

MidCoast Council

Assessment of the Economic Effects on Forster and Taree
of Consolidating the Major Council Office to Taree



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Urbacity



Executive Summary

Introduction

This assessment considers the economic effects of a reduction in Council administration staff in Forster and an increase in administration staff in Taree as a consequence of:

- The mergers of Greater Taree City Council, Great Lakes Council and Gloucester Shire Council resulting in a consolidated main Council office in Taree.

Council has undertaken independent Cost Benefit Analysis (CBA) that has determined operational and cost benefits resulting from the consolidation of the current disparate offices to a single site.

The conclusion of the CBA is logical and to be expected. The remaining issue that was not dealt with in the CBA was the level to which economic change would occur as a consequence of a consolidated site and branch office service structure. The most obvious negative effects would be felt in Forster, where staffing levels of the Council will be lower than the previous staffing level, and positive effects will be felt in Taree where staffing levels will be higher.

The effects of this consolidation of Council functions therefore, are predominantly distribution or transfer effects from one place, in the Local Government area, to another place.

Contributory Economic Factors

This economic assessment has by definition a narrow range, largely confined to an assessment of the effects of staffing reductions in Forster and increases in staffing in Taree and the effects of these changes on the local

economy.

The likely outcomes are twofold:

1. Loss of some administration staff AND concurrent loss of these staff as residents in Forster
2. Loss of administration staff in Forster and re-employment of these staff in the area.

The first outcome assumes that for all staff lost in Forster some will be transferred to Taree and the others will leave the area. The second assumes that staff lost in Forster will be employed in other businesses in the town centre. The first of these assumed outcomes is unlikely as it presumes that:

- The staff lost do not have the skills to be re-employed in town or;
- There are no jobs available in Forster that would take some or all of these workers.

What is more likely is that some staff will leave the area and some staff will be re-employed in the town and/or area in and around Forster.

Growth

Both Forster and Taree areas are growing and are projected to continue to grow to 2036. The Forster-Tuncurry area is projected to grow from 19,940 persons in 2016 to 23,920 in 2036, an increase of 20% or equivalent to 200 new persons arriving in the area per annum.

By way of note, there were 232 local government employees in Forster-Tuncurry in 2016. Many of these employees will continue in service centre, library, depot and visitor centre.

This growth in population and households will generate demand for around 2,700 new jobs in the Forster-Tuncurry area.

The Taree urban area is projected to grow from 23,397 persons in 2016 to 27,509 in 2036.

Additional Office Space and Jobs

By providing an additional 9,000 (approx) square metres of new office floorspace in the area, Council will increase the overall supply of commercial office space in the region. The office space vacated by Council in Forster remains available in the market and is likely to be taken up by other users. Whilst this is unlikely to occur overnight (and ignoring any latent demand), population growth in the area will result in an increase in demand for commercial floorspace. In other words, the most likely outcome in Forster will be the gradual occupation of the vacated space by other users. The economic effect is therefore neutral.

The same effect is likely to be experienced in Taree township, where Council is also vacating its premises and is in discussion with the University who may use the Pulteney Street facility as a part of its campus.

In summary, the addition of the Biripi Way site results in vacated space in both Forster and Taree and population growth (plus any latent demand for commercial space) will result in these vacated spaces being occupied at some point in the future.

This is a beneficial economic outcome as when the new Council premises are included, it results in the supply of additional commercial floorspace in the market.

Commercial Floorspace and Room Nights

The effect of additional floorspace in Taree as a consequence of the occupation of the Biripi Way premises is estimated to add 3,600 room nights to Taree (and increase of

6.5% in occupancy levels).

As room nights is correlated to occupied commercial space in a region, it is likely that any effects on room nights in Forster are muted and temporary.

In regional terms, and other factors aside, room night levels would be expected to increase in the region due to population growth and an increase in occupied commercial floorspace.

Assessment of Effects

There will be a temporary loss of economic capacity in Forster as a consequence of the loss of most administration staff from the township. The Forster administration premises previously occupied by Council will remain as an economic asset and projected growth and time will replace the workers lost as this space will be available to the market.

In modelling a **total loss** of Council staff from Forster, the effect on Forster retail spend at the (unlikely) point at which all the workers depart the town (as workers and residents) is -1.1%. The actual loss will be considerably less.

Council is releasing commercial floorspace to the market comprising 4,050 square metres in Forster and 4,230 in Taree. The economic effect is that commercial or employment capacity in Forster remains neutral, whilst Taree receives the benefit of an increase in supply.

Council is increasing commercial floorspace in the region by around 9,000 square metres. This is a positive economic benefit to the region. An added benefit is that this space is an adaptive re-use of an otherwise vacant and difficult space to re-use for any other purpose.

