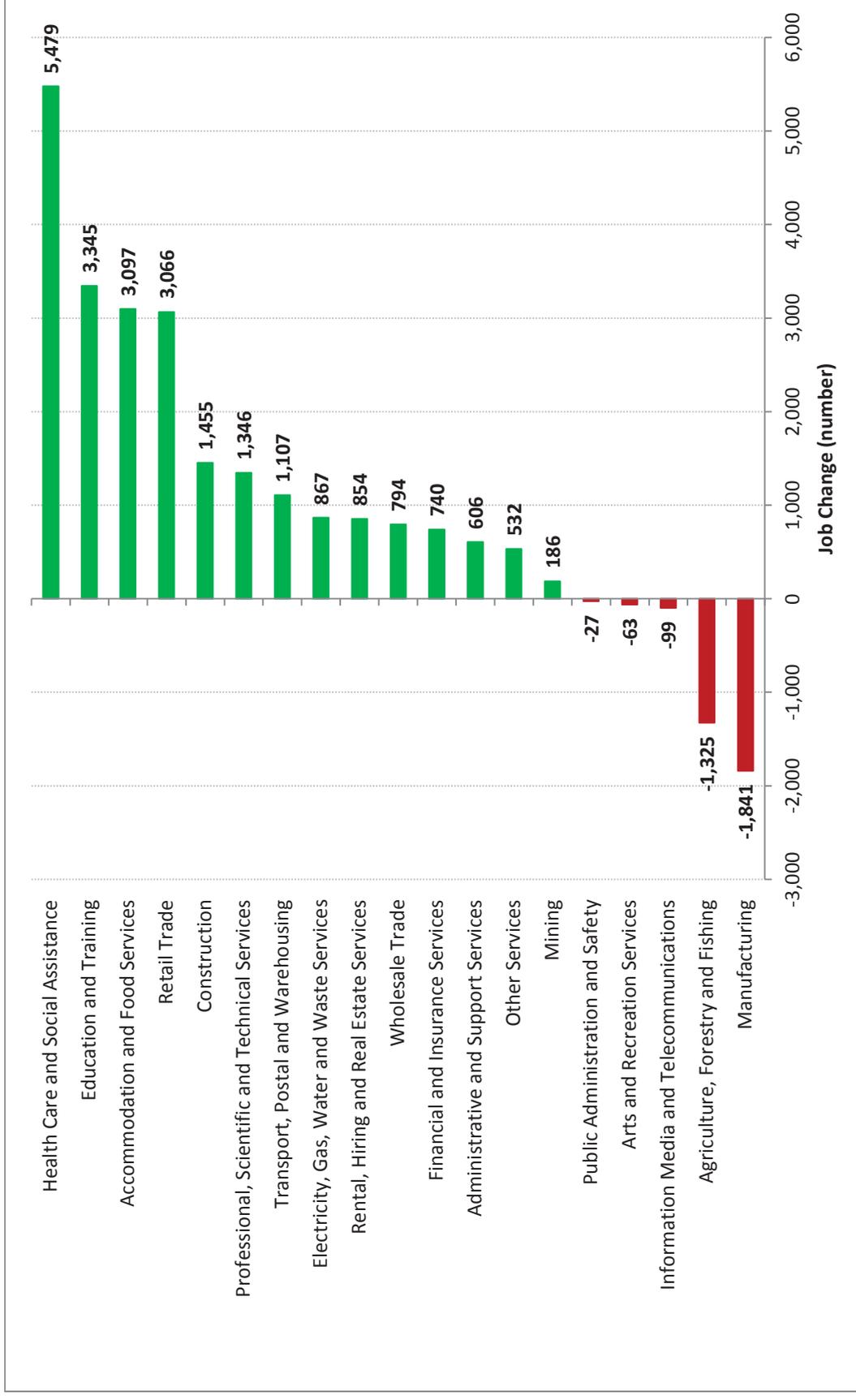
Employment Projections

MacroPlan Dimasi employment projections consider anticipated demographic and labour market drivers, as well as the ability of industry to generate employment in the North Coast region. Employment change by industry for the North Coast region is presented in the next chart.

These projections are characterised by:

1. An expected expansion in the North Coast regions' workforce with 930-940 additional jobs per annum between 2011 and 2031.
2. Sustained growth in service-orientated industries, attending to the needs of residents and visitors
3. Pronounced growth in the Health Care and Social Assistance, Education and Training, Retail Trade and Accommodation and Food Services.
4. Continued job losses in traditional industries such as Agriculture, Forestry and Fishing and Manufacturing – albeit at a slower pace relative to the 2006-2011 period

Figure 11. Employment Change by Industry, North Coast (2011-2031)



Source: MacroPlan Dimasi (2014)

Employment Land Need and Capacity

To accommodate employment growth, it is anticipated current commercial, industrial and special use capacity will need to be increased. Overall, MacroPlan Dimasi estimates that employment and economic growth in the North Coast region will require an additional (as a minimum) 77 hectares of business, 67 hectares of industrial and 35.1 hectares of special use floorspace over the forecast period (to 2031).