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DISCLAIMER: The information contained within this document forms a basic analysis of economic effects within the MidCoast area and the towns of Taree and Forster particularly and is prepared on behalf of MidCoast Council. It has no binding effect of itself but is intended to inform the Council of the effects of its occupation of the new facility in Taree and the vacating of existing office space within Taree and Forster-Tuncurry. Information contained in this document is provided in good faith and is believed to be correct at the time of printing. However, the statements or representation contained in it should not be accepted as statements of fact nor should it be capable of universal application. Urbacity and its employees, agents or contractors shall not be liable to any person, whether through contract, tort or any other legal or equitable obligation for any past, present or future loss or damage that may result from any implementation of or failure to implement the material set out in this document.

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1 Introduction

The purpose of this document is to provide an assessment of economic effects of the consolidation of Council facilities to a major single site in Taree. The former Great Lakes Council had its major office in Forster and the Greater Taree City Council main office was located in Taree. Since the merger, MidCoast Council has been operating out of both Forster and Taree offices. The operation of Council services in this manner has been deemed inefficient through studies done by others in consultation with Council staff. In order to improve services to the community, Council has purchased a site in Biripi Way in Taree, where it will consolidate the current disparate Council functions

1.1 MidCoast Council Merger - Explained

MidCoast Council represents the consolidation of three previous Councils being:

- Great Lakes Council - based in Forster
- Greater Taree City Council - based in Taree and,
- Gloucester Shire Council - based in Gloucester

In addition, the merger also took into the structure Mid Coast Water, subsequent to the merger of the three Councils. It is understood that three Council service centres will remain in each of the former council areas and all of the Gloucester staff will remain.

The Councils of Great Lakes (approx 34,500 people in 2011), the City of Greater Taree (approx 46,500 people in 2011), and Gloucester Shire Council (approx 4,900 people in 2011) were consolidated into a single Local Government Area that contained around 90,400 people in the 2016 Census.

It is understood that in addition to depot and other field staff, regional administration will require maintenance of Council presence in:

- King Street, Gloucester (the former Council offices)
- Myall Street, Tea Gardens (the existing Community Centre)
- Church Lane, Stroud
- A Customer Service Centre at Forster, reflecting the importance and size of Forster and its catchment.

It is also understood that Council depots and other non - administrative based service facilities will remain as is. Taree staff will move to the new facility when completed. The majority of all administrative staff will remain as is, and a proportion of the administrative staff will move to Taree.

1.2 The Business Case - Savills Analysis

A business case for the consolidation of offices and services was prepared by Savills and Syneca Consulting in January 2018 (Savills Study). It is understood that Council undertook extensive internal consultation regarding staff allocation and performance under the dispersed office model and found a number of performance issues that it believed adversely affected the level of service being delivered to the community served by the Council. Issues included:

- Separation of functions between teams in administration and support.
- Cultural tensions between staff, in part due to poor communication as a consequence of separation of functions.
- Inheritance of sites not suited to the dynamics of a merged Council.

The Savills Study identified the characteristics and employment capacity levels of the Council's legacy sites as follows:

The four legacy sites and associated staff numbers (i.e. building capacity) are:

- MCC Administration Taree - Pulteney Street, Taree – capacity of 100 staff
- Water Services Taree – Muldoon Street, Taree – capacity of 59 staff
- MCC Administration Forster – Breese Parade, Forster – capacity of 137 staff
- Water Services Forster - Breese Parade, Forster – capacity of 58 staff

The challenge of operating multiple offices in Forster and Taree is having a negative impact on productivity, morale and cohesiveness. There is a significant level of frustration which is impacting on the culture at MCC.

MCC now seeks to address these impacts and non-constructive workplace culture by improving the physical workplace environment and streamlining business operations.

The Savills Study considered location and service options available to Council as follows:

- Two high level options to be explored in the Cost Benefit Analysis (CBA) in addition to a “do nothing” assessment
- The best value for money option for MCC
- Financial and economic costs and benefits of each option
- A possible funding strategy for the preferred option

These options were tested using multi-criteria in relation to Council operations:

- Improved work efficiencies and culture
- A net financial benefit based on
 - Annual operational costs
 - Forecast asset maintenance
- A neutral economic benefit

What was not tested was the potential economic effect of a consolidated head office in Taree or a substantial service facility in Forster. The focus of the CBA was predominantly focused on service (to the community) levels, and operational costs rather than any redistribution of economic benefit from one place to another.

The analysis considered two options:

1. "Campus Option". The refurbishing and improvement of existing building assets that retained the four existing sites in Taree and Forster.
2. The relocation of the Council to a single office in Biripi Way, Taree

The CBA scored the single site option well ahead of the campus option that retained and re-purposed the existing assets and re-housed the staff.

The CBA identified inefficiencies of the current campus option that are structural to that option and are not removed by simple building and site improvements.

The conclusion of the CBA is logical and to be expected. The remaining issue that was not dealt with in the CBA was the level to which economic change would occur as a consequence of a consolidated site and branch office service structure. The most obvious negative effects would be felt in Forster, where staffing levels of the Council are likely to be lower than the previous staffing level, and positive effects felt in Taree where staffing levels will be higher.

2 Contributory Economic Factors

The purpose of this section is to determine the economic basis for evaluating a change in the Council's servicing functions from a multi-service (Campus) model to a single "Head Office" model with service centres in the other major centres. The "Head Office" of the MidCoast Council is located in Biripi Way, Taree.

2.1 The Basis for this Economic Assessment

This economic assessment has by definition a narrow range, largely confined to an assessment of the effects of staffing reductions in Forster and increases in staffing in Taree and their effects on the local economy. This effect is largely a distribution or transfer effect, although there are likely to be some net benefit effects over and above the allocation effects through agglomeration as a consequence of the much larger requirement for servicing of Council within Taree. This would be an additional benefit to that which would have occurred under the more dispersed "Campus" model. The CBA indirectly highlights this effect in its assessments of benefits.

Councils have a range of demands for business and property services relating to all aspects of its business and properties from stationery, to furniture, appliances, equipment and utensils, IT equipment, catering, communication services, maintenance and cleaning etc. Businesses that physically deliver services to Council (such as catering, cleaning etc) will have been principally impacted by the loss of Council occupied floorspace, but this space will be made available on the market as the former space is sold/leased. This loss is likely to be temporary in Forster and in Taree as growth occurs and the vacant former Council offices are sold or leased. A similar situation will occur around personal service providers such as beauty/hairdressing and health and fitness.

In terms of contractual services to Council from businesses in these towns, we are advised that these are likely to continue under business-as-usual conditions with existing suppliers across the region.

This assessment will consider the likely effect of changes to these towns as a consequence of a transfer of administration staff (in numeric terms) from Forster to Taree. In assessing each town it is appropriate to consider not only point-in-time effects but also the level to which each town is able over time to adapt. Both towns are projected to grow and this would make it easier to deal with any transfer of expenditure making the loss only temporary.

It is of note that the Biripi Way facility is largely independent of Taree township, with the township not within reasonable walking distance of the site. This means that convenient services that rely on walking access are likely to be less frequented than if the facility was in town.

2.2 Growth in Taree and Forster Catchments

Forster has benefitted from growth since 2001 and will continue to benefit from growth to 2036 according to Council projections.

The catchment for the Forster town centre extends further than Forster-Tuncurry and would include the areas of Pacific Palms, Blueys Beach and Coomba Park. These three areas are also growing strongly, with the 2019 population of 3,504 estimated to grow by 16.5% to 4,083 by 2036. Similarly the population of Forster-Tuncurry is expected to expand by 20% from 19,940 in the 2016 year to 23,920 in 2036.

This projected growth reflects the ongoing appeal of the location for new residents, predominantly from Sydney.

The following tables for Forster-Tuncurry show growth since 2001 in household formation and population, as well as a gradual reduction in the proportion of holiday (unoccupied) homes.

Table 1 - Forster-Tuncurry Population Growth and Projections

Population	Census				Projection	Growth from 2016
	2001	2006	2011	2016	2036	
Tuncurry	5,500	5,720	6,190	6,200	6,800	
Forster	12,440	12,700	13,120	13,740	17,110	
Total	17,940	18,420	19,310	19,940	23,920	20%
NSW				7.75m	9.9m	28%

Source: Australian Bureau of Statistics Census, id Forecasts, MidCoast Council, NSW Government

Table 2 - Forster-Tuncurry Household Growth

Households	Census							
	2001		2006		2011		2016	
	Occupied	Unoccupied	Occupied	Unoccupied	Occupied	Unoccupied	Occupied	Unoccupied
Forster - Tuncurry	8,007	1,891	8,310	2,405	8,406	2,353	8,794	2,251
% Unoccupied		19.1		22.4		21.9		20.4

Source: Australian Bureau of Statistics Census

The population data for Taree sits across two data sets, with different area definitions for Taree and the surrounding areas. The projection to 2036 is undertaken for Council by .idcommunity. The Taree area defined by .id forecasts is different to that defined for the Census, but the Census forms the basis of .id's 2011 and 2012 figures as well as the projection to 2036. Consequently, we have used their population and dwelling type (households) figures for the Taree area and have included both the Taree urban area and the Taree "Balance" area outside of town.

Unfortunately, the Australian Bureau of Statistics (ABS) has also changed the area definitions for Taree between the 2006 Census and the 2011 Census, so the data for the area doesn't match pre 2011. It is possible to combine small area Census District data to get to similar

area definitions, but for the purposes of this assessment the conclusions are unlikely to change. Essentially, the Taree area has experienced lower levels of growth for a number of years. The community (Council's population forecasters) project that there will be stronger growth between 2016 and 2036, reversing the trend of low growth.