Land Use zone	Floorspace Demand (hectares)	Land Required (hectares)
Business*	77.0	104.4
Industrial	67.0	101.2
Special Uses	35.1	37.9

**Business includes retail and commercial*
Source: MacroPlan Dimasi

Having regard for observed and average floorspace ratios throughout the North Coast region, it is estimated approximately 104.4 hectares of business, 101.2 hectares of industrial and 37.9 hectares of special uses of zoned land will be required to accommodate employment growth over the forecast period to 2031.

Overall, at a regional level there is sufficient zoned employment land to fulfil the future employment needs of the North Coast region. As at 2031, it is estimated:

- Supply of business land will exceed demand by 358.2 hectares
- Supply of industrial land will exceed demand by 2,519.1 hectares
- Supply of special uses land will exceed demand by 1024.7 hectares

Land Use	Demand (ha)	Estimated Capacity (zoned)	Future Supply	Total Supply	Surplus (Deficit)
Business*	104.4	442.0	20.6	462.6	358.2
Industrial	101.2	991.4	1,628.9	2,620.3	2,519.1
Special Uses	37.9	1,054.9	7.7	1,062.6	1,024.7

*Business includes retail and commercial
Source: MacroPlan Dimasi (2014)

However, local environmental constraints, difficulties associated with redeveloping existing urban lands and the cost of delivering services (i.e. utilities, roads and upgrades) could reduce the scope of land available for future development, meaning more land may be required.

Moreover, a development outcome requires a 'locational' union between supply and demand. As such the location of zoned land may not be appropriate or consistent with market requirements or the needs of new and emerging businesses, which may also require additional land above current estimates be made available.

Notably, there are specific exceptions to this broader 'regional' outcome for business zoned (and future) land, including the LGAs of Byron, Tweed, Bellingen and Richmond Valley.

To increase the stock of business land, rezoning of sites at the periphery of existing commercial cores, towns and centres (i.e. local and neighbourhood) may represent a practical approach to delivering more 'business' land. Moreover, greater utilisation of existing B4 Mixed Use land is another plausible solution, which in general is largely underdeveloped in the North Coast region.

Notably, it is estimated a deficiency of special use zoned land will materialise in two LGAs – Kyogle and Richmond Valley. It is believed some demand for health services (and hence employment) will be accommodated in commercial/retail premises, as well as at aged care facilities and private residential dwellings (i.e. home care)

While there is an adequate stock of industrial zoned land, MacroPlan Dimasi anticipates the majority of development in this category will occur at existing industrial parks – either through redevelopment or extension of existing industrial

parks. Latent land from a receding manufacturing industry is expected to rise, and could potentially be absorbed by growing industrial sectors such as transport, logistics and warehousing (through redevelopment).

Conclusion

Over the next 20 years, the greatest influence on the region will stem from its aged population, from a labour supply perspective. Coupled with weak growth amongst young working adults, the region's ability to provide required services will be tested.

However, an ageing population, improved consumer confidence, a lower Australian dollar and greater visitation are expected to deliver benefits to the North Coast region. In summary, key growth opportunities include:

- Retirement and aged care services – ageing within the local population and in traditional regions in NSW (e.g. Sydney) is expected to underscore demand for retirement and aged care product in the North Coast.
- In line with the region's evolving demographic forces (i.e. ageing), demand for health services is expected to increase significantly. This situation will be particularly true for Healthcare and Social Assistance, both in terms of patient demand and qualified healthcare workers. In essence, this is expected to present employment opportunities, and in effect stymie the outflow of young working residents from the region.
- Tourism services (Accommodation and Food Services, Retail Trade etc.) – as the Australian dollar depreciates and competition amongst international carriers subsides, the volume of domestic visitors to the North Coast is expected to increase significantly (at the expense of overseas travel). The flow-on benefits are expected to be widespread, creating part-time and full-time jobs across a range of industries.
- Industry diversification and more employment opportunities will help retain young workers in the region, as well as entice others who currently live in other locations, which will in turn support population driven industries such as Education and Training and Retail Trade.

- Transport, logistics and warehousing – When combined with sustained reliance on imports, the Pacific Highway upgrades will provide opportunities for transport, logistics and warehousing operators and spur investment in industrial premises (e.g. Northern Gateway Transport Hub).

On the other hand, the outlook for traditional industries is unfavourable, with further contractions anticipated in the Manufacturing and Agriculture, Forestry and Fishing industries. Even with a depreciating dollar, competition from international producers (due to lower labour and operating costs) is expected to undermine production in the North Coast. There are however, some exceptions to this, with some LGAs such as Kyogle, which is anticipated to benefit from specialised manufacturing activities.

In the absence of new infrastructure projects and sustained non-residential construction activity (particularly health related), the outlook for the construction industry is uncertain. While housing and demographic fundamentals all point to a property market recovery, significant service and infrastructure impediments are expected to limit the scope of the recovery.

However, on the balance, an ageing population and a sustained inflow of retirees are expected to support residential construction activity in the North Coast region. When combined with continued investment in non-residential buildings (e.g. health, industrial, education airports, retail and commercial) it is expected employment growth will be realised in this sector.