Table 3 - Taree Population Growth and Projections

Population	Projection			Growth
	2011	2016	2036	
Taree	17,844	17,883	21,481	
Taree Balance	5,391	5,514	6,028	
Total	23,235	23,397	27,509	18%

Source: id Forecasts, MidCoast Council

The growth in the Taree region (including the former Gloucester LGA between 2001 and 2016 generally hovers between 200 and 250 new residents per annum, as shown in Table 5.

Table 4 - Taree Household Growth

Households	2011		2016	
	Occupied	Unoccupied	Occupied	Unoccupied
	Taree	7,120	720	7,372
Taree Balance	2,082	232	2,214	237
% Unoccupied		9.4		8.0

Source: Australian Bureau of Statistics, id Forecasts

Note: Census Area boundaries changed for Taree between 2006 and 2011 - consequently and unlike Forster-Tuncurry we do not have comparative figures for 2001 and 2006

Table 5 - Taree Regional Population Growth

Population	Census			
	2001	2006	2011	2016
Greater Taree/Gloucester	47,630	49,945	51,359	53,856

Source: Australian Bureau of Statistics Census

There are a number of conclusions available from the data that influence location choice for a consolidated Council office.

1. The population of the Taree catchment and region is larger than a catchment centred on Forster-Tuncurry (54,000 versus 31,000).
2. The Taree urban area has seen little growth over the past 2 census periods and so the benefit and support to the economy of the consolidated facility will be helpful.
3. Growth in Forster-Tuncurry is projected to be substantial between 2016 and 2036, with the .id projections showing a 20% increase in population (an additional 4,000 people).
4. Any loss of revenue in the local economy of Forster-Tuncurry as a consequence of a reduction in Council staff numbers in the townships will be offset by growth. The numbers relating to this outcome are provided later in this report.

2.3 Catchments and Access

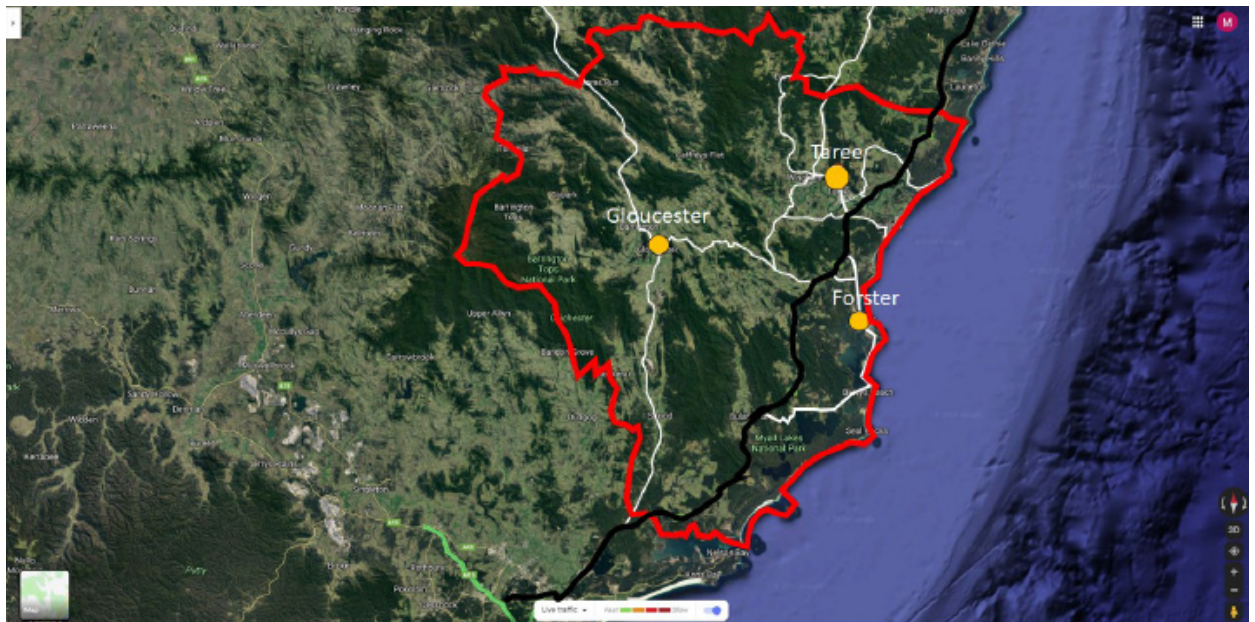
When accessibility to the majority of the MidCoast population is added, the locational case for Taree is strong, with its close proximity to the country's major east coast highway (A1).

Taree also has the benefit of good links to the rural hinterland to the west and the coast to the east.

Forster has no direct east west links with access from the A1 to its south some 63 kilometres away, and from the north, Possum Brush is the nearest access point from the highway at 22 kilometres distant. The major issue for Forster is the lack of network available for access from the wider MidCoast catchment. Forster is one road in and one road out, which would be an issue for government location in terms resilience etc.

In conclusion, there is little doubt that the major Council facility should be in Taree as it is the major centre of the MidCoast region and has better access for the majority of the residents of the Local Government Area (LGA). Figure 1 simplistically shows the relative accessibility relationships to catchments between Forster and Taree.

Figure 1 - Taree and Forster Accessibility & Network Structure



Whilst Forster appears more central to the LGA on a north-south axis, environmental barriers to the west prevent direct access from the majority of the LGA's populations within its western-only catchment. The regional and district road patterns are better aligned in terms of the catchment's relationship with Taree.

2.4 Changes in Taree and Forster Workforce Structure

The core shift in the effects of a consolidated Council facility in Taree is the net transfer effect of employment in Forster to Taree. It is our understanding that the current design proposal for the site is for 360 staff, to be housed in part of the building but that additional capacity exists within the existing building with capacity to grow to accommodate more staff if needed.

The 2016 Census provides employment figures for the three Councils, as shown in Table 6.

Table 6 - Council Employee Numbers by Centre 2016

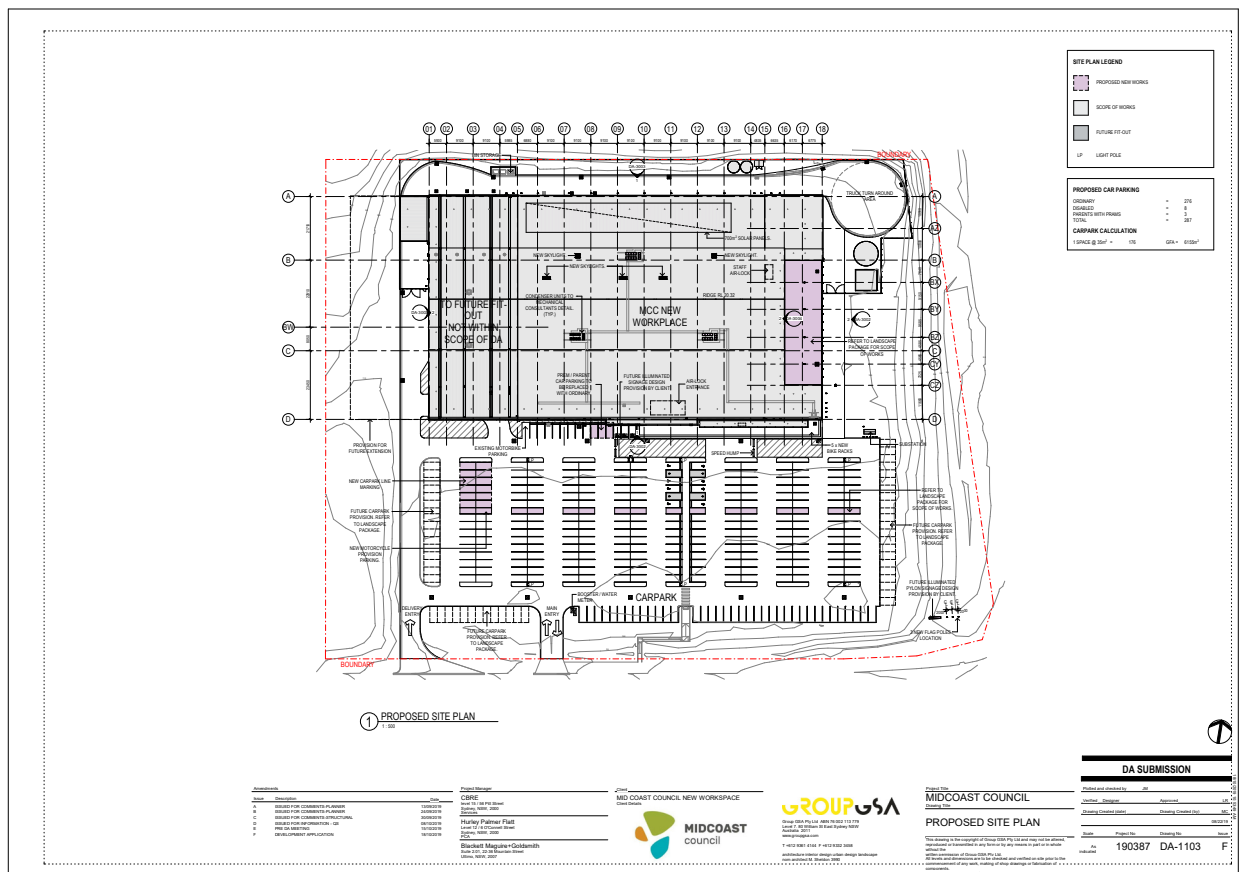
	Centre			Total
	Taree	Gloucester	Forster-Tuncurry	
Council Employees 2016 Census	189	75	232	496

Source: Australian Bureau of Statistics Census

Council has undertaken design analysis of the Biripi Way facility and provided a floorplan that establishes a 360 person facility.

The site is shown in Figure 2.

Figure 2 - Proposed Council Facility



The site and building in Biripi Way has the capacity to accommodate more than the current proposed level of staffing.

2.5 Occupied Office Space and Room Nights

There is a correlation between occupied office space and the demand that this space generates for room nights in hotels, motels etc., nearby. This correlation exists to reflect the fact that commercial activities generate demand for firms (and their staff) to provide goods and services to that activity, in this case the Council. Remote businesses will be providing a range

of services to Council, all of which will generate room night demand that would include the following:

- Staff training
- IT support
- Specialist planning expertise and contractors
- Temporary staff
- Visiting Councillor overnights
- Planning legal
- Corporate legal
- Accounting and audit
- Visiting dignitaries
- Council sponsored events

Concentrating Council employment in Taree will therefore increase demand for overnight beds in Taree.

The visitor patterns that influence the economic structures of Taree and Forster-Tuncurry however, are markedly different.

The occupied floorspace for the new Council building in Taree we have assumed will be 8,400 square metres. This is based on an 85% efficiency rate for the 9,910 square metre building. The added demand for room nights makes the arbitrary assumption that the same occupancy rates and room availability of 2015-2016 will occur in the full opening year of the Council offices in Biripi Way (which will clearly not be the case, but this is the most recent data and therefore allows for the assessment to take place).

The demand assessment shown in Table 6 takes the ABS data and applies the additional room night demand created by the occupied Council building (as if it were there in 2015-2016). This is done simply to demonstrate the effect of the newly occupied floorspace on occupied room nights in Taree.

Table 7 - Hotel/Motel Accommodation Resource & Projection - Forster-Tuncurry, Taree

	Establishments	Rooms	Available Annual Room Nights	Room Nights Occupied	Annual Occupancy Rate
Forster	10	270	98,550	48,273	49.0%
Tuncurry	3	66	24,090	9,895	41.1%
Taree	14	298	108,770	57,045	52.4%
Taree Plus	14	298	108,770	60,653	55.8%

Note: "Taree Plus" is the inclusion of the Council facility as if operating at Biripi Way in the 2016 year (which is the most recent year for data collected by ABS for Tourist Accommodation in Australia).

Sources: ABS Tourist Accommodation 2015-2016 Cat: 8635.0, CB Richard Ellis, Pinnacle Advisory Group, Urbacity.

The demand for accommodation in Taree as a consequence of the new office space of Council

is estimated at around 3,600 additional room nights, an increase of 6.5% in occupancy (or a requirement for 5 new hotel rooms at current occupancy levels).

2.6 The Effect of Changes in Office Supply in Forster and Taree

The Council is vacating offices in Taree and Forster-Tuncurry in order to combine functions in a single place where assumed communication and functional efficiencies will improve the level of service to the community. This move will cause Council offices in these centres to become vacant.

In economic terms these facilities represent economic assets that are available for occupation in the market place - by others. The professional leasing advice given to these consultants is that these former Council premises are able to be leased over time for a range of predominantly private and small businesses.

This means that the Biripi Way site represents an addition of floorspace, not a replacement, and therefore the economic effect of additional supply and increased total floorspace in the LGA is a positive one.

The Table below is copied from Syneca's Impact Modelling (Table 3.1) undertaken for the Council in their review of location options and CBA.

Office	MCC Admin Forster	MCC Admin Taree	Water Services Taree	Water Services Forster	Total
<i>Address</i>	<i>Breese Pde</i>	<i>Pulteney St</i>	<i>Muldoon St</i>	<i>Breese Pde</i>	
Site Area, sqm	7,600	3,059	5,500	1,030	17,189
Constructed	1981	1965	1999	2003	-
GFA (sqm)	3,020	3,250	980	1,030	9,910
Car Spaces	0	37	30	38	105

These sites are expected to realise approximately \$15 million for Council if sold, but they do not disappear as commercial stock from the market.

In regional towns such as Forster and Taree, the nature and composition of businesses is that it is difficult to fund the construction of new office stock, despite the likely latent demand for more floorspace flowing from long periods of growth and changed workplace trends. Furthermore, much of the "unused" commercial space in these towns is unsuited to modern workplace trends, with much of this space being "shop top" office, which is unsuited to the modern workplace. The dominant small town commercial space demand profile is for governmental agencies and many small businesses.

The capacity for developers to get signature (bankable) tenants to commit to leases for over 9,900 square metres of office space for a new-build in Forster or Taree is limited. Banks are reluctant to sign up loans for projects with multiple small tenancies and the nature of small business means that they are typically reluctant to commit to the extended lease terms required by lenders. Consequently, small town businesses exist in a wide variety of premise types from

home based businesses (around 11% of all homes), to office-shared premises and quasi-industrial spaces. The release of 9,900 square metres of quality commercial space to the market in these towns is a boost to each town's business or economic capacity.

This stock will also likely be released to the market with more flexible lease terms reflecting the needs of small businesses of the towns. The "new" stock is additional business infrastructure is more responsive to the changed nature of work. Some of this space would suit co-work and more flexible and variable lease terms, which better matches the business dynamics of the towns. The result is a positive and enabling economic infrastructure story for the MidCoast and a net addition of floorspace and worker numbers in the combined towns.

2.7 The Combined Accommodation Picture

When considering the composition of housing in Taree and Forster-Tuncurry alongside the accommodation statistics, some conclusions can be drawn about the economies of each centre.

1. Forster-Tuncurry has a large stock of unoccupied homes that are mostly used in the summer and in other holiday periods.
2. Taree has a low level of unoccupied housing at 8% (the national average in 2016 was 11.2%), so that resource is unlikely used for holidays. Taree does not have the holiday period benefits of Forster-Tuncurry.

One would expect that local service economy in Forster-Tuncurry would expand by between 20-30% in the holiday periods, taking into account the extensive numbers of caravan parks and cabins and hotel/motel accommodation (outside of holiday homes).

The seasonal nature is reflected in hotel/motel accommodation, which peaks in Forster at 70.2% in January and 63.7% in December, well above June and September quarter rates of 40.3% and 40.8% respectively.

Hotel/Motel occupancy levels in January for Taree in the peak holiday periods were 59% and in December 52.3%. The levels are only marginally above the off-holiday periods of June (50.7%) and September (53.1%). Indeed, the December figure is slightly below the year average of 52.4% and both holiday period figures probably reflects movement through the town to and from other destinations over that period. The holiday market for Taree is remote, based around the river at Croki and at the beaches, all of which are some distance from the town.

These characteristics reflect and determine the functions of each town. Forster is typical of coastal, beachside towns and this is reflected in visitation patterns, its demographic composition and its housing stock occupancy. Taree is a regional service town with limited seasonal variation in its accommodation numbers and high housing occupancy rates.

In terms of public sector employment characteristics, effective Local Government requires a meaningful relationship with State and Commonwealth agencies, and this requirement heavily favours Taree. Taree is comparatively strong in the regional service roles of "Public Administration", "Education and Training", and "Health Care and Social Assistance". In these three governmental roles, Taree had 4,202 workers in 2016, whereas Forster-Tuncurry had

2,144 (around half of Taree). Taree also has almost two times the employment level of Forster-Tuncurry in the other public sector categories of “Public Order, Safety and Regulatory Services” (141 compared with 76).

Taree has three times the manufacturing jobs of Forster-Tuncurry, around 50% more people employed in retail (but slightly less employed in accommodation and food and beverage services). Taree is more actively involved in manufacturing and construction and in government, and Forster-Tuncurry is more attuned to local services and tourism. As a consequence, Forster-Tuncurry had lower average weekly wages in 2016 per employee in its town centre (\$894) compared with Taree at \$956.

2.8 Conclusions

The physical economic assets of housing and commercial space shows different features for Taree and Forster-Tuncurry.

Taree is a larger town with a wider range of jobs at slightly higher wage levels than Forster, which is a population and holiday services town. Both towns however growing. Taree has a wider range of government functions at state and commonwealth levels, but despite servicing a larger population than Forster-Tuncurry, has a smaller number of employees in Local Government Services. Based on housing, employment and accommodation characteristics there are organisational relationship benefits, both internal (to Council and its staff) and external (to government agencies) in locating the main Council facility in Taree.

Forster-Tuncurry’s economy is seasonal, whereas Taree’s is relatively flat and constant. The loss of employment on the Forster-Tuncurry centre as a consequence of the relocation of Forster-Tuncurry Council staff to Taree is likely to be temporary as the vacated physical assets are available to the market for lease. It is likely that these assets will take time to be fully occupied, but it is most unlikely that they will remain permanently vacant. However, if the analysis shows that if the entire buildings asset in Forster is not able to be leased, population and household growth would quickly compensate for the loss of employment in the town’s retail spend. We will test this assumed loss and population growth over time in the following section to demonstrate how this “loss” might be recovered and the role that growth might play in offsetting any losses over time.

Finally, population growth also results in employment growth. In Forster-Tuncurry, 5,970 additional people are projected to live in this area between 2016 and 2036, which equates to around 2,500 new homes. At current national employment levels this means that new housing in Forster-Tuncurry will generate a requirement for around 2,700 new jobs.

If we assume that all the current 232 Local Government employees will disappear, these lost jobs will be made up in less than 2 years as new jobs are required to service the projected growth.

Generally Council jobs will pay slightly higher than administration jobs in the private sector, so there is likely to be some loss of earning potential if former Council administration staff are employed in the private sector within Forster. Whilst the effect on individuals might be marked, in economic terms the cumulative effect of this change on the economics of Forster are minor.

3 Assessment of Effects

This section provides a summary of the rationale around the effect of net loss of Council employment in Forster-Tuncurry, the net addition of Council employment in Taree, the term effects of growth in both centres.

3.1 The Effects Propositions & Conclusions

Of possible concern to the local communities of Forster-Tuncurry is the effect of loss of Council staff on the economies of the townships. As covered earlier in this document, the likely outcome is that this loss will be temporary as the physical resource of the Council buildings will be taken up by the market over time. In addition, growth in the catchment of these towns may also offset any loss.

The following table tests the proposition that all 232 employees of Council in 2016 will disappear from the town. Local communities and businesses would be concerned over this loss as effects would relate primarily to reduced retail and business expenditure in the town. However, the town and its catchment is growing.

The points below outline the likely outcome:

1. A net loss of Council staff in Forster-Tuncurry as Council workers either move or change employment.
2. The possibility that some of these staff will also leave Forster-Tuncurry (permanently).

Council is maintaining a service centre, library, visitor information centre, MidCoast Assist and a works depot in Forster-Tuncurry.

We don't know the level to which the workers lost from Council will be employed in the area in other businesses, nor do we know how many (if any) former Council workers will sell up and leave the area. In Table 8 below we have assumed that ALL current Council staff will cease to be workers and All these workers will sell their homes (or leave rental accommodation) and permanently leave Forster-Tuncurry. The table also looks at the effect of growth on future retail spend over the period to 2036.

Table 8 - The Effect on Retail Expenditure of All Current Council Workers Leaving Forster-Tuncurry

	Worker Exp Lost	Workers (as Residents) Exp Lost	Total Catchment Exp	% Net Effect
Forster-Tuncurry 2016	-\$350k	-\$3.5m	\$316m	-1.1%
Forster-Tuncurry 2036	-\$350k	-\$3.5m	\$391m	+22%

Source: Australian Bureau of Statistics Household Expenditure Survey 2016, Urbacity

The loss proposition assumes no growth in tourist visitation and everything else in the

economy of the town remaining the same.

The table shows that if all former Council workers sold up and left the town and took their families, there would be a 1.1% drop in retail expenditure available to the township in the year of departure. However, the table shows that this “loss” would be offset by population growth and associated jobs growth. Assuming therefore, straight line growth of the projected population in the years between 2016 and 2036, this initial loss would be made up in 2 years by population growth or in 2 years by jobs growth generated by population growth. In other words the combined effect of the assumed loss would disappear between years one and two.

If the jobs loss is half of the total (assuming retention of depot, library, service centre, visitor information centre etc), then the expenditure loss would also be half (i.e. 0.55%). In retail impact terms a loss of 1.1% is insignificant and would not be a matter of concern for planning if assessing the effects of such a loss as a consequence of competition.

In regional terms, the major economic effect of the new Council facility in Taree is a positive one. This is based on the fact that Council is vacating commercial space in both centres, returning that space to the market and occupying new space. The previous Council buildings are available and (we are advised by independent studies on these buildings) are well suited to commercial occupation. This floorspace will be occupied in future, but by tenants other than Council. For instance, discussions have taken place with the university to use the Taree Pulteney Street offices as a part of its campus.

Council will either receive cash from the sale of these buildings, or rent. The economic effect is that here is a **net addition of commercial floorspace** in the MidCoast area. This means the following is likely for each town:

- Forster-Tuncurry will convert public sector commercial space to private sector commercial space, resulting in no net loss of commercial space and no net loss of employment. The space released to the market will be 4,050 square metres.
- Taree will gain some 9,000 square metres of additional commercial floorspace, in the form of a “new” Council building. Like in Forster, the 4,230 square metres of current Council buildings will convert from public sector space to private sector space (or university campus).

The result is an increase in the supply to the market of commercial office space in both towns. Given that both towns and their catchments are expected to grow, this additional space is well positioned to benefit from an increase in demand generated by that growth. Given also that it is difficult to fund new commercial office space development in either town, the release of these sites to the market is an effective investment by the Council in each towns’ commercial infrastructure.

The net increase in commercial or “market” floorspace is likely to have a stimulating effect on business in these towns. This effect will offset and exceed any temporary effects of loss of retail trade in Forster-Tuncurry, which, in any event is offset by retail trade gains in Taree. Population growth will also support the growth in employment and the growth in retail turnover in both towns.

Other effects are also likely to be temporary including reductions in social exchange in the

town centres and the loss of formed relationships (personal and professional) as a consequence of loss of workers.

The overall conclusion in an economic sense is that economic capacity is increased as Council is adding commercial floorspace in the region. As a consequence of moving some administration staff from Forster there may be temporary reductions in economic output in that town, but the reductions are minor and they will be offset in short order by the growth that is projected to occur in that town.